

**Comments of the  
California Wind Energy Association  
on  
CAISO Renewable Energy Transmission Planning Process (RETPP)  
Second Draft Final Proposal (4/2/2010)**

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The California Wind Energy Association (“CalWEA”) appreciates the opportunity to submit these additional comments on the California Independent Transmission System Operator, Inc.’s (“CAISO”) “Second Draft Final Proposal” for its Renewable Energy Transmission Planning Process. We continue to 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 CAISO’s receptiveness to many of our suggestions, particularly the need to focus on the “least regrets” approach to planning transmission expansions in view of California’s initiatives to encourage the entry of new renewable resources into the market through new renewable portfolio standard (“RPS”) requirements and the Renewable Energy Transmission Initiative (“RETI”).

We believe that the CAISO has made substantial improvements to the RETPP approach, and offer these additional comments and suggestions for limited further refinements below.

**1. RETPP Planning Criteria—General Comments**

The Second Draft Final Proposal retains the three-phase planning strategy that will, in Phase 1, produce a statewide conceptual transmission plan with stakeholder input by July 2010 that “builds on” the RETI process. In Phase 2, a final plan will be developed with further stakeholder input for presentation to the Board of Governors in December 2010. Phase 2 will have three elements: (1) proposals for reliability, long-term CRR-driven, merchant and LCRIF projects; (2) specific transmission upgrades—termed “Category 1” facilities—found “unconditionally” to be needed for renewable generation access; and (3) transmission upgrades that may be needed, depending on future renewable energy development patterns—called “Category 2” upgrades. The Board will be asked to approve only the first two groups of projects, with authorization for Category 2 upgrades to be revisited in the 2011 RETPP planning cycle. Finally, Phase 3 will entertain proposals to build renewable access transmission upgrades that are

unconditionally approved in Phase 2. Upgrades not assigned to be built by participating transmission owners (“PTOs”) under existing tariff authority will be open for bidding by PTOs and non-PTOs alike.

We appreciate that the CAISO has taken to heart our concerns with the risks of over-building by expressly applying the “least regrets” approach to Category 1 projects, while deferring consideration of less certain Category 2 projects to future RETPP review cycles, as we had suggested. (Second Draft Final Proposal at p. 4.) We are further encouraged by the CAISO’s clarifications concerning the role of the California Transmission Planning Group (“CTPG”) in the development of the conceptual RETPP plan, particularly the clarifications that the CTPG plan “is intended to be truly conceptual, not prescriptive, and the CTPG is intended to be a vehicle for statewide collaboration and planning” and a “useful basis for further refinement.” (Second Draft Final Proposal at p. 5.) This clarification is important, given the CAISO’s role in planning transmission within its footprint, the possibility that the CTPG will not come to consensus, and the need to ensure fuller stakeholder participation than the CTPG may provide.

## **2. Integrated and Collaborative Transmission Planning**

We are very encouraged by the CAISO’s recognition that the RETPP, the LGIP and the overall transmission planning process (“TPP”) “cannot be conducted apart from one another.” (Second Draft Final Proposal at p. 8.) As such, we support the CAISO’s comment made on the April 8, 2010, stakeholder conference call that the RETPP could simply and appropriately be made a component of the annual TPP. We agree with the CAISO that merging these processes is the only way to ensure that the most effective transmission projects are identified as needed as part of an integrated transmission planning process, as we have long recommended.<sup>1</sup>

It is also very encouraging that the first phase of the CAISO integrated transmission planning process will include, on an ongoing annual basis, a collaborative effort among all transmission owners and operators in California through the CTPG, which will be performing the technical studies to identify, on a proactive basis, the transmission projects that are needed to meet various state mandated goals. In our previous comments we have stated that we were concerned about the efficacy of similar collaborative transmission planning processes and their disinclination to engage and work with the stakeholders. However, to date, we have been pleasantly surprised by the efficiency with which the CTPG has been performing its technical tasks, and its efforts to ensure stakeholders are heard and their needs accommodated if possible and appropriate.

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<sup>1</sup> See CalWEA’s LGIP reform whitepaper, which is available on-line at: [http://www.calwea.org/pdfs/publicFilings2008/FERC\\_Comments\\_Wind\\_Solar\\_\(1-10-08\).pdf](http://www.calwea.org/pdfs/publicFilings2008/FERC_Comments_Wind_Solar_(1-10-08).pdf).

We hope that the CTPG will continue in its effective and inclusive process. We believe, however, that the stakeholders should work together and codify a set of common rules and practices to follow in performing their collaborative transmission planning function, perhaps through revisions to the CAISO business practices manual for transmission planning.

### **3. Regulatory Authority for Renewable Energy Transmission Planning**

We appreciate the CAISO's desire to formalize the RETPP through tariff changes, but are unclear what specific changes the CAISO has in mind. Fundamentally, transmission planning involves modeling known and reasonably foreseeable changes to base system conditions over five-, 10- or 15-year planning horizons to ensure that the system is capable of continuing to provide safe and reliable service to transmission customers, consistent with North American Electric Reliability Corporation criteria. This entails, for example, adjusting models for known generation additions and retirements, and planned changes identified through utility integrated resource plans, or imposed by governing bodies through legal mandates.

