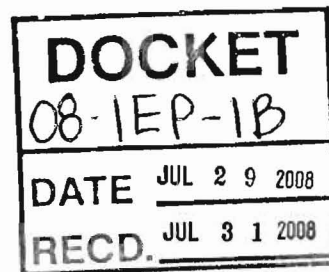


STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION



Preparation of the)
2008 Integrated Energy Policy Report Update) Docket No. 08-IEP-1B
and the 2009 Integrated Energy Policy Report)

**Comments of the California Wind Energy Association
and the Large-scale Solar Association on
Transmission Issues for 33% Renewables by 2020**

The California Wind Energy Association ("CalWEA") and the Large-scale Solar Association ("LSA") appreciate this opportunity to comment on transmission issues related to achieving 33% renewables by 2020. These comments elaborate further on some of the comments made at the July 23 workshop by Dariush Shirmohammadi for Oak Creek Energy Systems, a CalWEA member company, and Arthur Haubenstock of BrightSource Energy, Inc., an LSA member company.

The Commission seeks comments on the sufficiency of existing initiatives in removing the major transmission barriers associated with higher levels of renewables penetration. CalWEA and LSA are convinced that meaningful regional transmission planning focused on optimal transmission solutions, rather than on cost allocation issues, and streamlined to avoid duplicative and disjunctive transmission studies, are necessary to assure that California can achieve its 33% renewables target. Together with several concentrated solar power companies preceding the formation of LSA, CalWEA has commented on these issues before the California Public Utilities Commission ("CPUC")¹ and the California Independent System Operator

¹ See CPUC proceeding on "promoting the development of transmission infrastructure to provide access to renewable energy resources for California," Investigation 08-03-010 and Rulemaking 08-03-009. CalWEA and LSA's April 16, 2008, comments are posted at <http://www.calwea.org/publicFilings.html>.

(“CAISO”).²² Below, we summarize our major points, and we attach the comments for further reference.

A. Streamlining the Transmission Process is Necessary

Currently, individual agencies sequentially review proposed transmission projects, repeating prior needs assessments and studies. CalWEA and LSA propose a process that would change the orientation of the studies, making optimal transmission solutions the priority rather than cost allocation. This would eliminate the time- and resource-consuming duplication of studies at a time when the efficient deployment of transmission planning is critical, and, most importantly, would promote least-cost transmission development over cost allocation concerns. In particular:

- The CAISO should determine the need for transmission, using information from the CPUC, the Energy Commission, and the Legislature as to required renewable energy procurement levels and after consultation with the Transmission Planning Process (“TPP”) stakeholders, and in coordination with other control areas. This information would include conceptual backbone transmission plans developed in the Renewable Energy Transmission Initiative (“RETI”) process and eventually the Western Governors’ Association Western Renewable Energy Zone initiative (“WREZ”), which would enable the CAISO to comprehensively plan for transmission expansions that meet the system’s reliability needs, take advantage of economic opportunities, and facilitate the interconnection of generators with interconnection agreements.
- The CAISO’s determination of need should become a rebuttable presumption in the CPUC’s CPCN process, which will reduce the CPCN processing time and enable the CPUC and the Energy Commission to focus on routing the needed transmission facilities. To the extent possible, there should be multiple routes for every point-to-point transmission expansion developed in the CAISO TPP.
- The affected PTOs would then take the list of acceptable routes and design the transmission expansion based on those routes. If the PTO must deviate from the listed routes, the PTO would return to the Commission for additional guidance. The PTO would ultimately be responsible for completing the design.
- The CAISO should then assign the obligation to finance and build to the PTO in whose service territory the line will be located (cost obligations are further addressed below).

²² See CAISO Generator Interconnection Process Reform (“GIPR”) initiative. CalWEA and LSA’s numerous comments can be found at <http://www.calwea.org/publicFilings.html>.

B. Multi-purpose Transmission Lines Should be Financed by the PTO

Under the CAISO's reformed Generation Interconnection Process Reform ("GIPR") process, a multipurpose transmission plan will ultimately emerge from the CAISO's TPP, which should be the best, least-cost solution to meet all transmission needs. In addition, however, the CAISO proposes separate studies to determine, on a case-by-case basis, a basis for generators to finance a portion of the multi-purpose transmission upgrades that emerge from the TPP. This could result in suboptimal transmission solutions while consuming time and resources. CalWEA and LSA believe that scarce transmission planning resources must be used efficiently to develop the best, least-cost transmission solutions. To eliminate the need for this two-stage study process, CalWEA and LSA believe that the PTOs should be obligated to fund fully the upgrades developed as part of the CAISO TPP:

- PTO financing reduces total costs to ratepayers, who in the current two-stage process must repay the generators who fund network upgrades at higher financing costs than those available to PTOs;
- The PTOs are able to obtain timely cost recovery through Federal Energy Regulatory Commission ("FERC") ratemaking; and
- It will be increasingly difficult or impossible to assign a portion of the network transmission upgrades to generators, as those network upgrades will have been designed to meet multiple objectives (e.g., load growth, economic opportunities, LT-CRR feasibility maintenance, as well as generator interconnections), adding time and complexity to the process.

