



Yakout Mansour
President & Chief Executive Officer

October 17, 2008

Via Facsimile and Regular Mail

Honorable Jeffrey Byron
Commissioner
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

DOCKET	
08-IEP-1A	
DATE	<u>OCT 17 2008</u>
RECD.	<u>OCT 17 2008</u>

Re: Comments on 2008 Draft Integrated Energy Policy Report (IEPR) Update
CEC Docket No. 08-IEP-1A

Dear Commissioner Byron:

This letter provides comments of the California Independent System Operator Corporation (ISO) on the California Energy Commission's (CEC) 2008 Draft Integrated Energy Policy Report (IEPR) Update. I regret that they are being filed one day late and ask that you accept them into your record for the Commission's consideration. As directed in the Notice for the October 8 hearing, we have submitted a paper copy of this letter to the CEC Dockets Office.

The ISO supports broad based transmission planning efforts discussed in the IEPR Update, such as the Renewable Energy Transmission Initiative (RETI), as a way to achieve coordinated planning for accessing renewable resource areas. Upcoming conceptual planning efforts for this process, which the ISO will lead, are intended to result in coordinated transmission plans for accessing renewable resource zones, and this coordinated planning is intended to encompass the planning efforts of the municipal utilities.

The IEPR Update discusses the possibility of obstacles to joint ownership of transmission projects, but reaches no conclusions. I appreciate your hesitancy in drawing conclusions at this point, and would not expect conclusions to be drawn unless and until parties make a serious effort to put such projects together. Once RETI results are in hand, they will help to distill ownership, control, and cost recovery issues, and I would expect that municipal utilities and other parties will consider development of jointly owned projects, based on their assessments of who is carrying the cost recovery obligation, how the rate payers are assured of the benefits in accordance with their cost obligation and the benefits of specific proposals. Absent of that, all we hear now is a single dancer with no specific competition, no partner, and no dance floor, but, nevertheless, complaining about the ability to dance in a couple competition. It is our view that, as RETI is intended to do, the needs are identified first on a holistic basis, the existing state grid is utilized fully before additions are explored to meet the needs, the least cost state wide solution is developed, then, depending on specific project's detail, the issue of ownership would be much clearer and worth the discussion. Absent of that, it is pure distraction at this point.

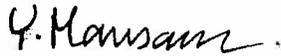
As you know, the ISO owns no transmission and so is not a counter party to ownership agreements. Instead, the ISO operates the transmission system under a tariff approved by FERC in a manner that is

open, non-discriminatory, transparent, designed to achieve full & efficient utilization of the system and in compliance with mandatory federal reliability standards. These principles are key to us and I hope to you – full utilization, transparency, and, of course, compliance with federal reliability requirements.

I appreciate that the IEPR Update acknowledges the ISO's additional work with state agencies, stakeholders, and the Federal Energy Regulatory Commission (FERC) to help California meet its renewable resource goals. These efforts include, as specifically acknowledged in the IEPR Update, development of an innovative new approach for financing transmission interconnections to locationally constrained resource areas, such as renewable energy zones. The FERC-approved proposal includes a critical role for the state, which qualifies transmission for this treatment by designating applicable "energy resource areas." The ISO encourages the CEC, in coordination with the CPUC, to adopt priority "energy resource areas" in order to enable the application of this financing treatment. The ISO would be happy to work with your staff to build on the findings of RETI to facilitate these designations.

Thank you for the opportunity to comment on the 2008 IEPR Update. If you have any questions, please do not hesitate to call.

Sincerely yours,



Yakout Mansour
President and Chief Executive Officer

cc (by regular mail)

Jackalyne Pfannenstiel, Chairman
Commissioner James Boyd
Commissioner Karen Douglas
Commissioner Art Rosenfeld
CEC Dockets Office