

**ATTACHMENT TO
LARGE-SCALE SOLAR ASSOCIATION
LETTER TO
CALIFORNIA TRANSMISSION PLANNING GROUP
DATED DECEMBER 21, 2009**

Stakeholder Comments Template

Subject: Revised Straw Proposal on Getting to 33% RPS – Renewable Transmission Projects

Submitted by	Company	Date Submitted
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INTRODUCTION

The Large Solar Association (“LSA”) appreciates the opportunity to comment on the CAISO’s revised straw proposal titled *Getting to 33% RPS Through Comprehensive, State-wide Grid Planning* (hereinafter “Revised Straw Proposal”). LSA is the trade association for utility-scale solar developers in California and the Southwest.¹ Many LSA members are focusing their efforts on utilizing the results from RETI and have proposed projects that will access some of the most favorably considered CREZs. LSA will therefore be impacted by the amendments to the Transmission Planning Process and the work of the California Transmission Planning Group (“CTPG”).

LSA appreciates the opportunity to provide these comments and reiterates its support for the CAISO’s effort to plan for a 33% RPS. Transmission planning, approval and siting in California are the most significant hurdles to the State’s RPS goals. The Large Generator Interconnection Procedure (“LGIP”) and the existing Transmission Planning Process (“TPP”) will not overcome these hurdles. The State greatly needs a new methodology for approving transmission projects that will access the diversity of renewable power sources needed to reach California’s renewable energy and climate goals while maintaining a robust and reliable energy system.

¹ LSA represents eleven of the nation’s largest developers and providers of utility-scale solar generating resources. Collectively, LSA’s members have contracted to provide over 6 gigawatts (“GW”) of clean, sustainable solar power under contract to California’s load-serving entities (“LSEs”). Its members develop, own and operate various types of utility-scale solar technologies, including photovoltaic and solar thermal system designs. LSA, and its individual member companies, are leaders in the renewable energy industry, advancing solar generation technologies and advocating competitive market structures that facilitate significant integration of renewable energy throughout the western United States. LSA actively represents the interests of utility-scale solar development in California, Arizona, and Nevada, and also works to shape regional and federal policies that affect solar development.

The CAISO's revised proposal would make some progress towards filling the gaps in the State's transmission planning processes, but more can be done to create a comprehensive renewable transmission plan. Expedited approval for RETI Phase 2A Foundation Group transmission lines that provide access to priority renewable areas should be the primary objective of this effort. But that should not be the only focus. Reliability, access to a diverse array of technologies, and the import and export of renewable power should also be primary objectives of this planning effort. As detailed below, the CAISO should expand the scope of projects that are considered in the new process to include expedited approval for feeder lines and lines that serve regional transmission needs. LSA also urges the CAISO to ensure openness and transparency throughout the process by incorporating noticing and open meeting requirements in Phase 1 of the Straw Proposal. The CAISO should avoid any comparison of individual generation projects based on cost considerations. Finally, the CAISO should consider providing greater coordination of the LGIP, TPP, and the 33% RPS plan earlier in the process.

It is also critical to note that in order to meet the 33% RPS goal by 2020, the State needs to both "plan" and to "implement." We cannot afford to use the limited time available to us solely pursuing a single ideal plan, and leave no time for implementation. First, we must recognize that no single ideal plan exists. LSA supports more coordination and better planning, so long as that planning effort does not get in the way of implementation of good transmission projects when they are available. Second, it is extremely important to explicitly recognize that implementation of transmission construction is difficult and takes time. Robust and successful plans will recognize this, allow the flexibility for projects to move forward when real options are available, and adapt to changes in circumstances as necessary. LSA believes that a set of initial plans followed by a periodic updating process that accounts for changes is far more effective than pursuing a single ideal plan that is rigid and inflexible. LSA's specific comments are provided below.

