

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corp.)

Docket No. ER10-1401-000

**POST TECHNICAL CONFERENCE COMMENTS OF
CALIFORNIA WIND ENERGY ASSOCIATION**

The Commission Staff’s technical conference on the California Independent System Operator Corp.’s (“CAISO”) Revised Transmission Planning Process (“RTPP”) highlighted several significant concerns that the California Wind Energy Association (“CalWEA”) raised in its protest. The most important of these were (1) the need to define the criteria that CAISO will use to distinguish policy upgrades from other types of transmission facilities, (2) incorporation of specific “least regrets” criteria into the RTPP tariff provisions, (3) the need to make clear that each annual RTPP plan comports with the least-regrets planning method, regardless of whether it incorporates recommendations of the California Transmission Planning Group (“CTPG”) or other stakeholder interests, and (4) the treatment of network upgrades identified through the Large Generator Interconnection Process (“LGIP”) studies. Pursuant to the schedule established at the technical conference, CalWEA respectfully provides the following comments on these four key areas of concern.

1. Identifying Policy Upgrades

CalWEA shares the concern of Commission Staff about the need for clear tariff criteria to identify policy upgrades and distinguish them from upgrades for reliability, economic or other reasons. CAISO’s RTPP filing explained that “policy-driven” transmission upgrades are those that are needed to meet state or federal policy requirements for renewable energy and that it plans to identify these policy-driven elements “based on a ‘least regrets’ evaluation of

alternative generation development scenarios in order to minimize the risk of building under-utilized transmission capacity.”¹ The problem, however, is that CAISO’s proposed RTPP tariff lacks specific least-regrets planning criteria to be used to identify specific policy-driven network facilities.

In the similar context of economic upgrades, the Commission has required regional transmission planning tariffs to provide the “method by which [the regional entity] plans to weigh, consider and/or combine the various metrics it proposes for determining the net economic benefits of a project”² Here, while CAISO’s proposed tariff offered 10 criteria that it may take into account, the CAISO fails to specify the method it will use to weigh, consider or combine the various metrics to define policy upgrades.³ CAISO does not even propose to restrict itself to the 10 listed criteria because the tariff includes the caveat that it “may consider” them, “but is not limited” to the criteria on the list.

The least-regrets analysis is fundamentally a series of engineering sensitivity analyses to identify a common set of transmission elements that are needed in most, if not all, expected renewable development scenarios. The purpose of multi-scenario analysis is to reduce the risk of over-building and potentially stranded investment.⁴ This goal is not controversial,

¹ CAISO Filing Letter at p. 5.

² *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,265, at P 30 (2007); see *PJM Interconnection, L.L.C.*, 104 FERC ¶ 61,124, at P 61 (transmission provider “must place all procedures, standards, and requirements for proposing that a transmission owner construct a specific upgrade, and all procedures for charging customers, in its tariff, not in its manuals”), *order on reh’g*, 105 FERC ¶ 61,123 (2003).

³ RTPP Tariff § 24.4.6.6.

⁴ It can also readily lead to under-building of transmission needed to interconnect and integrate the needed renewable resources. In this regard, least-regrets planning can be thought of as a critical tool for “right sizing” the transmission system by enabling transmission planners to identify both those transmission elements that may be under-utilized, as well as circumstances when the plan is insufficient to meet reasonably foreseeable system needs for reliability, economic and policy-driven upgrades.

inasmuch as the CAISO has frequently mentioned it during its presentation at the technical conference, in its prepared materials and in its filing letter.

At the technical conference, Commission Staff thus correctly instructed the CAISO to file the least regrets method as part of its tariff. The CAISO's tariff, therefore, must include the complete list of metrics that it will use to identify the potential need for policy upgrades. It must also specify the least-regrets modeling method, and how the CAISO will apply it to weigh, combine, exclude or otherwise balance the metrics. Including the metrics and basic least-regrets methodology as part of the tariff is critical to understanding how the RTPP will be administered.⁵ The Commission should provide interested parties a further opportunity to comment on the CAISO's compliance filing to incorporate a definitive list of metrics and the implementing details of the least regrets planning method.

