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**CAISO Petition to FERC
Regarding
Evaluation and Cost Allocation
for
New Transmission Facilities for Renewable
Generators**

**CEC Workshop: Mid-Course Review of the
RPS Process
July 6, 2006**

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Current CAISO methodology for evaluating transmission projects

- **Network facility upgrades are recommended based upon reliability and economic benefits**
 - Network facilities necessary to tap the full generation potential in known renewable resource areas may not be recommended under conventional analyses

- **Under generation intertie rules, costs for transmission facilities necessary to connect generation resources to the grid are paid by the generator**
 - The cost of network facilities to relatively small renewable generators poses a barrier to development of renewable resources

How to promote and justify development of transmission facilities needed for renewable generation?

- **CAISO is considering a category of transmission for upgrades needed for access to renewable energy supply**
 - Distinct from network facilities that are approved with economic or reliability justification.
 - To include cost recovery mechanism by which costs are initially allocated system-wide through CAISO transmission access charges, and then recovered as renewable generators come on-line.

- **CAISO to file petition for a declaratory order at FERC**
 - To seek *policy guidance only* before CAISO prepares possible tariff amendment.

Recent Regulatory Developments

- **2005 SCE petition to FERC for declaratory order related to Tehachapi wind projects**
 - FERC denied request and maintained traditional cost recovery treatment for generation-tie facilities.
- **2006 CPUC “backstop” approval for cost recovery of transmission needed to meet RPS goals.**

Key Policy Issues within CAISO petition to FERC

- **Principles that define the facilities that are eligible to be considered under third category**
 - New high-voltage, bulk-transfer facilities, not eligible to be classified as network upgrades, expected to be placed under CAISO operational control
 - Built to an area with significant potential for renewable resources

- **Cost Recovery / allocation mechanism**
 - Rolled-in rate treatment of unrecovered costs through the CAISO's Transmission Access Charge (TAC), which is paid by all users of the CAISO Controlled Grid.
 - Renewable developers would reimburse their share of the line as their generation is built.
 - Allocate costs to all that benefit from the transmission facilities

Process Leading to the filing of the CAISO's Petition to FERC for a Declaratory Order

- **June 14 -- Board informational briefing**
- **June 28 -- White Paper posted for stakeholder comments**
<http://www.caiso.com/1823/1823d95d585f0.pdf>
- **July 7 – Stakeholder meeting**
- **July 14 – Deadline for stakeholder written comments**
- **August 3 – Seek Board approval to file petition for declaratory order at FERC**
 - Board to approve set of principles upon which declaratory order would be based