

In the Matter of:) Docket 03-IEP-01
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Informational Proceeding and)
Preparation of the 2004 Integrated) Comments for the Committee
Energy Policy Report (IEPR) Update) on the 2004 Transmission Update

BAMx Comments

The Bay Area Municipal Transmission group¹ (BAMx) commends the California Energy Commission (CEC) for seeking input from stakeholders in updating its transmission findings from the 2003 IEPR, identifying California transmission problems, and developing a state-wide transmission vision. BAMx appreciates this opportunity to provide comments to the CEC Committee on the 2004 Transmission Update to the IEPR. BAMx endorses the remarks and comments made by Mr. Barry R. Flynn of Flynn Resource Consultants Inc. at the CEC April 5 Transmission Workshop. In addition to endorsing his comments that the State should place a priority on improving the reliability to load pockets, BAMx would like to expand on those comments with the following additional comments.

1. As background, BAMx endorses the following overall policy positions.
 - a. Relying on “the market” to build transmission makes no sense. It has not happened.
 - b. Price signals via LMP will not provide necessary incentives to build transmission.
 - c. The State needs to ensure needed transmission is constructed.
 - d. PTOs (IOUs) should be allowed to build transmission but the State needs a backstop strategy to ensure construction of needed facilities.
 - e. Maximizing the use of existing rights of way (ROW) for overhead lines is important for both economical and environmentally responsible expansion.
 - f. Since existing ROW are in the hands of few entities, if existing ROW holders do not provide needed expansion of capability, a mechanism is needed to provide the ability for others to expand the ROW utilization.

2. The CPUC has not represented the State well on transmission needs. The CPUC's track record for approving needed transmission in the State is not enviable (e.g. Los Esteros, Valley-Rainbow, Path 15). Local control is important to BAMx members and they want to retain their present capability to satisfy CEQA requirements for their new transmission needs. It is quite likely that a conditional deference on need to the ISO will be no deference at all. For these reasons, BAMx advocates CEC jurisdiction over siting IOU transmission in order to maximize the chances of needed transmission being constructed.

¹ The municipal electric utilities of the Cities of Santa Clara, Alameda and Palo Alto comprise the Bay Area Municipal Transmission group, whose objective is to promote reliable electric supply to and within the San Francisco Bay Area at reasonable cost.

3. On-going efforts to redefine transmission siting authority should not detract from the important role the CEC can play in identifying new economically justified transmission. CEC has existing staff to make a positive contribution in defining what new transmission is needed/justified independent of any organizational issues or changes. Relieving the constraints currently imposed by the CPUC's CPCN process is helpful, but does not ensure the transmission expansion needed or justified economically will be built.

| 4.3. While the State should evaluate its long-term regional needs and assist in identifying projects within the State, the largest short-term payoff to California rate payers would be to identify the load pocket transmission additions that would provide the greatest benefit. These will tend to be transmission projects that improve reliability in load pockets while providing substantial savings.

- a. It is important to identify old power plants that are ideal candidates for using transmission to replace their role in providing needed reliability services. The CEC Aging Power Plant Study is a major step in that direction.
- b. PG&E is identifying RMR reduction projects as part of its 2004 Grid Expansion Plan.
- c. The ISO led Phase 2 Long-Term San Francisco Peninsula Study should expand upon the information provided in PG&E's 2004 Grid Expansion Plan with a focus on the Greater Bay Area and the San Francisco Peninsula
- d. The CEC should use the information obtained from the above studies to identify how much additional transmission is economically justified in load pockets, such as the Greater Bay Area, now and in the future. The CEC is ideally suited to provide an open stakeholder process. BAMx experience has shown that the ISO has difficulties making strategic assessments concerning old generators because of the perception they have "market sensitive information" that influences their assessment. This effort to identify new transmission for load pockets should be a major component of next year's IEPR. CEC Staff needs to participate actively in this year's planning processes to ensure the information needed for the assessment is developed this year.

| 5.4. The vast majority of transmission additions to the ISO Controlled Grid have been justified based upon the need to satisfy minimum reliability standards. Although BAMx believes that many, if not most, new transmission will be justified based on economic need rather than reliability criteria, the CEC can and should also perform very important additional studies to assist the ISO and its Planning Standards Committee in recommending further standards improvements to the ISO Board.

- a. Following some of the rolling blackouts in the Bay Area in June 2000 caused by low voltages at the Newark Substation, PG&E studied the likelihood of overlapping generator outages in the Greater Bay Area based upon generator outage data from when PG&E owned the power plants located there.

- b. Although the specific criteria developed for the Greater Bay Area was an important incremental addition to the ISO Grid Planning Standards, it was recognized at that time that it would need to be updated.
- c. The CEC staff has information on more recent performance of those units and has the staff expertise to analyze the basic data. It can also perform studies using its Supply Assessment Model to further improve the understanding of how expected reliability varies throughout the State. This should lead to potential improvements to the ISO Planning Standards that the ISO Planning Standards Committee would want to propose to the ISO Board.

In closing, BAMx wishes to express appreciation to Commissioners Geesman and Boyd for their leadership in emphasizing the importance of the transmission system in providing an electrical infrastructure that will provide reliable service in the most economical fashion. BAMx is dedicated to continuing its participation and providing valuable contributions to these proceedings. BAMx looks forward to working with the CEC in its collaboration with stakeholders in developing a long-term vision for the state's transmission system, and in participating in the planned May 10 workshop and discussions on the draft vision.