

September 13, 2012

Dear Ladies and Gentleman of the CAISO Board of Governors,

The California Consumers Alliance appreciates the opportunity to express our concerns, and your consideration of the following.

The California Consumers Alliance is an organization of Transmission Access Charge (TAC) ratepayers who reside and work in the distribution service territories of the three Investor Owned Utilities. These distribution service territories define a major portion of the California Independent System Operator's balancing authority area. To the extent our resources allow, the CCA is an active stakeholder at CAISO. Our goal is to continue to bring a consumer's perspective to grid design and development processes administered by the CAISO. Most of the costs associated with these grid design and development processes are allocated to the consumers and therefore, the consumers' perspective and interests should be an important and integral part of these decisions.

FERC Order No.1000 discusses the importance of timely and meaningful participation in regional transmission planning processes by all stakeholders. To enhance broad stakeholder participation, FERC Order No. 1000 references the concept of intervenor funding mechanisms. The CCA is compelled to address intervenor funding in the context of the CAISO's FERC Order No. 1000 compliance initiative.

To be clear, it is not our belief that compliance with the Final Rule requires establishing an intervenor funding mechanism. Rather, our approach has been and remains an appeal for a fair solution to a problem we are experiencing. Our plea is based upon the fundamental principle of just and equal treatment, which we believe to be consistent with the spirit of Order No.1000. It is not our intention to challenge CAISO management's interpretation of the Rule, nor the staff's prepared recommendations; we appreciate the CAISO staff's topical inclusion of the issues of concern we bring to the compliance initiative, and, the opportunity to explain our position.

While appreciated, the CAISO management's informal offers of less technical summaries and off-line explanations by staff, do not alleviate the fundamental concerns we have expressed. The offer presented in Attachment A, Summary of Submitted Comments, Topic 14, provides nothing more than business as usual. Therefore our appeal is ongoing, and we respectfully request that the CAISO acknowledge the current funding deficiency that unduly limits participation in the CAISO TPP by consumer representatives. Lack of funding is an obstacle that prevents meaningful participation of a particular class of stakeholders in the CAISO's otherwise open and transparent transmission planning process.

In our submitted comments, the CCA shared its experiences with explanations of the barrier we are encountering. We have also described the inherently discriminatory impact that results from inadequate funding. Finally, we offered a recognizable and equitable

means to remove the impediment. We summarize the main observations of our submitted comments as follows:

- In order to access models and data used, understand the information presented, and meaningfully participate (for example, identify and propose cost effective solutions), in a regional transmission plan; stakeholders must have or retain skills and resources.
- The ability of stakeholders to effectively participate in regional transmission planning processes is intrinsically linked to level of resources available to them.
- Certain stakeholders recover their costs to participate in the CAISO regional transmission planning processes via socialized cost allocation methods. This group includes the CAISO, IOUs, PTOs, State and Federal Regulators, and other Governmental Agencies.
- Prospective stakeholders, i.e. independent transmission and generation project developers also have viable means to recover costs associated with their participation in CAISO regional transmission planning processes.
- In contrast, most non-market participants, i.e. utility ratepayers, have no conceivable method to recover their costs to participate.

The public interest is served when all stakeholders have the opportunity to participate in the regional transmission planning processes on an approximately level playing field. On one hand are experienced, technically proficient and compensated professionals representing utilities, prospective transmission and generation developers, public utility transmission providers, regulators, and government agencies. On the other hand are unpaid, non-market participants, including consumers, who are hard pressed to have even a high-level familiarity with a regional transmission planning process. It is our experience that the inability to retain subject matter experts and the specialized analytical resources required to understand and provide information, is a factor that limits the ability of consumers to participate. This inability is directly traceable to inadequate funding.

The disparity consumers face as a result of not being able to participate in the CAISO's transmission planning processes at the same level of other well-funded stakeholders, is made even more troubling in that consumers pay for, or are expected to pay for, all of the above groups' effective participation in the regional transmission planning process. This fact makes CAISO's Management's suggestion that interested parties (presumably non-market participants) avail themselves of intervenor compensation at the California Public Utilities Commission, a hard pill to swallow. Furthermore, by sending consumers down the road to the CPUC, management fails to acknowledge CAISO's critical role in approving transmission projects whose costs will be recovered through the CAISO's TAC mechanism. Transmission rates are exclusively FERC jurisdictional; the CPUC has no control over those rates. Recognize that:

- CAISO management has specific responsibilities for identifying transmission expansion needs and for including those needs in the CAISO's annual transmission plan.
- The CAISO Board has specific responsibilities for choosing between competing transmission sponsors to meet an identified transmission expansion need in situations where other regulatory authorities do not, or are unable to, make such determinations.
- The CAISO Board has specific responsibilities for approving (or denying) cost recovery through TAC for transmission upgrades proposed by transmission sponsors.
- CAISO management has specific responsibilities for approving (or denying) cost recovery through TAC for transmission upgrades included in Generator Interconnection Agreements signed by CAISO management.

Again, the CCA is not challenging the compliance filing that CAISO staff has prepared. Nevertheless, we continue to believe that an intervener funding mechanism is a fair and recognizable solution to our ongoing concerns. Most importantly, an equitable funding mechanism incorporating a substantial contribution benchmark would provide tangible benefits to consumers statewide because consumers have a strong incentive to identify a wide range of feasible and cost-effective solutions for identified grid needs.

In closing, our hope is that the issue of intervener funding will be on your agenda in the not too distant future.

Respectfully Submitted,

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