

February 1 – 2, 2005 Western Transmission Workshop III - Sacramento, CA Commenter Summaries / Recommendations

At the close of the Western Transmission Workshop, four commenters (Charlie Smith, Ron Lehr, Rich Sedano, and Miles Keogh,) were assigned to summarize the key themes, issues, and directions forward that had been brought up during the workshop. This document summarizes their comments and recommendations.

Charlie Smith, Utility Wind Interest Group

Charlie Smith divided his summary of observations and recommendations from the participants into Regional, National, and Technical steps forward.

Regional

Policy-makers and wind-interested stakeholders can:

1. Provide input to the Western Governor's Clean and Diversified Energy Advisory Committee (CDEAC) process;
2. Develop a West-wide integrated transmission planning process;
3. Investigate ways to minimize seams issues, pancaking and "through and out" pricing concerns;
4. Promote transmission expansion and accept an imperfect cost allocation process to promote regulatory certainty;
5. Join in the California Control Area Network Discussion Organization (CANDO), recognizing that small control areas make system regulation more difficult;
6. Develop more creative and proactive management and risk sharing techniques
7. Provide appropriate support and input to enable WREGIS to be all that it can be.

National

Policy-makers and wind-interested stakeholders can:

1. Work with the Federal Energy Regulatory Commission (FERC). Now is the time to put forward a responsible agenda for wind at FERC.
 - a. Tariff changes that can be implemented in short order to get wind in the ground:
 - Eliminate penalty based imbalance charges
 - Address system balancing issue in small control areas
 - Implement condition firm transmission tariff
 - Solve seams issues: pancaking and "through and out" rates
 - Change transmission queue position from first filing date to first use date;
2. Support SCE's proposal for a new designation for a "renewable energy trunk line" with pre-approval on cost recovery and stranded investment;
3. Explore the concept of a national renewable energy grid as proposed by Bob Gough, potentially beginning with leadership from WAPA and BPA;
4. Continue to provide public education about the importance and linkage between global climate change and the benefits of renewables.

Technical

Policy-makers and wind-interested stakeholders can:

1. Pursue the Seams Steering Group – Western Interconnection’s (SSG-WI) study findings regarding the relative costs of remote coal and wind compared to gas that is close to loads;
2. Initiate a next round of studies that looks at the need for increased regulating and load following ability for wind energy facilities. Given initial results from RMATS in this regard - don’t stop there!
3. Greater effort needs to be made to incorporate advances made in wind impact study methodology into the full range of ongoing studies, especially leveraging cross fertilization between studies
4. Develop good annual hourly wind and load data sets, and shorter term data sets.
5. Need to understand and incorporate benefit of wind plant operation and geographical diversity
6. Need to promote capacity credit studies for reserve planning purposes using Loss of Load Probability (LOLP) methods and approximations.

Ron Lehr, American Wind Energy Association

Ron Lehr suggested ten items, in descending order, that WGA and other decision makers and stakeholders should consider with regard to transmission as high priority and high payoff analytic and outreach tasks. Policy-makers and wind-interested stakeholders can:

10. Participate in the Western Governors’ CDEAC-work, particularly with an eye towards providing technical expertise and advice to governors. Participation needs to reflect society’s interests.
9. Work to help develop planning institutions that are more sustainable than current ad-hoc groupings (RMATS, NTAC, etc.) and develop mechanisms to fund them.
8. Address costs and issues of large scale wind integration, including new strategies such as storage and backup. Stakeholders can also explore the supply curve for long term integration strategy to determine timing, costs, and approaches that reflect these realities.
7. Take up FERC’s interest in re-opening 888/889 to remove discriminatory provisions and cement options that level the playing field for wind, such as imbalance penalties.
6. Accelerate transmission investment in advance of wind power purchase agreements.
5. Develop proposals to create incentives for portfolio diversity.
4. Understand and documenting flexibility for control area reliability.
3. Governors in the Intermountain Western States (UT, ID, WY, NV) should continue to build on successful models for regional planning. Specifically, use Jim Byrne for a second phase of RMATS.
2. Encourage queue reform: the interconnection queue acts as a bottleneck for new generation, even for projects that address need. Stakeholders and policy-makers should work to reform the queue to allow projects that can be built first to take priority over those projects that filed for queue position first.
1. Motivate ourselves and utilities to build projects by:
 - a. “Following the money”. Leveraging generation investments provides an anchor for exploring investments in transmission, both for improving operations and expanding infrastructure.
 - b. Leveraging incentives such as tax credits, generation tracking linked to portfolio standards, and other systems. The first step here is to identify which areas and organizations provide which incentives.

