

September 22, 2023

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20246

**Re: California Independent System Operator Corporation
Docket No. ER23-____-000**

**Subscriber Participating Transmission Owner Model Tariff
Amendment**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) submits this tariff amendment to implement the Subscriber Participating Transmission Owner (TO) model.¹ This tariff amendment results from an extensive stakeholder initiative to establish a new opportunity under the CAISO tariff for building transmission facility projects in the Western Interconnection to meet public policy goals, including the future resource needs of California. Customers will benefit from having these new transmission facilities under the operational control of the CAISO, while the costs to construct these new transmission facilities will be paid solely by subscribers of the projects, instead of being incorporated into the CAISO's Transmission Access Charge funded by ratepayers.

All stakeholders supported development of the Subscriber Participating TO model, though some stakeholders raised issues or requested modifications to the proposal the CAISO addresses in this filing.² The CAISO requests that the Commission accept this tariff amendment effective December 21, 2023. This effective date will provide the needed certainty for transmission developers

¹ The CAISO submits this filing pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Part 35 of the Commission's regulations, 18 C.F.R. Part 35. Capitalized terms not otherwise defined herein have the meanings set forth in appendix A to the CAISO tariff, and references to specific tariff sections and appendices are references to sections and appendices in the current CAISO tariff unless otherwise specified.

² See *infra* section IV of this transmittal letter.

interested in becoming Subscriber Participating TOs in their decision-making processes and participation in procurement processes.

I. Executive Summary

The CAISO and stakeholders designed the new Subscriber Participating TO model to enhance opportunities for the construction of new transmission in locations currently outside the CAISO balancing area to facilitate delivery of critically needed resources. The Subscriber Participating TO model will provide the CAISO and interested project developers an additional option to satisfy state, municipal, county, or federal policy requirements or directives, including California's energy policy goals. In particular, the Subscriber Participating TO model will facilitate the provision of energy from out-of-state wind resources that play a growing role in California state agency resource planning. The Subscriber Participating TO model will allow new interconnections across the Western Interconnection, enhancing inter-regional transmission resilience, deliverability, and resource adequacy.

The need for additional generation of electricity over the next 10 years, including the need for carbon-free resources, some of which will necessarily be out-of-state, has escalated rapidly in California as it continues transitioning to the decarbonized electrical grid in accordance with state law. This in turn has been driving a dramatically accelerated pace for new transmission development in current and future planning cycles. To help ensure the region has transmission infrastructure in place to achieve this transition reliably and cost-effectively, the CAISO has been coordinating with the state's primary energy planning and regulatory entities to adopt a much more strategic and proactive approach to resource procurement, transmission planning, and interconnections overall. The more proactive and coordinated strategic approach takes into account the continued role of California state agencies to provide resource forecasts – in the form of portfolios of resource quantities and locations – for planning purposes.

Starting with its *TransEnergie* and *Neptune* orders more than two decades ago and continuing to today, the Commission has established policies and precedent that support the development of merchant and participant-funded transmission projects funded by subscribers in exchange for long-term transmission service rights. Such subscriber-funded projects can facilitate the delivery of power over long distances. The Subscriber Participating TO model will accommodate these Commission policies by providing the developers of such projects the opportunity to become Participating TOs in the CAISO in a manner that accounts for subscriber-funding arrangements approved by the Commission and without increasing the Transmission Access Charges paid by CAISO ratepayers.

The CAISO is already engaged with project developers seeking to join the

CAISO with projects using the Commission's subscriber-funded transmission policies. As an example, TransWest Express, LLC (TransWest) has submitted multiple study requests into the CAISO's Transmission Planning Process (TPP) for the TransWest Express Transmission Project (TWE Project). The Commission has already approved negotiated rate authority for the TWE Project. In 2022, TransWest submitted an application to the CAISO to become a Participating TO. Discussions between the CAISO and TransWest helped inform the CAISO's broader efforts to develop and establish the Subscriber Participating TO model to allow merchant transmission developers such as TransWest to become Participating TOs in accordance with state policy goals and the Commission's subscriber-funded transmission development approach.

Under the Subscriber Participating TO model, the developer will place the new transmission facilities under CAISO operational control and use them to connect generation to the CAISO balancing area, without a decision to build the project in the CAISO's Transmission Planning Process. Subscribers in the new transmission project will be solely responsible for funding the project without establishing a Transmission Revenue Requirement to recover their costs from ratepayers through the CAISO's Transmission Access Charge (TAC) and Wheeling Access Charge (WAC). Development of the project depends on whether the project can attract a subscriber or subscribers to fund the project; e.g., resources contracted for delivery to the CAISO balancing area or adjacent balancing areas over a Subscriber Participating TO transmission project. This allows the load serving entities or other contracting parties to determine the most economic and best fit for their own portfolios.

An entity seeking to become a Subscriber Participating TO will follow an updated version of the current application process under the tariff and the Transmission Control Agreement (TCA) for becoming a Participating TO. Because subscribers of the Subscriber Participating TO's project (*i.e.*, the transmission facilities for which the application is submitted) are ultimately financing the full cost of the transmission project, the Subscriber Participating TO will specify the sponsored transmission facilities in its application to become a Participating TO. Those transmission facilities will be subject to subscriber rights in the CAISO markets, which the CAISO will honor using its existing functionality developed for existing Encumbrances on the CAISO controlled grid, thereby providing subscribers with the same treatment on the Subscriber Participating TO transmission facilities as any other Encumbrance the CAISO administers under the tariff and TCA.³ This treatment provides the subscriber rights holder a scheduling priority for the contract path and, because the subscriber rights holder has already paid for the cost of transmission and congestion, this treatment

³ Encumbrances on the CAISO controlled grid generally consist of Existing Contracts entered into by the transmission owners prior to the CAISO operations date, sometimes referred to as Existing Transmission Contracts or ETCs.

exempts the subscriber rights holder (assuming it uses a balanced schedule) from transmission service charges, bid cost recovery allocation, offsets, and integrated forward market congestion allocation.

The Subscriber Participating TO transmission facilities will be included in the CAISO's Transmission Planning Process after the CAISO Governing Board (Board) approves the application and meets other specified requirements. The CAISO and impacted transmission owners will study any generation interconnecting to the CAISO controlled grid via the Subscriber Participating TO's transmission facilities pursuant to the interconnecting transmission owner's transmission interconnection process, which will include the consideration of the generator interconnection.⁴ If upgrades to facilitate the deliverability of resources via a Subscriber Participating TO project are identified in the Transmission Planning Process for purposes of meeting resource portfolios established by the California Public Utilities Commission (CPUC) or other local regulatory authority, the Subscriber Participating TO's subscribers will have the first option to acquire the additional deliverability made possible by the delivery network upgrades, up to the amount of deliverability included in the resource portfolio requirement. To the extent that the deliverability of generation via the Subscriber Participating TO's transmission facilities requires upgrades not identified in the Transmission Planning Process with the established resource portfolios, the interconnection customer will be responsible for the cost of such upgrades consistent with the generator interconnection process.

If, in the future, a new generator seeks to connect to the Subscriber Participating TO's transmission facilities, the CAISO will evaluate the new generator as it does any other potential generation projects interconnecting to the CAISO controlled grid. Future non-subscriber network upgrades identified in the generator interconnection process would also be financed upfront and reimbursed consistent with the CAISO tariff and the Subscriber Participating TO would establish a Transmission Revenue Requirement approved by the Commission like any of the other Participating TOs.

Commission precedent requires the owner of a merchant or participant-funded transmission project to make any unsubscribed capacity on its transmission project available for service on an open access basis. Under the Subscriber Participating TO model, any capacity not used by subscribers will be made available for all market participants through the CAISO day-ahead and real-time markets. Consistent with the Commission's cost causation and open access principles, the CAISO believes non-subscribers should not be allowed to

⁴ To study the transmission interconnection, power needs to flow on the line. Therefore, a generator associated with the transmission interconnection study does not need to be studied twice (*i.e.*, a generator connecting to the CAISO controlled grid via the interconnecting transmission project need not go through the CAISO generator interconnection process because it has already been studied in the transmission interconnection process).

use such transmission facilities for free. The CAISO proposes that non-subscribers that use those Subscriber Participating TO transmission facilities will pay to the CAISO the TAC and/or WAC, based on application of the existing CAISO tariff, *i.e.*, without paying any additional transmission service charge. The CAISO will deduct from the TAC and WAC revenues the additional revenues it collects from such service and provide to the Subscriber Participating TO an amount calculated pursuant to a rate formula to compensate the Subscriber Participating TO for the non-subscribers' use, capped at the then-existing TAC rate. Issues related to the just and reasonable level of a Subscriber Participating TO's non-subscriber usage rate will be addressed in individual rate cases, in much the same way comparable issues are addressed today in Participating TO Transmission Revenue Requirement cases.

II. Background

A. Relevant Existing CAISO Tariff Provisions

The CAISO administers day-ahead and real-time wholesale electricity markets and is the transmission service provider for facilities under its operational control within its balancing area. The existing CAISO tariff includes provisions allowing owners of transmission facilities and rights to seek to join the CAISO as New Participating TOs.⁵ Prospective New Participating TOs must follow the application process set forth in the tariff and TCA, and receive approval from the CAISO Board.⁶ Following Board approval, a New Participating TO must execute the TCA, place its transmission assets and Entitlements⁷ under the CAISO's operational control in accordance with the TCA, and satisfy the requirements applicable to a Participating TO.⁸

⁵ There are two types of Participating TOs: (1) Original Participating TOs, which were Participating TOs as of January 1, 2000, and (2) New Participating TOs, which became Participating TOs after that date. Tariff appendix A, existing definitions of Participating TO or Participating Transmission Owner (PTO), Original Participating TO, and New Participating TO. For the sake of clarity, this transmittal letter distinguishes between existing tariff provisions (*i.e.*, provisions in the current CAISO tariff), new tariff provisions (*i.e.*, tariff provisions the CAISO proposes to add in this filing), and revised tariff provisions (*i.e.*, existing tariff provisions the CAISO proposes to revise in this filing).

⁶ Existing tariff section 4.3.1.1. The application process does not apply to approved project sponsors. TCA, section 2.1.2.

⁷ An Entitlement means the right of a Participating TO obtained through contract or other means to use another entity's transmission facilities for the transmission of energy. Tariff appendix A, existing definition of Entitlements.

⁸ Existing tariff section 4.3.1, *et seq.*; tariff appendix A, existing definitions of Participating TO and Transmission Control Agreement (TCA). The TCA describes how the CAISO and each Participating TO will satisfy its respective duties and responsibilities with regard to the operation of the facilities and Entitlements placed under CAISO operational control. *Cal. Indep. Sys. Operator Corp.*, 82 FERC ¶ 61,325, at 62,276-79 (1998).

The CAISO's Transmission Planning Process studies new transmission facilities being constructed for inclusion in the CAISO controlled grid.⁹ The sponsor of a transmission project identified through the Transmission Planning Process and selected through the competitive solicitation process, is eligible to execute an Approved Project Sponsor Agreement (APSA) for its project.¹⁰

The CAISO tariff sets forth generally applicable tariff provisions regarding generator interconnection¹¹ and other generator interconnection procedures, including the Generator Interconnection and Deliverability Allocation Procedures (GIDAP), that contain requirements for both small and large generating facility interconnections to the CAISO controlled grid and provide a process for allocating Transmission Plan (TP) deliverability for interconnection requests.¹² Deliverability refers to a generator's ability to deliver its energy to load during different system conditions. Deliverability that is required to meet the CAISO's resource adequacy requirements¹³ is determined in two ways: generation internal to the CAISO balancing area can request TP deliverability, while generation located outside the CAISO balancing area can rely on or request maximum import capability (MIC).¹⁴ A generator seeking TP deliverability (*i.e.*, seeking full capacity deliverability status or partial capacity deliverability status,

⁹ Existing tariff section 24, *et seq.*

¹⁰ Existing tariff appendix A defines the Approved Project Sponsor Agreement as “[a]n agreement between an approved project sponsor and the CAISO establishing the terms and conditions under which the approved project sponsor will complete the siting and construction of the transmission facilities that the approved project sponsor was selected to construct and own under Section 24” of the tariff, which sets forth the CAISO's Transmission Planning Process. The Approved Project Sponsor Agreement is contained in existing tariff appendix X.

¹¹ Existing tariff section 25.

¹² Existing tariff appendix DD. TP deliverability means the capability, measured in megawatts (MW), of the CAISO controlled grid as modified by transmission upgrades and additions modeled or identified in the annual Transmission Plan to support the interconnection with full capacity deliverability status or partial capacity deliverability status (described below) of additional generating facilities in a specified geographic or electrical area of the CAISO controlled grid. Tariff appendix A, existing definition of TP Deliverability.

¹³ The CAISO administers California's resource adequacy program, in coordination with the CPUC and other local regulatory authorities in the CAISO balancing area, for the purpose of securing sufficient capacity to support the safe and reliable operation of the CAISO controlled grid. Existing tariff section 40, *et seq.*

¹⁴ Maximum import capability means the quantity in MW determined by the CAISO for each Intertie into the CAISO balancing area to be deliverable to the CAISO balancing area based on CAISO study criteria. Tariff appendix A, existing definition of Maximum Import Capability. The maximum import capability assignment process is set forth in existing tariff section 40.4.6.2.1. The majority of maximum import capability is allocated to load serving entities.

rather than energy only deliverability status)¹⁵ is assigned the financing costs for delivery network upgrades, which relieve transmission constraints so the resource is eligible to provide resource adequacy capacity.¹⁶

Since the CAISO began operating over 25 years ago, it has honored Existing Contracts (sometimes called Existing Transmission Contracts or ETCs).¹⁷ Existing Contracts are either Encumbrances¹⁸ on the CAISO controlled grid or are Entitlement rights that a Participating TO has on transmission facilities in a balancing area other than the CAISO balancing area. If a holder of Existing Rights does not use those rights,¹⁹ the transmission associated with those rights is available for use in the CAISO market. The existing CAISO tariff, market software, and settlement systems are designed to allow this functionality. The CAISO holds the Existing Rights holder harmless from the cost of transmission and congestion and certain other minimal costs because it has already paid for

¹⁵ Having full capacity deliverability status or partial capacity deliverability status means a generator's maximum or partial capacity, respectively, is deliverable to the grid under peak load conditions. These designations qualify the generator's deliverable output to count toward meeting a load serving entity's resource adequacy capacity requirements in California. In contrast, having energy only deliverability status means a generator's full output does not count toward meeting a load serving entity's California resource adequacy requirements. See *Cal. Indep. Sys. Operator Corp.*, 182 FERC ¶ 61,196, at P 2 (2023).

¹⁶ See *Cal. Indep. Sys. Operator Corp.*, 180 FERC ¶ 61,143, at P 10 n.15 (2022). Under the CAISO tariff, upgrades are classified as either distribution upgrades or network upgrades; there are two types of network upgrades – delivery network upgrades (which relieve transmission constraints on the CAISO controlled grid) and reliability network upgrades (which are needed to interconnect generation safely and reliably to the CAISO controlled grid). Tariff appendix A, existing definitions of Upgrade, Network Upgrades, Delivery Network Upgrades, and Reliability Network Upgrade.

¹⁷ An Existing Contract means a contract which grants transmission service rights in existence on the CAISO Operations Date (*i.e.*, March 31, 1998), including any contracts entered into pursuant to such contracts, as may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Tariff appendix A, existing definition of Existing Transmission Contracts ETC) or Existing Contracts. The treatment of Existing Contracts under the tariff is generally set forth in existing tariff section 16.

¹⁸ An Encumbrance means a legal restriction or covenant binding on a Participating TO that affects the operation of any transmission lines or associated facilities and which the CAISO needs to take into account in exercising operational control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. An Encumbrance includes an Existing Contract and other legal restrictions or covenants meeting the definition of an Encumbrance entered into either before or after the CAISO operations date. Tariff appendix A, existing definition of Encumbrance. There are over 40 different Encumbrances on the CAISO controlled grid today.

¹⁹ Existing Rights mean the transmission service rights and obligations of non-Participating TOs under Existing Contracts, including all terms, conditions, and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts. Tariff appendix A, existing definition of Existing Rights.

the transmission service through the Existing Contract, *i.e.*, the CAISO provides a “perfect hedge” to the Existing Rights holder.²⁰ In addition, Existing Contracts have scheduling priority rights on the transmission paths that are under contract.

The CAISO applies an Access Charge for use of the transmission facilities under its operational control.²¹ The Transmission Access Charge (TAC) is designed to recover each Participating TO's Transmission Revenue Requirement (TRR) for the costs of its transmission facilities and is paid by load. The Participating TO may request Commission authorization for its TRR, which consists of a Regional Transmission Revenue Requirement and a Local Transmission Revenue Requirement.²² In addition, the CAISO applies a Wheeling Access Charge (WAC), which is paid for by entities that export from or wheel through the CAISO controlled grid and is also used to recover a portion of a Participating TO's Transmission Revenue Requirement.²³ The CAISO collects the TAC and WAC through its settlement process reflecting its market software systems.

²⁰ The perfect hedge provides a scheduling priority for the contract path and exempts an Existing Rights holder from transmission service charges, congestion, bid cost recovery allocation, offsets, and integrated forward market congestion allocation. Revenue received in the day-ahead market is used first for the perfect hedge for Existing Rights holders (and holders of transmission ownership rights), and then to reimburse holders of congestion revenue rights for their congestion costs, with any remaining revenue going into a balancing account. See existing tariff sections 11.2.1.5, 11.2.4.5.1, and 11.5.7.1; *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,195, at P 2 (2015).

²¹ Tariff appendix A, existing definitions of Access Charge and Transmission Access Charge (TAC). The CAISO also applies the Wheeling Access Charge described below.

²² Existing tariff section 26.1; tariff appendix F, existing schedule 3. The Transmission Revenue Requirement means the total annual authorized revenue requirements associated with (1) transmission facilities and Entitlements turned over to the operational control of the CAISO by a Participating TO or (2) transmission facilities that are not yet in operation, but have been approved under the Transmission Planning Process and assigned to an approved project sponsor. Tariff appendix A, existing definition of Transmission Revenue Requirement. The Regional Transmission Revenue Requirement includes the portion of a Participating TO's Transmission Revenue Requirement associated with and allocable to the Participating TO's regional transmission facilities and converted rights associated with regional transmission facilities. Tariff appendix A, existing definition of Regional Transmission Revenue Requirement. The Local Transmission Revenue Requirement includes the portion of a Participating TO's Transmission Revenue Requirement associated with and allocable to the Participating TO's local transmission facilities and converted rights associated with local transmission facilities that are under the CAISO's operational control. Tariff appendix A, existing definition of Local Transmission Revenue Requirement.

²³ Existing tariff section 26.1.4, *et seq.*; tariff appendix A, existing definitions of Wheeling and Wheeling Access Charge; tariff appendix F, existing schedule 3.

B. Reasons for Developing the Subscriber Participating TO Model

The Subscriber Participating TO model will give the CAISO and interested project developers an additional option to place under CAISO operational control transmission projects developed to meet public policy requirements or objectives, including California's energy policy goals. In particular, the Subscriber Participating TO model will facilitate the provision of energy from out-of-state wind resources that play a growing role in California state agency resource planning, and will also accord with Commission policies supporting the development of subscriber-funded transmission projects.

1. State Regulatory Requirements and Policies

California Senate Bill (SB) 100, which was signed into law in 2018, established a landmark policy requiring eligible renewable energy and zero-carbon resources – including wind-powered generation – to supply 100 percent of electric retail sales to end-use customers in California by the end of 2045.²⁴ SB 100 also accelerated California's current Renewables Portfolio Standard (RPS) requirements to 50 percent renewable energy by the end of 2026 and 60 percent renewable energy by the end of 2030.²⁵ The need for additional generation of electricity over the next 10 years, including the need for carbon-free resources, some of which will need to be located outside the state, has escalated rapidly in California as it continues to transition to the decarbonized electric grid required by SB 100. This in turn has driven a dramatically accelerated pace for new transmission development in current and future planning cycles.

To help ensure the CAISO has sufficient transmission in place to achieve this transition reliably and cost-effectively, the CAISO coordinates with the state's primary energy and planning regulatory entities pursuant to a Memorandum of Understanding with the CPUC and the California Energy Commission (CEC) to implement a more strategic and proactive approach to resource procurement, transmission planning, and generator interconnections overall.²⁶ The

²⁴ Cal. Pub. Utils. Code, Div. 1, Pt. 1, Ch. 3, Art. 1 (Sec. 454.53). See also https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB100; <https://www.energy.ca.gov/sb100>; <https://focus.senate.ca.gov/sb100/faqs>.

²⁵ The RPS is a California law that requires retail sellers of electricity (including investor-owned utilities, publicly owned utilities, community choice aggregation programs, and electric service providers) to procure increasing amounts of renewable energy over time that will displace fossil fuels or other generation. RPS-eligible resources include wind, solar, geothermal, biomass, renewable methane, small hydroelectric, ocean wave or tidal, or fuel cells using renewable fuels. See Cal. Pub. Utils. Code, Div. 1, Pt. 1, Ch. 2.3, Art. 16 (Sec. 399.11, *et seq.*).

²⁶ See Memorandum of Understanding Between the California Public Utilities Commission and the California Energy Commission and the California Independent System Operator Regarding Transmission and Resource Planning and Implementation (Dec. 2022) (Memorandum of Understanding), available at <http://www.caiso.com/Documents/ISO-CEC-and-CPUC->

Memorandum of Understanding emphasizes the continued role of the state agencies to provide resource forecasts, in the form of portfolios of resource quantities and locations, for planning purposes.

The CAISO has determined that establishing and implementing the Subscriber Participating TO model will provide an option for transmission infrastructure development to meet CPUC and CEC directives that include:

- The public policy requirements contained in the Preferred System Plan established by the CPUC and the CEC to ensure long-term sufficient electricity resource investments, including transmission, for the delivery of electricity and the reduction of greenhouse gas emissions in California.²⁷
- The resource forecasts issued by the CPUC and the CEC to the CAISO for the CAISO's 20-Year Transmission Outlook released in May 2022.²⁸ The CPUC, the CEC, and the CAISO collaborated to prepare a starting point scenario for use by the CAISO in the 20-Year Transmission Outlook.²⁹ The starting point scenario analysis determined that achieving the goal of 100 percent renewable energy and zero-carbon resources by the end of 2045 in accordance with SB 100 would require over 120 gigawatts (GW) of supply, including 10 GW of out-of-state wind generation – specifically, about 5 GW from Wyoming and Idaho and 5 MW from New Mexico by 2040. The analysis also determined that meeting the SB 100 goal would require “significant 500 kV AC [alternating current] and HVDC [high-voltage direct current] development to access . . . out-of-state wind, and reinforce the existing [CA]ISO footprint.”³⁰
- The resource portfolios provided by the CPUC pursuant to its *Final Decision Ordering Supplemental Mid-term Reliability Procurement* issued

[Memorandum-of-Understanding-Dec-2022.pdf](#). The Memorandum of Understanding and other materials related to the coordinated effort between the CAISO and the California regulatory entities are available on the CAISO website page regarding transmission planning, <http://www.aiso.com/planning/Pages/TransmissionPlanning/Default.aspx>.

²⁷ See <https://www.cpuc.ca.gov/news-and-updates/all-news/cpuc-approves-long-term-plans-to-meet-electricity-reliability-and-climate-goals>; <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M451/K412/451412947.PDF>.

²⁸ CAISO 20-Year Transmission Outlook (May 2022) (Transmission Outlook), available at <http://www.aiso.com/InitiativeDocuments/20-YearTransmissionOutlook-May2022.pdf>. Additional information on the Transmission Outlook is available on the CAISO website regarding it, <https://stakeholdercenter.aiso.com/RecurringStakeholderProcesses/20-Year-transmission-outlook>.

²⁹ 20-Year Transmission Outlook at 1.

³⁰ *Id.* at 2, 25. See also *id.* at 3, 23-35, 47-59.

in February 2023.³¹ In accordance with the February 2023 CPUC Decision, the CPUC has provided resource portfolios as an input to the CAISO's 2023-2024 Transmission Planning Process calling for out-of-state wind generation that requires new transmission to reach the CAISO border – specifically, 1,000 MW from Idaho, 1,500 from Wyoming, and 2,328 MW from New Mexico. These volumes build on the amounts provided as part of the CAISO's 2022-2023 Transmission Planning Process, and match the values the CAISO used to size the transmission needed from the CAISO border to load centers in the 2022-2023 Transmission Plan.³² These amounts also align with the longer-term requirements set forth in the scenario provided by the CPUC and the CEC to the CAISO for its 20-Year Transmission Outlook described above.

To address the CPUC's new Preferred System Plan, the need for new high-voltage transmission, and the decision of policymakers to encourage the development of out-of-state wind now to ensure it is built in time to meet California's future needs, the Subscriber Participating TO model will provide an opportunity for out-of-state resources to be considered in the existing interconnection process. The CAISO seeks to effectuate this through a new option for transmission to be placed under the CAISO's operational control but not be paid for by CAISO ratepayers through Transmission Revenue Requirements recovered through the TAC or WAC. Specifically, the Subscriber Participating TO model will allow transmission projects moving forward through commercial interest to efficiently and cost-effectively deliver generation from out-of-state resource developers to California without increasing the Transmission Revenue Requirements recovered through the TAC and the WAC, except where the existing CAISO tariff already provides for reimbursement of network upgrade costs within the CAISO controlled grid. Further, a Subscriber Participating TO can move forward without being selected as a specific project through the Transmission Planning Process, but rather by leveraging the actual commercial interest generated by procurement and contracting entities.³³

³¹ CPUC Decision (D.) 23-02-040 (Feb. 28, 2023), available at <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M502/K956/502956567.PDF> (February 2023 CPUC Decision). See also https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/2022-irp-cycle-events-and-materials/2023-2024-tpp-portfolios-and-modeling-assumptions/tpp_andprocurement_decision_2pager_ver2.pdf (CPUC fact sheet that includes an overview of the February 2023 CPUC Decision).

³² See [ISO-Board-Approved-2022-2023-Transmission-Plan.pdf \(caiso.com\)](#), at 6-7 & n.10, 102.

