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# FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

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## NEWS RELEASE

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### FOR IMMEDIATE RELEASE

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Docket No. EL07-33-000

### COMMISSION ACTS TO REMOVE REGULATORY BARRIERS TO RENEWABLE ENERGY DEVELOPMENT IN CALIFORNIA

The Federal Energy Regulatory Commission today approved the California Independent System Operator's (CAISO) proposed mechanism for financing facilities to interconnect location-constrained renewable resources such as wind, geothermal and solar generation to the CAISO's transmission grid.

The Commission found that the CAISO's proposal strikes a reasonable balance that addresses barriers impeding the development of location-constrained resources while at the same time including appropriate ratepayer protections so as to ensure that rates are just and reasonable and not unduly discriminatory. Electric generation resources become location constrained because of location, relative size and immobility of their fuel source.

Commission Chairman Joseph T. Kelliher observed: "This order will encourage greater fuel diversity in our electricity supply and help California meet its renewable energy targets. We recognize unique characteristics of renewable energy projects, but have been careful not to grant an undue preference. A large and growing number of states have established renewable portfolio standards and National Energy Policy promotes renewable energy. Our action today is fully consistent with both federal and state policy."

The CAISO proposal would initially roll in the costs of interconnection facilities for location-constrained resources to all users of the system through the transmission revenue requirement of the Participating Transmission Owner that constructs the facility, as reflected in the CAISO Transmission Access Charge.

Each generator that interconnects would be responsible for paying its *pro rata* share of the going-forward costs of the line. All users of the transmission grid would pay the costs of any unsubscribed portion of the line through their inclusion in the Transmission Access Charge until the line is fully subscribed.

To be eligible for this rate treatment, the interconnection facility must be approved in the CAISO's transmission planning process as providing needed system benefits. Once the facility is constructed, generators of any fuel type would be eligible to interconnect and contract for unsubscribed capacity, consistent with the Commission's open access requirements.

“The difficulties faced by generation developers seeking to interconnect location-constrained resources are real, are distinguishable from those faced by other generation developers, and such impediments can thwart the efficient development of infrastructure. In this regard, we find that the CAISO's proposal is an appropriate mechanism to accommodate the unique characteristics of location-constrained resources and that doing so does not constitute undue discrimination against other generators,” the Commission said.

In today's declaratory order, the Commission said its current interconnection policy focuses on generators who have the ability to choose where to interconnect, allowing costs associated with the interconnection to be minimized. The interconnection policy was established before recent developments in the area of renewable resources and, according to the Commission, the CAISO needs flexibility when accommodating renewable resources. There is evidence that insufficient interconnection capacity may be preventing the development of location-constrained resources. The CAISO's proposal is intended to overcome this hurdle.

The Commission also found that the CAISO's proposal includes several mechanisms that protect ratepayers. These include a rate impact cap and a requirement that before a facility could be constructed, the sponsoring Participating Transmission Owner must demonstrate a sufficient level of interest from location-constrained generators in the facility's capacity.

The Commission also noted that the CAISO's proposal aids in the goal of state, regional and federal initiatives to encourage renewable resources.