The Federal Energy Regulatory Commission's ("FERC") Order No. 890 required jurisdictional transmission owners to adopt certain planning principles.<sup>2</sup> The CAISO did so by amending its open access transmission tariff in certain respects.<sup>3</sup> For example, the CAISO added Section 24.1 to its tariff to specify certain generally applicable criteria to be considered in deciding whether a transmission addition or upgrade is needed, including where it will (1) promote economic efficiency, (2) maintain system reliability, (3) satisfy the requirements of a location constrained resource interconnection facility, or (4) maintain the simultaneous feasibility of congestion revenue rights.<sup>4</sup> Section 24.2.4(b) of the tariff (formally Section 24.2.5.2(b)) gives the CAISO the discretion to require transmission upgrades not proposed under Section 24.1, but which have been identified by the CAISO as potential solutions during its transmission planning studies.<sup>5</sup> The CAISO's tariff, however, does not specify the details concerning transmission planning studies. Rather, the CAISO left many of the implementing details to its transmission planning business practices manual. FERC rejected the argument that the CAISO's

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<sup>2</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, at PP 440, 444-561, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

<sup>3</sup> *California Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,283 (2008), *order on reh'g*, 127 FERC ¶ 61,172 (2009); *California Indep. Sys. Operator Corp.*, Order No. 890 Compliance Filing, Docket No. OA08-62 (filed Dec. 21, 2007).

<sup>4</sup> *Id.* at P 63.

<sup>5</sup> *Id.* at P 70.

approach gave it too much discretion, and that it must include implementing details in its tariff. Rather, FERC held: “[i]t is unnecessary to require the CAISO to identify the universe of future transmission needs and the universe of alternatives that may come to light during the transmission planning process, and then identify and clearly articulate all of them in tariff language.”<sup>6</sup> Fundamentally, FERC requires “only those rules, standards, and practices that significantly affect transmission service be incorporated into the transmission provider’s [tariff].”<sup>7</sup>

Therefore, it seems to us that the CAISO does not require tariff authority specifying the details of its transmission planning models. The CAISO is free within the normal bounds of transmission planning to model system needs over the course of its planning horizons to the extent that those plans are shaped by known, or reasonably foreseeable, events. For example, the CAISO will be asking its board to approve “Category 1” projects that are found “unconditionally” to be needed to integrate renewable generation projects. This is conceptually no different from what the CAISO does when it approves upgrades that are driven in part by the addition of generation that uses fossil fuels. Moreover, to the extent the CAISO considers other factors when it identifies its list of “Category 2” projects for further study, it will simply be applying reasonably foreseeable circumstances to the models. A number of factors provide a reasonable basis for planning the transmission system over the next 10 to 15 years: the state’s current legal mandate to serve 20% of its energy demand through renewable resources, the Governor’s executive order to implement a 33% RPS target for 2020, and the results of the RETI process – all of this tempered by the “least regrets” approach.

A tariff filing to formalize RETPP as a separate leg of the TPP was conceptually more appealing early in the process when the goal was identified as formal transmission planning *for renewables*. The Second Draft Final Proposal, however, shifts the focus to an integrated transmission planning process to meet *system needs*. Applying the least regrets approach ensures that transmission facilities emerging from the TPP truly serve the broader transmission system in an integrated fashion that benefits all users of the transmission grid. Thought of in this way, the least regrets approach is a modeling technique to ensure that transmission planning produces facilities that are used and useful for utility service—“unconditionally necessary” as the CAISO has put it—and thus is simply a refinement of the planning analysis the CAISO should be performing in any event. As noted above, we believe the details of the least regrets approach should appropriately be memorialized in working documents available to CAISO stakeholders, such as the transmission planning business practice manual. This approach would significantly limit the scope of tariff changes that may be necessary to implement RETPP transmission planning reforms.

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<sup>6</sup> *Id.* at P 78. FERC further stated that “it is not necessary for every detail [of the CAISO’s transmission planning process] to be included in the tariff.” *Id.* at P 85.

<sup>7</sup> Order No. 890 at P 1649.

We respectfully suggest that, as part of its upcoming tariff development stakeholder process, the CAISO reflect carefully on the specific tariff changes that are needed, if any, to refine the TPP moving forward, and to report back to the stakeholders on its conclusions and reasoning.

#### **4. Least Regrets Transmission Planning (LRTP)**

We are very encouraged that CAISO (and the CTPG) prominently features the principle of least regrets transmission planning (“LRTP”) to categorize the transmission projects identified by the CTPG into necessary upgrades (Category 1) and conditional upgrades (Category 2) in Phase 1 of the RETPP (and simply the annual TPP in the future). We are, however, puzzled with the dearth of information presented in the CAISO’s RETPP proposal on how least regrets transmission planning will actually be conducted, given the importance of the least regrets concept to the proposed process – and its acceptance by stakeholders and the FERC. It is important to describe in detail the LRTP process to demonstrate that the approach will, in fact, produce a set of upgrades that will be needed under virtually any future generation development scenario. We have, in our previous comments, proposed what we think are some of the most important principles of the LRTP process, and we would be pleased to continue to discuss these ideas with the CAISO. In any case, the CAISO should present the critical principles that will underpin the LRTP in its board proposal (and in a proposed tariff provision if such a provision proves necessary), and all of the details should be included in revisions to the transmission planning section of the Business Practices Manual, after a stakeholder review process.

#### **5. Conditional Approval of Category 2 Transmission Lines**

We agree with CAISO’s proposal that not every Category 2 transmission project (which could be numerous) should receive conditional approval even to cover the cost of preliminary studies. We do encourage the CAISO to develop and implement a ranking process for Category 2 projects wherein the highest-ranked projects would receive conditional approval to conduct preliminary engineering, design and/or routing studies, and to have associated costs recovered. This preliminary work can save two to three years in the planning process, and it is thus worth doing for the most promising Category 2 projects. The principles for the ranking should be presented in the proposal submitted to the board, while the details should be spelled out in revisions to the transmission planning section of the Business Practices Manual, subject to the stakeholder review.