DISCUSSION

1. CAISO Should Prioritize Expedient Approval of RETI Foundation Group Transmission Projects.

LSA submits that the highest priority for the CAISO in this proceeding should be the expeditious approval of the highest value Foundation Group transmission projects identified in the RETI Phase 2A report. The Foundation Group segments both provide access to significant amounts of the highest value renewable resource areas, and "provide major system benefits and are likely to be needed to meet load growth regardless of generation source."² These lines represent "least-regrets upgrades of the California grid likely to be required within a reasonable time frame regardless of where renewable generation develops, to improve reliability and reduce congestion."³

This proceeding should make its top priority the RETI report recommendation that the CAISO and POU's undertake detailed studies of the line segments in the Foundation Group, and

² RETI Phase 2A report p 1-21 (Aug 12)

³ Id p 3-94

expeditiously approve the highest value projects so that detailed design and permitting work may commence.

2. CAISO Should Incorporate Expedited Approval For Feeder Lines Into Its Proposal.

Both draft straw proposals have focused on approval of back-bone transmission lines. While back-bone lines are necessary for the State to access the most valuable renewable areas, there are other priorities that back-bone lines may not always address. Reliability, access to a diverse array of technologies, and the import and export of renewable power should also be primary objectives of this planning effort. The CAISO should therefore broaden the priorities as well as the types of projects that will be considered in the proposal.

A recent example illustrates the need to broaden the CAISO proposal. The Eldorado-Ivanpah Transmission Project (“EITP”) is one example of a feeder line that will improve reliability and access a significant amount of different renewable technologies in a resource rich area. Despite these benefits, the State’s transmission planning paradigm does not account for projects like EITP. EITP does not fall within the categories of lines that are considered in the existing TPP, nor does the LGIP fully account for EITP either. The EITP is a project in advanced stages of planning and permitting, and uses an existing corridor and rebuilds an existing line. It will allow interconnection of at least 1,400 MW of extremely viable renewable projects, many of which are also in advanced stages of development and permitting. This is a valuable example of a viable transmission project, supported by viable generation projects with extremely strong commercial and technical characteristics that the existing transmission planning paradigm cannot adequately and efficiently address.

The total capacity that will be needed requires analyses of renewable potential through RETI, in addition to the generation in the interconnection queue. The CAISO proposal can help alleviate this situation by broadening the scope of objectives and projects that may be considered in a 33% RPS plan. Specifically, the CAISO’s proposal should provide an expedited mechanism for consideration and approval of feeder lines like EITP.

3. CAISO Should Account For Regional Transmission Needs Relative To A 33% By 2020 RPS Early In The Planning Process.

In order to create a complete California transmission plan, the CAISO must allow for early consideration of regional transmission needs. California’s transmission grid is interconnected throughout the western states, as well as parts of Mexico and Canada. While there is vast potential for renewable development in California, areas outside of California are also capable of delivering cost-effective renewable power to California ratepayers. The proposal should encourage both the export and import of renewable power by creating a transmission plan that considers regional needs. An interregional approach is necessary to enhance both reliability and the capacity to integrate greater quantities of intermittent renewable energy. By creating a much wider footprint, LSEs could also meaningfully access not only “native” renewable generation, but also regional renewable generation. Doing so will maximize the value of clean power for California ratepayers, as well as ratepayers within the WECC. Thus, projects that serve regional needs should be considered in conjunction with California’s renewable

transmission needs. Again, lack of transmission, lack of effective cost allocation methods and lack of standardized and effective operating rules are the major roadblocks to more regional renewable generation development.

The Revised Straw Proposal contemplates that regional transmission needs would be addressed in Phase 2, after a plan has already been developed in Phase 1. Consideration of regional transmission needs this late in the process is contrary to the eight planning principles identified in Order 890. One of the eight principles is regional participation.⁴ The CAISO will not be able to effectively account for regional transmission issues if those issues are considered late in the process and only considered as an alternative. Thus, the CAISO should include regional transmission development as a component of the draft plan that is developed in Phase 1. It is important that regional transmission development is not considered an alternative to in-state development, but rather as a compliment to in-state development.

4. Federal Law Requires The CAISO To Create A Transparent Planning Process.

Order 890 requires the CAISO to undertake an open and transparent transmission planning process. Order 890 found certain deficiencies in the pro-forma open access transmission tariff (“OATT”).