³³ Beyond California's internal resource planning needs, markets like the CAISO's proposed Extended Day-Ahead Market (EDAM) will also benefit from improved integration of the CAISO system with other utility systems in the Western interconnection through implementation of the Subscriber Participating TO model. The CAISO submitted a tariff amendment that included revisions to implement the EDAM and Day-Ahead Market Enhancements on August 22, 2023 in

Delivery of energy from out-of-state wind resources to the CAISO balancing area will require development of long-distance transmission infrastructure to deliver power across multiple states. The CAISO balancing area historically has received out-of-state generation from pseudo-tie arrangements. They are constrained by the need for the generation to be considered through the CAISO's MIC assignment process, while generators interconnecting to a Subscriber Participating TO transmission project will not face this constraint because the facilities will be part of the CAISO controlled grid within the CAISO balancing authority area. The Subscriber Participating TO model thus provides an alternative solution.

The Subscriber Participating TO model provides an opportunity for a project to move forward – or not – depending on whether the project can attract a subscriber or subscribers to fund the project. For example, subscribers can seek to contract resources for delivery to the CAISO balancing area over a Subscriber Participating TO transmission project, e.g., through contracts with California load serving entities. This allows the load serving entities or other contracting parties to determine the most economic and best fit for their own portfolios. Once the Subscriber Participating TO has determined with certainty it will build the project, it will notify the CAISO and move forward.

In sum, the CAISO the Subscriber Participating TO model will accord with state policy goals, and will benefit project sponsors, California load serving entities, and CAISO ratepayers.

2. Consistency With Commission Policies

Starting with the issuance of its *TransEnergie* and *Neptune* orders more than two decades ago,³⁴ the Commission has granted negotiated rate authority (subject to appropriate conditions) for a number of developers of merchant transmission projects and participant-funded transmission projects. The Commission has found that such projects can play a useful role in expanding competitive generation alternatives for customers, with the projects' investors assuming the full market risk of development in return for defined capacity

Docket No. ER23-2686-000. The CAISO has requested a Commission order on the tariff amendment by December 21, 2023.

³⁴ *TransEnergie U.S., Ltd.*, 91 FERC ¶ 61,230 (2000) (*TransEnergie*) (conditionally granting negotiated rate authority for the Cross-Sound Cable Project connecting New York and Connecticut); *Neptune Reg'l Transmission Sys., LLC*, 96 FERC ¶ 61,147 (2001) (*Neptune*) (conditionally granting negotiated rate authority for the Neptune Project connecting New Jersey and New York).

rights.³⁵ Consistent with the Commission's longstanding precedent and policy, the Subscriber Participant TO model will accommodate the development of transmission infrastructure under policies established by the Commission that support the development of merchant and participant-funded transmission projects, including high-voltage direct current transmission projects capable of transmitting power over long distances, through an approach where subscribers agree to fund such transmission projects in exchange for long-term transmission service rights. The Commission has held that the development of such subscriber-funded transmission projects increases opportunities for customers in need of new transmission service.³⁶

The Commission has recognized the benefits of facilitating transmission development to address state and federal public policy requirements. The CAISO has designed the Subscriber Participating TO model to facilitate transmission projects with negotiated rates to address state, municipal, county, or

³⁵ See *Allocation of Capacity on New Merchant Transmission Projects and New Cost Based, Participant-Funded Transmission Projects; Priority Rights to New Participant Funded Transmission*, 142 FERC ¶ 61,038, at PP 2-6 (2013) (2013 Policy Statement). The series of orders cited in the 2013 Policy Statement includes not only *TransEnergie* and *Neptune* but also *Northeast Utilities Service Co.*, 98 FERC ¶ 61,310 (2002) (conditionally granting negotiated rate authority for the Connecticut-Long Island Cable Project), *Chinook Power Transmission, LLC*, 126 FERC ¶ 61,134 (2009) (conditionally granting negotiated rate authority for a pair of transmission projects), *Northeast Utilities Service Company and NSTAR Electric Company*, 127 FERC ¶ 61,179, *order denying rehearing and clarification*, 129 FERC ¶ 61,279 (2009) (granting negotiated rate authority for high-voltage direct current transmission project); *Champlain Hudson Power Express, Inc.*, 132 FERC ¶ 61,006 (2010) (granting negotiated rate authority for the Champlain Project), *Southern Cross Transmission LLC*, 137 FERC ¶ 61,207 (2011) (granting negotiated rate authority for the Southern Cross Project), *Rock Island Clean Line LLC*, 139 FERC ¶ 61,142 (2012) (conditionally granting negotiated rate authority for the Rock Island Project), and *National Grid Transmission Services Corporation and Bangor Hydro Electric Company*, 139 FERC ¶ 61,139 (2012) (conditionally granting negotiated rate authority for the Northeast Energy Link Project). For more recent examples, see *SOO Green HVDC Link ProjectCo, LLC*, 172 FERC ¶ 61,086 (2020) (conditionally granting negotiated rate authority for the SOO Green Project), and the Commission orders regarding TransWest's project discussed in the next section of this transmittal letter.

³⁶ 2013 Policy Statement, 142 FERC ¶ 61,038, at P 17. See also, e.g., *TransEnergie*, 91 FERC ¶ 61,230, at 61,838 ("The Commission agrees with TransEnergie that its proposal enhances competition and market integration by expanding capacity and trading opportunities between the New England and New York markets. . . . With the proposed facilities in place, generation in New England may serve load on Long Island when price differentials warrant it, or vice versa. Thus, TransEnergie's project will provide benefits to electric consumers and producers in both markets while imposing no risk or cost on captive customers in any market."); *Neptune*, 96 FERC ¶ 61,147, at 61,633 ("Neptune is proposing a project which will link capacity-rich regions in Maine and eastern Canada with capacity-deficient regions in the Northeastern United States. As a merchant transmission facility, it is proposing to assume all of the risk of the project. . . . Like the TransEnergie Project, the Commission believes that the Neptune Project can play a useful role in expanding competitive generation alternatives for customers.").

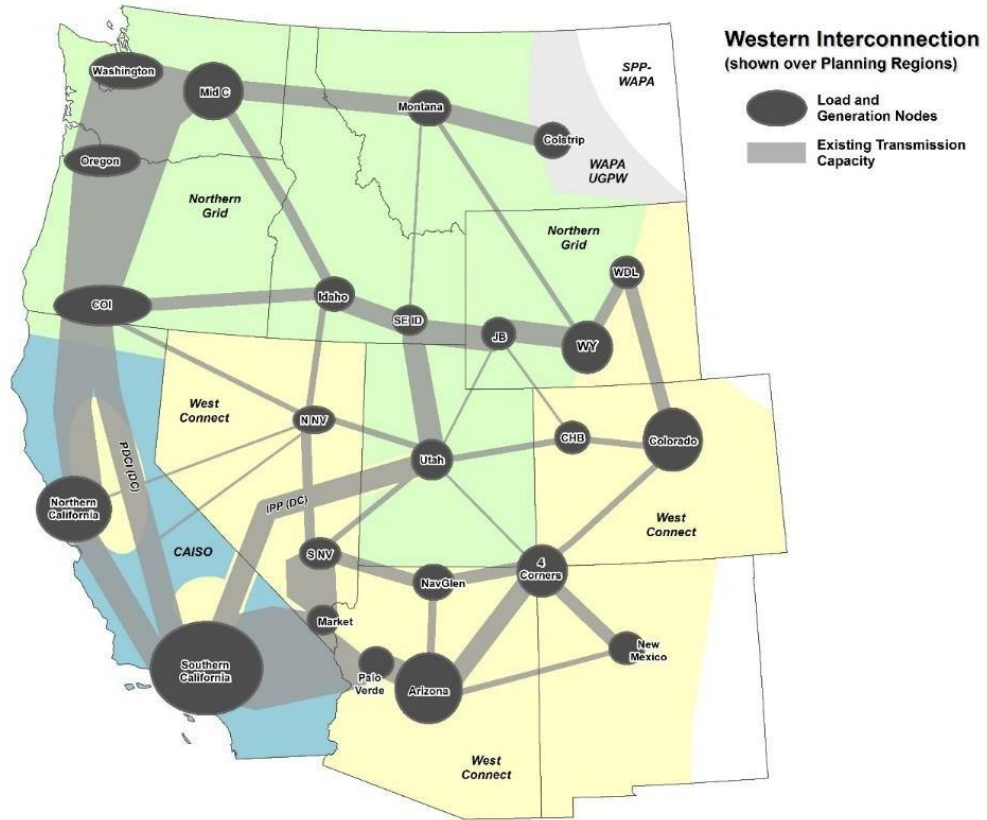
federal policy requirements or directives.³⁷ Indeed, satisfaction of applicable policy requirements or directives is a prerequisite for a project developer to qualify as a Subscriber Participating TO.

The Commission has also recognized the benefits of interregional transmission investment.³⁸ The Subscriber Participating TO model will allow new interconnections between the CAISO balancing area and other regions in the Western Interconnection. The existing interconnections between various regions in the Western Interconnection are depicted in the diagram below. By facilitating improved interconnectivity in the West, the Subscriber Participating TO model will promote long-term planning and marketing opportunities. As such, the model will enhance interregional transmission resilience, improve deliverability across the West, and provide new options to satisfy resource adequacy needs.

³⁷ Thus, the Subscriber Participating TO model will accommodate state and federal policies in a manner comparable to transmission planning processes that comply with Order No. 1000, under which public utility transmission providers must consider transmission needs driven by public policy requirements in their local and regional transmission planning processes. See *Transmission Planning & Cost Allocation by Transmission Owning & Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051, at PP 203-24 (2011) (Order No. 1000) *order on reh'g & clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, at PP 203-16 (2012) (Order No. 1000-A).

³⁸ For example, in April of this year, Chairman Phillips noted, "In order to get the needed transmission projects financed and built, we must address the continuing barriers to regional and interregional transmission investment." <https://www.utilitydive.com/news/ferc-interconnection-reform-interregional-transfer-capacity-phillips/648850/>.

Conceptual Western Interconnection Pathways



3. TransWest and the TWE Project

In the spring of 2022, TransWest approached the CAISO about becoming a New Participating TO with respect to the TWE Project, and a few months later TransWest filed an application with the CAISO for that purpose.³⁹ The application described TransWest's intent to place the TWE Project under the CAISO's operational control.⁴⁰ Prior to submitting this application to the CAISO, the Commission granted TransWest negotiated rate authority and approved an open solicitation process for the TWE Project, pursuant to the Commission's policies supporting the development of subscriber-funded merchant transmission projects with transmission capacity sold at negotiated rates.⁴¹

TransWest stated in its Participating TO application that the costs of the TWE Project would not be included in the CAISO's Transmission Access Charge. Instead, TransWest intended that the transmission capacity would be paid for by its transmission customer, the Power Company of Wyoming (PCW), which would in turn use its long-term transmission rights as a subscriber for the TWE Project to deliver wind energy and capacity to California load serving entities.

On December 15, 2022, the CAISO Board authorized TransWest to become a Participating TO, conditioned upon TransWest executing the TCA, which must include provisions setting forth the finalized Subscriber Participating TO model, and upon the Commission's acceptance of a Transmission Owner Tariff for TransWest.

The TWE Project was not identified through the Transmission Planning Process and thus TransWest was ineligible to execute an APSA for the TWE Project. However, in light of the Board's conditional approval of TransWest's Participating TO application as well as an anticipated request by PCW for generator interconnection to the CAISO controlled grid via the TWE Project, the CAISO determined that an agreement with TransWest comparable to the APSA was appropriate. Therefore, the CAISO entered into an Applicant Participating Transmission Owner Agreement (APTO Agreement) with TransWest to set forth

³⁹ See TransWest application for Participating TO status (July 14, 2022), available at <http://www.caiso.com/Documents/TransWestPTOApplication.pdf>.

⁴⁰ *Id.* at 5.

⁴¹ See *TransWest Express LLC*, 174 FERC ¶ 61,160 (2021) (TransWest Negotiated Rate Order) (granting TransWest's request to sell transmission capacity on the TWE Project at negotiated rates and accepting TransWest's proposed capacity allocation process, subject to its submission of a post-allocation compliance filing). TransWest subsequently conducted the open solicitation process, which resulted in all of the north-to-south capacity of the TWE Project being awarded to Power Company of Wyoming LLC (PCW). *TransWest Express LLC*, Commission Letter Order, Docket No. ER21-645-000 (Feb. 16, 2022) (TransWest Letter Order). PCW is an affiliate of TransWest.

the terms and conditions that will govern TransWest's responsibilities and relationship with the CAISO until the CAISO assumes operational control over the TWE Project in accordance with the TCA. The CAISO filed the APTO Agreement for Commission acceptance in January 2023. The Commission issued an order finding the TransWest APTO Agreement is just and reasonable and noting its language "largely mirrors the language already approved by the Commission in the *pro forma* APSA."⁴² The TransWest APTO Agreement provides for TransWest to assist the CAISO and existing Participating TOs in evaluating generator interconnection requests of wind projects in Wyoming that are expected to request interconnection to the CAISO controlled grid via the TWE Project. Consistent with the TCA, section 4.3 of the TransWest APTO Agreement provides that TransWest satisfy the requirements of the applicable existing Participating TO(s) for transmission interconnections.⁴³

The CAISO's experience with TransWest helped inform the development of the Subscriber Participating TO model. The Board's approval of TransWest's Participating TO application is conditioned "on a satisfactory Subscriber P[articipating] TO Model being developed and the necessary tariff changes being in place."⁴⁴

C. Stakeholder Process for This Tariff Amendment

The CAISO conducted an extensive stakeholder process to develop the Subscriber Participating TO model.⁴⁵ The stakeholder process began in August 2022 and took over a year to complete. It included the CAISO's development and posting of a series of issue papers, meetings to discuss the papers, and opportunities for verbal and written stakeholder comments at each step. The CAISO also posted draft tariff revisions to implement the Subscriber Participating TO model and subsequently updated the tariff revisions based on stakeholder comments.

⁴² *Cal. Indep. Sys. Operator Corp.*, 182 FERC ¶ 61,154, at P 31 (2023).

⁴³ See sections 10.23, 10.3.5, 10.3.6, 10.3.7, and 10.4 of the TCA.

⁴⁴ See <http://www.caiso.com/Documents/DecisiononPTOApplicationforTransWestExpressLLC-Memo-Dec2022.pdf>, at p. 2; <http://www.caiso.com/Documents/Decision-PTO-Application-TransWestExpressLLC-Motion-Dec2022.pdf>.

⁴⁵ Materials related to the stakeholder initiative for the Subscriber Participating TO model are available on the CAISO website at <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Subscriber-participating-transmission-owner-model>. The materials include a final proposal issued on June 22, 2023 (Final Proposal), which is available on the CAISO website at <http://www.caiso.com/InitiativeDocuments/Final-Proposal-Subscriber-Participating-Transmission-Owner-Model-Jun292023.pdf> and also provided in attachment C to this filing.

All stakeholders supported development of the Subscriber Participating TO model. Some stakeholders raised issues during the stakeholder process, including issues related to responsibility for upgrade costs and non-subscriber use of Subscriber Participating TO transmission facilities that the CAISO addresses in this filing.⁴⁶

The CAISO Board authorized the CAISO to prepare and submit this tariff amendment at its meeting held on July 20, 2023.⁴⁷

Upon acceptance of this filing, the CAISO intends to work with existing Participating TOs to develop conforming amendments to the TCA.

III. Proposed Tariff Revisions⁴⁸

A. Defining a Subscriber Participating TO

The CAISO proposes to define a Subscriber Participating TO as a type of New Participating TO.⁴⁹ Specifically, a Subscriber Participating TO will mean a Participating TO whose transmission assets and Entitlements were constructed, and for which the associated transmission capacity is subject to long-term contractual obligations, to deliver energy, capacity, and associated attributes to satisfy state, municipal, county, or federal policy requirements or directives.⁵⁰ A Subscriber Participating TO will be subject to all obligations of a Participating TO with regard to facilities placed under CAISO operational control.⁵¹

⁴⁶ See *infra* section IV of this transmittal letter.

⁴⁷ See <http://www.caiso.com/Documents/DecisiononSubscriberParticipatingTransmissionOwnerModel-Motion-Jul2023.pdf>. The CAISO provided a memorandum on the Subscriber Participating TO model to the Board prior to its meeting (Board Memorandum). The Board Memorandum is available at <http://www.caiso.com/Documents/DecisiononSubscriberParticipatingTransmissionOwnerModel-Memo-Jul2023.pdf> and is also provided as attachment D to this filing, along with the vote of the CAISO Board.

⁴⁸ The CAISO also proposes several non-substantive tariff revisions in this filing to correct punctuation and syntax, and to correct and supplement tariff cross-references. These changes are: revised tariff sections 24.3.1(e), 24.6.4, 25.1.1, and 26.1.4.3 – 26.1.4.3.1; tariff appendix A, revised definition of Transmission Revenue Balancing Account; tariff appendix DD, revised section 8.9.

⁴⁹ Tariff appendix A, revised definition of New Participating TO.

⁵⁰ Tariff appendix A, new definition of Subscriber Participating TO. Consistent with this definition, any reference in the tariff to a Participating TO will be read as also a reference to a Subscriber Participating TO. *Id.*

⁵¹ New tariff section 4.3.1.3(c).

A transmission owner or developer of a transmission project outside the existing CAISO balancing area may apply to join the CAISO balancing area as a Subscriber Participating TO⁵² with planned or existing transmission assets and Entitlements subject to Encumbrances, pursuant to Subscription Agreements, that will ultimately be administered pursuant to a Subscriber Participating TO's TO Tariff and the CAISO tariff.⁵³ In connection with these features of a Subscriber Participating TO, the CAISO proposes definitions of the new term Subscription Agreement and several other new and revised definitions that are interrelated with the term Subscription Agreement:

- A Subscription Agreement will mean a contract or other legal arrangement between one or more Subscribers and a Subscriber Participating TO that includes the provision of a Subscriber Encumbrance to the Subscriber.⁵⁴
- A Subscriber will mean an entity, or its designee, that has a Subscriber Encumbrance used to provide Subscriber Rights pursuant to a Subscription Agreement.⁵⁵
- A Subscriber Encumbrance will mean a legal restriction or covenant binding on a Subscriber Participating TO that affects the operation of transmission assets or Entitlements of the Subscriber Participating TO used to provide Subscriber Rights and that the CAISO needs to take into account in exercising operational control over such transmission assets or Entitlements.⁵⁶ Subscriber Encumbrances will be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of an Encumbrance arising under a contract or other

⁵² The application process is described below in section III.B of this transmittal letter.

⁵³ New tariff section 4.3A.1. Tariff section 4.3A establishes the relationship between the CAISO and Subscriber Participating TOs. It mirrors to a large degree existing tariff section 4.3, which establishes the relationship between the CAISO and Participating TOs in general.

⁵⁴ Tariff appendix A, new definition of Subscription Agreement.

⁵⁵ Tariff appendix A, new definition of Subscriber. The CAISO also proposes to revise the tariff provisions regarding Existing Contracts to state that Subscribers will be subject to the same provisions as Non-Participating TOs under these provisions. Revised tariff section 16.1. A Non-Participating TO means a transmission owner that is not a party to the TCA or, for the purposes of the tariff section 16.1, the holder of transmission service rights under an Existing Contract that is not a Participating TO. Tariff appendix A, existing definition of Non-Participating TO.

⁵⁶ Tariff appendix A, new definition of Subscriber Encumbrance. Any reference to contracts granting Subscriber Rights (defined below) will be considered as a Subscription Agreement, and any reference in the CAISO tariff to an Encumbrance will be read as also a reference to a Subscriber Encumbrance. *Id.*

arrangement entered into after the CAISO Operations Date.⁵⁷

- Subscriber Rights will mean the transmission service rights and obligations of a Subscriber Participating TO to transmission customers with contracts entered into under the Subscriber Participating TO Tariff, as that tariff may change from time to time.⁵⁸ If a Subscriber is a Participating TO, it cannot turn over its Subscriber Rights to the CAISO's operational control of the CAISO.⁵⁹

As noted above, the CAISO holds Existing Rights holders harmless from the cost of transmission and congestion under its current tariff because they have already paid for the transmission service using their Existing Rights. Existing Rights holders also have scheduling priority rights on the transmission paths their rights concern. Pursuant to the tariff revisions described immediately above, the CAISO proposes to treat Subscriber Rights the same way by honoring them as Encumbrances essential to the development of transmission facilities not funded by the CAISO and that predate the transmission owner becoming a Participating TO. The CAISO has determined that affording Encumbrance treatment to Subscriber Rights is appropriate and necessary because the Commission's subscriber-funded transmission policies and precedent rely on long-term contractual transmission service rights to allow the project to be funded and built. If Subscriber Rights were not recognized through Encumbrances, it is unlikely that subscriber-funded transmission projects connecting out-of-state resources and benefiting California load serving entities would be built because subscribers (such as resources funding the project) would have to compete for transmission service they already paid for.

Subscriber Rights will be treated in the same manner as Existing Contracts and receive the "perfect hedge" and scheduling priority, because the contract rights holder will pay for the transmission under its transmission service

⁵⁷ New tariff section 16.2; tariff appendix A, revised definition of Existing Transmission Contracts (ETC) or Existing Contracts. Furthermore, the CAISO proposes to revise the definition of the term Existing Rights to include Subscriber Participating TOs and Subscriber Encumbrances. Tariff appendix A, revised definition of Existing Rights.

⁵⁸ Tariff appendix A, new definition of Subscriber Rights. Any reference in the CAISO tariff to Existing Rights will be read as also a reference to Subscriber Rights. Tariff appendix A, new definition of Subscriber Rights and revised definition of Existing Rights. The term Transmission Owner Tariff (TO Tariff), which will now encompass a Subscriber Participating TO Tariff, means a tariff setting out a Participating TO's rates and charges for transmission access to the CAISO controlled grid and whose other terms and conditions are the same as those contained in the document referred to as the Transmission Owner Tariff approved by the Commission as it may be amended from time to time. Tariff appendix A, existing definition of Transmission Owner Tariff (TO Tariff).

⁵⁹ Revised tariff section 16.1.2.

agreements with the Subscriber Participating TO. Similar to other Existing Contract rights holders, the Subscribers have already paid for the cost of transmission and expected congestion because they entirely funded the underlying transmission project. Thus, the CAISO's application of its tariff provisions that address Existing Contracts is appropriate. Provided the Subscriber uses a balanced schedule, it will receive a priority and be excluded from bid cost recovery allocation, offsets and allocation of congestion costs for the integrated forward market (a market process in the day-ahead market). If the Subscriber already purchased ancillary services, it also will not pay those charges. Subscriber Rights are intended to be assigned by the Subscriber to any off-takers of the interconnected resources that obtain transmission service from the Subscriber Participating TO. By implementing the Subscriber Rights this way, the CAISO is using the existing Encumbrance functionality, tariff rules, and construct that are already in place.⁶⁰ The CAISO is not truly "allowing" new Encumbrances on the existing CAISO controlled grid; the CAISO is merely expanding the existing CAISO balancing area and CAISO controlled grid to incorporate what could have been a generation-only balancing area for facilities that are the subject of Subscription Agreements that include transmission service rights to the existing CAISO balancing area. Providing the Subscriber Rights treatment as an Encumbrance recognizes that the facilities will be paid for without including the costs of construction in a revenue requirement of the Subscriber Participating TO.

The Subscriber Participating TO's initial project (*i.e.*, the transmission facilities constructed to provide Subscriber Rights) will consist of transmission components located outside of the then-existing CAISO balancing area and funded solely by the Subscriber Participating TO based on the Subscribers' commitments and used to provide Subscriber Rights. The Subscriber Participating TO may subsequently construct additions or upgrades to the initial transmission project that are funded solely by Commission-approved Transmission Revenue Requirements and not used to provide Subscriber Rights only to the extent authorized under the CAISO tariff.⁶¹

B. Application and Approval Process to Become a Subscriber Participating TO

As with other New Participating TOs, the CAISO proposes to require a transmission owner or developer of a transmission project that wants to become a Subscriber Participating TO to submit an application in accordance with the

⁶⁰ This is also the same functionality that will be employed to support EDAM legacy contract arrangements under the EDAM design.

⁶¹ New tariff section 4.3A.1.

requirements set forth in the existing tariff and the TCA.⁶² The CAISO will then post the application on the CAISO website and notifies interested parties of the ability to provide comments within 60 days consistent with the application procedures.

An applicant to become a Subscriber Participating TO must provide written information to the CAISO regarding its transmission assets, Entitlements, and Subscriber Encumbrances used to provide Subscriber Rights that includes: (1) the size and location of the transmission assets and Entitlements; (2) the original or projected cost to build the transmission assets, for which the applicant may request confidential treatment pursuant to the existing tariff; (3) a schedule for depreciation of the transmission assets, for which the applicant may also request confidential treatment; and (4) the initial Subscriber Encumbrance term for the transmission assets and any rollover rights specified in the Subscriber Participating TO's application to become a Participating TO.⁶³

If the CAISO Board finds the applicant meets eligibility requirements and approves the application, the Subscriber Participating TO will execute an APTO Agreement with the CAISO, which is expected to be similar to the APTO Agreement between the CAISO and TransWest that the Commission accepted earlier in 2023.⁶⁴ The purpose of the APTO Agreement is to establish the relationship between the Subscriber Participating TO applicant and the CAISO during the period from CAISO Board approval until the Subscriber Participating TO either: (1) satisfies the new tariff requirements described below regarding the addition to the CAISO controlled grid of Subscriber Participating TO transmission facilities used to provide Subscriber Rights,⁶⁵ or (2) informs the CAISO in writing of the Subscriber Participating TO's decision to not move forward with the project's becoming part of the CAISO controlled grid.⁶⁶

The APTO Agreement requires the applicant to become a Participating TO, to seek transmission interconnection service from the existing Participating TOs or other entity to whose facilities the project will connect, and to enter into a transmission interconnection service agreement. A facility cannot interconnect to an existing part of the grid without meeting the requirements for transmission interconnection.⁶⁷ The existing Participating TO facilities may also require

⁶² New tariff sections 4.3.1.3(c) and 4.3A.2 (both cross-referencing existing tariff section 4.3.1.1 and existing TCA section 2.2).

