Wind Industry Comments
on
RETI Phase 2B April 2010 Draft Report

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The wind industry's comments are divided into two parts. The first part addresses our concerns with the RETI process over the last few months and in relation to RETI's inputs to statewide renewable transmission planning processes. The second part of our comments presents our more detailed comments on the Draft Phase 2B report dated 4/7/2010.

I. OVERARCHING CONCERNS REGARDING THE RETI PROCESS

A. Objection to Last-Minute CREZ Additions and Expansions

The Wind Industry objects to the addition of the Westlands CREZ and the expansion of the Owens Valley CREZ on procedural grounds.

The RETI stakeholders have spent the past two years deliberating over every excruciating detail of the economic and environmental methodologies used to locate, size, shape and score each CREZ. Although the resulting CREZ rankings are subject to enormous uncertainty (as clearly shown in Figures 1-4 and 7-14), they are nevertheless the product of countless hours of discussion, debate, and compromise.

The wind industry participated fully in these discussions, investing considerable resources and making numerous significant contributions to advance and improve RETI's work, on the assumption and belief that the results of the process would be respected. Instead, on two occasions when RETI was finally to make real use of its data by presenting its resource development scenarios to the California Transmission Planning Group (CTPG) for conceptual transmission planning purposes, specific projects and CREZs were added to the scenarios that had not been properly vetted within the RETI process nor would they have been considered as suitable CREZ based on the methodologies used in the RETI process.

The most prominent example of this violation occurred during the final weeks of the Phase 2B process, when the 5,000-MW Westlands CREZ was added and the Owens Valley CREZ was expanded by 3,600 MW because of essentially political influences on the process. These CREZ additions were not subject to the same level of scrutiny as were all of the other CREZ. The thin excuse given for suddenly and dramatically expanding the Owens Valley CREZ is that "LADWP has announced a solar pilot project at the lake to test the ability of solar to control dust emissions." (Draft Report at p. 5-9 - 5-10.) Similarly, the Westlands CREZ was added on grounds that the land is highly disturbed. (Draft Report, p. 5-8.)

These CREZ did not warrant inclusion based on the RETI methodologies. For example, California's (and neighboring states') vast solar resource areas were pared down in part based on insolation levels. The insolation in the Westlands area is described in the report as "moderate" and thus it was not initially identified as a CREZ. (Draft Report, p. 5-8.) Likewise, with regard to Owens Valley, "Black & Veatch had originally screened many solar sites in Inyo County due to lack of commercial interest and relatively poor economics compared to solar CREZ further south."

For the same reason, the RETI environmental methodology did not produce a particularly good score for Westlands despite the fact that it is highly favored in some quarters because its land is highly disturbed. Although the failure of the environmental methodology to reflect prized environmental considerations may be more reflective of the validity of the methodology (indeed, the wind industry has been highly critical of its scientific value), this failure does not justify doing an end-run around the results.

If end-runs are possible and justified, perhaps other changes should be entertained as well. RETI staff pointed out recently, for example, that the Solano CREZ did not fare well under the environmental methodology because of the presence of the delta smelt (an endangered fish) in the large radius drawn around the CREZ. When approached about adjusting the methodology to account for the obvious irrationality of the methodology in this case, we found it hard to object. And yet, (a) the change does not appear to have been made in the Phase 2B draft report, and (b) what other irrationalities might be found if everyone were allowed to scrutinize and adjust the methodology and its results? Are there other CREZs on disturbed lands that should be elevated in the process as well?

Hence, as we have asked on multiple occasion during RETI meetings, the question remains: "Do we, or do we not, believe that the RETI methodology has produced worthy results?"

If we do, then we should live by them. If not, the appropriate action is to highlight the uncertainty of the results (including the environmental scores) and conduct least-regrets transmission planning focusing on the backbone transmission system upgrades rather than to jerry-rig the results. With a least-regrets transmission plan, as briefly discussed below, there will be plenty of time to focus on CREZ level environmental and economic/commercial development issues. Furthermore, much of the environmental issues can and will be vetted in the state's Desert Renewable Energy Conservation Plan effort.

B. Objection to Broader Implications of Last-Minute CREZ Additions and Expansions

What is far more disturbing than the last-minute CREZ additions to the Phase 2B report is what it portends about how the RETI results may be – and indeed already are being – improperly used.