To graphically illustrate our concern over the potential outcome of a planning process unmoored by a least-regrets methodology, we present two conceptual transmission plans developed by the CTPG in Attachment A. The first is the conceptual plan initially produced by the CTPG, which was guided by least-regrets principles and clearly strengthens the foundation of the California grid, "opening the highways" for competition among any number of renewable energy facilities.⁶ The second is the latest CTPG plan, which is a collection of disjointed transmission elements that did not reflect least-regrets planning.⁷

⁵ *Pacific Gas and Electric Co.*, 81 FERC ¶ 61,320, at p. 62,471 (1997) (directing the CAISO to file certain protocols because "[m]any Tariff provisions simply cannot be understood and administered without the Protocols"); *accord California Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,076, at P 656 (explaining that "[o]ur policy is that all practices that significantly affect rates, terms and conditions fall within the purview of section 205(c) of the FPA, and, therefore, must be included in a tariff filed with the Commission"), *reh'g granted on other grounds*, 120 FERC ¶ 61,271 (2007).

⁶ Attachment A, at p. 3.

⁷ *Id.* at p. 4.

2. The Role of the CTPG

The RTPP tariff contemplates that the CAISO will prepare a statewide conceptual transmission plan each year in tandem with its annual transmission plan, which will harmonize transmission upgrades to meet reliability, economic or policy needs, incorporate network upgrades for new generation under the Large Generator Interconnection Procedures, and add upgrades for Location Constrained Interconnection Facilities.⁸ For nearly the past year, however, the CTPG—a self-selected group of California transmission owners—has been conducting a publicized (though not public) parallel transmission planning process. The chief concerns with the CTPG process is that it lacks transparency and it is unclear how the CAISO will use the results. In addition, although the CTPG’s initial modeling efforts used least-regrets planning, its most recent draft transmission plan abandoned that approach. This lack of clarity and failure to stick with least-regrets planning prompted CalWEA and others to raise concerns in their comments and protests that CAISO appears to be relying heavily on the CTPG to craft the initial (momentous) conceptual statewide transmission plan, perhaps to the point of delegating the transmission planning function to the CTPG without a clearly defined role or criteria spelled out in the tariff.

Presentations at the technical conference by CTPG participants did little to allay these concerns. For example, CTPG members confirmed at the conference that CTPG has no representation from non-incumbent transmission developers, nor is there any representation on the CTPG by renewable or other energy developers who have a keen interest in contributing to the transmission planning analysis. If the purpose of the CTPG is to develop a thoughtful stakeholder statewide conceptual transmission plan as an input to the CAISO’s annual

⁸ The statewide conceptual transmission plan will serve as an input into Phase 2 of the annual transmission planning process. *See* CAISO Filing Letter at p. 3.

transmission plan, then the CTPG should include representatives from interested stakeholder groups.

A more inclusive stakeholder process is particularly appropriate given that the CAISO confirmed at the technical conference that the CTPG's planning proposals hold no special significance and will not be automatically incorporated into the CAISO's statewide conceptual transmission plan. The CAISO also stated that it—and not the CTPG or any other entity—will have the sole responsibility to develop the annual transmission plan in accordance with the criteria specified in its tariff. Given this, it appears that the CTPG plays only an advisory role to the CAISO. As such, broader stakeholder inclusion in the CTPG would foster a more balanced analysis and alleviate concerns that the CTPG will simply promote projects that are favored by its members regardless of whether they truly serve the needs of California for reliability, economic or policy upgrades to the transmission grid.

At the technical conference, Commission Staff raised a concern about how to classify upgrades that may fall into more than one category (*i.e.*, reliability, economic or policy), which has implications under the tariff for which entity may have the obligation to build or finance the upgrades. Staff asked whether, in this circumstance, a panel of experts should make the determination. CalWEA believes that the CAISO should have the ultimate responsibility to classify projects under its tariff. That said, we also believe that a properly constituted CTPG would possess the requisite expertise to make recommendations to the CAISO, not only on the statewide conceptual transmission plan, but also the proper classification of the elements of the plan. Indeed, this is an additional reason for ensuring that the CTPG reflects appropriate stakeholder representation to guard against favoritism in the selection process. While we hope that the CTPG will become more inclusive and transparent, ultimately, we must rely on what the

CAISO spells out in its tariff as the criteria that any plan – the CTPG’s or any other – must meet if it is to be adopted by the CAISO. For this reason, it is imperative that the least-regrets methodology is spelled out in the tariff.