⁶³ New tariff section 4.3A.2.

⁶⁴ See *infra* section II.C of this transmittal letter.

⁶⁵ See *infra* section III.E of this transmittal letter.

⁶⁶ New tariff section 4.3A.2 (cross-referencing new tariff section 4.3A.5); tariff appendix A, new definition of Applicant Participating Transmission Owner Agreement (APTOA).

⁶⁷ As noted above, under section 10 of the TCA, Participating TOs have the primary role in the transmission interconnection process.

upgrades to support the interconnection. If the upgrades are identified in the Transmission Planning Process, then the existing Participating TOs will be responsible for the cost of those upgrades. If the upgrades are not identified in the TPP, then the Subscriber Participating TO will pay for those upgrades as part of interconnecting the Subscriber Participating TO project. A transmission interconnection agreement with the interconnecting transmission owner will be needed to set forth the specifications and schedule for the work and terms and conditions related to any needed upgrades. The Subscriber Participating TO's project – as well as any generation connecting to the CAISO controlled grid over that transmission project – will be studied in the interconnection studies with the Participating TO(s) or other impacted transmission owners.

The APTO Agreement also addresses the possibility that the applicant may plan to use the project to fulfill certain generator interconnection requests in its queue. This requires the use of the CAISO's process for generation projects seeking interconnection to the facilities that will be turned over to CAISO operational control. The CAISO will process requests for additional generator interconnection via a Subscriber Participating TO project under the CAISO tariff generator interconnection procedures, except that the Subscriber Participating TO will have the rights and obligations that it would have if it were already a Participating TO in accordance with the APTO Agreement.

C. Transmission Planning Process Consideration of Subscriber Participating TO Transmission Facilities

A Subscriber Participating TO applicant's transmission assets, Entitlements, and Subscriber Encumbrances used to provide Subscriber Rights will be included in the CAISO's annual Transmission Planning Process once certain criteria have been met.⁶⁸ The CAISO will include the project in the Transmission Planning Process after it is far enough along the path to construction that the risk of abandonment is minimized, *i.e.*, after all of the following events occur:

- (1) The CAISO Board approves the associated application to become a Subscriber Participating TO;
- (2) The Commission accepts an APTO Agreement between the applicant to become a Subscriber Participating TO and the CAISO;
- (3) The Commission accepts any applicable generator interconnection

⁶⁸ To eliminate any doubt, the CAISO clarifies that this evaluation of Subscriber Participating TO facilities will not result in the costs of the Subscriber-funded transmission project itself being included in the Transmission Revenue Requirements recovered through the TAC or WAC.

agreements for generating facilities due to their interconnection to the CAISO controlled grid on the transmission assets, Entitlements, and Subscriber Encumbrances of an applicant seeking to become a Subscriber Participating TO;

- (4) The Subscriber Participating TO has begun the interconnection studies required by the applicable transmission owner(s); and
- (5) The Subscriber Participating TO provides a written notice to the CAISO acknowledging that construction activities have begun.⁶⁹

In addition, the CAISO's evaluation of policy-driven transmission solutions will consider Subscriber Participating TO transmission facilities and generation facilities seeking to interconnect to the CAISO controlled grid on such transmission facilities.⁷⁰ In the meantime, Subscriber Participating TO transmission facilities may proceed to permitting and construction prior to CAISO Board approval of the Transmission Plan, provided the CAISO Board has already approved the Subscriber Participating TO as a Participating TO or conditional Participating TO.⁷¹

D. Generator Interconnection and TP Deliverability of Subscriber Participating TO Transmission Facilities

The CAISO, along with impacted transmission owners, will use the transmission interconnection process to study the network upgrades for a Subscriber Participating TO applicant's project, including any requests for interconnection of generation facilities via the Subscriber Participating TO transmission facilities. To do this, the CAISO will study the interconnection of all generating facilities to the Subscriber Participating TO's transmission assets using Subscriber Encumbrances to provide Subscriber Rights.⁷²

Once the Subscriber Participating TO's project has been included in the Transmission Plan and the transmission interconnection studies have been completed, a Subscriber will be eligible to receive deliverability from network upgrades approved in the Transmission Planning Process provided the Subscriber applies for a TP deliverability allocation through the submission of a

⁶⁹ New tariff sections 4.3A.3, 24.2(g), and 24.3.1(o).

⁷⁰ Revised tariff section 24.4.6.6.

⁷¹ Revised tariff section 24.4.10. The Transmission Plan is the annual report prepared by the CAISO that documents the outcome of the Transmission Planning Process. Tariff appendix A, existing definition of Transmission Plan.

⁷² New tariff section 4.3A.4.1 (cross-referencing tariff section 25 (containing the generator interconnection provisions) and tariff appendix DD (containing the GIDAP)).

Subscriber Participating TO-specific deliverability allocation request subject to the GIDAP – the Subscriber will not submit a generator interconnection request to the CAISO for their deliverability.⁷³ A generating unit that does not receive deliverability from network upgrades approved in the Transmission Planning Process will be subject to the generally applicable generator interconnection provisions.⁷⁴

If the Transmission Planning Process identifies a need for delivery network upgrades related to generating facilities to be served by a Subscriber Participating TO for purposes of meeting a resource portfolio requirement established by the CPUC or other local regulatory authority, and such delivery network upgrades are included in an approved Transmission Plan for the CAISO controlled grid, the Subscriber Participating TO's Subscribers will have the first option to acquire the additional deliverability made possible by the delivery network upgrades, up to the amount of deliverability included in the resource portfolio requirement of the CPUC or other local regulatory authority.⁷⁵ Providing the Subscriber the first option to the TP deliverability approved in the Transmission Plan is appropriate because the delivery network upgrades were approved for the specific resource type and location required by the resource portfolio driving the Transmission Plan and the Subscriber Participating TO's project and associated Subscribers are in the best, perhaps only, position to meet the identified needs in a timely manner. In other words, but for the Subscriber Participating TO's project there would not be resources in a position to meet the identified specific resource and location need identified in the CPUC portfolio provided for transmission planning unless a transmission project approved in the Transmission Plan was constructed entirely at CAISO ratepayer expense to serve the same purpose as the Subscriber Participating TO's project, all of which takes time that may not be available. The CAISO has seen in the last few years the total resource portfolios for out of state renewable resources provided by the CPUC going from 0 MW in the 2020-2021 Transmission Plan, to 1,500 MW in the 2021-2022 Transmission Plan, to 4,828 MW in the 2023-2024 Transmission Plan of capacity to be added over the 10 year planning horizon. An exponential increase that is likely to continue to meet California's policy requirements, further supporting the need to rapidly develop transmission projects.

⁷³ New tariff sections 25.1(g) and 25.1(g)(1) (cross-referencing section 8.9 of tariff appendix DD and tariff section 25).

⁷⁴ New tariff sections 4.3A.4.1.1 (cross-referencing tariff section 4.3A.3) and 25.1(g)(2) (cross-referencing tariff section 25.1(a)).

⁷⁵ New tariff section 4.3A.4.2(a). The CPUC resource portfolio requirement refers to "out-of-state" resources, but the CAISO clarifies that the Subscriber Participating TO model addresses resource and transmission development that is outside of the CAISO balancing area. In some cases, in-state resources may still be outside of the CAISO balancing area.

Without allocating the TP deliverability to the Subscribers it is unlikely the Subscriber Participating TO's project would be able to solicit sufficient support for its development, thus undermining the fundamental purpose of this proposal—to timely meet out of state resource portfolio requirements without approving a transmission project in Transmission Plan paid for at CAISO ratepayer expense. The Subscriber Participating TO model provides an alternative means to reach a similar and potentially accelerated result to a project approved in the Transmission Plan, and having an additional mechanism for transmission project development to deliver resources identified to meet portfolio requirements will help achieve the stated policy objectives in a timely manner.⁷⁶ For these reasons, connecting the deliverability network upgrades approved in the Transmission Plan and the Subscribers' first option will benefit all load serving entities that must satisfy the resource portfolio requirements, and having the deliverability available to other resources if the option is not exercised ensures there will not be stranded costs from the network upgrades approved in the Transmission Plan if for any reason the Subscriber Participating TO project does not develop as anticipated.

At the same time, the CAISO identifies prior commitments that will use MW quantities of TP deliverability as part of the allocation process for TP deliverability under the GIDAP. Among these prior commitments are (1) any maximum import capability (MIC) included as a planning objective in the Transmission Plan and (2) any other commitments having a basis in the Transmission Plan.⁷⁷ The CAISO proposes to revise both of these provisions regarding prior commitments to account for different configurations of potential Subscriber Participating TOs.

First, with regard to the tariff provision addressing MIC prior commitments, the CAISO proposes that a Subscriber Participating TO that is a non-contiguous portion of the CAISO balancing area can use the available MIC made available by the load serving entities that have contracts with any Subscriber generators until the load serving entities cease using this MIC allocation or their Subscriber generators receiving a MIC allocation. This is no different than what is done today. The CAISO will use the process described in the paragraph immediately below to award to a Subscriber either: (i) MIC made available by load serving entities with off-taker contracts with any Subscriber generators; (ii) MIC made available by participating generators and system resources if such allocation is

⁷⁶ If the Transmission Planning Process identifies a need for upgrades in addition to those identified under the tariff provisions described above, the relevant generating facilities will be required to apply for interconnection to the CAISO controlled grid in accordance with the CAISO generator interconnection process and the GIDAP. New tariff section 4.3A.4.2(b) (cross-referencing tariff section 25 and tariff appendix DD).

⁷⁷ Tariff appendix DD, existing section 8.9.1.

made available in accordance with the existing tariff provisions regarding the annual assignment of available import capability under the CAISO's resource adequacy tariff provisions; or (iii) delivery network upgrades identified for purposes of meeting a resource portfolio requirement established by the CPUC or other local regulatory authority as described above.⁷⁸

Second, the CAISO proposes that any other commitments having a basis in the Transmission Plan include any commitments established due to a Subscriber's exercise of its first option to acquire deliverability made possible by delivery network upgrades identified for purposes of meeting a resource portfolio requirement established by the CPUC or other local regulatory authority as described above, provided this first option has been exercised before the Subscriber is no longer eligible to apply for TP deliverability allocation. Generating units possessing Subscriber Rights that seek to receive TP deliverability must submit a request and will be subject to other specified provisions regarding the allocation of TP deliverability. For each Subscriber that submits a TP deliverability request, the CAISO will provide the Subscriber with a queue position.⁷⁹

E. Addition to the Grid of Subscriber Participating TO Transmission Facilities Used to Provide Subscriber Rights

The new tariff provisions specify when a Subscriber Participating TO's initial project will be added to the CAISO controlled grid. The CAISO will add the Subscriber Participating TO transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights to the grid after all of the following occur: (1) the associated Subscriber Participating TO satisfies the requirements of the TCA, (2) the Commission approves any revisions to the TCA to include the Subscriber Participating TO, (3) the Subscriber Participating TO energizes its project and turns the project over for CAISO operational control in accordance with the TCA, (4) the Commission approves a Subscriber Participating TO Tariff for the Subscriber Participating TO and (5) the Subscriber Participating TO establishes a Non-Subscriber Usage Charge. The Subscriber Participating TO will have its own TAC area and its transmission assets and Entitlements will have their own scheduling points.⁸⁰

⁷⁸ Tariff appendix DD, revised section 8.9.1(b) (cross-referencing tariff sections 40.4.6.2.1 and 4.3A.4.2(b)).

⁷⁹ Tariff appendix DD, revised section 8.9.1(c) (cross-referencing tariff section 4.3A.4.2(a) and tariff appendix DD, sections 8.9, 8.9.2, and 8.9.3).

⁸⁰ New tariff section 4.3A.5; tariff appendix F, schedule 3, revised section 3.7. A TAC area means a portion of the CAISO controlled grid as identified in section 3 of schedule 3 of tariff appendix F. Tariff appendix A, existing definition of Transmission Access Charge Area (TAC Area). Having its own TAC area will allow the Subscriber Participating TO to receive the rate treatment set forth in this filing (see *infra* section III.G of this transmittal letter).

F. Access to Available Transmission Capacity of a Subscriber Participating TO

The new tariff provisions will allow access to available transmission capacity on a Subscriber Participating TO's transmission facilities that is not already accounted for. Specifically, the CAISO will make transmission capacity on Subscriber Participating TO transmission facilities available for the purpose of: (1) scheduling Subscriber Rights transactions consistent with the Subscription Agreement, a Subscriber Participating TO's Transmission Rights and Transmission Curtailment (TRTC) instructions, and the CAISO tariff; and (2) scheduling transactions for market participants in accordance with the CAISO tariff, provided such use does not conflict with Subscriber Rights.⁸¹

The transmission capacity of a Subscriber Participating TO that is not subject to an Encumbrance as of the date of the Subscriber Participating TO's application to become a Subscriber Participating TO, *i.e.*, the balance of transmission assets and Entitlements, will not be treated as Subscriber Rights, and the CAISO will be the provider of transmission service pursuant to the CAISO tariff for the use of this available transmission capacity. To the extent Subscribers do not schedule their Encumbrance in the real-time market, the transmission capacity underlying the Encumbrance will be available for use in the CAISO Markets in accordance with the CAISO tariff provisions regarding existing transmission contracts.⁸²

G. Cost Recovery and Usage Costs for Subscriber Participating TO Transmission Facilities

The new tariff provisions address the treatment of the costs of using a Subscriber Participating TO's Subscriber-funded transmission facilities, with the cost treatment differing for Subscribers and Non-Subscribers.⁸³ The cost for Subscribers to use such transmission facilities will be governed solely by their Subscription Agreements and will not involve any Access Charge payments. Non-Subscribers that use Subscriber Participating TO facilities will pay a rate consistent with Commission subscriber-funded transmission policies and

⁸¹ New tariff section 4.3A.8. Subscriber Participating TOs must complete TRTC instructions for their Subscriber Rights as provided in the tariff. New tariff section 4.3.1.2.2 (cross-referencing tariff section 16.4.5).

⁸² New tariff section 4.3A.8.

⁸³ The CAISO proposes to define a Non-Subscriber as an entity, or its designee, that schedules as a market participant on transmission assets or Entitlements of a Subscriber Participating TO not being used by a Subscriber exercising Subscriber Rights. Tariff appendix A, new definition of Non-Subscriber.

precedent.

Commission precedent requires the owner of a merchant or participant-funded transmission project to make any unsubscribed capacity on their transmission project available for service on an open access basis. The Commission “require[s] merchant and other transmission developers either to file an OATT or to turn over control to an RTO or ISO.”⁸⁴ For example, as a condition to TransWest’s negotiated rate authority, the Commission required that TransWest file an Open Access Transmission Tariff (OATT) “to provide transmission service on the TWE Project for all capacity not initially allocated in the Open Solicitation process.”⁸⁵ Under the Subscriber Participating TO model, such open access to non-subscribers will be provided under the general transmission service terms of the CAISO tariff. Given this open access obligation, the CAISO believes Non-Subscriber customers obtaining transmission service should pay for that service. Consistent with cost causation and open access principles, the CAISO believes Non-Subscribers cannot use such transmission facilities for free.⁸⁶

As such, Non-Subscribers that use the transmission facilities will pay to the CAISO the Transmission Access Charge (TAC) and/or Wheeling Access Charge (WAC), based on application of the existing CAISO tariff, and the CAISO will deduct from the TAC and WAC revenues it collects and provide to the Subscriber Participating TO an amount calculated pursuant to a rate formula to compensate the Subscriber Participating TO for the Non-Subscribers’ use. The rate formula will consist of (i) the absolute value of Non-Subscriber use in each direction of the line multiplied by (ii) a Non-Subscriber Usage Rate for which the Subscriber Participating TO must receive prior Commission approval and which can be no greater than the then-existing TAC rate.⁸⁷ These cost treatments are

⁸⁴ 2013 Policy Statement, 142 FERC ¶ 61,038, at P 4 n.7.

⁸⁵ TransWest Negotiated Rate Order, 174 FERC ¶ 61,160, at P 35.

⁸⁶ See, e.g., Order No. 1000-A at P 578 (“The requirements of Order No. 1000 are based on the principle of cost causation, which requires that costs be allocated in a way that is roughly commensurate with benefits. The principle of cost causation is intended to prevent subsidization by ensuring that costs and benefits correspond to each other. Indeed, in seeking to eliminate free riders on the transmission grid, Order No. 1000 seeks to eliminate a form of subsidization, as free riders by definition are entities who are being subsidized by those who pay the costs of the benefits that free riders receive for nothing.”); *Utah Associated Mun. Power Sys. v. PacifiCorp*, 83 FERC ¶ 61,337, at 62,367 (1998) (finding that transmission service customer “cannot obtain the benefits of the open access scheme without paying the associated costs”).

⁸⁷ As discussed below, for any transmission facilities a Subscriber Participating TO may subsequently build under the CAISO Transmission Planning Process or generator interconnection process, but not the initial Subscriber-funded transmission facilities, the Subscriber Participating TO may establish a Transmission Revenue Requirement that will be incorporated into the TAC.

discussed in more detail below.

1. Amounts from Subscribers

A Subscriber Participating TO is expected to recover costs of its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights solely from Subscribers pursuant to Subscription Agreements. Subscribers that Self-Schedule using contract reference numbers (CRNs) on the transmission assets and Entitlements will not pay Access Charges for such use.⁸⁸ It is possible that these costs could be reimbursed through amounts collected from Non-Subscribers as discussed below; however, this is not an arrangement addressed by the CAISO tariff.

2. Amounts from Non-Subscribers

The CAISO proposes tariff revisions to allow use of a Subscriber Participating TO's initial transmission facilities by Non-Subscribers and provide for financial settlement for that use. As explained above, the CAISO has concluded that requiring Non-Subscribers to pay for their use of a Subscriber Participating TO's initial transmission facilities is appropriate under the unique circumstances of the Subscriber Participating TO model. On the other hand, including any costs of a Subscriber Participating TO's initial transmission facilities in the Transmission Revenue Requirement for the TAC or WAC would be contrary to the fundamental design principle of the Subscriber Participating TO model that allows these projects to move forward without funding through a Transmission Revenue Requirement paid by all CAISO customers. This design principle requires the TAC and WAC to exclude the cost to build the Subscriber Participating TO's initial Subscriber-funded transmission facilities.⁸⁹

The CAISO had initially considered a separate subscriber wheeling charge to be assessed to customers for Non-Subscriber transmission service on Subscriber Participating TO's facilities. Such a separate subscriber wheeling charge would have been in addition to the TAC for service on the CAISO controlled grid up to the Subscriber Participating TO's transmission facilities. Stakeholders raised concerns that having customers pay two charges under the CAISO tariff for service over portions of the CAISO controlled grid would introduce a rate "pancake" and lead to market inefficiencies. To address these concerns, the CAISO modified its proposal so that Non-Subscriber uses of Subscriber Participating TO facilities will pay a single rate for use of the CAISO controlled grid – the existing applicable Access Charge. In addition, if the load or export being serviced by the generator associated with Subscriber Rights is not

⁸⁸ New tariff section 4.3A.7.1.

⁸⁹ See existing tariff section 24 and tariff appendix DD, section 14.5.1.

connected to the Subscriber Participating TO's facilities, then Subscribers will also pay the applicable Access Charge.

Specifically, in accordance with the existing CAISO tariff, the CAISO will assess the TAC for Non-Subscriber imports that use scheduling points on the Subscriber Participating TO's transmission facilities, and will assess the WAC for Non-Subscriber exports and wheeling through transactions that use such scheduling points. Pursuant to tariff revisions proposed in this filing, a Subscriber Participating TO will be entitled to receive Non-Subscriber Usage Payment Amounts for Non-Subscriber use of its transmission assets and Entitlements and unscheduled Subscriber Rights pursuant to the following process:⁹⁰

- Under its existing tariff, the CAISO determines the Access Charge on a \$/MWh basis, collects it monthly from scheduling coordinators, and disburses it monthly to the Participating TOs. Today the WAC revenue is allocated to the Participating TO at the specific scheduling point that received the revenue.⁹¹ If more than one Participating TO has rights at the scheduling point, then the revenue is allocated in proportion to their ownership rights. The TAC revenue is allocated first to non-load serving Participating TOs based on 1/12th of their annual transmission revenue requirement. The remainder is allocated to the load-serving Participating TOs based on the percentage of their transmission revenue requirement to the total transmission revenue requirement of the other load-serving Participating TOs.⁹²
- The CAISO will provide Non-Subscriber Usage Payment Amounts to a Subscriber Participating TO for Non-Subscriber use of the Subscriber Participating TO's transmission assets and Entitlements each month. The Non-Subscriber Usage Payment Amounts will be funded first by using Wheeling Access Charge revenue received by the CAISO for the scheduling points that the Subscriber Participating TO added to the CAISO balancing area. If the Wheeling Access Charge revenue is insufficient to fully pay the Non-Subscriber Usage Payment Amounts, then the remainder will be paid by using Transmission Access Charge revenue received by the CAISO prior to allocating the TAC revenue to the other

⁹⁰ New tariff section 4.3A.7.2 (cross-referencing section 15 of schedule 3 of tariff appendix F). The CAISO proposes to define the Non-Subscriber Usage Payment Amount as an amount paid by a Non-Subscriber and provided by the CAISO to a Subscriber Participating TO for the Non-Subscriber's use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights. Tariff appendix A, new definition of Non-Subscriber Usage Payment Amount.

⁹¹ Tariff appendix F, schedule 3, existing section 14.

⁹² Tariff appendix F, schedule 3, existing section 10.1.

Participating TOs.⁹³

- Each monthly Non-Subscriber Usage Payment Amount equals (i) the applicable Non-Subscriber Usage Rate multiplied by (ii) the sum of the absolute value of the MWh flow of a Non-Subscriber's imports at the applicable scheduling point(s) plus the sum of the absolute value of the MWh flow of a Non-Subscriber's exports at the applicable scheduling point(s).⁹⁴
- For each month, if the total Transmission Access Charge and Wheeling Access Charge revenue contributed by transactions on the Subscriber Participating TO's facilities exceeds the total calculated Non-Subscriber Usage Payment Amounts, then the excess amount will be added back to the Regional Access Charge for allocation to the other Participating TOs besides the Subscriber Participating TO.⁹⁵

Because the Subscriber Participating TO transmission facilities will add new scheduling points, the CAISO will be receiving more revenue as a result of Non-Subscriber uses of those facilities than will be required to meet the existing Participating TO's Transmission Revenue Requirements. This additional revenue will be available to pay the Non-Subscriber Usage Payment Amount to the Subscriber Participating TO. Under the CAISO's proposal, there will not be a

⁹³ Revised tariff sections 26.1(a), 26.1(i), 26.1.2, 26.1.3, and 26.1.4.3.3; tariff appendix F, schedule 3, new sections 1.1(e) and 15.1(a). The CAISO also proposes to include references to Non-Subscriber Usage Payment Amounts in the tariff provisions regarding Participating TO obligations as to existing contracts. Revised tariff section 16.1.1.

⁹⁴ Tariff appendix F, schedule 3, new section 15.1(a). Similar to component (ii) of the rate formula described above, for purposes of monthly disbursement of Regional Access Charge revenues to Subscriber Participating TOs, the CAISO will calculate each Subscriber Participating TO's portion of the total billed Regional Access Charge based on the absolute value of MWh, in each direction, of Non-Subscriber usage of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights. Tariff appendix F, schedule 3, new section 10.1(b)(ii) (cross-referencing tariff appendix F, schedule 3, section 15). The CAISO will also include such amounts in any monthly Regional Access Charge revenue adjustments resulting from a difference between the total billed Regional Access Charge received by the CAISO and the CAISO's calculation of the total billed Regional Access Charge. Tariff appendix F, schedule 3, new section 10.1(b)(iii).

⁹⁵ Tariff appendix F, schedule 3, new section 15.1(b). See also revised tariff section 24.14.4 (stating that, with respect to cost recovery due to Non-Subscriber use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, Non-Subscriber Usage Payment Amounts will be included in the Regional Access Charge allocation in accordance with the new tariff provisions described above). The CAISO also proposes to revise the tariff provisions regarding the Regional Access Charge treatment of new regional transmission facilities costs to exclude such costs from the CAISO controlled grid-wide component of the Regional Access Charge for Subscriber Participating TOs. Revised tariff section 24.14.4; new tariff section 26.1.4.3.3.

loss in Access Charge revenue to reimburse the existing Participating TOs and, as noted above, any revenue collected above the amount required to cover the Non-Subscriber Usage Payment Amount will be paid to the other Participating TOs and should ultimately reduce the Regional Access Charge consistent with the principles of cost causation and neutrality. In addition, California's policy initiatives for renewable generation and reduced greenhouse gas emissions are based on the well-supported expectation that the total amount of load will increase substantially in the next 15 years, which will result in correspondingly more revenue for the TAC.

Each Non-Subscriber that uses Subscriber Participating TO transmission assets or Entitlements other than those used to provide Subscriber Rights (*e.g.*, future upgrades to Subscriber Participating TO transmission facilities built under the CAISO's Transmission Planning Process or generator interconnection process) will pay for such use pursuant to the applicable provisions of the CAISO tariff rather than the process described above.⁹⁶

The Subscriber Participating TO will be responsible for obtaining Commission approval of the Non-Subscriber Usage Rate that is a required component of the formula for calculating Non-Subscriber Usage Payment Amounts.⁹⁷ This Non-Subscriber Usage Rate must be approved before the Subscriber Participating TO transmission facilities are placed in service. The CAISO expects that any concerns interested parties may have about the level of a specific Non-Subscriber Usage Rate and any related issues, such as any revenue crediting against amounts a Subscriber Participating TO receives from Subscribers, will be addressed in the Commission proceeding concerning the proposed Non-Subscriber Usage Rate.

The Non-Subscriber Usage Rate, and any updates thereto, must comply with requirements in the CAISO tariff and the Subscriber Participating TO Tariff, and can be no greater than the applicable Access Charge rate at the time the Subscriber Participating TO files the Non-Subscriber Usage Rate for Commission approval.⁹⁸ As previously explained, in order to address concerns about potential rate pancaking and market inefficiencies, the CAISO is not proposing a separate charge for Non-Subscriber uses of Subscriber Participating TO transmission

⁹⁶ Tariff appendix F, schedule 3, new sections 9.2 and 15.2.

