Date of Hearing: May 4, 2011

ASSEMBLY COMMITTEE ON UTILITIES AND COMMERCE
Steven Bradford, Chair
AB 1214 (Skinner) – As Amended: April 26, 2011

SUBJECT: Electricity transmission, permitting

SUMMARY: Requires the California Public Utilities Commission to deem transmission projects necessary if the California Integrated System Operator has determined a transmission facility is needed. Specifically, this bill:

Requires the California Integrated System Operator (CAISO) and the California Public Utilities Commission (PUC) to jointly evaluate transmission facilities that serve solar development areas.

Requires the PUC and CAISO to publish a report, no later than March 31, 2012 to identify new and upgraded transmission facilities that can be placed in service by December 31, 2016, including identifying barriers to placing the facilities in service by December 31, 2016 and the means to overcome those barriers.

Requires the PUC and the CAISO to coordinate the CAISO's transmission planning process and identification of needed transmission facilities with the PUC's issuance of certificates of public convenience and necessity for transmission facilities.

Requires the PUC to find construction of new transmission necessary if the CAISO determines that the building or upgrading of electrical transmission facilities is necessary, and the commission determines that those transmission facilities will serve at least 200 megawatts of eligible renewable energy resources for which the commission has approved a purchase agreement for RPS compliance and additionally determines that those facilities assist in achievement of resource adequacy requirements unless new information is provided showing good cause for denial.

EXISTING LAW :

1) Requires the California Public Utilities Commission (PUC) to grant a Certificate of Public Convenience (CPCN) for 200 kilovolt and above before beginning construction of a transmission line or extension or a Permit to Construct (PTC) for projects between 50kV and 200kV.

2) Requires the PUC to take into consideration community values, recreational and park areas, historic and aesthetic values, influence on the environment, cost-effective alternatives (including but not limited to demand-side alternatives, targeted energy efficiency, ultraclean distributed generation, and other demand reduction resources when considering approving new transmission lines and expansions.

3) Requires the CAISO to adopt inspection, maintenance, repair, and replacement standards for transmission facilities in order to provide high quality, safe, and reliable service and take into account cost, local geography and weather, applicable codes, and industry practice.

FISCAL EFFECT: Unknown

COMMENTS:

According to the author, this bill will eliminate redundancy where the CAISO has determined a transmission facility is necessary via a Federal Energy Regulatory Commission (FERC) approved interconnection agreement. This would then relieve the PUC from considering alternatives to the facility.

1) Background. The PUC has constitutional authority to fix rates, establish rules, examine records, issue subpoenas, administer oaths, take testimony, punish for contempt, and prescribe a uniform system of accounts for California investor owned utilities. In addition, the PUC provides a program to provide reasonable compensation to interveners to assist public participation in PUC proceedings. The PUC is funded by ratepayers.

   The CAISO is a non-profit public benefit corporation that has statutory requirements to manage the State's electricity grid and consult and coordinate with state and local agencies. CAISO must meet the State's open meeting requirements and comply with the California Public Records Act. The CAISO is funded generally through grid and transmission management charges.

2) In April 2011 the PUC and CAISO executed a Memorandum of Understand that seeks to coordinate CAISO transmission planning with the PUC transmission permitting processes.

3) The State's electricity grid is generally comprised of transmission lines, distributions lines, and transfer stations (commonly known as substations). Transmission lines carry bulk high-voltage electricity over long distances, while distribution lines are short and carry smaller quantities of electricity (typically 20 megawatt maximum per distribution line). Distribution lines carry electricity at a lower voltage rating for residential, commercial, and industrial uses.

   An interconnection agreement is a contract between an electricity seller and either a transmission line owner or a distribution line owner. In California, transmission level interconnection agreements must be reviewed and approved by CAISO.

   Separately, the electricity seller will enter into an agreement to sell electricity to a utility, load serving entity, community choice aggregator, or direct access customer.

4) Ratepayers pay 100% of the cost of construction for new transmission lines, facilities, and expansions.

5) CAISO relies on the Energy Commission's annual demand forecast and the PUC Long Term Planning Procurement process to develop an annual transmission plan. The Energy Commission will be updating its annual demand forecast through the 2011 proceeding on the Integrated Energy Policy Report. At that time, the Energy Commission is likely to begin incorporating larger allocations of distributed generation (in particular the 12,000 MW localized renewable goal advocated by Governor Brown) and perhaps additional energy efficiency reductions. This could reduce or delay the need to build new transmission lines and facilities.

6) In California, the CAISO has authority to execute interconnection agreements over California's transmission lines. However, it is important to point out that CAISO does not control all of the electricity system in California. The owner of distribution level lines has review authority over connections to their distribution lines. In California, distribution lines are owned by utilities.

   Both CAISO and distribution line owners offer interconnection agreements, which are regulated in form and content by the FERC. In addition, the PUC holds regulatory authority over self-generation interconnections within the areas served by investor owned utilities where the power that is produced is also consumed on the same site (this is known at Rule 21). Publicly owned utilities develop and implement their own interconnection rules, most of which are generally similar to Rule 21.

7) An interconnection agreement is no substitute for assessing alternatives to developing generation facilities. The approval of an interconnection agreement to construct a project is not equal to the review required by the California Environmental Quality Act (CEQA), which would be used for determining whether a utility may receive ratepayer funding to construct a transmission line.

8) Importantly, CAISO has no authority or access to information regarding distribution level interconnection agreements pending with the utilities. Only the PUC has access to the full spectrum of information necessary to determine whether to issue a certificate of public convenience, including but not limited to distributed generation programs (Reverse Auction, Feed in Tariff, Self Generation Incentives, California Solar Initiative) and energy efficiency programs. The PUC is also intimately familiar with the facilities in development through the solicitations for compliance with the Renewable Portfolio Standard. Additionally, the PUC has information regarding Resource Adequacy and cost of generation that is critical to ensuring that California ratepayers do not over pay and utilities do not over-procure generation (conventional or renewable fuels). Moreover, the PUC is uniquely situated to review whether new transmission is needed for reliability and security or if an alternative to new transmission provides equal or better ratepayer benefits.

9) The PUC is already required to report to the Legislature annually on rates and programs.

The author is correct that time is of the essence with regard to opportunities for project developers to receive the benefits of federal tax credit and depreciation programs. Projects that are completed by December 31, 2011 would receive potentially as much as 100% depreciation in their first year. Tax credits are scheduled to sunset December 31, 2016. Renewable energy project developers knew this when they designed and developed their projects.

It is not clear that interested and affected parties (particularly the affected and adjacent property owner would want to have their opportunity to intervene at the PUC bypassed by an interconnection decision at the CAISO.

The author may wish to consider an amendment to remove the requirement that the PUC find a transmission facility is necessary based on a determination by the CAISO.

REGISTERED SUPPORT / OPPOSITION:

Support

BrightSource Energy (sponsor)

Opposition

Division of Ratepayer Advocates (DRA)

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