3. The Relationship of LGIP and RTPP Upgrades

Commission Staff also requested comments on how to differentiate RTPP policy upgrades from LGIP upgrades. CalWEA argued in its protest that RTPP and LGIP upgrades must be harmonized because there may be overlap between the two categories, but one is financed by transmission owners (RTPP), while the other must be financed by generation developers (LGIP).

CAISO’s filing recognized that network upgrades identified through the RTPP to fill policy needs may serve double duty because the lines are also identified through the LGIP.⁹ Yet, the CAISO’s filing fails to harmonize the RTPP and LGIP tariff provisions, particularly with respect to cost responsibility for transmission upgrades and the schedule for executing LGIAs. The Commission should require the CAISO to harmonize the two processes for both the 2010/2011 planning year, and future planning years.

There does not appear to be any reason why the CAISO cannot harmonize the LGIP studies with the RTPP for the 2010/2011 planning year. The CAISO has been releasing completed Phase II LGIP studies since early August. The CTPG is still in the process of completing its transmission planning recommendations and, in any event, the CAISO is developing its own annual transmission plan as it stated at the Technical Conference. Thus, CAISO should harmonize the Phase II LGIP studies with the 2010/2011 transmission plan and should, through a least-regrets analysis, identify the LGIP network upgrades that qualify as

⁹ RTPP Tariff § 24.1; CAISO Filing Letter at pp. 22-23.

policy upgrades under the RTPP.¹⁰ Any interconnecting generators that have provided security deposits for network upgrades that are subsequently identified as policy upgrades under the RTPP should have their deposits returned to them. Even if it is too late to reflect this common sense approach in the 2010/2011 planning year, there is no reason why the CAISO cannot adopt it for future planning years.

In addition, there is no reason to limit RTPP policy upgrade treatment to just some expanded portion of transmission lines initially identified in the LGIP as the CAISO has proposed. Presumably, if RTPP studies determine that an LGIP network upgrade should be expanded to serve policy needs, then the entire line is required for that purpose, not just the increment identified in the RTPP analysis. If the entire line is a policy upgrade, then the RTPP rules for financing and constructing the line should apply to the line in its entirety. The Commission should, therefore, direct the CAISO to revise its RTPP and LGIP tariff provisions to relieve interconnection customers of the obligation to post financial security for network upgrades later identified as policy upgrades under RTPP.

The need to revisit the financial security posting obligations under the tariff also leads to the need to revisit the schedule for submitting and executing LGIAs under the CAISO's cluster study approach, which affects the timing for the posting of financial security for network upgrades. Ideally, the RTPP schedule should be coordinated with the LGIP schedule so that interconnection customers and their lenders can have certainty about up-front security posting requirements as soon as possible. Such certainty is critical when network upgrades identified through the LGIP can be tens, or hundreds, of millions of dollars. While it is too late to

¹⁰ LGIP network upgrades that the CAISO arbitrarily proposes to qualify for RTPP treatment are (a) facilities rated 200 kV and above and a cost of \$100 million or more, (b) 500 kV substations with a cost of \$100 million or more, or (c) network upgrades with a cost of \$200 million or more. RTPP Tariff § 24.4.6.5.

harmonize the schedules for the current planning year, the Commission should direct the CAISO to revisit the issue in time to make appropriate schedule changes for the next one.

4. Third Party Financing and Construction of LGIP Network Upgrades

Finally, as the Commission considers whether, and the circumstances under which, incumbent transmission owners should have the right to build policy upgrades, it should likewise consider whether new transmission owners should be able to step in to finance and construct network upgrades identified through the LGIP when incumbents decline to finance them. As CalWEA pointed out in its protest, this circumstance creates an unlevel playing field for grid upgrades identified through the LGIP, but not the RTPP, even if those LGIP upgrades provide broad network benefits.