Rich Sedano, Regulatory Assistance Project

What does the WGA need to consider with regard to transmission?

In the West, some of the functions of an RTO are happening without some of the control issues. Ad-hoc structures are addressing regional projects. Because of a lack of sustainable support structures and a need to move forward with long-term plans, the subregional planning in the west is “based on faith”. One suggestion to sustain the progress so far: formalize the WGA as a regional state committee, or develop another similar body for the West. Consequently, Western legislatures may have to give leeway to the PUCs to work within an RSC. This process has shown some benefits for addressing regional projects, but may otherwise lack weight at the state level.

How should various transmission decision factors be measured by the WGA and other decision makers and stakeholders?

- a. Engage the public: One area for consideration is “bottom-up” grassroots approach that communicates the needs for transmission to the constituents, shareholders, and stakeholders of organizations with the resources to address the issues. This requires attention from utilities and regulators.
- b. Follow the example set by MISO’s priorities: reliability, congestion management, and resource development. Include these in planning principles.
- c. Create an “open season” for all resources. This would help deal with reliability issues and reform the interconnection queue process.

What are high priority and high payoff analytic and outreach tasks for WGA and stakeholders?

- a. Creating mechanisms that allow transmission planning processes and Integrated Resource Plans to inform one another
- b. Understanding portfolio management in terms of risk management as well as planning, building on WGA efforts that address issues such as air quality (through the Western Regional Air Partnership) and other areas not traditionally considered in planning.
- c. Creating processes that remove barriers and level the playing field for all generation types. WGA and CREPC have already shown they are determined to do this. Actions such as assigning capacity value that treats wind fairly will benefit the entire system.

In addition to the Western Governors, what other studies, market forces, policies, and constituencies should be addressed?

- a. Wall Street responds to cost recovery, and also to balance sheets. This needs to be kept in mind when engaging in dialogue with the financial community.
- b. inconsistent policy for utilities
- c. With the Kyoto protocol coming into force and bipartisan legislation being floated that address climate change at the state and federal levels, it is becoming more and more prudent to plan for carbon controls in the near future.
- d. Consistent growth in energy use, if it persists, is going to require that many strategies are examined and tried, and the wind community should look for synergies with greater investments in energy efficiency and demand response.
- e. There needs to be new thinking about old ideas, such as how to deal with the public benefits of renewables in the wholesale market. For example, should there be criteria to allow construction work in progress for such projects
- f. FERC appears open to good ideas for facilitating wind in wholesale markets, so this is an opportune time to resolve how to do that.

Other Key Issues / Priorities

Population density in load centers makes siting new transmission difficult. Siting remains a key issue: there is real concern that siting may present many potential problems. Many state siting authorities have not had to deal with siting recently, and are rusty. Also, state legislation addressing siting may benefit from an assessment to build in new ideas. Utility practices in preparing for new siting proposals can also be improved. A toolbox for dealing with these issues may need to be developed that could include strategies like compensating intervening landowners, creating supporting legislation, and seeking support from FERC to approve good ideas.

Miles Keogh, National Wind Coordinating Committee

Informed by Jim Byrne's notes, Miles noted four critical issues and priorities:

1. Creating sustainable institutions with consistent funding to accomplish tasks being undertaken by ad hoc transmission planning groups such as NTAC and RMATS.
2. Work with FERC to reform critical regulatory barriers, such as the pro forma tariffs in FERC Order 888 / 889, as short term fixes.
3. Long term transmission solutions may come in the form of RTOs, although industry may need to consider this as a priority for action given the political realities.
4. Stakeholders need to continue to coordinate subregional and regional planning efforts

He outlined the need for greater communication, outreach, and coordination using vehicles such as the NWCC, WGA, and others, bringing in:

- States like Nevada that have not engaged in coordinated planning in the past;
- Wall Street, insurers, and the financial community.
- FERC
- State Legislatures (including staffs)
- PUCs
- Environmental and land use activists
- Landowners
- Consumers and Utility Commission Consumer Advocates
- Tribes

Outreach needs to go beyond inviting these stakeholders to meetings. It is important to provide tools and resources for them to understand the relevance of issues, and to participate in them in a way that contributes to their own missions.