⁹⁷ New tariff section 4.3A.7.2; tariff appendix F, schedule 3, new sections 7.1 and 8.1. The Commission may also approve refunds associated with the Non-Subscriber Usage Rate. Tariff appendix F, schedule 3, new section 8.2. Furthermore, if a Participating TO withdraws one or more transmission facilities from CAISO operational control, the CAISO will no longer provide a Non-Subscriber Usage Payment Amount for that transmission facility, and the withdrawing Participating TO will be required to provide the CAISO with make any necessary filings with the Commission to revise the Non-Subscriber Usage Rate. Tariff appendix F, revised section 8.3.

⁹⁸ New tariff section 26.1(h); tariff appendix A, new definition of Non-Subscriber Usage Rate; tariff appendix F, schedule 3, section 7.1.

facilities. The recovery of Non-Subscriber Usage Payment Amounts from the existing TAC and WAC will ensure that Non-Subscribers pay only a single Access Charge for transmission service on the CAISO controlled grid. The requirement that the Non-Subscriber Usage Rate be no greater than the applicable Access Charge rate at the time the Subscriber Participating TO files the Non-Subscriber Usage Rate for Commission approval is a necessary limitation to ensure that the Subscriber Participating TO model will not introduce a pancaked rate and will not increase Access Charges under the CAISO tariff.

A Subscriber Participating TO may not seek Commission approval of a Transmission Revenue Requirement for the original costs or any subsequent incurred costs for transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights or receive revenue for such transmission assets and Entitlements from the Regional Access Charge, even after all Subscriber Encumbrances on the transmission assets and Entitlements terminate. These tariff provisions will not prevent a Subscriber Participating TO from obtaining Commission approval of its proposed Non-Subscriber Usage Rate or crediting Subscribers.⁹⁹

3. Response to Stakeholder Concerns

One stakeholder argued that if a Subscriber Participating TO's initial transmission facilities are already fully paid for by Subscribers, then the Subscriber Participating TO should not be allowed to collect a usage rate for Non-Subscriber use of the transmission facilities. Instead, the stakeholder argued that the Subscriber Participating TO should receive congestion revenue rights (CRRs) associated with the full amount of the Subscriber Participating TO project turned over to the CAISO's operational control.

The CAISO does not agree with the stakeholder. As explained above,¹⁰⁰ the Non-Subscriber Usage Payment Amount is appropriate given the unique circumstances of the Subscriber Participating TO model. It would be inconsistent with the Commission's open access and cost causation principles to allow Non-Subscribers to use a Subscriber Participating TO's initial transmission facilities for free. Moreover, the use of CRRs for compensation to the Subscriber Participating TO would only compensate it if there was congestion on the transmission facilities and there were any congestion revenues leftover to be allocated to CRR holders after providing the perfect hedge to the Subscribers, and not for the transmission service provided to the Non-Subscriber user of the transmission facilities. The CAISO believes such an approach also would undermine the viability of the Subscriber Participating TO model. Compensation in the form of just CRRs has never resulted in a new merchant transmission line

⁹⁹ New tariff section 4.3A.7.3(a).

¹⁰⁰ See *supra* section III.G.2 of this transmittal letter.

being built in the CAISO balancing authority area.

The stakeholder also argued that allowing Subscriber Participating TOs to receive a usage rate would prevent existing Participating TOs from recovering the Wheeling Access Charges they would have otherwise received. The CAISO disagrees with this concern as well. The Subscriber Participating TO will add more scheduling points to the CAISO balancing area and thereby bring in more revenue than existed prior to the interconnection of its transmission facilities. In addition, the existing Participating TOs will continue to recover a Wheeling Access Charge for all exports from their facilities, including where the Subscriber Participating TO interconnects with the CAISO balancing area. Thus, it is only fair that they receive that revenue as part of the compensation for Non-Subscribers using the Subscriber Participating TO's transmission facilities.

Initially, the CAISO had proposed implementing a separate charge for Non-Subscriber use of a Subscriber Participating TO's initial transmission facilities, but later in the stakeholder process departed from that approach in favor of the cost recovery proposal described above in response to stakeholder concerns about potential rate pancaking and market inefficiencies. One stakeholder has suggested that compensation to the Subscriber Participating TO in the form of a Non-Subscriber Usage Payment Amounts might result in double recovery by the Subscriber Participating TO. The CAISO believes there is no potential for double recovery under the CAISO tariff under the revisions proposed in this filing. To the extent any entity has concerns about potential double recovery, it can raise those concerns in the proceeding on the Subscriber Participant TO's filing for Commission approval of its Non-Subscriber Usage Rate.

H. Subscriber Participating TO Role in Transmission Planning and Generator Interconnection Processes

After a Subscriber Participating TO's initial project has become part of the CAISO controlled grid, the Subscriber Participating TO will be subject to all the same obligations as any other Participating TO under the CAISO tariff and the TCA. A Subscriber Participating TO, like any other Participating TO, will construct transmission facilities in accordance with the existing CAISO tariff. For example, a Subscriber Participating TO will be subject to all the same obligations applicable to any Participating TO in the Transmission Planning Process. A Subscriber Participating TO may construct additions and upgrades to its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights pursuant to the Transmission Planning Process, but such additions and upgrades will not provide additional Subscriber Rights.¹⁰¹

¹⁰¹ New tariff section 4.3A.6 (cross-referencing tariff section 24).

Similarly, requests for interconnection to the Subscriber Participating TO's additions and upgrades will be pursuant to the Transmission Planning Process and the GIDAP.¹⁰²

A Subscriber Participating TO may seek Commission approval of a Transmission Revenue Requirement for additions and upgrades to its transmission assets and Entitlements undertaken to facilitate an interconnection or pursuant to the Transmission Planning Process, unless such additions or upgrades are for the benefit of Subscribers in the use of their Subscriber Rights consistent with their original Participating TO application. Upon Commission approval, any reference in the CAISO tariff to a Participating TO's Revenue Requirement or Transmission Revenue Requirement will be read as a reference to the Subscriber Participating TO's rates or revenue requirement as approved by the Commission. A Subscriber Participating TO may receive revenue from the Regional Access Charge only with respect to generator network upgrades or network upgrades identified and approved under the generator interconnection process and the Transmission Planning Process, and in the GIDAP for existing Participating TOs that are not used to provide Subscriber Rights.¹⁰³

The CAISO proposes to modify the tariff provisions regarding Regional Access Charge treatment of new regional transmission facilities costs to exclude Subscriber Participating TOs with respect to their transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights from the existing tariff provisions requiring the Participating TO who is supporting the cost of the new regional transmission facility to include such costs in its Regional Transmission Revenue Requirement.¹⁰⁴

IV. CAISO Responses to Additional Stakeholder Comments

As noted in the beginning, all stakeholders supported development of the Subscriber Participating TO model, and some of those stakeholders supported it strongly, and stakeholder concerns have been discussed above. Some stakeholders also raised issues regarding relationships with other CAISO proposals and current CAISO practices, which the CAISO responds to as discussed below.

Some stakeholders argued the Subscriber Participating TO model is detrimental to CAISO transmission customers if network upgrades on existing Participating TO transmission facilities to facilitate the connection of Subscriber Participating TO facilities and associated out-of-state generation are recovered

¹⁰² *Id.* (cross-referencing tariff section 25 and appendix DD).

¹⁰³ New tariff section 4.3A.7.3(b) (cross-referencing tariff sections 24 and 25, and tariff appendix DD).

¹⁰⁴ Revised tariff section 24.14.4.

through the CAISO's Access Charge from all load and exports. The stakeholders claimed that because the Subscriber Participating TO transmission facilities were not approved through the Transmission Planning Process, the upgrades to the existing Participating TO system, if needed, should not be recovered through the existing Participating TO Transmission Revenue Requirement.

The CAISO disagrees with these stakeholder arguments because its proposal is consistent with its existing Commission – approved tariff provisions. As discussed above,¹⁰⁵ interconnecting generators within the CAISO balancing area are required to finance network upgrades upfront and then be reimbursed over a five-year period once they achieve their commercial operation date. In addition, the Commission recently approved the CAISO's request to implement similar reimbursement for generators that are in an affected system.¹⁰⁶ There is no reason to treat differently a generator that is within the CAISO balancing area because it connects to the CAISO controlled grid via a Subscriber Participating TO transmission facility.

Some stakeholders contended that they are open to funding necessary reliability network upgrades and delivery network upgrades through the CAISO's Access Charge rates, if the off-takers of subsequently interconnecting resources are CAISO entities. If they are not CAISO entities, the stakeholders believe it is not appropriate to require CAISO transmission customers to fund upgrades on facilities that are for the benefit of resources procured by external parties. The stakeholders argued that such funding is inconsistent with the CAISO's recently adopted policy in the Transmission Service and Market Scheduling Priorities (TSMS) stakeholder initiative,¹⁰⁷ which provides for external parties seeking Wheeling Through priorities to prepay the Wheeling Access Charge for the duration of their request or, in the event of a long-term request for which incremental deliverability capacity is necessary, to fund studies and pay for upgrade costs associated with providing incremental deliverability to the extent the CAISO determines the upgrades are not needed as a reliability, economic, or policy project.

The CAISO believes these arguments are without merit. A Subscriber Participating TO is not similarly situated to entities that are the subject of the

¹⁰⁵ See *supra* section III.G.2 of this transmittal letter.

¹⁰⁶ See *Cal. Indep. Sys. Operator Corp.*, 182 FERC ¶ 61,196.

¹⁰⁷ See <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Transmission-service-and-market-scheduling-priorities>. See also *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,182 (2022) (accepting CAISO tariff revisions to implement phase 1 of TSMS initiative). On July 28, 2023, the CAISO filed tariff revisions in Docket No. ER23-2510-000 to implement a portion of phase 2 of the TSMS initiative, which are pending Commission review. The CAISO plans to submit further tariff revisions by January 9, 2024 to implement the balance of phase 2 of the TSMS initiative.

TSMS initiative. The TSMS initiative allows an entity to request long-term firm transmission wheeling rights into and out of the CAISO balancing area, with network upgrades not being needed absent that request. In contrast, a Subscriber Participating TO's transmission project, as well as generation connected to that transmission project, will be within the CAISO balancing area and bring needed generation to meet California's policy initiatives. CAISO load serving entities and other market participants will also benefit from the ability to obtain service on the capacity of a Subscriber Participating TO's transmission project not being used by a Subscriber. Moreover, under the Subscriber Participating TO construct, the deliverability network upgrades are required if the energy is being delivered to load in the CAISO, so it only applies to situations where CAISO entities receive the energy. If some of the energy is being exported out of California, the deliverability network upgrades will not be required and the energy will pay the WAC at the CAISO intertie it is exported out of thus removing the benefit of TAC protection as a Subscriber Participating TO.

V. Effective Date

The CAISO respectfully requests that the Commission accept this tariff amendment effective December 21, 2023. This effective date will provide the needed certainty for transmission developers interested in becoming Subscriber Participating TOs in their decision-making processes. In addition, granting the requested December 21, 2023 effective date will provide certainty to the ultimate load serving entities as to the implementation of the Subscriber Participating TO model and its market and financial impacts, so they can make more informed decisions about becoming off-takers. Moreover, granting this effective date will provide sufficient time for potential Subscriber Participating TOs to respond to requests for offers in future procurement proceedings, an essential step in the process to secure Subscribers and move forward with financing and development of the underlying transmission facilities. For these reasons, the requested December 21, 2023, effective date is appropriate.

VI. Communications

In accordance with Rule 203(b)(3) to the Commission's Rules of Practice and Procedure,¹⁰⁸ the CAISO respectfully requests that correspondence and other communications regarding this filing should be directed to:

John Anders
Deputy General Counsel –
Development
John Spomer
Lead Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7222
E-mail: janders@caiso.com
jspomer@caiso.com

Sean A. Atkins
Bradley R. Miliauskas
Davis Wright Tremaine LLP
1301 K Street, NW
Suite 500 East
Washington, DC 20005
Tel: (202) 973-4200
Fax: (202) 973-4499
E-mail: seanatkins@dwt.com
bradleymiliauskas@dwt.com

VII. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, all parties to the TCA, and all parties with Scheduling Coordinator Agreements under the CAISO tariff. In addition, the CAISO has posted a copy of this filing on the CAISO website.

VIII. Contents of Filing

In addition this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets incorporating this tariff amendment
Attachment B	Red-lined document showing the revisions in this tariff amendment
Attachment C	Final Proposal
Attachment D	Board Memorandum and Vote

¹⁰⁸ 18 C.F.R. § 385.203(b)(3).

IX. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept the tariff revisions proposed in this filing effective December 21, 2023.

Respectfully submitted,

/s/ John Anders

John Anders
Deputy General Counsel –
Development
John Spomer
Lead Counsel
California Independent System
Operator Corporation
Folsom, CA 95630

Sean A. Atkins
Bradley R. Miliauskas
Davis Wright Tremaine LLP
1301 K Street, NW
Suite 500 East
Washington, DC 20005

Counsel for the California Independent System Operator Corporation

Attachment A – Clean Tariff

Subscriber Participating Transmission Owner Model

California Independent System Operator Corporation

September 22, 2023

Section 4

* * * * *

4.3.1.2.2 Subscriber Participating TOs must complete TRTC Instructions for their Subscriber Rights as provided in Section 16.4.5.

4.3.1.3 CAISO Relationship with Specific Participating TOs

- (a) **Western Path 15.** Western Path 15 shall be required to turn over to CAISO Operational Control only its rights and interests in the Path 15 Upgrade and shall not be required to turn over to CAISO Operational Control Central Valley Project transmission facilities, Pacific AC Intertie transmission facilities, California-Oregon Transmission Project facilities, or any other new transmission facilities or Entitlements not related to the Path 15 Upgrade. For purposes of the CAISO Tariff, Western Path 15 shall be treated with respect to revenue recovery as a Project Sponsor in accordance with Section 24.14.3.1.
- (b) **New Participating TOs After April 1, 2014.** An Approved Project Sponsor that was not a Participating TO as of April 1, 2014, shall be required to turn over to CAISO Operational Control only its rights and interests in the Regional Transmission Facilities it has been selected to finance, construct and own under section 24.5. Such a Participating Transmission Owner will be subject to all obligations of a Participating TO with regard to the facilities placed under CAISO Operational Control, except the obligation in Section 4.3.1.1 to declare its intent and submit an application to become a Participating TO and the obligation in Section 2.2 of the Transmission Control Agreement to apply to become a Participating TO.
- (c) **Subscriber Participating TOs.** A Subscriber Participating TO will be subject to all obligations of a Participating TO with regard to facilities placed under CAISO Operational Control. The Subscriber Participating TO is subject to the obligations under Section 4.3.1.1 to declare its intent and submit an application to become a Participating TO and the obligation in Section 2.2 of the Transmission Control Agreement to apply to become a

Participating TO.

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4.3A Relationship Between the CAISO and Subscriber Participating TOs

4.3A.1 Nature of Relationship

A transmission owner or developer of a transmission project may apply to join the CAISO Balancing Authority Area as a Subscriber Participating TO with planned or existing transmission assets and Entitlements subject to Encumbrances, pursuant to Subscription Agreements, that will ultimately be administered pursuant to a Subscriber Participating TO Tariff, the Transmission Control Agreement and the CAISO Tariff. The Subscriber Participating TO's initial project will consist of transmission components and any associated generation components located outside of the then-existing CAISO Balancing Authority Area, with the transmission component being funded solely by the Subscriber Participating TO based on the Subscribers' commitments used to provide Subscriber Rights. The Subscriber Participating TO may, as provided for under relevant provisions of the CAISO tariff, subsequently construct additions or upgrades to the initial transmission project that are funded solely by FERC-approved Transmission Revenue Requirements and not used to provide Subscriber Rights to the extent authorized under Section 24 or Section 25 of the CAISO Tariff.

4.3A.2 Application and Approval Processes

An applicant to become a Subscriber Participating TO will follow the processes set forth in Section 4.3.1.1 of the CAISO Tariff and Section 2.2 of the Transmission Control Agreement. The applicant will provide written information to the CAISO regarding the applicant's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights that includes: (1) the size and location of the transmission assets and Entitlements; (2) the original or projected cost to build the transmission assets, for which the applicant may request confidential treatment pursuant to Section 20; (3) a schedule for depreciation of the transmission assets, for which the applicant may make a request for confidential treatment pursuant to Section 20; and (4) the initial Subscriber Encumbrance term for the transmission assets and any rollover rights specified in Section 3 of the Subscriber Participating TO's application to

become a Participating TO. If the CAISO Governing Board approves the application, the Subscriber Participating TO will execute an Applicant Participating Transmission Owner Agreement with the CAISO to establish the relationship between the Subscriber Participating TO and the CAISO during the period from CAISO Governing Board approval until the Subscriber Participating TO either (1) satisfies the requirements of Section 4.3A.5 or (2) informs the CAISO in writing of the Subscriber Participating TO's decision to not move forward with the project's becoming part of the CAISO Controlled Grid.

4.3A.3 Transmission Planning Process for Subscriber Participating TO Facilities Used to Provide Subscriber Rights

A Subscriber Participating TO's transmission assets, Entitlements and Subscriber Encumbrances used to provide Subscriber Rights will be included in the Transmission Planning Process pursuant to Section 24 after (1) the CAISO Governing Board approves the associated application to become a Subscriber Participating TO, (2) FERC accepts an Applicant Participating Transmission Owner Agreement between the applicant to become a Subscriber Participating TO and the CAISO, (3) FERC accepts any applicable Generator Interconnection Agreements for Generating Facilities due to their interconnection to the CAISO Controlled Grid on the transmission assets, Entitlements, and Subscriber Encumbrances of the applicant seeking to become a Subscriber Participating TO, (4) the Subscriber Participating TO has begun the interconnection studies required by the interconnecting Transmission Owner(s), and (5) the Subscriber Participating TO provides a notice in writing to the CAISO acknowledging that Construction Activities have begun.

4.3A.4 Interconnection of Subscriber Participating TO Transmission Facilities Used to Provide Subscriber Rights

4.3A.4.1 Interconnection Study Process

The CAISO will study the interconnection of all Generating Facilities to the Subscriber Participating TO's transmission assets not using Subscriber Encumbrances to provide Subscriber Rights, pursuant to Section 25 and Appendix DD. The CAISO will study the interconnection of all Generating Facilities to the Subscriber Participating TO's transmission assets using Subscriber Encumbrances to provide Subscriber Rights through the transmission interconnection process undertaken by the Participating TOs according to Section 25.1(g).

4.3A.4.1.1 TP Deliverability Allocation Process

The initial Subscriber Participating TO project will follow the TP Deliverability allocation process set forth in Appendix DD. The Interconnection Customers of the generation projects connected to the Subscriber Participating TO that own the necessary Subscriber Rights shall become eligible to apply into the TP Deliverability allocation process when (1) the Subscriber PTO has successfully met all requirements identified under Section 4.3A.3; and (2) all Transmission Owners have completed the interconnection studies.

4.3A.4.2 Treatment of Needed Upgrades

- (a) If the Transmission Planning Process identifies a need for Delivery Network Upgrades related to Generating Facilities to be served by a Subscriber Participating TO's transmission assets and Encumbrances used to provide Subscriber Rights for purposes of meeting a resource portfolio requirement established by the CPUC or other Local Regulatory Authority, and such Delivery Network Upgrades are included in an approved Transmission Plan, the Subscriber Participating TO's Subscribers will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC or other Local Regulatory Authority resource portfolio requirement.
- (b) If the Transmission Planning Process identifies a need for Upgrades related to Generating Facilities due to their interconnection to a Subscriber Participating TO's transmission assets and Encumbrances in addition to those Upgrades identified under Section 4.3A.4.2(a), such applicable Generating Facilities shall be required to apply for interconnection to the CAISO Controlled Grid in accordance with the provisions in Section 25 and Appendix DD.

4.3A.5 Addition to the CAISO Controlled Grid of Subscriber Participating TO Transmission Facilities Used to Provide Subscriber Rights

The CAISO will add Subscriber Participating TO transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights to the CAISO Controlled Grid after (1) the associated Subscriber Participating TO satisfies the requirements of the Transmission Control Agreement, (2) FERC approves any revisions to the Transmission Control Agreement to include the Subscriber Participating TO, (3) the Subscriber Participating TO energizes its project and turns the project over for CAISO

Operational Control in accordance with the Transmission Control Agreement, and (4) FERC approves a Subscriber Participating TO Tariff for the Subscriber Participating TO. The Subscriber Participating TO will have its own TAC Area and its transmission assets and Entitlements will have their own Scheduling Points.

4.3A.6 Processes Applicable to Construction of Subscriber Participating TO Transmission Facilities Not Used to Provide Subscriber Rights

A Subscriber Participating TO may construct additions and upgrades to its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights pursuant to Section 24, but such additions and upgrades will not provide additional Subscriber Rights. Requests for interconnection to the Subscriber Participating TO's additions and upgrades will be pursuant to Section 25 and Appendix DD.

4.3A.7 Cost Recovery and Usage Costs for Subscriber Participating TO Transmission Facilities

4.3A.7.1 Amounts from Subscribers

A Subscriber Participating TO must recover costs of its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights solely from Subscribers pursuant to Subscription Agreements. Subscribers that Self-Schedule using CRNs on the transmission assets and Entitlements will not pay Access Charges for such use.

4.3A.7.2 Amounts from Non-Subscribers

A Subscriber Participating TO may receive Non-Subscriber Usage Payment Amounts for use by Non-Subscribers of transmission assets and Entitlements and unscheduled Subscriber Rights pursuant to Section 15 of Schedule 3 of Appendix F. The Subscriber Participating TO will be responsible for obtaining FERC approval of the Non-Subscriber Usage Rate that is a required component of the calculation of Non-Subscriber Usage Payment Amounts.

4.3A.7.3 Transmission Revenue Requirement

- (a) A Subscriber Participating TO may not seek FERC approval of a Transmission Revenue Requirement for the original costs or any subsequent incurred costs for transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights or receive revenue for such transmission assets and Entitlements from the

Regional Access Charge, even after all Subscriber Encumbrances on the transmission assets and Entitlements terminate. This Section will not prevent a Subscriber Participating TO from obtaining FERC approval of the Non-Subscriber Usage Rate.

- (b) A Subscriber Participating TO may seek FERC approval of a Transmission Revenue Requirement for additions and upgrades to its transmission assets and Entitlements undertaken to facilitate an interconnection or pursuant to Section 24, unless such additions or upgrades are for the benefit of Subscribers in the use of their Subscriber Rights. Upon FERC approval, any reference in the CAISO Tariff to a Participating TO's Revenue Requirement or Transmission Revenue Requirement will be read as a reference to the Subscriber Participating TO's rates or revenue requirement as approved by FERC. A Subscriber Participating TO may receive revenue from the Regional Access Charge only with respect to generator Network Upgrades or Network Upgrades identified and approved in the Transmission Planning Process under Section 24 and Section 25 and in Appendix DD for existing Participating TOs that are not used to provide Subscriber Rights.

4.3A.8 Access to Available Transmission Capacity of a Subscriber Participating TO

The CAISO will make transmission capacity on Subscriber Participating TO facilities available for the purpose of: (1) scheduling Subscriber Rights transactions consistent with the Subscription Agreement, a Subscriber Participating TO's TRTC Instructions, and the CAISO Tariff; and (2) scheduling transactions for Market Participants in accordance with the CAISO Tariff, provided such use does not conflict with Subscriber Rights. The transmission capacity of a Subscriber Participating TO that is not subject to an Encumbrance as of the date of the Subscriber Participating TO's application to become a Subscriber Participating TO will not be treated as Subscriber Rights, and the CAISO will be the provider of transmission service pursuant to the CAISO Tariff for the use of this available transmission capacity. To the extent Subscribers do not schedule their Encumbrance in the Real-Time Market, the transmission capacity underlying the Encumbrance will be available for use in the CAISO Markets in accordance with Section 16 of the CAISO tariff.

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Section 16

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16. Existing Contracts

16.1 Continuation of Existing Contracts for Non-Participating TOs and Subscribers

The transmission service rights and obligations of Non-Participating TOs and Subscribers under Existing Contracts, including all terms, conditions and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts, will continue to be honored by the parties to those contracts, for the duration of those contracts.

16.1.1 Participating TO Obligation

If a Participating TO is a party to an Existing Contract under which Existing Rights are provided, the Participating TO shall attempt to negotiate changes to the Existing Contract to align the contract's scheduling and operating provisions with the CAISO's scheduling and operational procedures, rules and protocols, to align operations under the contract with CAISO operations, and to minimize the contract parties' costs of administering the contract while preserving their financial rights and obligations.

In addition, the Participating TO shall attempt to negotiate changes to provisions in the Existing Contract to ensure that whenever transmission services under the Existing Contract are used to deliver power to a Market Participant that is subject to Access Charges and Non-Subscriber Usage Payment Amounts, if applicable, under this CAISO Tariff, no duplicative charge for access to the CAISO Controlled Grid will be charged under the Existing Contract. For purposes of such negotiations, there shall be a presumption that any charges in an Existing Contract that were designed to recover the embedded cost of transmission facilities within the CAISO Controlled Grid will be fully recovered through the Access Charges and Non-Subscriber Usage Payment Amounts, if applicable, established under Section 26.1.

16.1.2 Right to Use and Ownership of Facilities

If a Non-Participating TO has an Existing Contract with a Participating TO under which the Non-Participating TO's transmission facilities, or a portion thereof, are subject to use by the Participating TO, the Non-Participating TO's rights to the use and ownership of its facilities shall remain unchanged,

regardless of the Participating TO's act of turning over the Participating TO's Entitlement to use the Non-Participating TO's facilities to the extent possible to the Operational Control of the CAISO. If a Subscriber is a Participating TO, it cannot turn over its Subscriber Rights to the Operational Control of the CAISO. The CAISO will accept valid ETC Self-Schedules from a Participating TO that is the Scheduling Coordinator for the holder of Existing Rights, or from holders of Existing Rights that are Scheduling Coordinators, or that are represented by a Scheduling Coordinator other than the Participating TO. ETC Self-Schedules submitted by Scheduling Coordinators to the CAISO, which include the use of Existing Rights, must be submitted in accordance with Section 16.1 and Section 30. The CAISO may refuse to accept ETC Self-Schedules submitted pursuant to Existing Contracts that do not meet the requirements of the principles, protocols and rules referred to in this Section 16.1.

