

**Comments of  
California Wind Energy Association  
and  
Center for Energy Efficiency and Renewable Technologies  
on  
CAISO Renewable Energy Transmission Planning Process (RETPP)  
Second Revised (12/02/09) Straw Proposal**

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The California Wind Energy Association (CalWEA) and the Center for Energy Efficiency and Renewable Technologies (CEERT) strongly support the CAISO's objective of proactively planning for the transmission that will be necessary to achieve the state's renewable energy goals. We appreciate the discussion to date, which has led to this Second Revised Straw Proposal ("Revised Proposal"). We have four major concerns, however, which must be addressed before CalWEA and CEERT can support this proposal.<sup>1</sup>

As addressed below, our major concerns are the proposed planning criteria for determining RETPP Category 1 and 2 projects – which we believe fails to achieve the objectives of this initiative; over-reliance on the CTPG to conduct transmission planning; the need to clarify that the obligation is to finance and build RETPP projects; and the need to coordinate the RETPP with other transmission planning processes.

## **1. RETPP Planning Criteria**

The Revised Proposal (at p. 2) states that RETPP will use a planning process similar to RETI's concept of least regrets or foundational lines that could be approved without conditions related to future developments (Category 1 projects), with Category 2 projects being approved conditionally subject to later information, including commercial interest evidenced through generation development or contractual commitment.

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<sup>1</sup> In addition, CEERT may choose to take issue with the Right of First Refusal (ROFR) afforded to load-serving transmission owners in future comment periods.

Upon review of the Revised Proposal's more detailed planning approach, however, we find that it is, in fact, not consistent with the RETI approach and thus fails to achieve its primary goal: proactive planning of transmission upgrades needed to interconnect 33% renewables under a variety of possible development scenarios. Instead, the proposed process would attempt to predict a single development future by relying on the existence of PPAs, forecasting technology costs, predicting storage locations, etc. The proposed criteria are overly complex and subjective, with no clear criteria for selecting the upgrades to be built. As a result, it is possible that, instead of building a foundation that will foster competition toward any one of many possible market outcomes, the RETPP plan could end up "boxing us into a solution" that would leave the ratepayers with significant stranded assets or suboptimal generation options.

We strongly urge the CAISO to follow the principle of "least regrets" transmission planning for Category 1 projects. As described in CalWEA's 9-30-09 comments, the principle of least regrets planning for RETPP would require that the planning studies cover a multitude of renewable resource development scenarios leading to the selection of a separate set of transmission projects for each resource development scenario. Those transmission upgrades that are common to most scenarios should be identified as Category 1 (unconditional) projects and those projects that are common to at least two studies would be identified as Category 2 (conditional) projects.

A least-regrets approach is far more robust and will be far less controversial than the proposed approach, and therefore is much more likely to meet with approval at FERC and, potentially, in the courts.

## **2. Over-Reliance on the CTPG to Conduct Transmission Planning**

We continue to have serious concerns with the CAISO's proposal to rely on the nascent California Transmission Planning Group (CTPG) to timely complete the task of developing a comprehensive state-wide conceptual transmission plan to achieve the state's 33% renewable energy goal. Our concerns are not only related to the lack of transparency that traditionally has accompanied such processes, but also to the lack of accountability associated with such bodies. Further, the members of this group historically have had diverging and conflicting interests and, as such, we are genuinely concerned that their efforts will not be fruitful.

Thus, we are eager for the CAISO to specify *how* and *when* the CPTG "will become more transparent and allow for additional input by stakeholders" (Revised Proposal at p. 11), and we presume this will be spelled out in the next iteration of the proposal. We strongly recommend that the CTPG include non-utility stakeholders in its core study team to participate in day-to-day discussions and to review the process and the

results. The CAISO stated at the December 8<sup>th</sup> meeting that a CTPG Web site would be launched later in the week, and a draft Study Plan would be posted as well. We note that a December 17<sup>th</sup> CTPG conference call has been posted on the CAISO Web site, but no notice of a CTPG Web site launch nor draft Study Plan has been issued.