By way of example, the RTPP proposes a \$100 million threshold for network upgrades and a minimum voltage of 200 kV. It is not clear from the CAISO's proposal, however, whether it would aggregate separate facilities rated above 200 kV that are all identified in response to LGIP requests, or what criteria the CAISO would use to decide whether the separate facilities should be aggregated for purpose of the threshold. Thus, an interconnection customer could be assigned cost responsibility for a series of high voltage network upgrades that in the aggregate cost over \$100 million, yet are not treated as RTPP upgrades because the CAISO views the collection of upgrades as separate facilities that individually cost less than \$100 million. Moreover, under the proposed rules, unlike the RTPP classification, there is no opportunity for a third party to step in to finance and construct the network upgrades simply because they have been identified through the LGIP. The Commission should require the CAISO to remedy this unequal treatment by revising the LGIP portion of its tariff to permit third parties to finance and construct network upgrades identified through the LGIP when incumbent transmission owners decline to do so.

Respectfully submitted,

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ATTACHMENT A

CalWEA Comments on the CTPG Phase 3 Draft 2 Study Results

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August 19, 2010

CalWEA appreciates the opportunity to comment on the CTPG Phase 3 report. Our comments address the study approach -- with which we have serious concerns -- and the results of that approach.

As an initial matter, CalWEA supports the role of CTPG as a “technical” body that would, with a solely technical focus, develop a statewide (or better yet, region-wide) conceptual transmission plan for use by all California Balancing Authorities (BAs). We would, however, recommend that this group expand its core study team to include at least one qualified member representing Independent Transmission Companies (ITCs), and at least one qualified member representing renewable resource developers.

More importantly, CalWEA strongly recommends that the CTPG focus on developing a transmission plan that includes only major regional transmission projects based solely on the identified needs of California’s transmission system as well as transmission needs that are common to most, if not all, renewable energy development scenarios for meeting California’s 33% RPS requirement (i.e., least-regrets planning). CTPG’s focus should not be placed on requests to study specific proposed projects, although CPTG should subsequently measure the effectiveness of such proposed projects, if any, in efficiently meeting the needs identified in the overall transmission plan developed by the CTPG.

In the beginning of the CTPG process, we were encouraged by the CTPG team’s willingness to engage stakeholders and solicit their suggestions and comments. We found the team’s willingness to embrace the principles of “least regrets planning” especially encouraging.¹ When CTPG published the Phase 1 study results (see Figure 1, below), we were very pleased to observe that we were, by-and-large, on a path to developing a true statewide regional and “least regrets” transmission plan that various BAs could use to develop their specific transmission projects. This was despite the fact that the methods used were not sufficiently transparent.

Unfortunately, the results from the CTPG’s subsequent Phase 2 and Draft 1 of Phase 3 changed radically, consisting of many local transmission upgrades and therefore departing considerably from the promising “least regrets” conceptual plan that resulted from Phase I – see Figure 2, below. The stark contrast between Figures 1 and 2 clearly shows the effect of moving from a least-regrets

¹ The importance of the least regrets planning is discussed in CalWEA’s June 25, 2010 filing before FERC on the CAISO’s proposed Revised Transmission Planning Process.