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16.2 Treatment of Subscriber Encumbrances

Subscriber Encumbrances shall be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of an Encumbrance arising under a contract or agreement entered into after the CAISO Operations Date.

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Section 24

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24. Comprehensive Transmission Planning Process

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24.2 Nature of the Transmission Planning Process

The CAISO will develop the annual comprehensive Transmission Plan and approve transmission upgrades or additions using a Transmission Planning Process with three (3) phases. In Phase 1, the CAISO will develop and complete the Unified Planning Assumptions and Study Plan. In Phase 2, the

CAISO will complete the comprehensive Transmission Plan. In Phase 3, the CAISO will evaluate proposals to construct and own certain transmission upgrades or additions specified in the comprehensive Transmission Plan. The Transmission Planning Process shall, at a minimum:

- (a) Coordinate and consolidate in a single plan the transmission needs of the CAISO Balancing Authority Area for maintaining the reliability of the CAISO Controlled Grid in accordance with Applicable Reliability Criteria and CAISO Planning Standards, in a manner that promotes the economic efficiency of the CAISO Controlled Grid and considers federal and state environmental and other policies affecting the provision of Energy;
- (b) Reflect a planning horizon covering a minimum of ten (10) years that considers previously approved transmission upgrades and additions, Demand Forecasts, Demand-side management, capacity forecasts relating to generation technology type, additions and retirements, and such other factors as the CAISO determines are relevant;
- (c) Seek to avoid unnecessary duplication of facilities and ensure the simultaneous feasibility of the CAISO Transmission Plan and the transmission plans of interconnected Balancing Authority Areas, and coordinate with other Planning Regions and interconnected Balancing Authority Areas in accordance with, but not limited to, the Order 1000 Common Interregional Coordination and Cost Allocation Tariff Language in Section 24.18;
- (d) Identify existing and projected limitations of the CAISO Controlled Grid's physical, economic or operational capability or performance and identify transmission upgrades and additions, including alternatives thereto, deemed needed to address the existing and projected limitations;
- (e) Account for any effects on the CAISO Controlled Grid of the interconnection of Generating Units, including an assessment of the deliverability of such Generating Units in a manner consistent with CAISO interconnection procedures;
- (f) Provide an opportunity for Interregional Transmission Projects submitted to the CAISO as a Relevant Planning Region to be evaluated as potential solutions to CAISO regional transmission needs; and

- (g) Evaluate projects of entities that have commenced the process to become Subscriber Participating TOs or have initiated related transmission interconnection studies with one or more existing Participating TOs.

24.3 Transmission Planning Process Phase 1

Phase 1 consists of the development of the Unified Planning Assumptions and Study Plan.

24.3.1 Inputs to the Unified Planning Assumptions and Study Plan

The CAISO will develop Unified Planning Assumptions and a Study Plan using information and data from the approved Transmission Plan developed in the previous planning cycle. The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan:

- (a) WECC base cases, as may be modified for the relevant planning horizon;
- (b) Transmission upgrades and additions approved by the CAISO in past Transmission Planning Process cycles, including upgrades and additions which the CAISO has determined address transmission needs in the comprehensive Transmission Plan developed in the previous planning cycle;
- (c) Category 2 policy-driven transmission upgrades and additions from a prior planning cycle as described in Section 24.4.6.6;
- (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3;
- (e) Network Upgrades identified pursuant to Section 25 and Appendices S, T, U, V, W, Y, Z, BB, CC, DD, EE, and FF that were not otherwise included in the comprehensive Transmission Plan from the previous annual cycle;
- (f) Operational solutions validated by the CAISO in the Local Capacity Technical Study under Section 40.3.1;
- (g) Policy requirements and directives, as appropriate, including programs initiated by state, federal, municipal and county regulatory agencies;
- (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;
- (i) Demand response programs that are proposed for inclusion in the base case or

- assumptions for the comprehensive Transmission Plan;
- (j) Generation and other non-transmission alternatives that are proposed for inclusion in long-term planning studies as alternatives to transmission additions or upgrades;
 - (k) Beginning with the 2011/2012 planning cycle, Economic Planning Study requests submitted in comments on the draft Unified Planning Assumptions and Study;
 - (l) Planned facilities in interconnected Balancing Authority Areas;
 - (m) The most recent Annual Interregional Information provided by other Planning Regions;
 - (n) Import Capability expansion requests submitted in comments on the draft Unified Planning Assumptions and Study; and
 - (o) Subscriber Participating TO transmission facilities, and any generation facilities receiving Subscriber Rights and requesting to interconnect to the CAISO Controlled Grid over Subscriber Participating TO transmission facilities, that have met the following criteria:
 - 1. The Applicant Participating Transmission Owner Agreement has been executed;
 - 2. The generator interconnection agreement with the Subscriber is executed;
 - 3. The Subscriber Participating TO has provided written notice to the CAISO that Construction Activities regarding the Subscriber Participating TO transmission facilities have begun; and
 - 4. Transmission interconnection studies required by the interconnecting Transmission Owner(s) have begun.

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24.4.6.6 Policy-Driven Transmission Solutions

Once the CAISO has identified reliability-driven solutions, LCRIF projects eligible for conditional or final approval, solutions needed to maintain long-term CRR feasibility, qualified Merchant Transmission Facilities, needed LGIP Network Upgrades as described in Section 24.4.6.5, and Subscriber Participating TO transmission facilities as well as generation facilities seeking to interconnect to the CAISO Controlled Grid on Subscriber Participating TO transmission facilities, the CAISO shall evaluate transmission solutions needed to meet state, municipal, county or federal policy requirements or directives as specified

in the Study Plan pursuant to Section 24.3.2(i). Policy-driven transmission solutions will be either Category 1 or Category 2 transmission solutions. Category 1 transmission solutions are those which under the criteria of this section are found to be needed and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle. Category 2 transmission solutions are those that could be needed to achieve state, municipal, county or federal policy requirements or directives but have not been found to be needed in the current planning cycle based on the criteria set forth in this section. The CAISO will determine the need for, and identify such policy-driven transmission solutions that efficiently and effectively meet applicable policies under alternative resource location and integration assumptions and scenarios, while mitigating the risk of stranded investment. The CAISO will create a baseline scenario reflecting the assumptions about resource locations that are most likely to occur and one or more reasonable stress scenarios that will be compared to the baseline scenario. Any transmission solutions that are in the baseline scenario and at least a significant percentage of the stress scenarios may be Category 1 transmission solutions. Transmission solutions that are included in the baseline scenario but which are not included in any of the stress scenarios or are included in an insignificant percentage of the stress scenarios, generally will be Category 2 transmission solutions, unless the CAISO finds that sufficient analytic justification exists to designate them as Category 1 transmission solutions. In such cases, the ISO will make public the analysis upon which it based its justification for designating such transmission solutions as Category 1 rather than Category 2. In this process, the CAISO will consider the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission solutions as evidenced by signed and approved power purchase agreements and interconnection agreements;
- (b) the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission solution as compared to the potential planning level costs of other transmission solutions;
- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the

- resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission solutions themselves; the extent to which the transmission solutions will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the CAISO grid;
 - (f) potential future connections to other resource areas and transmission facilities;
 - (g) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
 - (h) the potential for a particular transmission solution to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
 - (i) the effect of uncertainty associated with the above criteria, and any other considerations, that could affect the risk of stranded investment; and
 - (j) the effects of other solutions being considered for approval during the planning process.

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24.4.10 Transmission Plan Approval Process

The revised draft comprehensive Transmission Plan, along with the stakeholder comments, will be presented to the CAISO Governing Board for consideration and approval. Upon approval of the plan, all needed transmission additions and upgrades, and Interregional Transmission Projects, net of all transmission and non-transmission alternatives considered in developing the comprehensive Transmission Plan, will be deemed approved by the CAISO Governing Board. Following Governing Board approval, the CAISO will post the final comprehensive Transmission Plan to the CAISO Website. According to the schedule set forth in the Business Practice Manual, transmission upgrades and additions with capital costs of \$50 million or less can be approved by CAISO management and Subscriber Participating TO transmission facilities, provided the CAISO Governing Board has already approved the Subscriber Participating TO as a Participating TO or conditional Participating TO, may proceed to permitting and construction prior to Governing Board approval of the plan. Such CAISO management

approved transmission solutions may be subject to a competitive solicitation process, consistent with Section 24.5, on an accelerated schedule that will allow the approved Project Sponsor to proceed to permitting and construction prior to Governing Board approval of the plan. CAISO management may also expedite approval of a transmission solution ahead of the approval schedule for other solutions with capital costs of \$50 million or less if: (1) there is an urgent need for approval of the solution ahead of the schedule established in the Business Practice Manual; (2) there is a high degree of certainty that approval of the upgrade or addition will not conflict with other solutions being considered in Phase 2; and (3) the need to accelerate a solution is driven by the CAISO's study process or by external circumstances. Should the CAISO find that a transmission solution with capital of \$50 million or less is needed on an expedited basis, after a stakeholder consultation process, CAISO management shall brief the Governing Board at a regularly-scheduled or special public session prior to approving the solution and conducting the competitive solicitation, if appropriate. A Participating Transmission Owner will have the responsibility to construct, own, finance and maintain any Local Transmission Facility deemed needed under this section 24 that is located entirely within such Participating Transmission Owner's PTO Service Territory or footprint. The provisions of Section 24.5 will apply to a Regional Transmission Facility deemed needed under this section 24. Section 24.5 will also apply to any transmission upgrades or additions that are associated with both Regional Transmission Facilities and Local Transmission Facilities but for which the CAISO determines that it is not reasonable to divide construction responsibility among multiple Project Sponsors. Construction and ownership of a selected Interregional Transmission Project shall be determined in accordance in Section 24.17.3.

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24.6.4 Inability to Complete the Transmission Solution

If the CAISO determines that the Approved Project Sponsor cannot secure necessary approvals or property rights or is otherwise unable to construct a transmission solution, or if the CAISO finds that an alternative Project Sponsor is necessary pursuant to Section 24.6.2, or if the Approved Project Sponsor determines that it is unable to proceed with construction of the transmission solution and so notifies the

CAISO, the CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO and other affected Market Participants, to facilitate the development and evaluation of alternative solutions. In conducting such evaluation the CAISO will consider (1) the reasons that the Approved Project Sponsor was unable to construct the transmission solution; (2) whether the transmission solution is still needed; and (3) whether there are other solutions that could replace the original transmission solution as it was originally configured. If the ISO determines that the transmission solution is no longer needed, the ISO will not pursue the solution and will not direct a Participating TO to backstop the continued development of the solution. For reliability driven transmission solutions, the CAISO may direct, at its discretion, the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located, to build the transmission solution, or the CAISO may open a new solicitation for Project Sponsors to finance, own, and construct the transmission solution. For all other transmission solutions, the CAISO shall open a new solicitation for Project Sponsors to finance, own, and construct the transmission solution. Where there is no Approved Project Sponsor, the CAISO shall direct the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located, to finance, own and construct the transmission solution. The previous Approved Project Sponsor shall be obligated to work cooperatively and in good faith with the CAISO, the new Approved Project Sponsor (if any) and the affected Participating TO, to implement the transition. The obligations of the Participating TO to construct the transmission solution will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of a Participating TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

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24.14.4 RAC Treatment of New Regional Transmission Facilities Costs

Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for new Regional Transmission Facilities for all Participating TOs, except Subscriber Participating TOs, shall be included in the CAISO Grid-wide component of the Regional Access Charge in accordance with Schedule 3 of Appendix F, unless and with respect to Western Path 15 only, cost

recovery is provided in Section 24.14.3. With respect to cost recovery due to Non-Subscriber use of the Subscriber Participating TO transmission assets and Entitlements and unscheduled Subscriber Rights, Non-Subscriber Usage Payment Amounts will be included in the RAC allocation in accordance with Section 15 of Schedule 3 of Appendix F. The Participating TO (unless it is the Subscriber Participating TO with respect to its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights) who is supporting the cost of the new Regional Transmission Facility shall include such costs in its Regional Transmission Revenue Requirement.

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Section 25

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25. Interconnection of Generating Units and Facilities

25.1 Applicability

This Section 25 and Appendix U (the Standard Large Generator Interconnection Procedures (LGIP)), Appendix Y (the Generator Interconnection Procedures (GIP)), Appendix S (the Small Generator Interconnection Procedures (SGIP)), Appendix W, or Appendix DD (the Generator Interconnection and Deliverability Allocation Procedures (GIDAP)), as applicable, shall apply to:

- (a) each new Generating Unit that seeks to interconnect to the CAISO Controlled Grid;
- (b) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified with a resulting increase in the total capability of the power plant;
- (c) each Generating Unit connected to the CAISO Controlled Grid that will be modified without increasing the total capability of the power plan but has change the electrical characteristics of the power plant such that its re-energization may violate Applicable Reliability Criteria.
- (d) each existing Generating Unit connected to the CAISO Controlled Grid whose total Generation was previously sold to a Participating TO or on-site customer but whose Generation, or any portion thereof, will now be sold in the wholesale market, subject to Section 25.1.2;
- (e) each existing Generating Unit that is a Qualifying Facility and that is converting to a

Participating Generator without repowering or reconfiguring the existing Generating Unit, subject to Section 25.1.2;

- (f) each existing Generating Unit connected to the CAISO Controlled Grid that proposes to repower its Generating Unit pursuant to Section 25.1.2; and
- (g) Generating Units interconnecting to the CAISO Controlled Grid over a Subscriber Participating TO transmission facilities using Subscriber Rights are required to apply for TP Deliverability under Section 25.1 once (1) the Subscriber Participating TO transmission facilities have completed their transmission interconnection studies with all interconnecting Transmission Owner(s), (2) Subscriber(s) have executed the Generator Interconnection Agreement, (3) the Subscriber Participating TO has committed to proceed with Construction Activities regarding the Subscriber Participating TO transmission facilities, and (4) the applicant provides a notice in writing to the applicable interconnecting Transmission Owners that it is proceeding with Construction Activities. Once these criteria have been completed, the Generating Unit must apply as follows:

- (1) each Generating Unit possessing Subscriber Rights and receiving Deliverability from TPP-approved Network Upgrades shall apply for TP Deliverability allocation through the submission of a Subscriber Participating TO-specific deliverability allocation request subject to Appendix DD, Section 8.9 and does not submit an Interconnection Request under Section 25;
- (2) each Generating Unit that does not meet the criteria under Section 25.1(g)(1) shall be treated in accordance with Section 25.1(a).

25.1.1 Interconnection Request and Generating Unit Requirements

The owner of a Generating Unit described in Section 25.1(a), (b), (c), or (g), or its designee, shall be an Interconnection Customer required to submit an Interconnection Request and comply with Appendix DD.

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Section 26

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26. Transmission Rates and Charges

26.1 Access Charge

- (a) **In General.** All Market Participants withdrawing Energy from the CAISO Controlled Grid shall pay Access Charges in accordance with this Section 26.1 and Appendix F, Schedule 3, except (1) as provided in Section 4.1 of Appendix I (Station Power Protocol) and (2) for storage resources, including Non-Generator Resources and Pumped-Storage Hydro Units, withdrawing Energy for later resale to the CAISO Markets or to provide Ancillary Services. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's or Approved Project Sponsor's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement, as approved by FERC, associated with (1) the transmission facilities and Entitlements turned over to the Operational Control of the CAISO by a Participating TO or (2) transmission facilities that are not yet in operation, but approved under Section 24, and assigned to an Approved Project Sponsor. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 of Appendix F of the CAISO Tariff. Non-Subscribers scheduling transactions on transmission assets or Entitlements of a Subscriber Participating TO shall pay the Access Charge and Wheeling Access Charge, as applicable.

The Access Charges shall be paid by any UDC or MSS Operator that is serving Gross Load in a PTO Service Territory, and shall consist, where applicable, of a Regional Access Charge, and a Local Access Charge. The Regional Access Charge and the Local Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's Regional Transmission Revenue Requirement and Local Transmission Revenue Requirement, as applicable. The Regional Access Charge and the Local Access Charge for the applicable Participating TO shall be paid by each UDC and MSS Operator based on its Gross Load in the PTO

Service Territory.

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- (g) **Reporting Gross Load and Excess Behind the Meter Production.** In reporting Gross Load to the CAISO, each Scheduling Coordinator also will report the extent to which Excess Behind the Meter Production served that Gross Load. The value for Excess Behind the Meter Production will be reported as a separate value, and Scheduling Coordinators must include Load served by Excess Behind the Meter Production in reporting Gross Load. The CAISO will use Excess Behind the Meter Production values for informational purposes and to ensure Scheduling Coordinators report Gross Load accurately. The CAISO will publish Excess Behind the Meter Production values on OASIS.
- (h) **Specification of the Non-Subscriber Usage Rate.** Each Subscriber Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that specifies the Subscriber Participating TO's Non-Subscriber Usage Rate in \$/MWh. To the extent necessary, each Subscriber Participating TO shall make conforming changes to its TO Tariff.
- (i) **Provision of Non-Subscriber Usage Payment Amounts.** The CAISO shall provide Non-Subscriber Usage Payment Amounts to Subscriber Participating TOs for Non-Subscriber use of each Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, in accordance with Schedule 3 of Appendix F.

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26.1.2 Regional Access Charge Settlement

UDCs and MSS Operators serving Gross Load in a PTO Service Territory shall be charged on a monthly

basis, in arrears, the applicable Regional Access Charge. The Regional Access Charge for a billing period is calculated by the CAISO as the product of the applicable Regional Access Charge, and Gross Load connected to the facilities of the UDC and MSS Operator in the PTO Service Territory. The Regional Access Charge are determined in accordance with Schedule 3 of Appendix F. Subscriber Participating TOs will receive on a monthly basis, in arrears, the applicable Non-Subscriber Usage Payment Amounts for Non-Subscriber use of each Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, in accordance with Schedule 3 of Appendix F. These rates may be adjusted from time to time in accordance with Schedule 3 of Appendix F.

26.1.3 Distribution of RAC Revenues

The CAISO shall collect and pay, on a monthly basis, to Participating TOs and Approved Project Sponsors all Regional Access Charge revenues, and shall provide to Subscriber Participating TOs all Non-Subscriber Usage Payment Amounts, at the same time as other CAISO charges and payments are settled. Regional Access Charge revenues received with respect to the Regional Access Charge shall be distributed to Participating TOs and Approved Project Sponsors in accordance with Appendix F, Schedule 3, Section 10. Non-Subscriber Usage Payment Amounts will be provided to the Subscriber Participating TO in accordance with Appendix F, Schedule 3, Sections 10 and 15.

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26.1.4.3 Disbursement of Wheeling Revenues

The CAISO shall collect and pay to Participating TOs and other entities as provided in Section 24.14.4 all Wheeling revenues at the same time as other CAISO charges and payments are settled. For Wheeling revenues associated with CRRs allocated to Load Serving Entities outside the CAISO Balancing Authority Area, the CAISO shall pay to the Participating TOs and other entities as provided in Section 24.14.3 any excess prepayment amounts within thirty (30) days of the end of the term of the CRR Allocation. The CAISO shall provide to the applicable Participating TO and other entities as provided in Section 24.14.4 a statement of the aggregate amount of Energy delivered to each Scheduling Coordinator using such Participating TO's Scheduling Point to allow for calculation of Wheeling revenue and auditing of

disbursements. Wheeling revenues shall be disbursed by the CAISO based on the following:

26.1.4.3.1 Scheduling Point with All Participating TOs in the Same TAC Area

With respect to revenues received for the payment of Regional Wheeling Access Charges for Wheeling to a Scheduling Point at which all of the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in the same TAC Area, Wheeling revenues shall be disbursed to each such Participating TO based on the ratio of each Participating TO's Regional Transmission Revenue Requirement to the sum of all such Participating TOs' Regional Transmission Revenue Requirements. If the Scheduling Point is located at a Local Transmission Facility, revenues received with respect to Local Wheeling Access Charges for Wheeling to that Scheduling Point shall be disbursed to the Participating TOs that own facilities and Entitlements making up the Scheduling Point in proportion to their Local Transmission Revenue Requirements. Additionally, if a Participating TO has a transmission upgrade or addition that was funded by a Project Sponsor, the Wheeling revenue allocated to such Participating TO shall be disbursed as provided in Section 24.14.4.

26.1.4.3.2 Scheduling Point without All Participating TOs in the Same TAC Area

With respect to revenues received for the payment of Wheeling Access Charges for Wheeling to a Scheduling Point at which the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in different TAC Areas, Wheeling revenues shall be disbursed to such Participating TOs as follows. First, the revenues shall be allocated between such TAC Areas in proportion to the ownership and Entitlements of transmission capacity, less all Encumbrances, at the Scheduling Point of the Participating TOs in each such TAC Area. Second, the revenues thus allocated to each TAC Area shall be disbursed among the Participating TOs in the TAC Area in accordance with Section 26.1.4.3.1.

26.1.4.3.3 Scheduling Point of a Subscriber Participating TO

With respect to Non-Subscriber Usage Payment Amounts provided for Wheeling to a Scheduling Point at which all of the facilities and Entitlements, less all Encumbrances, are owned by Subscriber Participating TOs, the Non-Subscriber Usage Payment Amounts shall be provided to Subscriber Participating TO based on the Non-Subscriber's usage of the Scheduling Point in accordance with Sections 10 and 15 of Schedule 3 of Appendix F. Additionally, if a Subscriber Participating TO has a transmission upgrade or addition that was funded by a Project Sponsor, the Wheeling revenue allocated to the Subscriber

Participating TO shall be disbursed as provided in Section 24.14.4.

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Appendix A - Amended and New Definitions

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- Applicant Participating Transmission Owner Agreement (APTOA)

An agreement between an applicant to be a Subscriber Participating TO and the CAISO.

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- Existing Rights

The transmission service rights and obligations of non-Participating TOs or Subscriber Participating TOs under Existing Contracts or Subscriber Encumbrances, including all terms, conditions, and rates of the Existing Contracts or Subscriber Encumbrances, as they may change from time to time under the terms of the Existing Contracts or Subscriber Encumbrances. Subscriber Rights will be treated as Existing Rights.

- Existing Transmission Contracts (ETC) or Existing Contracts

The contracts which grant transmission service rights in existence on the CAISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Subscriber Encumbrances will be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of an Encumbrance arising under a contract or agreement entered into after the CAISO Operations Date.

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- New Participating TO

Any Participating TO that is not an Original Participating TO. A Subscriber Participating TO is a type of New Participating TO.

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- Non-Subscriber

An entity, or its designee, that schedules as a Market Participant on transmission assets or Entitlements

of a Subscriber Participating TO not being used by a Subscriber exercising Subscriber Rights, including Subscribers that schedule beyond their Subscriber Rights.

- Non-Subscriber Usage Payment Amount

An amount paid by a Non-Subscriber and provided by the CAISO to a Subscriber Participating TO for the Non-Subscriber's use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights.

- Non-Subscriber Usage Rate

A component of the calculation of the Non-Subscriber Usage Payment Amount. The Non-Subscriber Usage Rate, and any updates thereto, is developed in accordance with the CAISO Tariff and the Subscriber Participating TO Tariff and is approved by FERC.

* * * * *

- Subscriber

An entity, or its designee, that has a Subscriber Encumbrance used to provide Subscriber Rights pursuant to a Subscription Agreement.

- Subscriber Encumbrance

A legal restriction or covenant binding on a Subscriber Participating TO that affects the operation of transmission assets or Entitlements of the Subscriber Participating TO used to provide Subscriber Rights and that the CAISO needs to take into account in exercising Operational Control over such transmission assets or Entitlements. Any reference to contracts granting Subscriber Rights shall be considered as a Subscription Agreement. Any reference in the CAISO Tariff to an Encumbrance shall be read as also a reference to a Subscriber Encumbrance.

- Subscriber Participating TO

A Participating TO whose transmission assets and Entitlements were constructed, and for which the associated transmission capacity is subject to long-term contractual obligations, to deliver energy, capacity, and associated attributes to satisfy state, municipal, county, or federal policy requirements or directives. Any reference in the CAISO Tariff to a Participating TO shall be read as also a reference to a Subscriber Participating TO.

- Subscriber Rights

The transmission service rights and obligations of a Subscriber Participating TO to transmission customers with contracts entered into under the Subscriber Participating TO Tariff, as that tariff may change from time to time. Any reference in the CAISO Tariff to Existing Rights shall be read as also a reference to Subscriber Rights.

- Subscription Agreement

A contract or other legal arrangement between one or more Subscribers and a Subscriber Participating TO that includes the provision of a Subscriber Encumbrance to the Subscriber.

* * * * *

- Transmission Revenue Balancing Account (TRBA)

A mechanism to be established by each Participating TO and Approved Project Sponsor that will ensure that all Transmission Revenue Credits and other credits specified in Sections 6, 8, and 13 of Appendix F, Schedule 3 and Section 11.4 of Appendix DD, flow through to transmission customers.

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Appendix F

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Schedule 3

Regional Access Charge and Wheeling Access Charge

1 Objectives and Definitions.

1.1 Objectives.

- (a) The Access Charge is the charge assessed for using the CAISO Controlled Grid. It consists of two components, the Regional Access Charge (RAC) and the Local Access Charge (LAC).
- (b) The RAC is based on one CAISO Grid-wide rate.
- (c) The LAC will be determined by each Participating TO. The LAC of Non-Load-Serving Participating TOs may also be project specific. Each Participating TO will charge for and collect the LAC, subject to Section 26.1 of the CAISO Tariff and Section 13 of this Schedule 3.
- (d) The Wheeling Access Charge is paid by Scheduling Coordinators for Wheeling as set

forth in Section 26.1.4 of the CAISO Tariff. The CAISO will collect the Wheeling revenues from Scheduling Coordinators on a Trading Interval basis and repay these to the Participating TOs based on the ratio of each Participating TO's Transmission Revenue Requirement to the sum of all Participating TOs' Transmission Revenue Requirements.