In addition, we urge the CAISO to anticipate, in its final proposal, the possibility that the CTPG will not be able to agree, or fully agree, on a conceptual renewable energy transmission plan. Thus, the CAISO should require that the CTPG deliver a workable draft Phase 1 proposal by first quarter 2010 and, absent that, provide for the CAISO to take on the task itself. This is consistent with the statement that “the CTPG process will likely not be established as its own Order 890 process [and that] the ultimate responsibility for planning remains with the CAISO.” (Revised Proposal at p. 11).

### **3. Need to Clarify that the Obligation is to *Finance and Build***

The Revised Proposal implies, but does not explicitly state, that a PTO that has an obligation to build identified components of the plan also has an obligation to fully upfront fund the project. To be meaningful, this initiative must relieve generation project developers of the heavy burden of financing network upgrades of all sorts. If PTOs are unwilling in the first instance to fully upfront fund the RETPP projects that they intend to build, or if they are unable to arrange financing by a specific deadline, qualified independent transmission developers must be allowed to step up to do so. In this event, the CAISO must likewise ensure that the independent transmission developer granted the project is able to recover its costs through the TAC, in order to enable that developer to close financing for the project.

### **4. Need to Coordinate RETPP with Other Transmission Planning Processes**

We agree with the Revised Proposal that, in the very short term -- until the CAISO and the transmission planning stakeholders have had the opportunity to reconcile at least three CAISO planning processes (the annual Transmission Planning Process, the Large Generator Interconnection Process, and the RETPP) -- these processes could largely be executed in parallel with one another. However, it is critical that the results of these processes be sufficiently coordinated to avoid duplication and inefficient transmission solutions.

Hence, we agree with the CAISO that, at least for the current cycle, the annual TPP should solely focus on “reliability-based projects.” However, since, as we understand it, there is little to no distinction between reliability-based and economically based transmission projects, especially when dealing with larger reliability projects, we

recommend that the TPP process be used only to identify projects that are needed within two years or which have an estimated cost of less than \$25 million.

Further, as the RETPP process will be recalibrated on an annual basis, it should be integrated with the annual TPP process as early as practicable. In addition, as we previously recommended, the Phase 2 Study stage of the LGIP process should be fully integrated into the annual TPP process. We recommend that the CAISO set a goal of integrating all of its fragmented transmission planning processes into one process within two years.

Finally, in line with CAISO's general discussions in its Revised Proposal, the CAISO must also clarify the timing of the RETPP respect to the LGIP. In particular, the CAISO must clearly state that: (1) the proposed transmission-project "right-sizing" will not delay the LGIP process; and (2) introduction of the RETPP will not further delay LGIA execution for Serial Group or Transition Cluster projects, nor lengthen the timeline for such LGIA execution for later-queued projects.

At the same time, the CAISO should consider asking Interconnection Customers whose projects are in the Serial Queue or in the Transition Cluster whether they wish to have their Feasibility or Phase 2 Study, respectively, be merged into the basecase of the upcoming RETPP study. Although an IC who agrees with such an arrangement might incur additional delays in finalizing the studies related to its project, in return, the network upgrades needed to interconnect the IC will be directly rate-based in the TAC since it is a part of the RETPP plan.

In closing, we would like to emphasize that we intend to work closely with the CAISO and other stakeholders to ensure that the proposed RETPP process, subject to the critical modifications suggested by CalWEA and CEERT, moves forward as expeditiously as possible. However, should delays of any origin enter the process, we would like to ensure that the CAISO is capable of reverting to its current integrated and Order 890-compliant TPP process, at least for the 2010 and 2011 planning cycles, whereby economic and reliability transmission project proposals from eligible transmission developers would be studied for approval based on their contributions to the interconnection of renewable resources in addition to their economic and reliability benefits.