

# Vinson&Elkins

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February 22, 2007

The Honorable Magalie Roman Salas, Esq.  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

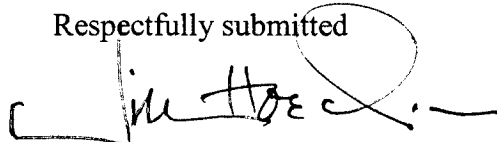
Re: Docket No. EL07-33-000

Dear Secretary Salas:

Please find enclosed for filing in the above-referenced dockets the "Motion to Intervene and Comments of WIRES."

Please do not hesitate to contact me if you have any question or concerns.

Respectfully submitted

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James J. Hoecker  
Counsel for WIRES



dedicated to promoting recognition of transmission as a solution to several challenges facing the industry and its customers, including and especially the challenges of strengthening the grid and bringing clean but remotely located energy resources to market.

2. WIRES' members develop, own, and/or operate transmission projects in many regions of the country, including within ISO-New England, the New York ISO, the Midwest-ISO, the PJM Interconnection, the Electric Reliability Council of Texas, and outside these so-called organized markets. WIRES' membership includes public utilities and transmitting utilities that own and operate transmission, either on a stand alone basis or within an integrated business structure, as well as a regional consortium of companies that includes transmission owning utilities and cooperatives, and municipal utilities that are transmission-dependent.

3. The CAISO Petition address two issues, the resolution of which could affect federal policy with respect to interconnection and transmission facilities in regions of the country in addition to California: (1) How to allocate the costs of transmission built largely to deliver power from remotely located renewable resources, so as to facilitate financing of both the generation resources and the energy delivery capacity from those resources; and (2) How to ensure that renewable energy obtains market access when necessary transmission facilities are not also network facilities. As companies that seek to serve remotely located resources and the loads that depend on, and will benefit from, those resources, WIRES' members therefore have significant interest in the Commission's determination.

**II.**  
**COMMUNICATIONS**

All correspondence and communications regarding this filing should be addressed to the following:

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**III.**  
**COMMENTS**

A. Background. The CAISO proposes an innovative solution to a specific problem it faces in trying to bring to market remotely-located or “location-constrained” generation resources. As California recognizes, renewable and other clean energy resources are often and necessarily transmission dependent. States that seek to impose renewable portfolio standards on utilities or whose policies advance environmental goals of curbing the release of greenhouse gases will also have to come to terms with the importance of additional investment in transmission. In the case of the interconnections with location-constrained wind, solar or geothermal resources that the CAISO and the State of California seek to foster in pursuit of energy and environmental goals, the Commission’s interconnection policies operate as a barrier to entry. Although the particular transmission facilities that would aggregate and bring to market multiple renewable resources would be high-voltage trunkline facilities, these so-called “Multi-User Resource Trunklines” are in the nature of radials. The CAISO’s interconnection policy under FERC Order No. 2003 therefore “requires a generation developer(s) to pay the cost of

generation tie ('gen-tie') lines.” CAISO Petition at 3. The understandable result, according to the CAISO, is that the necessary transmission has not been built and these renewable resources are consequently not being made available to California electric customers.

The CAISO therefore requests a “modest variation” to Commission policy as it applies in such cases. The CAISO’s proposed solution is a novel financing mechanism that allows system load to fund the initial investment in these needed non-network facilities, subject to a later payment of the proportional costs of using the transmission by generators, as those new resources are constructed and interconnected.

B. Argument. Because of the way established cost allocation policy applies in this instance, sound state policy favoring renewable energy is being thwarted. Without delivery capability, renewable portfolio standards are just words. Transmission owners and developers will not invest in trunkline facilities that serve multiple remote resources until such generation is foreseeable and proposals are submitted. Conversely, individual developers of renewable resources will not undertake the disproportionate financial risks of paying for trunkline facilities, which should always be right-sized to serve all proximate potential renewable resources in the interest of efficiency.

WIRES supports the CAISO Petition because it seeks to accomplish important public policy goals of fostering clean remotely-located energy resources and the transmission capacity needed to make such resources available to customers. Although the CAISO could fairly have argued that these transmission facilities provide overarching public benefits and should therefore be rolled into system rates, it proposes a pragmatic and narrowly crafted mechanism suited to the specific circumstances of renewable resources in California. The CAISO proposal is focused on a category of eligible facilities that serve specific resource-rich areas and which would not

otherwise be eligible under current policy for inclusion in system access charges or to be reflected in overall utility revenue requirements. Nor will the trunkline facilities at issue be owned or operated by the generators, all of whom would become tariff customers of the CAISO. The CAISO would evaluate the eligibility of individual transmission projects for treatment under the new mechanism in the context of its regional planning processes.

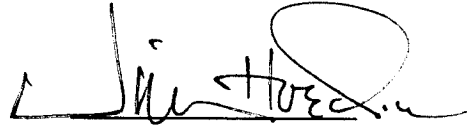
The CAISO proposes a common sense solution with acceptable rate impacts on those that would initially pay the transmission access charges. In light of the qualifications and limitations within the CAISO's approach, WIRES believes this proposal is in the public interest and recommends the Commission grant the CAISO petition. We would nevertheless point out that transmission that is designed to serve renewable resources and other clean but remotely located facilities may, in other contexts, be more extensive and provide the kind of network reliability and economic benefits that impact entire regional markets, warranting a broader and less transitional cost allocation than in this case. The cost allocation determinations within the regional planning processes for which the Commission has now prescribed strong guidelines<sup>2</sup> should continue to accommodate the unique financial requirements and electric configurations of each region and, as appropriate, the resource procurement policies of the affected states.

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<sup>2</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, Docket Nos. RM05-17-000, RM05-25-000, at P542, 599 (Feb. 16, 2007)

C. Conclusion. WIRES therefore supports the CAISO Petition and respectfully requests that the Commission approve the CAISO and grant WIRES' Motion.

Respectfully submitted,

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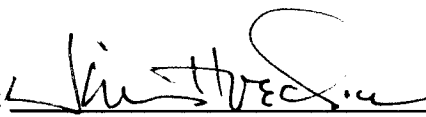
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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated this 22nd day of February, 2007.

By:   
James J. Hoecker