[The] lack of coordination, openness and transparency results in opportunities for undue discrimination in transmission planning. Without adequate coordination and open participation, market participants have no means to determine whether the plan developed by the transmission provider in isolation is unduly discriminatory. This means that disputes over access and discrimination occur primarily *after the fact* because there is insufficient coordination and transparency between transmission providers and their customers for purposes of planning.⁵ (emphasis added)

Order 890 goes on to call for a more open and transparent transmission planning process and directs transmission providers to submit transmission planning proposals that comply with eight planning principles: coordination, openness, transparency, information exchange, comparability, dispute resolution, regional participation, and congestion studies.⁶ One of the key points of Order 890 is to not only allow for effective participation, but to allow for participation *throughout* the planning process.

The CAISO should bolster the discussion of how Phase 1 of the proposal will be Order 890 compliant. The Revised Straw Proposal states that the CTPG will create a draft 33% RPS transmission plan (“draft plan”) in Phase 1. LSA could support the development of a draft plan through the CTPG, so long as the process is open and transparent. A key attribute of the CTPG is its inclusion of municipal utilities, whose involvement is critical to a complete transmission

⁴ Id. at P. 242.

⁵ FERC Order 890, P. 240, available at: <http://www.ferc.gov/whats-new/comm-meet/2007/021507/E-1.pdf>

⁶ Id. at P. 242.

plan. However, other stakeholders must be involved early in the process as well. The submission of alternatives in Phase 2, in and of itself, will not provide a meaningful opportunity to participate in the development of a final transmission plan.

To avoid this result, LSA recommends that Phase 1 still involve the CTPG, but meetings should be noticed and made open to the public. The CAISO may also consider linking the 33% RPS Plan to WECC's planning processes. The results of the 33% RPS plan will eventually have to be considered by WECC. The WECC Transmission Expansion Planning and Policy Committee ("TEPPC") will not only be able to provide a forum for stakeholder input, but will also provide greater efficiency in implementation of the 33% RPS Plan results.

5. The Criteria For Evaluating Alternative Proposals In Phase 2 Should Be Clarified To Exclude Cost Characteristics Of Individual Generators.

The Revised Straw Proposal lists a number of criteria that could be used to determine the boundary between Category 1 and 2 lines, and to evaluate alternatives in Phase 2. "Cost supply function" is one of the listed criteria. LSA requests that this criterion be clarified to exclude generation technology costs of individual generators. The "cost supply function" criterion should only consider the cost of renewable zones. Individual generator costs are outside the scope of the CAISO's transmission planning process and are not a proper metric or criterion for overall transmission evaluation and development. Rather, this should be based on broader market considerations including total potential supply and demand. CAISO must find a more effective way to determine real market supply and demand rather than theoretical evaluations or evaluations based solely on individual generators. LSA suggests that evaluation of PPAs and overall status or development by area is likely to be a more effective way to assess total market supply and demand.

6. The CAISO Should Consider Providing Greater Coordination Of The LGIP, TPP, And The 33% RPS Plan Earlier In The Process.

LSA is concerned that linkage of the results from the LGIP, TPP, and the 33% RPS Plan will not occur until the later stages of the 33% RPS Plan. To provide greater coordination, the CAISO should provide greater linkage to the TPP milestones. The TPP has been tested and proven to have schedule discipline. Greater reliance on the TPP for the 33% RPS Plan will increase the likelihood that projects approved by the 33% RPS Plan are actually approved according to the schedule contemplated in the Revised Straw Proposal.

7. Once-through Cooling Developments Should Be Considered As Alternative Scenarios, Not An Assumption In The 33% RPS Plan.

The Revised Straw Proposal suggests consensus on once-through cooling ("OTC") would be a prerequisite before a comprehensive 33% RPS Plan could be developed. While the State has stated certain policy objectives for the retirement of OTC facilities, an exact schedule for retirement is far from certain. The CAISO should consider these developments as scenarios in the 33% RPS Plan (not an agreed to assumption) to avoid delaying the expedited approval of projects in the Plan.