- (e) The Non-Subscriber Usage Payment Amount (NSUPA) is provided by the CAISO to Subscriber Participating TOs for Non-Subscriber use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, subject to Section 26.1.4 of the CAISO Tariff, provided that a Subscriber Participating TO will not otherwise be entitled to establish any other element of a Transmission Revenue Requirement unless justified for the recovery of costs associated with transmission facilities authorized in accordance with Section 24 or Section 25 of the CAISO Tariff.

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3 TAC Areas.

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- 3.7** If the Imperial Irrigation District or an entity outside the State of California should apply to become a Participating TO (other than a Subscriber Participating TO), the CAISO Governing Board will review the reasonableness of integrating the entity into one of the existing TAC Areas. If the entity cannot be integrated without the potential for significant cost shifts, the CAISO Governing Board may establish a separate TAC Area. Each Subscriber Participating TO will have its own TAC Area.

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7 Determination of the Non-Subscriber Usage Rate

- 7.1** Each Subscriber Participating TO shall develop a Non-Subscriber Usage Rate in accordance with

its TO Tariff, including a \$/MWh charge will be no greater than the applicable Access Charge rate at the time the Subscriber Participating TO files its Non-Subscriber Usage Rate for approval by FERC consistent with Section 8 of this Schedule 3 of Appendix F.

8 Updates to Regional Access Charges.

- 8.1** Regional Access Charges and Regional Wheeling Access Charges shall be adjusted: (1) on January 1 and July 1 of each year when necessary to reflect the addition of any New Participating TO; (2) on the date FERC makes effective a change to the Regional Transmission Revenue Requirements of any Participating TO or Approved Project Sponsor; and (3) on the date FERC makes effective a change to the Non-Subscriber Usage Rate of any Subscriber Participating TO. Using the Regional Transmission Revenue Requirement accepted or authorized by FERC, consistent with Section 9 of this Schedule 3, for each Participating TO and Approved Project Sponsor or the Non-Subscriber Usage Rate of any Subscriber Participating TO, the CAISO will recalculate on a monthly basis the Regional Access Charge applicable during such period. Revisions to the Transmission Revenue Balancing Account adjustment shall be made effective annually on January 1 based on the principal balance in the TRBA as of September 30 of the prior year and a forecast of Transmission Revenue Credits for the next year.
- 8.2** Any refund associated with a Participating TO's or Approved Project Sponsor's Transmission Revenue Requirement or Non-Subscriber Usage Rate that has been accepted by FERC, subject to refund, shall be provided as ordered by FERC. Such refund shall be invoiced in the CAISO Market Invoice.
- 8.3** If the Participating TO withdraws one or more of its transmission facilities from the CAISO Operational Control in accordance with Section 3.4 of the Transmission Control Agreement, then the CAISO will no longer collect the TRR for that transmission facility through the CAISO's Access Charge or provide a Non-Subscriber Usage Payment Amount for that transmission facility effective upon the date the transmission facility is no longer under the Operational Control of the CAISO. The withdrawing Participating TO shall be obligated to provide the CAISO with all necessary information to implement the withdrawal of the Participating TO's transmission facilities and to make any necessary filings at FERC to revise its TRR or Non-Subscriber Usage Rate.

The CAISO shall revise its transmission Access Charge to reflect the withdrawal of one or more transmission facilities from CAISO Operational Control, except the withdrawal of Subscriber Participating TO transmission facilities.

9 Approval of Updated Regional Revenue Requirements.

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9.3 Subscriber Participating TOs will make the appropriate filings at FERC to establish their \$/MWh Non-Subscriber Usage Rates, and to obtain approval of any changes thereto. All such filings with FERC will include a separate appendix that states the Non-Subscriber Usage Rate and other information required by the FERC to support the Non-Subscriber Usage Rate. The Subscriber Participating TO will provide a copy of its filing to the CAISO and the other Participating TOs and Approved Project Sponsors in accordance with the notice provisions in the Transmission Control Agreement.

10 Disbursement of Regional Access Charge Revenues.

10.1 Regional Access Charge revenues shall be calculated for disbursement to each Participating TO, Approved Project Sponsor, and Subscriber Participating TO on a monthly basis as follows:

- (a) the amount determined in accordance with Section 26.1.2 of the CAISO Tariff (“Billed RAC”).
- (b)
 - (i) for a Participating TO that is a UDC or MSS Operator and has Gross Load in its TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the amount each UDC or MSS Operator would have paid and the Participating TO would have received by multiplying the Regional Utility-Specific Rates for the Participating TO whose Regional Transmission Facilities served such UDC and MSS Operator times the actual Gross Load of such UDCs and MSS Operators;
 - (ii) for a Non-Load-Serving Participating TO and Approved Project Sponsors, then calculate the Non-Load-Serving Participating TO’s or Approved Project Sponsor’s portion of the total Billed RAC in subsection (a) based on the ratio of

the Non-Load-Serving Participating TO's and Approved Project Sponsors
Regional Transmission Revenue Requirement to the sum of all Participating TOs'
and Approved Project Sponsor's Regional Revenue Requirements; or

(iii) for a Subscriber Participating TO, then calculate the Subscriber Participating
TO's portion of the total Billed RAC in subsection (a) based on the absolute value
of MWh, in each direction, of Non-Subscriber usage on the Subscriber
Participating TO's transmission assets and Entitlements and Subscriber
Encumbrances used to provide Subscriber Rights, pursuant to Section 15 of this
Schedule 3 of Appendix F.

(c) if the total Billed RAC in subsection (a) received by the CAISO less the total dollar
amounts calculated in subsection (b)(i), subsection (b)(ii), and subsection (b)(iii) is
different from zero, the CAISO shall allocate the positive or negative difference among
those Participating TOs that are subject to the calculations in subsection (b)(i) based on
the ratio of each Participating TO's Regional Transmission Revenue Requirement to the
sum of all of those Participating TOs' Regional Transmission Revenue Requirements that
are subject to the calculations in subsection (b)(i). This monthly distribution amount is the
"RAC Revenue Adjustment."

(d) the sum of the RAC revenue share determined in subsection (b) and the RAC Revenue
Adjustment in subsection (c) will be the monthly disbursement to the Participating TO.

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14 Wheeling Access Charges.

14.4 Weighted Average Rate for Wheeling Service. The weighted average rate payable for
Wheeling over joint facilities at each Scheduling Point shall be calculated as the sum of the
applicable Wheeling Access Charge rates for each applicable TAC Area or Participating TO as
these rates are weighted by the ratio of the Available Transfer Capability for each Participating
TO that is not a Subscriber Participating TO at the particular Scheduling Point to the total
Available Transfer Capability for the Scheduling Point. The calculation of this rate is set forth in

more detail in the applicable Business Practice Manual.

15 Payments by Non-Subscribers for Use of Subscriber Participating TO Facilities.

15.1 Subscriber Participating TO Facilities Used to Provide Subscriber Rights.

(a) **Provision of Non-Subscriber Usage Payment Amounts.** The CAISO will provide Non-Subscriber Usage Payment Amounts to a Subscriber Participating TO for Non-Subscriber use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights each month. The Non-Subscriber Usage Payment Amounts will be funded first by using Wheeling Access Charge revenue received by the CAISO pursuant to this Section 15.1(a) of Schedule 3 and, if the Wheeling Access Charge revenue is insufficient to fully pay the Non-Subscriber Usage Payment Amounts, second by using Access Charge revenue received by the CAISO pursuant to this Section 15.1(a) of Schedule 3. Each Non-Subscriber Usage Payment Amount equals (i) the applicable Non-Subscriber Usage Rate multiplied by (ii) the sum of the absolute value of the MWh flow of a Non-Subscriber's imports at the applicable Scheduling Point plus the sum of the absolute value of the MWh flow of a Non-Subscriber's exports at the applicable Scheduling Point.

(b) **Treatment of Excess Amounts.** For each month and Subscriber Participating TO,

(i) If the total Access Charge and Wheeling Access Charge revenue received by the CAISO pursuant to this Section 15.1 of Schedule 3 exceeds the total calculated Non-Subscriber Usage Payment Amounts, then the excess amount will be added back to the RAC for allocation to the other Participating TOs besides the Subscriber Participating TO.

15.2 Subscriber Participating TO Facilities Not Used to Provide Subscriber Rights. Each Non-Subscriber that uses Subscriber Participating TO transmission assets or Entitlements other than those used to provide Subscriber Rights will pay for such use pursuant to the applicable provisions of the CAISO Tariff rather than this Section 15.1 of Schedule 3.

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Appendix DD

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8.9 Allocation Process for TP Deliverability

After the Phase II Interconnection Study reports are issued, the CAISO will perform the allocation of the TP Deliverability to Option (A) and Option (B) Generating Facilities that meet the eligibility criteria set forth in Section 8.9.2. The TP Deliverability available for allocation will be determined from the most recent Transmission Plan. Once a Generating Facility is allocated TP Deliverability, the facility will be required to comply with retention criteria specific in Section 8.9.3 in order to retain the allocation.

Allocation of TP Deliverability shall not provide any Interconnection Customer or Generating Facility with any right to a specific MW of capacity on the CAISO Controlled Grid or any other rights (such as title, ownership, rights to lease, transfer or encumber).

The CAISO will issue a market notice to inform interested parties as to the timeline for commencement of allocation activities, for Interconnection Customer submittal of eligibility status and retention information, and anticipated release of allocation results to Interconnection Customers. There are two components to the allocation process.

8.9.1 First Component: Representing TP Deliverability Used by Prior Commitments

The CAISO will identify the following commitments that will utilize MW quantities of TP Deliverability:

- (a) The proposed Generating Facilities corresponding to earlier queued Interconnection Requests meeting the criteria set forth below:
 - (i) proposed Generating Facilities in Queue Cluster 4 or earlier that have executed PPAs with Load-Serving Entities and have GIAs that are in good standing.
 - (ii) proposed Generating Facilities in Queue Cluster 5 and subsequent Queue Clusters that were previously allocated TP Deliverability and have met the criteria to retain the allocation set forth in Section 8.9.3.
- (b) any Maximum Import Capability included as a planning objective in the Transmission Plan and a Subscriber Participating TO that is a non-contiguous portion of the CAISO BAA can use Maximum Import Capability made available by Participating Generators and System Resources if such allocation is made available in accordance with Section 40.4.6.2.1 (Step 13) of the CAISO Tariff; the available Maximum Import Capability made available by the Load Serving Entities that have access to Subscriber Rights until the Load Serving Entity(ies) cease using this Maximum Import Capability allocation or Delivery Network Upgrade(s) pursuant to Section 4.3A4.2(b) of the CAISO Tariff is completed to support the Subscriber Rights and then the TP Deliverability will be awarded to such Subscriber consistent with Section 8.9.1(c) of this GIDAP;
- (c) any other commitments having a basis in the Transmission Plan, including any commitments established due to a Subscriber's exercise of its first option to acquire Deliverability made possible by Delivery Network Upgrades pursuant to Section 4.3A.4.2(a) of the CAISO Tariff, provided this first option has been

exercised before the Subscriber is no longer eligible to apply for TP Deliverability allocation under Section 8.9 of this GIDAP. Generating Units possessing Subscriber Rights seeking to receive TP Deliverability must submit a request and will be subject to Sections 8.9.2 and 8.9.3 of this GIDAP. For each Subscriber that submits a TP Deliverability request, the CAISO will provide the Subscriber with a Queue Position.

This first component is performed for the purpose of determining the amount of TP Deliverability available for allocation to the current queue cluster in accordance with section 8.9.2, and shall not affect the rights and obligations of proposed Generating Facilities in Queue Cluster 4 or earlier with respect to the construction and funding of Network Upgrades identified for such Generating Facilities, or their requested Deliverability Status. Such rights and obligations will continue to be determined pursuant to the GIP and the Generating Facility's GIA.

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Attachment B – Marked Tariff

Subscriber Participating Transmission Owner Model

California Independent System Operator Corporation

September 22, 2023

Section 4

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4.3.1.2.2 Subscriber Participating TOs must complete TRTC Instructions for their Subscriber Rights as provided in Section 16.4.5.

4.3.1.3 CAISO Relationship with Specific Participating TOs

- (a) **Western Path 15.** Western Path 15 shall be required to turn over to CAISO Operational Control only its rights and interests in the Path 15 Upgrade and shall not be required to turn over to CAISO Operational Control Central Valley Project transmission facilities, Pacific AC Intertie transmission facilities, California-Oregon Transmission Project facilities, or any other new transmission facilities or Entitlements not related to the Path 15 Upgrade. For purposes of the CAISO Tariff, Western Path 15 shall be treated with respect to revenue recovery as a Project Sponsor in accordance with Section 24.14.3.1.
- (b) **New Participating TOs After April 1, 2014.** An Approved Project Sponsor that was not a Participating TO as of April 1, 2014, shall be required to turn over to CAISO Operational Control only its rights and interests in the Regional Transmission Facilities it has been selected to finance, construct and own under section 24.5. Such a Participating Transmission Owner will be subject to all obligations of a Participating TO with regard to the facilities placed under CAISO Operational Control, except the obligation in Section 4.3.1.1 to declare its intent and submit an application to become a Participating TO and the obligation in Section 2.2 of the Transmission Control Agreement to apply to become a Participating TO.
- (c) **Subscriber Participating TOs.** A Subscriber Participating TO will be subject to all obligations of a Participating TO with regard to facilities placed under CAISO Operational Control. The Subscriber Participating TO is subject to the obligations under Section 4.3.1.1 to declare its intent and submit an application to become a Participating TO and

the obligation in Section 2.2 of the Transmission Control Agreement to apply to become a Participating TO.

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4.3A Relationship Between the CAISO and Subscriber Participating TOs

4.3A.1 Nature of Relationship

A transmission owner or developer of a transmission project may apply to join the CAISO Balancing Authority Area as a Subscriber Participating TO with planned or existing transmission assets and Entitlements subject to Encumbrances, pursuant to Subscription Agreements, that will ultimately be administered pursuant to a Subscriber Participating TO Tariff, the Transmission Control Agreement and the CAISO Tariff. The Subscriber Participating TO's initial project will consist of transmission components and any associated generation components located outside of the then-existing CAISO Balancing Authority Area, with the transmission component being funded solely by the Subscriber Participating TO based on the Subscribers' commitments used to provide Subscriber Rights. The Subscriber Participating TO may, as provided for under relevant provisions of the CAISO tariff, subsequently construct additions or upgrades to the initial transmission project that are funded solely by FERC-approved Transmission Revenue Requirements and not used to provide Subscriber Rights to the extent authorized under Section 24 or Section 25 of the CAISO Tariff.

4.3A.2 Application and Approval Processes

An applicant to become a Subscriber Participating TO will follow the processes set forth in Section 4.3.1.1 of the CAISO Tariff and Section 2.2 of the Transmission Control Agreement. The applicant will provide written information to the CAISO regarding the applicant's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights that includes: (1) the size and location of the transmission assets and Entitlements; (2) the original or projected cost to build the transmission assets, for which the applicant may request confidential treatment pursuant to Section 20; (3) a schedule for depreciation of the transmission assets, for which the applicant may make a request for confidential treatment pursuant to Section 20; and (4) the initial Subscriber Encumbrance term for the transmission

assets and any rollover rights specified in Section 3 of the Subscriber Participating TO's application to become a Participating TO. If the CAISO Governing Board approves the application, the Subscriber Participating TO will execute an Applicant Participating Transmission Owner Agreement with the CAISO to establish the relationship between the Subscriber Participating TO and the CAISO during the period from CAISO Governing Board approval until the Subscriber Participating TO either (1) satisfies the requirements of Section 4.3A.5 or (2) informs the CAISO in writing of the Subscriber Participating TO's decision to not move forward with the project's becoming part of the CAISO Controlled Grid.

4.3A.3 Transmission Planning Process for Subscriber Participating TO Facilities Used to Provide Subscriber Rights

A Subscriber Participating TO's transmission assets, Entitlements and Subscriber Encumbrances used to provide Subscriber Rights will be included in the Transmission Planning Process pursuant to Section 24 after (1) the CAISO Governing Board approves the associated application to become a Subscriber Participating TO, (2) FERC accepts an Applicant Participating Transmission Owner Agreement between the applicant to become a Subscriber Participating TO and the CAISO, (3) FERC accepts any applicable Generator Interconnection Agreements for Generating Facilities due to their interconnection to the CAISO Controlled Grid on the transmission assets, Entitlements, and Subscriber Encumbrances of the applicant seeking to become a Subscriber Participating TO, (4) the Subscriber Participating TO has begun the interconnection studies required by the interconnecting Transmission Owner(s), and (5) the Subscriber Participating TO provides a notice in writing to the CAISO acknowledging that Construction Activities have begun.

4.3A.4 Interconnection of Subscriber Participating TO Transmission Facilities Used to Provide Subscriber Rights

4.3A.4.1 Interconnection Study Process

The CAISO will study the interconnection of all Generating Facilities to the Subscriber Participating TO's transmission assets not using Subscriber Encumbrances to provide Subscriber Rights, pursuant to Section 25 and Appendix DD. The CAISO will study the interconnection of all Generating Facilities to the Subscriber Participating TO's transmission assets using Subscriber Encumbrances to provide Subscriber Rights through the transmission interconnection process undertaken by the Participating TOs according

to Section 25.1(g).

4.3A.4.1.1 TP Deliverability Allocation Process

The initial Subscriber Participating TO project will follow the TP Deliverability allocation process set forth in Appendix DD. The Interconnection Customers of the generation projects connected to the Subscriber Participating TO that own the necessary Subscriber Rights shall become eligible to apply into the TP Deliverability allocation process when (1) the Subscriber PTO has successfully met all requirements identified under Section 4.3A.3; and (2) all Transmission Owners have completed the interconnection studies.

4.3A.4.2 Treatment of Needed Upgrades

- (a) If the Transmission Planning Process identifies a need for Delivery Network Upgrades related to Generating Facilities to be served by a Subscriber Participating TO's transmission assets and Encumbrances used to provide Subscriber Rights for purposes of meeting a resource portfolio requirement established by the CPUC or other Local Regulatory Authority, and such Delivery Network Upgrades are included in an approved Transmission Plan, the Subscriber Participating TO's Subscribers will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC or other Local Regulatory Authority resource portfolio requirement.
- (b) If the Transmission Planning Process identifies a need for Upgrades related to Generating Facilities due to their interconnection to a Subscriber Participating TO's transmission assets and Encumbrances in addition to those Upgrades identified under Section 4.3A.4.2(a), such applicable Generating Facilities shall be required to apply for interconnection to the CAISO Controlled Grid in accordance with the provisions in Section 25 and Appendix DD.

4.3A.5 Addition to the CAISO Controlled Grid of Subscriber Participating TO Transmission Facilities Used to Provide Subscriber Rights

The CAISO will add Subscriber Participating TO transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights to the CAISO Controlled Grid after (1) the associated Subscriber Participating TO satisfies the requirements of the Transmission Control Agreement, (2) FERC

approves any revisions to the Transmission Control Agreement to include the Subscriber Participating TO, (3) the Subscriber Participating TO energizes its project and turns the project over for CAISO Operational Control in accordance with the Transmission Control Agreement, and (4) FERC approves a Subscriber Participating TO Tariff for the Subscriber Participating TO. The Subscriber Participating TO will have its own TAC Area and its transmission assets and Entitlements will have their own Scheduling Points.

4.3A.6 Processes Applicable to Construction of Subscriber Participating TO Transmission Facilities Not Used to Provide Subscriber Rights

A Subscriber Participating TO may construct additions and upgrades to its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights pursuant to Section 24, but such additions and upgrades will not provide additional Subscriber Rights. Requests for interconnection to the Subscriber Participating TO's additions and upgrades will be pursuant to Section 25 and Appendix DD.

4.3A.7 Cost Recovery and Usage Costs for Subscriber Participating TO Transmission Facilities

4.3A.7.1 Amounts from Subscribers

A Subscriber Participating TO must recover costs of its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights solely from Subscribers pursuant to Subscription Agreements. Subscribers that Self-Schedule using CRNs on the transmission assets and Entitlements will not pay Access Charges for such use.

4.3A.7.2 Amounts from Non-Subscribers

A Subscriber Participating TO may receive Non-Subscriber Usage Payment Amounts for use by Non-Subscribers of transmission assets and Entitlements and unscheduled Subscriber Rights pursuant to Section 15 of Schedule 3 of Appendix F. The Subscriber Participating TO will be responsible for obtaining FERC approval of the Non-Subscriber Usage Rate that is a required component of the calculation of Non-Subscriber Usage Payment Amounts.

4.3A.7.3 Transmission Revenue Requirement

- (a) A Subscriber Participating TO may not seek FERC approval of a Transmission Revenue Requirement for the original costs or any subsequent incurred costs for transmission

assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights or receive revenue for such transmission assets and Entitlements from the Regional Access Charge, even after all Subscriber Encumbrances on the transmission assets and Entitlements terminate. This Section will not prevent a Subscriber Participating TO from obtaining FERC approval of the Non-Subscriber Usage Rate.

(b) A Subscriber Participating TO may seek FERC approval of a Transmission Revenue Requirement for additions and upgrades to its transmission assets and Entitlements undertaken to facilitate an interconnection or pursuant to Section 24, unless such additions or upgrades are for the benefit of Subscribers in the use of their Subscriber Rights. Upon FERC approval, any reference in the CAISO Tariff to a Participating TO's Revenue Requirement or Transmission Revenue Requirement will be read as a reference to the Subscriber Participating TO's rates or revenue requirement as approved by FERC. A Subscriber Participating TO may receive revenue from the Regional Access Charge only with respect to generator Network Upgrades or Network Upgrades identified and approved in the Transmission Planning Process under Section 24 and Section 25 and in Appendix DD for existing Participating TOs that are not used to provide Subscriber Rights.

4.3A.8 Access to Available Transmission Capacity of a Subscriber Participating TO

The CAISO will make transmission capacity on Subscriber Participating TO facilities available for the purpose of: (1) scheduling Subscriber Rights transactions consistent with the Subscription Agreement, a Subscriber Participating TO's TRTC Instructions, and the CAISO Tariff; and (2) scheduling transactions for Market Participants in accordance with the CAISO Tariff, provided such use does not conflict with Subscriber Rights. The transmission capacity of a Subscriber Participating TO that is not subject to an Encumbrance as of the date of the Subscriber Participating TO's application to become a Subscriber Participating TO will not be treated as Subscriber Rights, and the CAISO will be the provider of transmission service pursuant to the CAISO Tariff for the use of this available transmission capacity. To the extent Subscribers do not schedule their Encumbrance in the Real-Time Market, the transmission

capacity underlying the Encumbrance will be available for use in the CAISO Markets in accordance with Section 16 of the CAISO tariff.

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Section 16

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16. Existing Contracts

16.1 Continuation of Existing Contracts for Non-Participating TOs and Subscribers

The transmission service rights and obligations of Non-Participating TOs and Subscribers under Existing Contracts, including all terms, conditions and rates of the Existing Contracts, as they may change from time to time under the terms of the Existing Contracts, will continue to be honored by the parties to those contracts, for the duration of those contracts.

16.1.1 Participating TO Obligation

If a Participating TO is a party to an Existing Contract under which Existing Rights are provided, the Participating TO shall attempt to negotiate changes to the Existing Contract to align the contract's scheduling and operating provisions with the CAISO's scheduling and operational procedures, rules and protocols, to align operations under the contract with CAISO operations, and to minimize the contract parties' costs of administering the contract while preserving their financial rights and obligations.

In addition, the Participating TO shall attempt to negotiate changes to provisions in the Existing Contract to ensure that whenever transmission services under the Existing Contract are used to deliver power to a Market Participant that is subject to Access Charges and Non-Subscriber Usage Payment Amounts, if applicable, under this CAISO Tariff, no duplicative charge for access to the CAISO Controlled Grid will be charged under the Existing Contract. For purposes of such negotiations, there shall be a presumption that any charges in an Existing Contract that were designed to recover the embedded cost of transmission facilities within the CAISO Controlled Grid will be fully recovered through the Access Charges and Non-Subscriber Usage Payment Amounts, if applicable, established under Section 26.1.

16.1.2 Right to Use and Ownership of Facilities

If a Non-Participating TO has an Existing Contract with a Participating TO under which the Non-Participating TO's transmission facilities, or a portion thereof, are subject to use by the Participating TO, the Non-Participating TO's rights to the use and ownership of its facilities shall remain unchanged, regardless of the Participating TO's act of turning over the Participating TO's Entitlement to use the Non-Participating TO's facilities to the extent possible to the Operational Control of the CAISO. If a Subscriber is a Participating TO, it cannot turn over its Subscriber Rights to the Operational Control of the CAISO.

The CAISO will accept valid ETC Self-Schedules from a Participating TO that is the Scheduling Coordinator for the holder of Existing Rights, or from holders of Existing Rights that are Scheduling Coordinators, or that are represented by a Scheduling Coordinator other than the Participating TO. ETC Self-Schedules submitted by Scheduling Coordinators to the CAISO, which include the use of Existing Rights, must be submitted in accordance with Section 16.1 and Section 30. The CAISO may refuse to accept ETC Self-Schedules submitted pursuant to Existing Contracts that do not meet the requirements of the principles, protocols and rules referred to in this Section 16.1.

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16.2 ~~[Not Used]~~ Treatment of Subscriber Encumbrances

Subscriber Encumbrances shall be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of an Encumbrance arising under a contract or agreement entered into after the CAISO Operations Date.

