



Federal Energy Regulatory Commission
April 19, 2007
Open Commission Meeting
Statement of
Chairman Joseph T. Kelliher

Item E-5: California Independent System Operator Corporation (Docket No. EL07-33-000)

"Today, the Commission approves an important order that should encourage greater fuel diversity in our electricity supply, by removing barriers to increased development of renewable energy. We recognize that Commission policy with respect to allocation of transmission interconnection costs can present a barrier to entry to renewable energy, and approve a variation from Order No. 2003's default generator interconnection policies. The California Independent System Operator's (California ISO) proposal should make it easier for California and other states to meet their targets in various state renewable portfolio standards.

Commission policy with respect to allocating interconnection costs is designed to encourage a generator to locate where interconnection costs are lower. In my view, this policy is sound and should be maintained. However, there is inherent tension between this policy and the unique characteristics of renewable energy projects. Unlike fossil fuel and nuclear generation projects, renewable projects are location constrained. A fossil fuel generation project can choose more easily a location that minimizes interconnection costs. The location of renewable energy potential is dictated by nature, not by proximity to the transmission grid. A strict application of our current policy will curtail development of our renewable energy potential, by limiting development to those areas where interconnection costs happen to be lowest, not where renewable energy potential is greatest. Many areas of greatest renewable potential are in remote areas, where interconnection costs are relatively high.

The Commission has long declined to grant undue preference in favor of any particular generation technology. It is not our job to choose the primary fuel of choice for the country. We do not do so today. In the past, I have been careful to avoid discriminating in favor of renewable energy, granting an undue preference for renewable energy.

In this order we recognize the unique characteristics of renewable energy projects and avoid discriminating in favor of renewable energy. We are not granting an undue preference in favor of renewable energy. However, our action recognizes that a large and growing number of states have established renewable portfolio standards, and the Congress is considering adopting a federal standard. Our action recognizes and accommodates these state policy decisions.

Our action today is also fully consistent with national energy policy. The National Energy Policy was issued by the Bush Administration six years ago. One of the hallmarks of the National Energy Policy was pursuing greater fuel diversity in our electricity supply. The Energy Policy Act of 2005 also promoted fuel diversity."