CONCLUSION

LSA appreciates the CAISO's efforts and commitment to resolving the unique transmission development considerations posed by the State's renewable energy goals. In addition to the specific comments detailed above, LSA encourages the CAISO to broaden the scope of objectives considered in this proposal to include reliability, access to a diverse array of technologies, and the import and export of renewable power. Expedited approval of RETI trunk lines is the "no regrets" means to achieve these objectives at the least cost. The process should also incorporate consideration of feeder lines and regional transmission needs, both of which will further the objectives listed above. LSA also strongly encourages the CAISO to ensure that the 33% RPS Plan is transparent throughout the entire process. LSA appreciates the opportunity to comment here and looks forward to working with all stakeholders towards realizing the State's renewable energy goals.

Stakeholder Comments Template

Subject: Getting to 33% Renewables Portfolio Standard – Renewable Transmission Projects

Submitted by	Company	Date Submitted
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The Large Solar Association (LSA) appreciates the opportunity to comment on the CAISO-proposed changes to the transmission planning process. LSA is the trade association representing utility-scale solar developers in California and elsewhere.¹ Many LSA members are focusing their efforts on utilizing the results from RETI and have proposed projects that will access some of the most highly ranked CREZs. LSA will therefore be impacted by the amendments to the Transmission Planning Process.

While many of the details of the CAISO proposal have yet to be determined, LSA supports the general concepts contained in the CAISO straw proposal. Currently, transmission planning, approval and siting in California are the most significant hurdles to the State's RPS goals. RETI made significant progress in identifying the State's transmission needs to access renewables, and LSA strongly supports the portions of the CAISO Straw Proposal that will incorporate the RETI results into the Transmission Planning Process. Streamlining the Transmission Planning Process will capitalize on the work of RETI and be an important step towards achieving California's RPS and AB-32 goals.

LSA's specific comments are provided below. In general, the CAISO should strive to create a balanced planning regime that does not unduly favor projects proposed by Participating Transmission Operators (PTOs), nor create a situation where network transmission upgrades pose an undue financial hardship on renewable generation developers. In addition to facilitating new, large trunk lines, CAISO should also consider streamlining the Large Generator Interconnection Procedure (LGIP).

¹ LSA represents ten of the nation's largest developers and providers of utility-scale solar generating resources. Collectively, LSA's members have contracted to provide over 5 gigawatts ("GW") of clean, sustainable solar power under contract to California's load-serving entities ("LSEs"). Its members develop, own and operate various types of utility-scale solar technologies, including photovoltaic and solar thermal system designs. LSA, and its individual member companies, are leaders in the renewable energy industry, advancing solar generation technologies and advocating competitive market structures that facilitate significant integration of renewable energy throughout the western United States. LSA actively represents the interests of utility-scale solar development in California, Arizona, and Nevada, and also works to shape regional and federal policies that affect solar development.

One of the primary elements of the CAISO proposal is to streamline the Transmission Planning Process by providing early approval for certain projects needed to access RETI CREZs. The CAISO Straw Proposal recommends conditionally approving these projects in the early stages of the Transmission Planning Process. While LSA appreciates the concern for potential stranded investment that underlies the conditional approval and re-evaluation proposal, we are concerned that a conditional approval may be too uncertain to accomplish the goal of accelerating the conditionally-approved projects. To remedy this uncertainty, CAISO should limit the circumstances in which a conditionally approved project might be reconsidered and ultimately not approved to situations involving very substantial changes in circumstances. There should be a rebuttable presumption that conditionally approved projects should receive final approval. Moreover, the burden of proof should lie with any party seeking to have a conditionally approved project reconsidered or disapproved.

These and other more specific comments on the CAISO Straw Proposal are detailed below. Above all, LSA expresses its support for streamlining the Transmission Planning Process and looks forward to working collaboratively with the CAISO and other stakeholders.