These alternatives would lessen the ultimate cost of transmission upgrades to consumers, and would alleviate the financing burden on the PTOs and thereby eliminate any need for duplicative and complex up-front financing by generators, which ultimately must be returned to the generators in any event. This approach will promote essential investment in new transmission needed to accommodate renewable resources in furtherance of California's policy goals. We urge the Energy Commission to support us in this approach before FERC in the GIPR tariff proceeding.

C. Meaningful Regional Transmission Planning is Needed to Achieve 33%

Solar, wind, and geothermal renewable facilities must be located where the resources are located. Tremendous potential for renewable energy development lies outside of state boundaries that could contribute to the 33% target. Coordinated transmission planning throughout the region would enable renewable resources to be delivered to California and reduce its reliance on fossil fuels. With coordinated transmission planning, complementary intermittent resources in resource-rich areas can support each other, increasing reliability and the amount of renewable energy that California and its neighbors can integrate. The parochial and inefficient individual transmission planning efforts place unnecessary hurdles in the way of the regional integration that is needed to achieve climate protection and other renewable goals, while adding time and costs to transmission planning and renewable development when we can least afford it. The Western Governors' Association is taking an important step with its WREZ initiative to bring all interested entities together to enhance transmission planning for renewables throughout the West. CalWEA and LSA believe that WREZ will be helpful, but more must be done to integrate transmission planning for renewables and make the most of the many resources that would thus be made available.

D. The CPUC Should Create a Cost-Tracking Mechanism for PTO Transmission Investments

One of the major disincentives to new transmission investment in California is the lengthy cost recovery delays that add to PTO financing carrying costs and harm PTOs credit matrices. Rates currently are adjusted only in response to new rate proceedings, which sometimes leads to multi-year delays between the time when the PTOs make the investment and when the utility places the facility into its rate base. Such delays adversely affect credit metrics monitored by rating agencies, leading to potential downgrades for utilities with large capital expenditure programs and long regulatory lags in cost recovery, which ultimately leads to higher borrowing costs and higher costs for consumers. Under formula rates, PTOs do not have to bear the financing costs until they file new rate cases.

Several states, such as Kansas, have employed a cost-tracking device that enables timely pass-through of transmission costs incurred under the FERC tariff, thereby allowing the PTOs to

recoup their costs at a much faster rate than in California. This cost-tracking mechanism has led to a significant increase in transmission investment in these other states.

The CPUC should create for California's PTOs a similar cost-tracking and -recovery mechanism. If necessary, the CPUC should seek legislative authority to implement such a cost-tracking mechanism. Such retail cost-tracking would not only be an effective means to both provide PTOs with incentives to build new transmission lines, but to ensure that PTO transmission rates accurately reflect current costs with both increases, as well as decreases, passed along to customers in a timely manner. The transmission owners with such formula rates on file with FERC uniformly have procedures in place to give customers and state commissions the opportunity to review audited costs and expenditures each year, and to raise prudence challenges if warranted. This process provides considerable comfort that PTO rates remain just and reasonable over time. CalWEA and LSA urge the Commission to support this approach.

E. Implement the Generation Interconnection Process Reform ("GIPR")

The CAISO's GIPR, which was filed yesterday at FERC, succeeds in accomplishing a number of significant fundamental reforms, including:

- studying projects with interconnection requests in geographically and electrically related clusters, as applicable;
- performing streamlined studies to identify the needed transmission upgrades for each cluster of projects as proxies for actual upgrades to be determined in the TPP;
- allocating the responsibility for the cost of the upgrades to individual projects according to their flow on the identified upgrades, eliminating the current practice of tagging the costs of an entire upgrade on the project that triggers it; and
- providing cost certainty, rather than the current cost-shifting on the basis of the activities of other projects.

These reforms will go a long way toward solving the problems that have caused the current queue quagmire. In addition, the GIPR proposal should fully meet two other fundamental reforms that are badly needed: (1) planning all transmission upgrades – including those needed for generators with signed Interconnection Agreements -- as part of the regional

Transmission Planning Process, and (2) requiring PTO funding of the multi-purpose upgrades that are produced by the TPP.

As discussed above, planning for all upgrades within a single study--which should be the TPP--will ensure optimum transmission upgrades that meet all system needs versus piecemeal transmission expansion done through a series of interconnection study processes. We are encouraged by the CAISO Board's direction to staff to attend to this issue as it adopted the proposal earlier this month, and look forward to reviewing the tariff filing.

As stated above in section B, we believe that this multiplicity of problems can be resolved with a single, simple solution: PTOs should be obligated to finance the upgrades developed as part of the CAISO TPP, reducing both time and cost and providing better transmission solutions.

Respectfully submitted,



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