The goal of the RETI process is to help achieve consensus around the transmission upgrades that are needed to achieve the state's renewable energy goals. The exercise of identifying and ranking CREZs was originally conceived as a means of identifying "priority CREZ" to which we would build transmission. In the face of the tremendous uncertainties associated with attempting to predict the most economically and environmentally preferable CREZ (as well as the market

power that would be conferred in so doing), the concept of "least-regrets" transmission planning has been developed and widely embraced. This approach seeks to identify a set of transmission upgrades that will be needed under a variety of possible renewable energy generation development scenarios.

As mentioned above, to date, there have been two recent opportunities to use the results of the RETI process for transmission planning purposes. RETI has supplied the CTPG with two generation development scenarios for use in the CTPG's least-regrets transmission planning process. Disturbingly, neither of the scenarios was based on unadulterated RETI results. One added a significant number of projects with signed power purchase agreements (PPAs) (which had no basis in the RETI results, and at least some of which are unlikely to be developed) and the other was based on a scenario including the Westlands CREZ – even though the CREZ does not rank highly either environmentally or economically.

Although we raised strong objections to the inclusion of the Westlands CREZ, ultimately we did not veto the transmittal of the scenario to the CTPG for two reasons. First, we believe its inclusion is unlikely to affect the transmission plan (despite its very large size). Second, RETI faced a deadline for getting the scenario to CTPG and we did not wish to hold up the process and take the blame for missing the deadline.

Having watched the RETI process break down at the very point where its results were to bear fruit for its intended purpose, however, we are truly concerned that the process will continue to be used to further the interests of particular stakeholders rather than as a basis for consensus-based decision-making.

We want to be clear that our objection is not necessarily to the notion of the state deciding to foster solar development in the Westlands area. Lawmakers may well be interested in paying more for less-efficient solar development in a contaminated land area. But this objective should be addressed and debated squarely, not achieved through end-runs within the bowels of the RETI process.

In order for wind and, we assume, other renewable energy companies to continue to invest millions of dollars in development costs per site in California (largely on environmental and transmission studies), they and their investors must have confidence that the market is being guided by the laws on the books, not being rigged in favor, or against, certain development areas in arcane processes behind the scenes.

II. Detailed Comments on the Draft Phase 2B Report

1. Figures 1-4 , 7-3, and 7-4, addressing the uncertainty of the CREZ economic data, purportedly use the same method as the one used in Phase 1B to determine the uncertainty bands. Yet, the Phase 2B uncertainty bands, while still very wide, seem notably narrower compared to the Phase 1B results. B&V should explain how this narrowing occurred.

2. Section 2.3 of the report should identify and address one of the most important state processes that deals with the transmission needs of renewable resources, namely, the CAISO's Renewable Energy Transmission Planning Process (RETPP).

3. Table 6-1 data on in-state CREZ transmission costs seems to be somewhat inconsistent especially when comparing the transmission costs of nearby CREZ. Note, for example, that the transmission cost of Imperial North B is three times that of Imperial North A. This inconsistency should be at least properly explained.

4. There is not a table comparable to Table 6-1 for the transmission costs of out-of-state (OOS) CREZs. Such a table should be added. The table should either present the total transmission cost of each OOS CREZ or its incremental transmission cost up to its relevant gateway point.

5. Section 7.4.1 indicates that the Ranking Cost for marginal CREZ to meet the state net short of 52,000 GWh is about "$10/MWh to $15/MWh." This clearly contradicts the data presented in Table 1-3 and other figures and tables that show the value to be around $19/MWh.

6. It is not clear what Table 7-5 and Figure 7-5 are intending to present. Either these tables indicate that no tax incentives were considered in the Phase 2B report for Mexican and Canadian renewable projects or they indicate that the report eliminated only U.S. tax credits. This matter should be clarified in the final report.

7. OOS CREZ transmission costs presented in Figure 7-6 seem to be larger than expected, especially for OOS CREZ that are just across the border from California – e.g., Nevada South. Also, the transmission costs for some OOS CREZ do not seem to properly compare to those of other similar OOS CREZ – e.g., Nevada-West versus Nevada-North. Additional explanation in the final Phase 2B report should clarify such potential discrepancies.

8. Finally, the report fails to indicate that the Environmental Working Group (EWG) scores used in the report were not consensus-based. Per the consensus agreement, this matter was clearly spelled out in the text of the previous reports and under the CREZ "bubble charts." The earlier reports also included the wind industries' environmental scores. We expect to see similar treatment in the Phase 2B report.