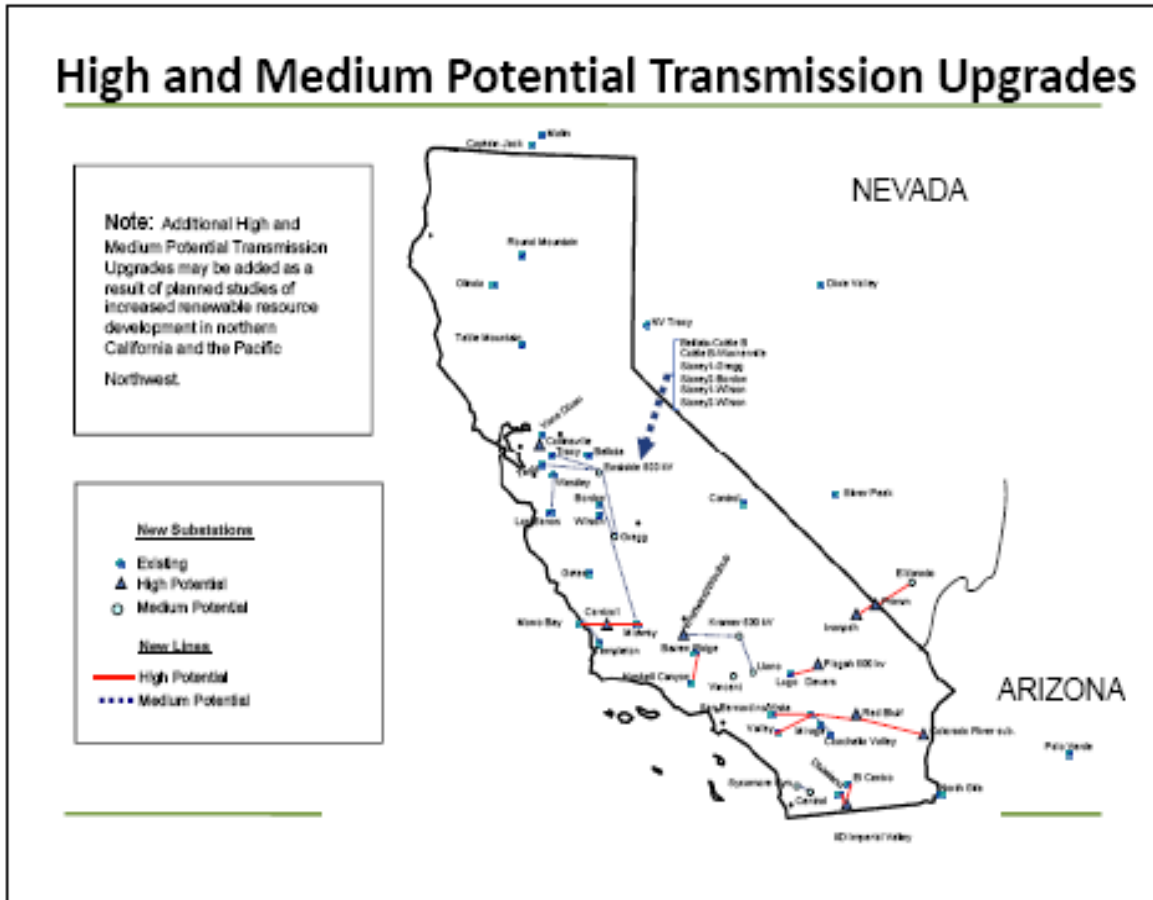
approach to a project-patchwork approach. In our submitted comments on the results from Phase 2 and Draft 1 of Phase 3, CalWEA specifically pointed to the failure of the CTPG process and results and offered ways of addressing the problem. (See CalWEA's 4/30/10 and 7/12/10 [comments](#).) Unfortunately, CTPG, which by this time had by and large disengaged from active stakeholder participation, not only ignored our comments but also failed even to post our April comments on its website for four months.

Given this history, CalWEA is particularly displeased with the Phase 3 Draft 2 results since not only has the CTPG neglected to modify its approach and generate a least-regrets transmission plan, but also, for unknown reasons, strongly recommends a number of transmission projects that:

1. Are largely already in advanced stages of study and development by its member utilities and are not in need of further clarification by CTPG; and
2. Do not meet the least-regrets test, as they are dependent on the development of only one or a few commercial projects and, as such, are at risk of becoming stranded transmission investments.

Therefore, we find that the Phase 3 Draft 2 results are of little value in advancing the stated objective of the CTPG and the CAISO to facilitate achievement of California's 33%-by-2020 RPS goal.

Figure 2. CTPG Phase 3 Draft 2 Transmission Plan



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by electronic mail or U.S. mail upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Washington, D.C. this 8th day of September, 2010.

/s/ Chimera N. Bowen

Chimera N. Bowen