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Section 24

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24. Comprehensive Transmission Planning Process

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24.2 Nature of the Transmission Planning Process

The CAISO will develop the annual comprehensive Transmission Plan and approve transmission upgrades or additions using a Transmission Planning Process with three (3) phases. In Phase 1, the CAISO will develop and complete the Unified Planning Assumptions and Study Plan. In Phase 2, the CAISO will complete the comprehensive Transmission Plan. In Phase 3, the CAISO will evaluate proposals to construct and own certain transmission upgrades or additions specified in the comprehensive Transmission Plan. The Transmission Planning Process shall, at a minimum:

- (a) Coordinate and consolidate in a single plan the transmission needs of the CAISO Balancing Authority Area for maintaining the reliability of the CAISO Controlled Grid in accordance with Applicable Reliability Criteria and CAISO Planning Standards, in a manner that promotes the economic efficiency of the CAISO Controlled Grid and considers federal and state environmental and other policies affecting the provision of Energy;
- (b) Reflect a planning horizon covering a minimum of ten (10) years that considers previously approved transmission upgrades and additions, Demand Forecasts, Demand-side management, capacity forecasts relating to generation technology type, additions and retirements, and such other factors as the CAISO determines are relevant;
- (c) Seek to avoid unnecessary duplication of facilities and ensure the simultaneous feasibility of the CAISO Transmission Plan and the transmission plans of interconnected Balancing Authority Areas, and coordinate with other Planning Regions and interconnected Balancing Authority Areas in accordance with, but not limited to, the Order 1000 Common Interregional Coordination and Cost Allocation Tariff Language in Section 24.18;
- (d) Identify existing and projected limitations of the CAISO Controlled Grid's physical, economic or operational capability or performance and identify transmission upgrades and additions, including alternatives thereto, deemed needed to address the existing and projected limitations;
- (e) Account for any effects on the CAISO Controlled Grid of the interconnection of Generating Units, including an assessment of the deliverability of such Generating Units in a manner consistent with CAISO interconnection procedures; **and**

- (f) Provide an opportunity for Interregional Transmission Projects submitted to the CAISO as a Relevant Planning Region to be evaluated as potential solutions to CAISO regional transmission needs; ~~and-~~

~~(g) Evaluate projects of entities that have commenced the process to become Subscriber Participating TOs or have initiated related transmission interconnection studies with one or more existing Participating TOs.~~

24.3 Transmission Planning Process Phase 1

Phase 1 consists of the development of the Unified Planning Assumptions and Study Plan.

24.3.1 Inputs to the Unified Planning Assumptions and Study Plan

The CAISO will develop Unified Planning Assumptions and a Study Plan using information and data from the approved Transmission Plan developed in the previous planning cycle. The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan:

- (a) WECC base cases, as may be modified for the relevant planning horizon;
- (b) Transmission upgrades and additions approved by the CAISO in past Transmission Planning Process cycles, including upgrades and additions which the CAISO has determined address transmission needs in the comprehensive Transmission Plan developed in the previous planning cycle;
- (c) Category 2 policy-driven transmission upgrades and additions from a prior planning cycle as described in Section 24.4.6.6;
- (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3;
- (e) Network Upgrades identified pursuant to Section 25 ~~and~~, ~~Appendices~~ ~~S, T, U, Appendix V, W, Appendix Y, or Appendix Z, BB, CC, DD, EE, relating to the CAISO's Large Generator Interconnection Procedures and Appendices S and T and FF relating to the CAISO's Small Generator Interconnection Procedures~~ that were not otherwise included in the comprehensive Transmission Plan from the previous annual cycle;
- (f) Operational solutions validated by the CAISO in the Local Capacity Technical Study under Section 40.3.1;

- (g) Policy requirements and directives, as appropriate, including programs initiated by state, federal, municipal and county regulatory agencies;
 - (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;
 - (i) Demand response programs that are proposed for inclusion in the base case or assumptions for the comprehensive Transmission Plan;
 - (j) Generation and other non-transmission alternatives that are proposed for inclusion in long-term planning studies as alternatives to transmission additions or upgrades;
 - (k) Beginning with the 2011/2012 planning cycle, Economic Planning Study requests submitted in comments on the draft Unified Planning Assumptions and Study;
 - (l) Planned facilities in interconnected Balancing Authority Areas;
 - (m) The most recent Annual Interregional Information provided by other Planning Regions;
- ~~and~~
- (n) Import Capability expansion requests submitted in comments on the draft Unified Planning Assumptions and Study; and
 - (o) Subscriber Participating TO transmission facilities, and any generation facilities receiving Subscriber Rights and requesting to interconnect to the CAISO Controlled Grid over Subscriber Participating TO transmission facilities, that have met the following criteria:
 1. The Applicant Participating Transmission Owner Agreement has been executed;
 2. The generator interconnection agreement with the Subscriber is executed;
 3. The Subscriber Participating TO has provided written notice to the CAISO that Construction Activities regarding the Subscriber Participating TO transmission facilities have begun; and
 4. Transmission interconnection studies required by the interconnecting Transmission Owner(s) have begun.

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Once the CAISO has identified reliability-driven solutions, LCRIF projects eligible for conditional or final approval, solutions needed to maintain long-term CRR feasibility, qualified Merchant Transmission Facilities, ~~and~~-needed LGIP Network Upgrades as described in Section 24.4.6.5, and Subscriber Participating TO transmission facilities as well as generation facilities seeking to interconnect to the CAISO Controlled Grid on Subscriber Participating TO transmission facilities, the CAISO shall evaluate transmission solutions needed to meet state, municipal, county or federal policy requirements or directives as specified in the Study Plan pursuant to Section 24.3.2(i). Policy-driven transmission solutions will be either Category 1 or Category 2 transmission solutions. Category 1 transmission solutions are those which under the criteria of this section are found to be needed and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle. Category 2 transmission solutions are those that could be needed to achieve state, municipal, county or federal policy requirements or directives but have not been found to be needed in the current planning cycle based on the criteria set forth in this section. The CAISO will determine the need for, and identify such policy-driven transmission solutions that efficiently and effectively meet applicable policies under alternative resource location and integration assumptions and scenarios, while mitigating the risk of stranded investment. The CAISO will create a baseline scenario reflecting the assumptions about resource locations that are most likely to occur and one or more reasonable stress scenarios that will be compared to the baseline scenario. Any transmission solutions that are in the baseline scenario and at least a significant percentage of the stress scenarios may be Category 1 transmission solutions. Transmission solutions that are included in the baseline scenario but which are not included in any of the stress scenarios or are included in an insignificant percentage of the stress scenarios, generally will be Category 2 transmission solutions, unless the CAISO finds that sufficient analytic justification exists to designate them as Category 1 transmission solutions. In such cases, the ISO will make public the analysis upon which it based its justification for designating such transmission solutions as Category 1 rather than Category 2. In this process, the CAISO will consider the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission solutions as evidenced by signed and approved power purchase agreements and interconnection agreements;

- (b) the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission solution as compared to the potential planning level costs of other transmission solutions;
- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission solutions themselves; the extent to which the transmission solutions will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the CAISO grid;
- (f) potential future connections to other resource areas and transmission facilities;
- (g) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
- (h) the potential for a particular transmission solution to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
- (i) the effect of uncertainty associated with the above criteria, and any other considerations, that could affect the risk of stranded investment; and
- (j) the effects of other solutions being considered for approval during the planning process.

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24.4.10 Transmission Plan Approval Process

The revised draft comprehensive Transmission Plan, along with the stakeholder comments, will be presented to the CAISO Governing Board for consideration and approval. Upon approval of the plan, all needed transmission additions and upgrades, and Interregional Transmission Projects, net of all transmission and non-transmission alternatives considered in developing the comprehensive Transmission Plan, will be deemed approved by the CAISO Governing Board. Following Governing

Board approval, the CAISO will post the final comprehensive Transmission Plan to the CAISO Website. According to the schedule set forth in the Business Practice Manual, transmission upgrades and additions with capital costs of \$50 million or less can be approved by CAISO management and Subscriber Participating TO transmission facilities, provided the CAISO Governing Board has already approved the Subscriber Participating TO as a Participating TO or conditional Participating TO, may proceed to permitting and construction prior to Governing Board approval of the plan. Such CAISO management approved transmission solutions may be subject to a competitive solicitation process, consistent with Section 24.5, on an accelerated schedule that will allow the approved Project Sponsor to proceed to permitting and construction prior to Governing Board approval of the plan. CAISO management may also expedite approval of a transmission solution ahead of the approval schedule for other solutions with capital costs of \$50 million or less if: (1) there is an urgent need for approval of the solution ahead of the schedule established in the Business Practice Manual; (2) there is a high degree of certainty that approval of the upgrade or addition will not conflict with other solutions being considered in Phase 2; and (3) the need to accelerate a solution is driven by the CAISO's study process or by external circumstances. Should the CAISO find that a transmission solution with capital of \$50 million or less is needed on an expedited basis, after a stakeholder consultation process, CAISO management shall brief the Governing Board at a regularly-scheduled or special public session prior to approving the solution and conducting the competitive solicitation, if appropriate. A Participating Transmission Owner will have the responsibility to construct, own, finance and maintain any Local Transmission Facility deemed needed under this section 24 that is located entirely within such Participating Transmission Owner's PTO Service Territory or footprint. The provisions of Section 24.5 will apply to a Regional Transmission Facility deemed needed under this section 24. Section 24.5 will also apply to any transmission upgrades or additions that are associated with both Regional Transmission Facilities and Local Transmission Facilities but for which the CAISO determines that it is not reasonable to divide construction responsibility among multiple Project Sponsors. Construction and ownership of a selected Interregional Transmission Project shall be determined in accordance in Section 24.17.3.

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24.6.4 Inability to Complete the Transmission Solution

If the CAISO determines that the Approved Project Sponsor cannot secure necessary approvals or property rights or is otherwise unable to construct a transmission solution, or if the CAISO finds that an alternative Project Sponsor is necessary pursuant to Section 24.6.2, or if the Approved Project Sponsor determines that it is unable to proceed with construction of the transmission solution and so notifies the CAISO, the CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO and other affected Market Participants, to facilitate the development and evaluation of alternative solutions. In conducting such evaluation the CAISO will consider (1) the reasons that the Approved Project Sponsor was unable to construct the transmission solution; (2) whether the transmission solution is still needed; and (3) whether there are other solutions that could replace the original transmission solution as it was originally configured. If the ISO determines that the transmission solution is no longer needed, the ISO will not pursue the solution and will not direct a Participating TO to backstop the continued development of the solution. For reliability driven transmission solutions, the CAISO may direct, at its discretion, ~~direct~~ the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located, to build the transmission solution, or the CAISO may open a new solicitation for Project Sponsors to finance, own, and construct the transmission solution. For all other transmission solutions, the CAISO shall open a new solicitation for Project Sponsors to finance, own, and construct the transmission solution. Where there is no Approved Project Sponsor, the CAISO shall direct the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located, to finance, own and construct the transmission solution. The previous Approved Project Sponsor shall be obligated to work cooperatively and in good faith with the CAISO, the new Approved Project Sponsor (if any) and the affected Participating TO, to implement the transition. The obligations of the Participating TO to construct the transmission solution will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of a Participating TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

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24.14.4 RAC Treatment of New Regional Transmission Facilities Costs

Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for new Regional Transmission Facilities for all Participating TOs, except Subscriber Participating TOs, shall be included in the CAISO Grid-wide component of the Regional Access Charge in accordance with Schedule 3 of Appendix F, unless and with respect to Western Path 15 only, cost recovery is provided in Section 24.14.3. With respect to cost recovery due to Non-Subscriber use of the Subscriber Participating TO transmission assets and Entitlements and unscheduled Subscriber Rights, Non-Subscriber Usage Payment Amounts will be included in the RAC allocation in accordance with Section 15 of Schedule 3 of Appendix F. The Participating TO (unless it is the Subscriber Participating TO with respect to its transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights) who is supporting the cost of the new Regional Transmission Facility shall include such costs in its Regional Transmission Revenue Requirement.

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Section 25

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25. Interconnection of Generating Units and Facilities

25.1 Applicability

This Section 25 and Appendix U (the Standard Large Generator Interconnection Procedures (LGIP)), Appendix Y (the Generator Interconnection Procedures (GIP)), Appendix S (the Small Generator Interconnection Procedures (SGIP)), Appendix W, or Appendix DD (the Generator Interconnection and Deliverability Allocation Procedures (GIDAP)), as applicable, shall apply to:

- (a) each new Generating Unit that seeks to interconnect to the CAISO Controlled Grid;
- (b) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified with a resulting increase in the total capability of the power plant;
- (c) each Generating Unit connected to the CAISO Controlled Grid that will be modified without increasing the total capability of the power plan but has change the electrical characteristics of the power plant such that its re-energization may violate Applicable

Reliability Criteria.

- (d) each existing Generating Unit connected to the CAISO Controlled Grid whose total Generation was previously sold to a Participating TO or on-site customer but whose Generation, or any portion thereof, will now be sold in the wholesale market, subject to Section 25.1.2;
- (e) each existing Generating Unit that is a Qualifying Facility and that is converting to a Participating Generator without repowering or reconfiguring the existing Generating Unit, subject to Section 25.1.2; ~~and~~
- (f) each existing Generating Unit connected to the CAISO Controlled Grid that proposes to repower its Generating Unit pursuant to Section 25.1.2; and
- (g) Generating Units interconnecting to the CAISO Controlled Grid over a Subscriber Participating TO transmission facilities using Subscriber Rights are required to apply for TP Deliverability under Section 25.1 once (1) the Subscriber Participating TO transmission facilities have completed their transmission interconnection studies with all interconnecting Transmission Owner(s), (2) Subscriber(s) have executed the Generator Interconnection Agreement, (3) the Subscriber Participating TO has committed to proceed with Construction Activities regarding the Subscriber Participating TO transmission facilities, and (4) the applicant provides a notice in writing to the applicable interconnecting Transmission Owners that it is proceeding with Construction Activities. Once these criteria have been completed, the Generating Unit must apply as follows:
 - (1) each Generating Unit possessing Subscriber Rights and receiving Deliverability from TPP-approved Network Upgrades shall apply for TP Deliverability allocation through the submission of a Subscriber Participating TO-specific deliverability allocation request subject to Appendix DD, Section 8.9 and does not submit an Interconnection Request under Section 25;
 - (2) each Generating Unit that does not meet the criteria under Section 25.1(g)(1) shall be treated in accordance with Section 25.1(a).

25.1.1 Interconnection Request and Generating Unit Requirements

The owner of a Generating Unit described in Section 25.1(a), (b), (c), or (g), or its designee, shall be an Interconnection Customer required to submit an Interconnection Request and comply with Appendix DD.

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Section 26

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26. Transmission Rates and Charges

26.1 Access Charge

- (a) **In General.** All Market Participants withdrawing Energy from the CAISO Controlled Grid shall pay Access Charges in accordance with this Section 26.1 and Appendix F, Schedule 3, except (1) as provided in Section 4.1 of Appendix I (Station Power Protocol) and (2) for storage resources, including Non-Generator Resources and Pumped-Storage Hydro Units, withdrawing Energy for later resale to the CAISO Markets or to provide Ancillary Services. The Access Charge shall comprise two components, which together shall be designed to recover each Participating TO's or Approved Project Sponsor's Transmission Revenue Requirement. The first component shall be the annual authorized revenue requirement, as approved by FERC, associated with (1) the transmission facilities and Entitlements turned over to the Operational Control of the CAISO by a Participating TO or (2) transmission facilities that are not yet in operation, but approved under Section 24, and assigned to an Approved Project Sponsor. The second component shall be based on the Transmission Revenue Balancing Account (TRBA), which shall be designed to flow through the Participating TO's Transmission Revenue Credits calculated in accordance with Section 5 of the TO Tariff and other credits identified in Sections 6 and 8 of Schedule 3 of Appendix F of the CAISO Tariff. Non-Subscribers scheduling transactions on transmission assets or Entitlements of a Subscriber Participating TO shall pay the Access Charge and Wheeling Access Charge, as applicable.

The Access Charges shall be paid by any UDC or MSS Operator that is serving Gross Load in a PTO Service Territory, and shall consist, where applicable, of a Regional

Access Charge, and a Local Access Charge. The Regional Access Charge and the Local Access Charges shall each comprise two components, which together shall be designed to recover each Participating TO's Regional Transmission Revenue Requirement and Local Transmission Revenue Requirement, as applicable. The Regional Access Charge and the Local Access Charge for the applicable Participating TO shall be paid by each UDC and MSS Operator based on its Gross Load in the PTO Service Territory.

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- (g) **Reporting Gross Load and Excess Behind the Meter Production.** In reporting Gross Load to the CAISO, each Scheduling Coordinator also will report the extent to which Excess Behind the Meter Production served that Gross Load. The value for Excess Behind the Meter Production will be reported as a separate value, and Scheduling Coordinators must include Load served by Excess Behind the Meter Production in reporting Gross Load. The CAISO will use Excess Behind the Meter Production values for informational purposes and to ensure Scheduling Coordinators report Gross Load accurately. The CAISO will publish Excess Behind the Meter Production values on OASIS.
- (h) **Specification of the Non-Subscriber Usage Rate.** Each Subscriber Participating TO shall provide in its TO Tariff filing with FERC an appendix to such filing that specifies the Subscriber Participating TO's Non-Subscriber Usage Rate in \$/MWh. To the extent necessary, each Subscriber Participating TO shall make conforming changes to its TO Tariff.
- (i) **Provision of Non-Subscriber Usage Payment Amounts.** The CAISO shall provide Non-Subscriber Usage Payment Amounts to Subscriber Participating TOs for Non-Subscriber use of each Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, in

accordance with Schedule 3 of Appendix F.

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26.1.2 Regional Access Charge Settlement

UDCs and MSS Operators serving Gross Load in a PTO Service Territory shall be charged on a monthly basis, in arrears, the applicable Regional Access Charge. The Regional Access Charge for a billing period is calculated by the CAISO as the product of the applicable Regional Access Charge, and Gross Load connected to the facilities of the UDC and MSS Operator in the PTO Service Territory. The Regional Access Charge are determined in accordance with Schedule 3 of Appendix F. Subscriber Participating TOs will receive on a monthly basis, in arrears, the applicable Non-Subscriber Usage Payment Amounts for Non-Subscriber use of each Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, in accordance with Schedule 3 of Appendix F. These rates may be adjusted from time to time in accordance with Schedule 3 of Appendix F.

26.1.3 Distribution of RAC Revenues

The CAISO shall collect and pay, on a monthly basis, to Participating TOs and Approved Project Sponsors all Regional Access Charge revenues, and shall provide to Subscriber Participating TOs all Non-Subscriber Usage Payment Amounts, at the same time as other CAISO charges and payments are settled. Regional Access Charge revenues received with respect to the Regional Access Charge shall be distributed to Participating TOs and Approved Project Sponsors in accordance with Appendix F, Schedule 3, Section 10. Non-Subscriber Usage Payment Amounts will be provided to the Subscriber Participating TO in accordance with Appendix F, Schedule 3, Sections 10 and 15.

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26.1.4.3 Disbursement of Wheeling Revenues

The CAISO shall collect and pay to Participating TOs and other entities as provided in Section 24.14.34 all Wheeling revenues at the same time as other CAISO charges and payments are settled. For

Wheeling revenues associated with CRRs allocated to Load Serving Entities outside the CAISO Balancing Authority Area, the CAISO shall pay to the Participating TOs and other entities as provided in Section 24.14.3 any excess prepayment amounts within thirty (30) days of the end of the term of the CRR Allocation. The CAISO shall provide to the applicable Participating TO and other entities as provided in Section 24.14.43 a statement of the aggregate amount of Energy delivered to each Scheduling Coordinator using such Participating TO's Scheduling Point to allow for calculation of Wheeling revenue and auditing of disbursements. Wheeling revenues shall be disbursed by the CAISO based on the following:

26.1.4.3.1 Scheduling Point with All Participating TOs in the Same TAC Area

With respect to revenues received for the payment of Regional Wheeling Access Charges for Wheeling to a Scheduling Point at which all of the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in the same TAC Area, Wheeling revenues shall be disbursed to each such Participating TO based on the ratio of each Participating TO's Regional Transmission Revenue Requirement to the sum of all such Participating TOs' Regional Transmission Revenue Requirements. If the Scheduling Point is located at a Local Transmission Facility, revenues received with respect to Local Wheeling Access Charges for Wheeling to that Scheduling Point shall be disbursed to the Participating TOs that own facilities and Entitlements making up the Scheduling Point in proportion to their Local Transmission Revenue Requirements. Additionally, if a Participating TO has a transmission upgrade or addition that was funded by a Project Sponsor, the Wheeling revenue allocated to such Participating TO shall be disbursed as provided in Section 24.14.43.

26.1.4.3.2 Scheduling Point without All Participating TOs in the Same TAC Area

With respect to revenues received for the payment of Wheeling Access Charges for Wheeling to a Scheduling Point at which the facilities and Entitlements, less all Encumbrances, are owned by Participating TOs in different TAC Areas, Wheeling revenues shall be disbursed to such Participating TOs as follows. First, the revenues shall be allocated between such TAC Areas in proportion to the ownership and Entitlements of transmission capacity, less all Encumbrances, at the Scheduling Point of the Participating TOs in each such TAC Area. Second, the revenues thus allocated to each TAC Area shall be disbursed among the Participating TOs in the TAC Area in accordance with Section 26.1.4.3.1.

26.1.4.3.3 Scheduling Point of a Subscriber Participating TO

With respect to Non-Subscriber Usage Payment Amounts provided for Wheeling to a Scheduling Point at which all of the facilities and Entitlements, less all Encumbrances, are owned by Subscriber Participating TOs, the Non-Subscriber Usage Payment Amounts shall be provided to Subscriber Participating TO based on the Non-Subscriber's usage of the Scheduling Point in accordance with Sections 10 and 15 of Schedule 3 of Appendix F. Additionally, if a Subscriber Participating TO has a transmission upgrade or addition that was funded by a Project Sponsor, the Wheeling revenue allocated to the Subscriber Participating TO shall be disbursed as provided in Section 24.14.4.

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Appendix A - Amended and New Definitions

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- Applicant Participating Transmission Owner Agreement (APTOA)

An agreement between an applicant to be a Subscriber Participating TO and the CAISO.

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- Existing Rights

The transmission service rights and obligations of non-Participating TOs or Subscriber Participating TOs under Existing Contracts or Subscriber Encumbrances, including all terms, conditions, and rates of the Existing Contracts or Subscriber Encumbrances, as they may change from time to time under the terms of the Existing Contracts or Subscriber Encumbrances. Subscriber Rights will be treated as Existing Rights.

- Existing Transmission Contracts (ETC) or Existing Contracts

The contracts which grant transmission service rights in existence on the CAISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Subscriber Encumbrances will be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of an Encumbrance arising under a contract or agreement entered into after the CAISO Operations Date.

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- New Participating TO

Any Participating TO that is not an Original Participating TO. A Subscriber Participating TO is a type of New Participating TO.

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- Non-Subscriber

An entity, or its designee, that schedules as a Market Participant on transmission assets or Entitlements of a Subscriber Participating TO not being used by a Subscriber exercising Subscriber Rights, including Subscribers that schedule beyond their Subscriber Rights.

- Non-Subscriber Usage Payment Amount

An amount paid by a Non-Subscriber and provided by the CAISO to a Subscriber Participating TO for the Non-Subscriber's use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights.

- Non-Subscriber Usage Rate

A component of the calculation of the Non-Subscriber Usage Payment Amount. The Non-Subscriber Usage Rate, and any updates thereto, is developed in accordance with the CAISO Tariff and the Subscriber Participating TO Tariff and is approved by FERC.

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- Subscriber

An entity, or its designee, that has a Subscriber Encumbrance used to provide Subscriber Rights pursuant to a Subscription Agreement.

- Subscriber Encumbrance

A legal restriction or covenant binding on a Subscriber Participating TO that affects the operation of transmission assets or Entitlements of the Subscriber Participating TO used to provide Subscriber Rights and that the CAISO needs to take into account in exercising Operational Control over such transmission assets or Entitlements. Any reference to contracts granting Subscriber Rights shall be considered as a Subscription Agreement. Any reference in the CAISO Tariff to an Encumbrance shall be read as also a

reference to a Subscriber Encumbrance.

- Subscriber Participating TO

A Participating TO whose transmission assets and Entitlements were constructed, and for which the associated transmission capacity is subject to long-term contractual obligations, to deliver energy, capacity, and associated attributes to satisfy state, municipal, county, or federal policy requirements or directives. Any reference in the CAISO Tariff to a Participating TO shall be read as also a reference to a Subscriber Participating TO.

- Subscriber Rights

The transmission service rights and obligations of a Subscriber Participating TO to transmission customers with contracts entered into under the Subscriber Participating TO Tariff, as that tariff may change from time to time. Any reference in the CAISO Tariff to Existing Rights shall be read as also a reference to Subscriber Rights.

- Subscription Agreement

A contract or other legal arrangement between one or more Subscribers and a Subscriber Participating TO that includes the provision of a Subscriber Encumbrance to the Subscriber.

* * * * *

- Transmission Revenue Balancing Account (TRBA)

A mechanism to be established by each Participating TO and Approved Project Sponsor that will ensure that all Transmission Revenue Credits and other credits specified in Sections 6, 8, and 13 of Appendix F, Schedule 3 and Section 11.4 of Appendix DD, flow through to transmission customers.

* * * * *

Appendix F

* * * * *

Schedule 3

Regional Access Charge and Wheeling Access Charge

1 Objectives and Definitions.

1.1 Objectives.

- (a) The Access Charge is the charge assessed for using the CAISO Controlled Grid. It

consists of two components, the Regional Access Charge (RAC) and the Local Access Charge (LAC).

- (b) The RAC is based on one CAISO Grid-wide rate.
- (c) The LAC will be determined by each Participating TO. The LAC of Non-Load-Serving Participating TOs may also be project specific. Each Participating TO will charge for and collect the LAC, subject to Section 26.1 of the CAISO Tariff and Section 13 of this Schedule 3.
- (d) The Wheeling Access Charge is paid by Scheduling Coordinators for Wheeling as set forth in Section 26.1.4 of the CAISO Tariff. The CAISO will collect the Wheeling revenues from Scheduling Coordinators on a Trading Interval basis and repay these to the Participating TOs based on the ratio of each Participating TO's Transmission Revenue Requirement to the sum of all Participating TOs' Transmission Revenue Requirements.
- (e) The Non-Subscriber Usage Payment Amount (NSUPA) is provided by the CAISO to Subscriber Participating TOs for Non-Subscriber use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, subject to Section 26.1.4 of the CAISO Tariff, provided that a Subscriber Participating TO will not otherwise be entitled to establish any other element of a Transmission Revenue Requirement unless justified for the recovery of costs associated with transmission facilities authorized in accordance with Section 24 or Section 25 of the CAISO Tariff.