1. Is the proposed framework for the coordination of the ISO's Transmission Planning Process and the LGIP/GIPR feasible?

It is not entirely clear at this point how the Transmission Planning Process will coordinate with the LGIP. LSA appreciates the clarification at the Stakeholder Workshop that the focus of the Transmission Planning Process would be to primarily provide approval for major 500kv trunk lines. However, if project proponents perceive that this new process might provide an alternative, expedited mechanism for transmission project approval, there may be a tendency for the transmission planning process to become overwhelmed with interconnection projects. In the next version of the Straw Proposal, LSA requests CAISO clarify which types of projects would be considered for approval through the Transmission Planning Process. To fulfill the objective of streamlining transmission siting, CAISO should tailor its proposal to focus the expedited approval mechanism on projects that will serve more than one CREZ, but still allow for conditional approval of projects that may only access one CREZ.

Greater clarification is also needed as to who may submit projects into the Transmission Planning Process. There is a risk that the PTOs may become the gatekeepers to the Transmission Planning Process. This is because many of the RETI results focus on existing ROWs, and thus, when the upgrade is to an existing facility, the facility owner could control the request. Although the Tariff currently allows a fairly broad group of parties to submit project requests into the Transmission Planning Process, this should nevertheless be clarified in the CAISO Straw Proposal. The list of parties should include PTOs, interconnecting generators, other interested parties, and the CAISO itself. In many cases, the CAISO may be in the best position to propose projects that are needed to access multiple CREZs, recognizing that the CAISO would need a another entity to build, construct, and own any projects the CAISO proposes.

Assuming the CAISO intends to maintain a broad list of parties eligible to submit requests into the Transmission Planning Process, CAISO should also clarify the financial responsibility of those parties for the transmission projects they submit. Financial responsibility should be limited to PTOs. If financial responsibility is assigned to parties that are not PTOs, these parties may be discouraged from submitting requests for needed projects out of the fear that they would face the heavy financial burden for large 500kv trunk lines.

2. Are the three proposed criteria for evaluating RPS transmission network upgrades reasonable and workable?

Counting both LGIAs and PPAs is reasonable in measuring commercial interest in a transmission line. However, the process to achieve an LGIA is very lengthy, and in many cases won't provide the timeliest indicator of commercial interest. Thus, while generators progress in the LGIP is valuable in assessing the need for specific new transmission elements, the sufficiency of the overall renewable transmission plan should ultimately be measured against the ability of the plan to accommodate the executed PPAs. In addition, the CAISO may also consider including all interconnection requests that have proceeded to Phase 2 of the interconnection process in its commercial need determination. Use of projects that post the interconnection financial security to proceed to Phase 2 would provide a timely indicator while still screening for early stage generation development.

The proposal seeks to achieve sufficient transmission to achieve a 33% RPS goal by 2020 and includes a recalibration process that includes a re-assessment as to whether a project is still needed to meet the 33 percent RPS target. However, it is not clear as to how the progress toward the 33 percent target would be measured. Care must be taken to avoid over-counting expected resources, which could result in insufficient transmission being constructed. Similarly, it should not be assumed that transmission is loaded 100% efficiently, whereby every MW of installed transmission capability equates to a MW toward RPS goals.

In order to meet their targets, LSEs consider whether there should be some level of over-procurement to account for project failure. Similarly, transmission designed to meet precisely a 33 percent target is likely to fall short of the ultimate transmission needs. Therefore a margin needs to be included in determining whether sufficient transmission capacity has been proposed.

6. With respect to the second criterion, should signed PPAs or LGIAs be used to determine the level of commercial interest in a proposed network upgrade? If so, is 60 percent of the capacity of the transmission line a reasonable criteria for approval of a project? If signed PPAs or LGIAs are not an appropriate indication of commercial interest, how should commercial interest be determined?

