

NEWS RELEASE

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California ISO Asks Federal Government to Back New Plan for “Greening the Grid”
Innovative Way of Paying for New Power Lines Aims to Aid Renewable Power

(Folsom, CA) In a precedent-setting move that could have national implications, the California Independent System Operator Corporation (California ISO) filed today with its regulator, the Federal Energy Regulatory Commission (FERC), to approve in concept a financing plan for transmission trunklines to remote locations in order to get green power from multiple users onto the grid.

If the new payment mechanism is approved and implemented, it would be a first-of-its-kind means of removing financial barriers that can hinder development of wind, solar, geothermal and other renewable energy resources. Fostering these resources can help California achieve its Renewable Portfolio Standard (RPS), which requires most utilities in the state to obtain 20 percent of the electricity they deliver from environmentally-friendly resources by 2010.

Unlike natural gas-fired power plants that can usually be built relatively close to existing high-voltage facilities, renewable generation is often built in remote areas. “Wind turbines, large solar power plants and geothermal resources all need to be built close to their natural fuel sources,” said California ISO President and CEO Yakout Mansour. “The California ISO is committed to removing barriers to these types of green resources and doing everything we can to help meet the State’s renewable standards and climate change policies in a timely and reliable manner.”

“We don’t have a choice as to where these natural resources are located,” said Rich Ferguson research director for the Center for Energy Efficiency and Renewable Technologies. “If we’re going to use these assets to offset less environmentally friendly types of power generation, we need to be able to build the transmission lines that reach those remote locations.”

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Currently, transmission lines that connect one new generator to the grid (known as “gen ties”) are paid for by the generation project developer. The cost of more extensive “network facilities” is spread among the loads that benefit from the project. This transmission investment is recovered via the California ISO’s Transmission Access Charge (TAC).

However, those financing methods are not a good fit for remotely-located, renewable generation. For example, an individual generation development company may not be able to pay, on their own, for a long-distance, high-capacity, high-voltage line needed to deliver power from their project.

As more wind, solar and geothermal generation is developed in California, a new type of financing mechanism is needed to facilitate the development of transmission projects that reach remote locations where several companies are developing renewable energy resources—possibly over a period of many years.

The California ISO proposal calls for the initial costs of multi-user resource trunkline transmission projects to be paid by the transmission owners and recouped through the TAC. As generators connect to the new trunkline they will pay a pro-rated share of the costs based on their generating capacity. The generator payments will reduce the cost recovered through the TAC.

This new method of financing removes a significant barrier facing developers of renewable resources while encouraging the efficient sizing of the associated transmission facilities. Under this method, renewable generation developers would begin paying their fair share for efficiently sized transmission after their generation begins operating, as opposed to shouldering the costs up front.

The California ISO is a not-for-profit public benefit corporation charged with managing the flow of electricity along California’s open-market wholesale power grid. The mission of the California ISO is to safeguard the reliable delivery of electricity, and ensure equal access to 25,000 circuit miles of “electron highway.” As the impartial operator of the wholesale power grid in the state, the California ISO conducts a small portion of the bulk power markets. These markets are used to allocate space on the transmission lines, maintain operating reserves and match supply with demand in real time.

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