

Comments of the California Wind Energy Association on CAISO Compliance Filing with FERC Order No. 890

August 10, 2007

The California Wind Energy Association (CalWEA) welcomes the opportunity to comment on CAISO's FERC Order 890 compliance filing. Our comments are specific and substantive, and we look forward to discussing them further in the CAISO Order 890 Stakeholder process.

Effective Transmission Planning Process Consistent with FERC Order 890

An effective regional transmission planning process that is consistent with all FERC orders in this area including Order 890 should consist of three stages:

- Stage 1: Assessment and identification of transmission needs and opportunities;¹
- Stage 2: Development of transmission plans/projects that can address the identified and verified transmission needs and opportunities; and
- Stage 3: Selection of the project(s) from the range of solutions identified in Stage 2 that, together with any non-transmission alternatives, would meet all transmission needs and opportunities in a least-cost/best-fit manner.

Each stage of the aforementioned process will consist of its own relevant steps. For example Stage 1 (assessment and identification of transmission needs and opportunities) in itself would consist of the following steps:

- Step 1A. An "Open Season" process for all transmission stakeholders, including PTOs, generation owners and developers, LSEs, and the CAISO, to introduce the reliability and economic issues and concerns that are expected to be addressed through transmission projects;
- Step 1B. Development of the necessary study assumptions and data, as well as the analysis method, to confirm the needs and opportunities introduced in Step A; and
- Step 1C. Performance of the necessary studies identified in Step 1B to verify and clearly document the transmission needs and opportunities.

Stages 2 and 3 would consist of similar steps.

¹ "Opportunities" essentially refer to what is normally called "economic planning," where transmission-system improvements are identified that are intended to address operational efficiency rather than to solve grid operational reliability problems.

Our comments focus on specific additional principles that should be added to the CAISO planning process, in order for this process to truly comply with the spirit and the letter of various FERC orders, including FERC Order 890.

Fully Open and Non-Discriminatory Planning Process

The proposed CAISO processes in the Strawman Proposal should be further expanded as follows:

- Allow all affected and interested parties, including PTOs, generation owners and developers, LSEs, neighboring TOs and sub-regional planning groups and the CAISO itself, to present transmission needs and opportunities during the need assessment stage via an open season process. Note that during this stage the goal would solely be to focus on needs and opportunities and not plans, projects, or solutions.² The CAISO would then work with all such parties to perform the necessary analyses to identify actual transmission needs and opportunities.
- Allow all affected and interested parties, through a second open season process, to propose solutions including transmission projects, including their planning level cost, to address the verified transmission needs and opportunities. The CAISO would then work with all such parties to screen such solutions, perform the necessary planning studies, and select the "promising" range of possible transmission solutions.
- CAISO should use a set of agreed-upon criteria to select the least-cost/best-fit solutions, including transmission projects and other viable solutions to resolve the identified needs and opportunities. The PTOs would have the opportunity to construct the transmission projects selected in their service territories consistent with their right of first refusal. All other eligible transmission developers could offer to build ISO-selected projects that the PTOs decline.

Regional Coordination

The level of coordination and cooperation among various bodies responsible for sub-regional planning, as envisioned by FERC Order 890, is on the rise. We encourage the CAISO to coordinate planning activities for its controlled grid with those of neighboring TOs and sub-regional planning entities, with the objective of expanding the scope of the identified and selected transmission plan/project(s).

² Thus, in the case of any open season proposal to study transmission access to a renewable resource area, the solution should not be presumed at this stage to be non-network, and therefore subject to treatment under the CAISO's Renewable Resource Initiative (RRI). In addition, as indicated in CalWEA's August 2, 2007, comments on the CAISO's RRI, a party that proposes the study of a renewable resource area not associated with projects in the queue, should be required to establish the greater commercial potential of the non-queued project area that would justify diverting the CAISO's resources from the study of queued projects and project clusters.

However, the CAISO should proceed promptly with its planning responsibilities even if neighboring TOs or sub-regional planning entities are unable or unwilling to engage on those issues; for example, they may be prevented from doing so by lack of a regulatory mandate and authority that the CAISO has in its area.

Consistency in Planning Practices

The current major CAISO planning functions (such as long-term regional planning, generation interconnection studies, LCR studies, etc.) often use different assumptions and data, and the planning process generally is disjointed from CAISO's market design. CalWEA strongly recommends that CAISO closely coordinate among all its planning functions. We believe that the greatest existing concern is coordination between generation interconnection studies and other CAISO planning functions.

We believe that CAISO's System Impact Studies, which determine "Network Delivery Upgrades (NDU)" for interconnecting generators, are one area where reforms are needed most. In general, the CAISO should, to the extent possible, use the same assumptions and data for these studies as it uses for its general transmission planning process. Our proposed reforms specifically would require that:

- Generation interconnection requests are studied in clusters. The CAISO should propose to FERC specific Tariff changes to allow logical grouping of interconnection requests.
- Reasonable assumptions are made about those projects that are expected to reasonably materialize within a cluster.
- Reasonable assumptions are made about dispatch diversity among generators in the cluster, as well as among generators in the cluster and existing generators.
- Reasonable assumptions are made about the impact of various means of congestion mitigation available to CAISO on identified NDU. For example, these studies should incorporate: (1) expected (improved) ISO congestion-management protocols under MRTU, which will likely be more efficient than the current practices; and (2) expected PIRP forecast improvements for intermittent renewables. We believe that sensible and economic operational practices for congestion management, including operating nomograms, can prevent very expensive NDUs for mitigating infrequent congestion.
- Studies to identify NDU for a clustered set of projects are performed on annual (or semi-annual or quarterly as dictated by the circumstances) basis,³ and tightly coordinated with the annual planning process conducted for all other transmission needs and opportunities.⁴

³ CAISO can still perform individual project interconnection studies as the need for such studies dictate.

By following these practices, ISO can select reasonable NDUs (or Remote Resource Interconnection Facilities, as appropriate) for a cluster of interconnecting projects that also address general CAISO transmission needs, as evidenced in the CAISO's Tehachapi Transmission Project conducted in 2006 and approved by the CAISO Board in January of 2007. The approved NDUs can then be rate-based, addressing one of the most contentious issues in the generation interconnection process. Once the NDUs for an interconnection cluster are identified, individual project interconnection studies could identify any additional network and facility-specific transmission upgrades and consider associated project-specific cost allocations.

⁴ Tight coordination between annual planning process and that of generation interconnection studies, especially in determining NDUs, would allow the CAISO to include feasible generation-based solutions to address transmission-related needs and opportunities.