LSA agrees with the use of commercial interest tests to evaluate the risk of building new lines that do not have LGIAs for all of their capacity. For the portion of the project not subscribed by LGIAs, a signed PPA is the best indication of commercial interest in a project. To obtain a PPA, project proponents must undergo a very detailed and comprehensive evaluation of the project and its commercial viability. Accordingly, the CPUC has come to rely heavily on PPAs for making need determinations for proposed transmission facilities. Accordingly, LSA

supports using PPAs as a primary indicator for the needs assessment in the second criterion to the extent there are not LGIAs for the full capacity. Use of only the LGIAs will result in a need-determination that is not readily comparable to the needs determination of other agencies that rely on PPAs in their need-determinations. Failure to consider PPAs would create a lack of cohesion in the transmission planning efforts of the various planning entities. Moreover, use of non-comparable needs-determinations could inhibit the CPUC from giving deference to a CAISO need-determination. In other words, if a CAISO need-determination is based solely on LGIAs, the CPUC may not be able provide deference to the CAISO's determination because it is inconsistent with the CPUC's procedures. For these reasons, LSA supports consideration of PPAs in determining which projects satisfy the second criterion for inclusion in the expedited Transmission Planning Process.

8. Should different levels of commercial interest be considered for projects that provide access to multiple energy zones (e.g. foundational transmission lines)?

As discussed in the stakeholder meeting, a different metric may be required for trunk transmission lines as the algebra used in determining the level of subscription to trunk lines serving multiple CREZs is more difficult. One possibility would be to base the need for these trunk lines in much the same way that is done for reliability upgrades. This would be to include the generation projects that would be included in the screening process (projects with LGIAs and PPAs) and assess whether there is a resulting transmission deficiency that is best met by a trunk transmission line.

There was also discussion at the stakeholder meeting of limiting the transmission projects approved under this process to trunk transmission lines. While there may be interest in moving such lines forward quickly, collector lines are also critical to utilization of the trunk lines and should not be allowed to lag in development. It is especially important to include collector lines if they can be developed and utilized in advance of trunk lines.

9. With respect to the third criterion, should some level of commercial interest in a CREZ be required as a threshold requirement for evaluation in this category?

Yes. Preference should be shown for those CREZs with an active commercial interest.

12. What criteria should trigger final approval of conditionally-approved projects?

Proactive transmission planning is an important goal. However, LSA is uncertain whether the current CAISO proposal will create enough certainty for transmission project proponents to pursue projects absent final approval from the CAISO. This is especially true given the scale of projects that would be preapproved. The CAISO anticipates that the majority of the projects that would obtain preapproval would be major 500kv trunk transmission lines accessing remote areas. Siting these types of projects can be very expensive. As discussed in LSA's response to Question 14, without final approval from the CAISO, a PTO or other developer may not be willing to pursue these expensive projects.

To provide greater certainty, CAISO should limit the circumstances in which a conditionally approved project might be reconsidered and ultimately not approved to situations involving very substantial changes in circumstances. For example, if the majority of projects (i.e., more than half) that would have utilized the conditionally approved project fail to post the requisite interconnection financial security to remain in their interconnection queue, then the CAISO may reconsider a conditionally approved project. However, if only one or two interconnection requests drop out, then a conditionally approved project may not be reconsidered. LSA requests the CAISO detail the situations in which a conditionally approved project may be reconsidered and disapproved, and urges the CAISO to only entertain a challenge to a conditionally approved project when there has been a very substantial change in circumstances. In addition, there should be a rebuttable presumption that conditionally approved projects should receive final approval. Moreover, the burden of proof should lie with any party seeking to have a conditionally approved project reconsidered or disapproved.

14. Is it feasible for conditionally-approved projects to proceed with licensing and permitting?

This may be problematic from both a cost recovery and public involvement perspective. At the stakeholder meeting, the utilities voiced their concern about the need to have assurance of cost recovery. Additionally, any siting and licensing activity involves significant public and local resources and engenders much public interest. Initiating such a process should be reserved for those projects where there is support that they are needed. Initiating this process in several areas simultaneously, some where the projects are approved and others where they are only conditionally approved, will create confusion and likely overly alarm the parties potentially impacted by conditionally approved facilities. This is why LSA suggests strengthening the conditional approval mechanism consistent with LSA's response to Question 12.

18. Other Comments or Suggestions?

An important discussion to initiate will be the upfront funding obligation for any project approved under this new category. Having the generators fund these upgrades presents difficult issues that may thwart the rapid development of transmission. Presuming that the transmission project developer would be responsible for the initial funding, what discretion would a PTO have in declining to develop an upgrade approved by the CAISO?