June 5, 2008

Early Consensus Transmission Upgrade Proposal by Generator Group

Context

As Dave Olsen stated at the 5/21 Plenary meeting, "RETI is not about siting projects or solving environmental problems – it is only to identify the transmission needed to meet state goals." He went on to say that RETI only has influence insofar as it can develop consensus, and that consensus should focus around the transmission necessary to access high densities of renewable energy projects as soon as possible in order to maximize the environmental/carbon reduction benefits from renewables .

He then described the three phases of RETI –

(1) identify and rank zones on the basis of economic cost and value, environmental costs, certainty and timing of development.

(2) develop conceptual transmission plans to the most promising zones

(3) develop detailed plans of service for these plans to the most promising 2, 3, 4 or more zones.

For RETI to increase renewables deliveries in time to serve the state's carbon reduction goals, the process must begin to provide concrete results very soon. Transmission and renewables projects require five-to-seven years before they can begin serving urgent climate change needs; moreover, unless they are coordinated with transmission planning cycles, they will face further delays. Each year of additional atmospheric carbon loading will necessitate even greater future carbon reductions, at potentially greater expense to our economy and way of life. If we focus first on the areas in which we can reach quick consensus, renewables can make substantially larger and earlier contributions to the fight against climate change.

Our proposal to advance the identification of consensually-supported transmission upgrades follows.

Proposal for Focused Process to Identify Early Consensus Transmission Upgrades

Consensus can be reached on early action transmission upgrades that would be common to multiple CREZ scenarios (or rankings). This will allow work to begin on those transmission elements for which sufficient agreement and information exists now, while discussion continues to resolve issues on specific project development areas and more controversial transmission elements. The initial successes that result will provide further support for the ongoing RETI process.

I. **Identification of Potential CREZs Based on Known Commercial Interest and Clear Development Potential**. In Phase 1B, B&V will identify potential CREZs for projects with demonstrations of commercial interest (excluding the areas identified as non-developable, *i.e.*, those within the areas identified in the final approved versions of EWG tables A&B). These potential CREZs will be ranked based on their potential economics, as described in the uncertainty proposal adopted as part of Phase 1B.

II. **Environmental Overlay.** The EWG will then review the B&V potential CREZs to consider each area's environmental suitability for renewable development, proposing an initial screening. (Depending on practical factors, the screen could be developed in Phase 1B so that the results are available simultaneously with the non-screened results.) This screening will be based on consensus principles and tied to available data (justifying, in a transparent fashion, the screening results). The initial screening would overlay the potential CREZs identified by B&V with mappings of the following specific areas:

1. those that may be too sensitive for renewables development;
2. those in which renewables development is likely to be limited; and
3. those in which renewables development would be most favorable.

This initial screening should seek to preserve enough renewable resources to meet a substantial fraction, if not all, of the 33% renewables goal with in-state resources or resources specifically identified outside of the state. (It is likely that the same corridors leading out of state will also facilitate in-state development.) It must also be clearly identified as the preliminary and subjective scoring of the EWG, not a product of RETI, and not carry the sanction of any state agency involved in RETI. The screening should not be included in any draft or final "citable" RETI documents; rather, it should only be for B&V's and the SSC's use in developing consensus transmission plans.

III. RETI, with CAISO leadership, would then develop conceptual transmission plans commonly needed to serve the richest renewables sources under multiple CREZ scenarios (e.g., with and without application of the environmental screen). These plans would focus on the backbone upgrades to existing transmission facilities needed to serve multiple areas, and aim to resolve transmission bottlenecks.

If the conceptual plan, or part of it, would materially change under any reasonably likely scenario, then the SSC will consider the issues. If the issues cannot be resolved through discussions, the SSC can consider using a mediated process to resolve them, or simply call upon the decision makers to make a decision. While we view the graphical representation of areas in which interests arise that FACET provides to be very useful, we fear that its numeric ranking, in this context, is more likely to increase conflict and controversy than to resolve it.

IV. CAISO and the PTOs will then commence work on detailed transmission plans matched to the RETI conceptual transmission plan.

We believe that much of the most critical work of RETI would fall within the upgrades identified through this process. The earlier that this work commences, the greater the benefit will be for both renewables development and the environment.