

Stakeholder Comments

FERC Order 1000 Compliance Initiative

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The Clean Coalition appreciates the efforts of the California ISO in providing information, soliciting stakeholder comments, and incorporating feedback into ISO proposals and practices.

We limit our comments to three specific topics related to CAISO's compliance with FERC Order 1000:

Section 1. Overall approach

2. The ISO believes that its existing tariff provisions largely achieve many of the requirements set out in Order No. 1000 for regional planning and cost allocation; in particular, the ISO's planning process for transmission additions and upgrades inside the ISO's footprint already contain many of the provisions required by Order No. 1000.

Section 2. Regional compliance requirements

7. Consideration of public policy requirements. The ISO believes that the policy-driven transmission category in its existing tariff meets this requirement of Order No. 1000.

8. Cost allocation methodology. The ISO believes that its existing tariff framework meets the cost allocation requirements of Order No. 1000 and that no additional changes are necessary.

Comments

Section 1. Overall approach

2. The ISO believes that its existing tariff provisions largely achieve many of the requirements set out in Order No. 1000 for regional planning and cost allocation; in particular, the ISO's planning process for transmission additions and upgrades inside the ISO's footprint already contain many of the provisions required by Order No. 1000.

Clean Coalition Comment:

While we agree that the ISO existing tariff and planning processes already incorporate many provisions of Order 1000, attention must be given to areas in where they are not in compliance. A critical and prominent feature of Order 1000 and of particular interest to the Clean Coalition is the requirement for consideration of non-transmission solutions and alternatives to new transmission in the planning and approval processes, including the numerous individual stakeholder initiatives.

CAISO processes do not adequately consider alternatives to transmission based solutions within the cost effectiveness and economic benefit planning criteria and the planning process, as discussed further below. Although FERC does not provide guidance on criteria and procedures for alternatives to transmission, the ISO must propose such criteria and allow stakeholder review. We recommend certain criteria in Section 2 comments.

Section 2. Regional compliance requirements

7. Consideration of public policy requirements. The ISO believes that the policy-driven transmission category in its existing tariff meets this requirement of Order No. 1000.

Clean Coalition Comment:

Consideration of public policy requirements as described by the ISO focuses on such policies as an additional basis for approval of transmission projects that would not meet existing cost criteria. This is a vital aspect of Order 1000's intent, however equal attention should be given to public policy in the consideration of alternatives to transmission as to the approval of transmission projects.

In seeking to meet State targets for emission reduction, energy efficiency, renewable portfolio standards (RPS), generation loading order, peak demand reduction, ratepayer cost containment, and related issues enacted in legislation and adopted in regulatory policy, California has clearly identified alternatives to meeting projected demand through transmission-based resources, and has adopted alternative scenarios for demand projection that reflect some degree of this reduced transmission requirement – in particular the “High Distributed Generation” scenario. CEC commissioned studies have

shown that distributed generation can provide renewable energy directly to the distribution grid in sufficient quantities to fulfill the entire RPS obligation beyond current generation levels.^{1 2}

While adoption of practices and procurement by the CPUC and other agencies may greatly reduce the need for new transmission services, we recognize that these decisions are outside of CAISO's jurisdiction. **However, in compliance with Order 1000, the ISO should publically evaluate alternatives to transmission projects in its planning processes. These alternatives should, at a minimum, reflect adopted alternative scenarios that indicate reduced transmission requirements. In addition, transmission cost comparison should be included; specifically, peak transmission loading reductions through such factors as Demand Response, local distributed storage, and local peaking distributed generation should be evaluated for their localized and aggregate capacity to defer or avoid transmission projects.**

Formal inclusion of the standard demand scenarios recognized in State policy and evaluation of resulting transmission cost savings is a minimum foundation for consideration of transmission alternatives and valuation of efficiency and cost effectiveness.

8. Cost allocation methodology. The ISO believes that its existing tariff framework meets the cost allocation requirements of Order No. 1000 and that no additional changes are necessary.

Clean Coalition Comment:

As discussed above, a variety of transmission alternatives are available and supported by State policy, each of which may reduce the load to be served by transmission. The ISO's discussion of cost allocation focuses on regional allocation of costs charged to rate paying customers, but ignores the allocation of transmission infrastructure costs related to transmission alternatives. Many transmission alternatives operate by reducing the current or projected demand at the distribution level, however the allocation of transmission related costs or savings related to these various alternatives varies widely despite delivering comparable effects to the transmission system. While some differences in cost allocation are derived from statute, cost allocation is not consistent where statutes are silent, and may not meet the six principles provided under Order 1000.

Distributed generation and storage in particular may not be subject to compliance with the principles requiring that costs allocated be roughly commensurate with estimated benefits, and costs should not be allocated to those who do not benefit from the

¹ http://fitcoalition.pbworks.com/w/file/49984010/E3_B%26V_high%20DG%20webinar%20presentation.pdf

² The RETI Phase 1B report is available at:

<http://www.energy.ca.gov/2008publications/RETI-1000-2008-003/RETI-1000-2008-003-F.PDF>

transmission project. DG and storage operating, in aggregate, below minimum distribution load does not utilize transmission facilities, but may be assigned costs associated with maintaining deliverability of energy available to the transmission system and redirecting it to serve alternate loads, even when the value of providing upgrades for this purpose has not been evaluated relative to its benefits to regional customers. This is especially relevant when customers could receive the benefit of deliverability and Resource Adequacy from the new sources without any transmission upgrades.

We recommend consideration of cost allocation policy such that transmission costs assigned to projects delivering energy, whether subject to potential reimbursement or not, be only borne by those projects delivering energy to the transmission system and not those solely delivering energy directly to the distribution system at aggregate levels below minimum coincident distribution load.

The ability of distribution level systems to provide an alternative to transmission infrastructure is greatly hindered under current practices in which the ability of DG to deliver energy locally and provide Resource Adequacy is not recognized, or requires additional transmission to be built to access alternative load that is already adequately served. Resolving this allocation of costs upon non-benefiting parties would greatly increase the availability of cost effective alternatives to transmission.

A secondary major benefit unrelated to compliance with Order 1000, but related to FERC mandated GIP improvements is the impact of such cost allocation reform on the interconnection study processes and queues – applicants meeting the minimum distribution load threshold would no longer require transmission impact studies prior to interconnection cost determination and acceptance of an interconnection agreement. The dramatically shortened study times and increased cost certainty for such projects will greatly reduce the size of the interconnection queue awaiting results and strongly encourage applicants to site and size proposed projects to take advantage of rapid approval options and more timely and predictable deployment. This would support deployment in load centers, directly reducing transmission requirements. This is also very likely to dramatically reduce the number of speculative projects currently inflating the annual cluster studies.

Thank you for consideration of these comments