



Federal Energy Regulatory Commission
April 19, 2007
Open Commission Meeting
Talking Points of
Commissioner Suedeen G. Kelly

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

- Growing concerns about losing ground toward a goal of U.S. energy independence, environmental sustainability, and climate change have heightened interest in harnessing renewable energy resources as a response to these critical issues. For example, to date, 23 states and the District of Columbia have Renewable Portfolio Standards requirements.
- Electricity generated using renewable energy resources will for the most part be delivered to the point of use via large-scale transmission and distribution systems. Consequently, the successful integration of renewable energy generation into large power systems is fundamental to successfully addressing energy independence, environmental sustainability and climate change concerns.
- The integration of renewable energy generation must be considered in the light of a range of challenges facing today's electrical system, where price and technical performance are critical issues as well.
- The needs specific to renewable electricity generation are different from those of conventional power generators around which the existing system was designed. These include one fact that we deal with today: that many renewable resources are location constrained, i.e., the electric system must reach them; they cannot reach it.
- We need policies to address this need. Specifically, we need to develop policies that support the installation of renewable energy technologies in appropriate locations, with the objective of avoiding unnecessary costs.
- These policies must be consistent with the development and implementation of commercial frameworks that accommodate renewable energy generation on a "level playing field" with respect to traditional generating technologies and that encourage investment in it.
- Important policy goals are met here. California has significant wind potential at Tehachapi. California's electric system must reach it, as it cannot move itself to reach the existing system. The California ISO policy achieves the objectives of supporting the installation of renewable energy technologies in an appropriate location, while avoiding unnecessary costs. The policy also supports the implementation of a commercial framework that accommodates renewable energy on a level playing field with traditional generating technologies and that encourages investment in it.
- It should be emphasized that today's order approves the *framework* of a financing mechanism, including mechanisms that will ensure that any rolled-in rate treatment is no more than necessary to facilitate the needed investment. Significantly, it leaves the important final details to be worked out among the stakeholders, which will ultimately lead to a section 205 filing.

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- I commend the California ISO and California stakeholders for groundbreaking work that will become a model for others in the industry who are seeking to work creatively to better deploy location-constrained resources, and even carbon sequestration sites.