* * * * *

3 TAC Areas.

* * * * *

- 3.7** If the Imperial Irrigation District or an entity outside the State of California should apply to become a Participating TO (other than a Subscriber Participating TO), the CAISO Governing Board will

review the reasonableness of integrating the entity into one of the existing TAC Areas. If the entity cannot be integrated without the potential for significant cost shifts, the CAISO Governing Board may establish a separate TAC Area. Each Subscriber Participating TO will have its own TAC Area.

* * * * *

7 ~~[NOT USED]~~ Determination of the Non-Subscriber Usage Rate

7.1 Each Subscriber Participating TO shall develop a Non-Subscriber Usage Rate in accordance with its TO Tariff, including a \$/MWh charge will be no greater than the applicable Access Charge rate at the time the Subscriber Participating TO files its Non-Subscriber Usage Rate for approval by FERC consistent with Section 8 of this Schedule 3 of Appendix F.

8 Updates to Regional Access Charges.

8.1 Regional Access Charges and Regional Wheeling Access Charges shall be adjusted: (1) on January 1 and July 1 of each year when necessary to reflect the addition of any New Participating TO; ~~and~~ (2) on the date FERC makes effective a change to the Regional Transmission Revenue Requirements of any Participating TO or Approved Project Sponsor; and (3) on the date FERC makes effective a change to the Non-Subscriber Usage Rate of any Subscriber Participating TO.

Using the Regional Transmission Revenue Requirement accepted or authorized by FERC, consistent with Section 9 of this Schedule 3, for each Participating TO and Approved Project Sponsor, or the Non-Subscriber Usage Rate of any Subscriber Participating TO, the CAISO will recalculate on a monthly basis the Regional Access Charge applicable during such period. Revisions to the Transmission Revenue Balancing Account adjustment shall be made effective annually on January 1 based on the principal balance in the TRBA as of September 30 of the prior year and a forecast of Transmission Revenue Credits for the next year.

8.2 Any refund associated with a Participating TO's or Approved Project Sponsor's Transmission Revenue Requirement or Non-Subscriber Usage Rate that has been accepted by FERC, subject to refund, shall be provided as ordered by FERC. Such refund shall be invoiced in the CAISO Market Invoice.

8.3 If the Participating TO withdraws one or more of its transmission facilities from the CAISO Operational Control in accordance with Section 3.4 of the Transmission Control Agreement, then the CAISO will no longer collect the TRR for that transmission facility through the CAISO's Access Charge or provide a Non-Subscriber Usage Payment Amount for that transmission facility effective upon the date the transmission facility is no longer under the Operational Control of the CAISO. The withdrawing Participating TO shall be obligated to provide the CAISO with all necessary information to implement the withdrawal of the Participating TO's transmission facilities and to make any necessary filings at FERC to revise its TRR or Non-Subscriber Usage Rate. The CAISO shall revise its transmission Access Charge to reflect the withdrawal of one or more transmission facilities from CAISO Operational Control, except the withdrawal of Subscriber Participating TO transmission facilities.

9 Approval of Updated Regional Revenue Requirements.

* * * * *

9.3 Subscriber Participating TOs will make the appropriate filings at FERC to establish their \$/MWh Non-Subscriber Usage Rates, and to obtain approval of any changes thereto. All such filings with FERC will include a separate appendix that states the Non-Subscriber Usage Rate and other information required by the FERC to support the Non-Subscriber Usage Rate. The Subscriber Participating TO will provide a copy of its filing to the CAISO and the other Participating TOs and Approved Project Sponsors in accordance with the notice provisions in the Transmission Control Agreement.

10 Disbursement of Regional Access Charge Revenues.

10.1 Regional Access Charge revenues shall be calculated for disbursement to each Participating TO, ~~and~~ Approved Project Sponsor, and Subscriber Participating TO on a monthly basis as follows:

- (a) the amount determined in accordance with Section 26.1.2 of the CAISO Tariff ("Billed RAC").
- (b)
 - (i) for a Participating TO that is a UDC or MSS Operator and has Gross Load in its

TO Tariff in accordance with Appendix F, Schedule 3, Section 9, then calculate the amount each UDC or MSS Operator would have paid and the Participating TO would have received by multiplying the Regional Utility-Specific Rates for the Participating TO whose Regional Transmission Facilities served such UDC and MSS Operator times the actual Gross Load of such UDCs and MSS Operators;

~~or~~

- (ii) for a Non-Load-Serving Participating TO and Approved Project Sponsors, then calculate the Non-Load-Serving Participating TO's or Approved Project Sponsor's portion of the total Billed RAC in subsection (a) based on the ratio of the Non-Load-Serving Participating TO's and Approved Project Sponsors Regional Transmission Revenue Requirement to the sum of all Participating TOs' and Approved Project Sponsor's Regional Revenue Requirements; ~~or~~

(iii) for a Subscriber Participating TO, then calculate the Subscriber Participating TO's portion of the total Billed RAC in subsection (a) based on the absolute value of MWh, in each direction, of Non-Subscriber usage on the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights, pursuant to Section 15 of this Schedule 3 of Appendix F.

- (c) if the total Billed RAC in subsection (a) received by the CAISO less the total dollar amounts calculated in subsection (b)(i), ~~and~~ subsection (b)(ii), and subsection (b)(iii) is different from zero, the CAISO shall allocate the positive or negative difference among those Participating TOs that are subject to the calculations in subsection (b)(i) based on the ratio of each Participating TO's Regional Transmission Revenue Requirement to the sum of all of those Participating TOs' Regional Transmission Revenue Requirements that are subject to the calculations in subsection (b)(i). This monthly distribution amount is the "RAC Revenue Adjustment."
- (d) the sum of the RAC revenue share determined in subsection (b) and the RAC Revenue Adjustment in subsection (c) will be the monthly disbursement to the Participating TO.

* * * * *

14 Wheeling Access Charges.

14.4 Weighted Average Rate for Wheeling Service. The weighted average rate payable for Wheeling over joint facilities at each Scheduling Point shall be calculated as the sum of the applicable Wheeling Access Charge rates for each applicable TAC Area or Participating TO as these rates are weighted by the ratio of the Available Transfer Capability for each Participating TO that is not a Subscriber Participating TO at the particular Scheduling Point to the total Available Transfer Capability for the Scheduling Point. The calculation of this rate is set forth in more detail in the applicable Business Practice Manual.

15 Payments by Non-Subscribers for Use of Subscriber Participating TO Facilities.

15.1 Subscriber Participating TO Facilities Used to Provide Subscriber Rights.

(a) Provision of Non-Subscriber Usage Payment Amounts. The CAISO will provide Non-Subscriber Usage Payment Amounts to a Subscriber Participating TO for Non-Subscriber use of the Subscriber Participating TO's transmission assets and Entitlements and Subscriber Encumbrances used to provide Subscriber Rights each month. The Non-Subscriber Usage Payment Amounts will be funded first by using Wheeling Access Charge revenue received by the CAISO pursuant to this Section 15.1(a) of Schedule 3 and, if the Wheeling Access Charge revenue is insufficient to fully pay the Non-Subscriber Usage Payment Amounts, second by using Access Charge revenue received by the CAISO pursuant to this Section 15.1(a) of Schedule 3. Each Non-Subscriber Usage Payment Amount equals (i) the applicable Non-Subscriber Usage Rate multiplied by (ii) the sum of the absolute value of the MWh flow of a Non-Subscriber's imports at the applicable Scheduling Point plus the sum of the absolute value of the MWh flow of a Non-Subscriber's exports at the applicable Scheduling Point.

(b) Treatment of Excess Amounts. For each month and Subscriber Participating TO,

(i) If the total Access Charge and Wheeling Access Charge revenue received by the CAISO pursuant to this Section 15.1 of Schedule 3 exceeds the total calculated

Non-Subscriber Usage Payment Amounts, then the excess amount will be added back to the RAC for allocation to the other Participating TOs besides the Subscriber Participating TO.

15.2 Subscriber Participating TO Facilities Not Used to Provide Subscriber Rights. Each Non-Subscriber that uses Subscriber Participating TO transmission assets or Entitlements other than those used to provide Subscriber Rights will pay for such use pursuant to the applicable provisions of the CAISO Tariff rather than this Section 15.1 of Schedule 3.

* * * * *

Appendix DD

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8.9 Allocation Process for TP Deliverability

After the Phase II Interconnection Study reports are issued, the CAISO will perform the allocation of the TP Deliverability to Option (A) and Option (B) Generating Facilities that meet the eligibility criteria set forth in Section 8.9.2. The TP Deliverability available for allocation will be determined from the most recent Transmission Plan. Once a Generating Facility is allocated TP Deliverability, the facility will be required to comply with retention criteria specific in Section 8.9.3 in order to retain the allocation.

Allocation of TP Deliverability shall not provide any Interconnection Customer or Generating Facility with any right to a specific MW of capacity on the CAISO Controlled Grid or any other rights (such as title, ownership, rights to lease, transfer or encumber).

The CAISO will issue a market notice to inform interested parties as to the timeline for commencement of allocation activities, for Interconnection Customer submittal of eligibility status and retention information, and anticipated release of allocation results to Interconnection Customers. There are two components to the allocation process.

8.9.1 First Component: Representing TP Deliverability Used by Prior Commitments

The CAISO will identify the following commitments that will utilize MW quantities of TP Deliverability:

- (a) The proposed Generating Facilities corresponding to earlier queued Interconnection Requests meeting the criteria set forth below:
 - (i) proposed Generating Facilities in Queue Cluster 4 or earlier that have executed PPAs with Load-Serving Entities and have GIAs that are in good standing.
 - (ii) proposed Generating Facilities in Queue Cluster 5 and subsequent

Queue Clusters that were previously allocated TP Deliverability and have met the criteria to retain the allocation set forth in Section 8.9.3.

- (b) any Maximum Import Capability included as a planning objective in the Transmission Plan and a Subscriber Participating TO that is a non-contiguous portion of the CAISO BAA can use Maximum Import Capability made available by Participating Generators and System Resources if such allocation is made available in accordance with Section 40.4.6.2.1 (Step 13) of the CAISO Tariff; the available Maximum Import Capability made available by the Load Serving Entities that have access to Subscriber Rights until the Load Serving Entity(ies) cease using this Maximum Import Capability allocation or Delivery Network Upgrade(s) pursuant to Section 4.3A4.2(b) of the CAISO Tariff is completed to support the Subscriber Rights and then the TP Deliverability will be awarded to such Subscriber consistent with Section 8.9.1(c) of this GIDAP;
- (c) any other commitments having a basis in the Transmission Plan, including any commitments established due to a Subscriber's exercise of its first option to acquire Deliverability made possible by Delivery Network Upgrades pursuant to Section 4.3A.4.2(a) of the CAISO Tariff, provided this first option has been exercised before the Subscriber is no longer eligible to apply for TP Deliverability allocation under Section 8.9 of this GIDAP. Generating Units possessing Subscriber Rights seeking to receive TP Deliverability must submit a request and will be subject to Sections 8.9.2 and 8.9.3 of this GIDAP. For each Subscriber that submits a TP Deliverability request, the CAISO will provide the Subscriber with a Queue Position.

This first component is performed for the purpose of determining the amount of TP Deliverability available for allocation to the current queue cluster in accordance with section 8.9.2, and shall not affect the rights and obligations of proposed Generating Facilities in Queue Cluster 4 or earlier with respect to the construction and funding of Network Upgrades identified for such Generating Facilities, or their requested Deliverability Status. Such rights and obligations will continue to be determined pursuant to the GIP and the Generating Facility's GIA.

* * * * *

Attachment C – Final Proposal

Subscriber Participating Transmission Owner Model

California Independent System Operator Corporation

September 22, 2023



California ISO

Subscriber Participating TO Model Final Proposal

June 22, 2023

Prepared by:
Deb Le Vine
Danielle Mills
Chris Sibley
Riddhi Ray

California Independent System Operator

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1 Introduction

The ISO developed the Subscriber PTO Model presented in this Final Proposal as an option for streamlining the development and enhancing the ongoing operation of transmission to meet public policy requirements or objectives, and California’s energy policy goals in particular.

The need for additional generation of electricity over the next 10 years, including the need for carbon-free resources, some of which are out-of-state, has escalated rapidly in California as it continues transitioning to the decarbonized electrical grid required by Senate Bill 100 that was signed into law in 2018. This in turn has been driving a dramatically accelerated pace for new transmission development in current and future planning cycles. To help ensure we have the transmission in place to achieve this transition reliably and cost-effectively, the ISO has been coordinating with the state’s primary energy planning and regulatory entities to adopt a much more strategic and proactive approach to resource, procurement, transmission planning and interconnections overall. The more proactive and coordinated strategic direction reflected in this year’s transmission plan is set forth in a joint Memorandum of Understanding (“MOU”)¹ signed by the ISO, the California Public Utilities Commission (“CPUC”) and California Energy Commission (“CEC”) in December 2022, that tightens the linkages between these key processes. The MOU emphasizes the continued role of the state agencies to provide resource forecasts - in the form of portfolios of resource quantities and locations – for planning purposes.

The CPUC has provided resource portfolios² as an input to the ISO’s 2023-2024 transmission planning process calling for out-of-state wind generation that requires new transmission to reach the ISO border – 1,000 megawatts (“MW”) from Idaho, 1,500 MW from Wyoming, and 2,328 MW from New Mexico. These volumes build on the amounts provided as part of the ISO’s 2022-2023 transmission planning process (“TPP”), and match the values that the ISO used to size the transmission needed from the ISO border to load centers in the 2022-2023 plan. These amounts also align with the longer-term requirements set out in the scenario provided by the CEC and the CPUC to the ISO for the ISO’s 20-Year Transmission Outlook released in May 2022.

The ISO is developing a Subscriber PTO Model for transmission projects moving forward through commercial interest to efficiently and cost-effectively deliver generation from out-of-state resource developers to California without increasing the Transmission Revenue Requirement (“TRR”) of the Transmission Access Charge (“TAC”),³ - except as already allowed for reimbursement of network upgrades within the ISO grid - and without selecting a specific project through the TPP but rather leveraging the actual

¹ <http://www.caiso.com/Documents/ISO-CEC-and-CPUC-Memorandum-of-Understanding-Dec-2022.pdf>

² CPUC Decision (D.) 23-02-040 adopted on February 23, 2023.

³ The access charge for use of the ISO controlled grid is currently \$14.4449/MWH.

Subscriber Participating TO Model Final Proposal

commercial interest generated by procurement and contracting entities. Beyond California's internal resource planning needs, markets like the Extended Day-Ahead Market will also benefit from improved integration of the ISO system with other utility systems in the Western interconnection through implementation of the Subscriber PTO Model.

Delivery of energy from out-of-state wind resources to the ISO balancing authority area ("BAA") will require development of long-distance transmission infrastructure to deliver power across multiple states. The ISO typically receives out-of-state generation from pseudo-tie arrangements. However, the ISO has found that standalone generation-only BAAs are more complicated when it comes to pseudo-tie arrangements. They are also less flexible for the generation needing to be considered through the market import capability process, and more challenging in utilizing transmission capacity that becomes available in real-time for other uses.

In addition, the Federal Energy Regulatory Commission ("FERC") has established policies supporting the development of transmission projects, including high-voltage direct current ("HVDC") transmission projects capable of transmitting power over long distances, through an approach where subscribers agree to fund such transmission projects in exchange for long-term transmission service rights.⁴ The ISO is developing a model that will facilitate the delivery of needed resources to the ISO by accommodating FERC's subscriber-funded transmission approach.

The ISO is already discussing this model with project developers seeking to join the ISO with a project using the FERC subscriber-funded transmission approach. As an example, TransWest Express, LLC ("TransWest") has submitted multiple study requests into the ISO's TPP for the TransWest Express Transmission Project ("TWE Project"). Approval of the TWE Project as a regional or interregional project under ISO operational control as a result of selection in the TPP did not occur for a number of reasons, largely due to the resource planning decisions underpinning policy-driven transmission needs that did not support development at that time. TransWest approached the ISO to discuss how it could be possible for a potential generator interconnection customer interested in supporting the project to determine its viability. The result of these discussions informed the ISO's broader efforts to accommodate FERC's subscriber-funded transmission development approach, as reflected in the "Subscriber PTO Model".

The Subscriber PTO Model provides an opportunity for a project to move forward – or not – depending on whether the subscriber or subscribers to the project can contract its resources to be delivered to the ISO BAA, e.g., through contracts with California load

⁴ See, e.g., *Allocation of Capacity on New Merchant Transmission Projects and New Cost-Based, Participant-Funded Transmission Projects; Priority Rights to New Participant-Funded Transmission*, 142 FERC ¶ 61,038 (2013). Under this approach, subscribers are identified through an open solicitation process approved by FERC.

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serving entities.⁵ Comparable projects can similarly move forward under this same model. This allows the load serving entities or other contracting parties to determine the most economic and best fit for their own portfolios.⁶ Once the Subscriber Participating TO have determined with certainty it will build the project, it will notify the ISO. Once the notification has been received and the criteria established to include the Subscriber Participating TO project in the TPP and Generator Interconnection and Deliverability Allocation Procedure (“GIDAP”) has been completed, and then other generators may request to interconnect to the Subscriber Participating TO transmission facilities.

The Subscriber PTO Model would be used for new transmission lines to be built outside of the ISO BAA whose developers want to build and place their transmission facility(s) under ISO operational control and use those transmission facilities to connect generation to the ISO BAA without a decision in the TPP process.⁷ The combined project, financed through the FERC-approved subscriber process, would be outside of the TRR of the TAC or Wheeling Access Charge (“WAC”).⁸ The ISO presents the Subscriber PTO Model as a potential win-win arrangement for the ISO, California load serving entities and project sponsors.

This Final Proposal presents a solution for establishing a Subscriber PTO Model with enhancements based on comments received from stakeholders on June 5, 2023 following the presentation of the Subscriber PTO Model Revised Draft Final Proposal presented on May 22, 2023.

2 Subscriber PTO Model Framework

A Subscriber Participating TO is a transmission owner outside of the ISO BAA whose transmission assets and Entitlements⁹ were constructed, and whose transmission capacity is subject to long-term contractual obligations, to deliver energy, capacity, and associated attributes to satisfy state, municipal, county or federal policy requirements or directives. A Subscriber Participating TO will not include a TRR in the ISO’s TAC or WAC for the initial build of the transmission and generation facilities that are connecting to the ISO controlled grid. Generator network upgrades or network upgrades identified in the interconnection studies and TPP for existing Participating TOs to connect the

⁵ TransWest held a FERC-approved open solicitation process for the north-south capacity on the TWE Project, and the Power Company of Wyoming LLC (“PCW”) obtained the subscription rights for the north-south capacity from Wyoming to the New Substation connecting the TWE Project. PCW is a developer of wind projects in Wyoming.

⁶ The ISO has also been exploring alternatives that may include a generation-only balancing authority area pseudo-typing resources into the ISO.

⁷ If the TPP identifies a transmission project to be built, consistent with Section 24 of the ISO tariff, it would be competitively bid if the criteria for competitive solicitation are met.

⁸ The Subscriber PTO Model would be used solely for a transmission project that is paid for by subscribers and is outside the ISO BAA to be studied and incorporated into the ISO grid.

Subscriber Participating TO Model Final Proposal

Subscriber Participating TO project will be financed consistent with the existing ISO tariff.¹⁰

An initial step towards allowing a project developer to join the ISO with a project using the FERC subscriber-funded transmission approach is for the ISO and a project sponsor to execute the Applicant Participating Transmission Owner Agreement (“APTO Agreement”) to establish a working relationship between the developer and the ISO, similar to an approved project sponsor. This allows the Applicant Participating TO (“APTO”) to act as a Participating TO predominately in the transmission planning and generator interconnection processes. It also allows communication between the ISO and the APTO regarding the status of the project.¹¹

Summary of Stakeholder Feedback on the Revised Draft Final Proposal

The ISO received comments from 10 stakeholders regarding the Subscriber PTO Model Revised Draft Final Proposal. The following stakeholders provided comment: ACP-California, California Community Choice Association, CPUC Energy Division, CPUC Public Advocates Office (“Cal Advocates”), Golden State Clean Energy, Joint Commenters (BAMx, Six Cities, and NCPA¹²), LS Power, NextEra Energy Resources, Southern California Edison Company (“SCE”), and TransWest Express (“TransWest”).

All stakeholders except Joint Commenters expressed support, some strongly, for the ISO developing a Subscriber PTO Model that would connect resources outside of the ISO BAA to be within the ISO BAA by connected to subscriber-funded transmission projects.

A number of stakeholders support the development of the SPTO Model and appreciated the work that the ISO has put into the development of a new approach to Participating TO participation through the Subscriber Participating TO initiative. The existence of new options, such as the Subscriber PTO model, to bring diverse clean energy resources online and deliver them to ISO load is critical to meet the state’s decarbonization goals. The CPUC’s Energy Division commented that it appreciates the potential benefits of a subscriber-funded participating transmission owner approach (“Subscriber PTO Model”) for procuring out-of-state resources that increase the diversity of options for resource technologies and geographic locations. The Subscriber PTO Model could significantly help California meet its procurement goals for out-of-state resources, as set forth in the Preferred System Plan adopted by the CPUC in Decision 22-02-004.

¹⁰ For network upgrades defined in the interconnection study process financing and reimbursement will be consistent with Section 10 and 11 of Appendix DD and Section 11 of Appendix EE. For TPP defined network upgrades financing will be consistent with Section 24 of the ISO tariff.

¹¹ The ISO executed the Applicant Participating Transmission Owner Agreement with TransWest Express and filed it at FERC on January 13, 2023. Docket No. ER23-838 which was approved March 15, 2023.

¹² The Joint Commenters include: the Bay Area Municipal Transmission group, which consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power (“BAMx”); the Northern California Power Agency, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the Six Cities”).

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Stakeholders requested additional detail and clarification regarding the generator interconnection process, deliverability allocation and the sequencing of the TPP and GIDAP processes for a Subscriber Participating TO project; additional detail on what type of projects are eligible for Subscriber PTO Model treatment; and the use of Congestion Revenue Rights (“CRRs”) with respect to the Subscriber PTO Model.

As discussed further below, two commenters had specific components of the proposal that they oppose:

- Joint Commenters believe the Subscriber PTO Model is detrimental to the interests of the ISO transmission customers with respect to 1) the processes that the ISO will use to perform studies to identify (i) the network upgrades that are needed to interconnect the Subscriber Participating TO transmission facilities; and (ii) the network upgrades that are needed to enable the interconnection and deliverability of generation resources via the Subscriber Participating TO transmission facilities; and 2) the cost allocation for network upgrades associated with items (i) and (ii) above is inconsistent with the principle that existing ISO ratepayers not utilizing the Subscriber Participating TO facilities would be held harmless from increases in the ISO’s Access Charge rates as a consequence of the Subscriber Participating TO facility.
- SCE’s primary concern with the Subscriber PTO model is ensuring that none of the “original build” costs of a Subscriber Participating TO facility work their way into the ISO’s TAC and strongly opposes the Subscriber Wheeling Charge concept.

3 Implementation of Subscriber PTO Model

3.1 Use of Encumbrances

Since inception, the ISO has honored Existing Contracts.¹³ Existing Contracts are either Encumbrances¹⁴ on the ISO Controlled Grid or are Entitlement rights that a Participating TO has on transmission facilities in a balancing authority area other than

¹³ The contracts, which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as, may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Section 16 of the ISO tariff provides for treatment of Existing Contracts. There are over 40 different Encumbrances on the ISO controlled grid today.

¹⁴ A legal restriction or covenant binding on a Participating TO that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances shall include Existing Contracts and may include: (1) other legal restrictions or covenants meeting the definition of Encumbrance and arising under other arrangements entered into before the ISO Operations Date, if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the ISO Operations Date.

Subscriber Participating TO Model Final Proposal

the ISO. If the existing rights are not used by the existing rights holder, they are available for use in the ISO market.

The ISO holds the existing rights holder harmless from the cost of transmission and congestion because it has already paid for the transmission service through the Existing Contract. In addition, Existing Contracts have priority rights on the transmission path they have under contract. Providing this treatment for Subscriber Rights¹⁵ would be much the same, except the legacy arrangements of existing Participating TOs were established at an earlier point in time. It is not uncommon for transmission owners to have legacy arrangements, which the ISO would honor if operational control of those facilities and entitlements were turned over to the ISO.

Here, the ISO proposes to honor Subscriber Rights as an Encumbrance essential to development of transmission facilities and that pre-dates the transmission owner becoming a Participating TO. The ISO has concluded that affording Encumbrance treatment to Subscriber Rights under the Subscriber PTO Model is appropriate and necessary because FERC's subscriber-funded transmission approach relies on long-term contractual transmission rights to subscribers to allow the project to be funded and built. If Subscriber Rights are not recognized through Encumbrances, it is unlikely that subscriber-funded transmission projects connecting out-of-state resources and benefiting California load-serving entities would be built.

The Subscriber Right will be treated in the same manner as an Existing Contract and receive the "perfect hedge" and scheduling priority since the contract rights holder will pay for the transmission under its transmission service agreements with the Subscriber Participating TO.¹⁶

Stakeholder Feedback

This element of the proposal did not receive additional stakeholder feedback.

Final Proposal

The ISO does not propose to change the solution offered in the Revised Draft Final Proposal and will use its existing Encumbrance functionality for the Subscriber Rights under the Subscriber PTO Model, thereby providing subscribers such as generator off-takers with the perfect hedge on the Subscriber Participating TO transmission facilities. As previously discussed, the perfect hedge provides the Subscriber Rights holder a scheduling priority for the contract path and exempts a Subscriber Rights holder from transmission service charges, congestion, bid cost recovery allocation, offsets and

¹⁵ The ISO tariff would have this new definition: "Subscriber Rights means the transmission service rights and obligations of a Subscriber Participating TO to transmission customers with contracts entered into under the Subscriber Participating TO Tariff, as that tariff may change from time to time.

¹⁶ The "perfect hedge" provides a scheduling priority for the contract path and exempts an Existing Rights holder from transmission service charges and congestion.

Integrated Forward Market congestion allocation similar to all ETCs and TORs in the ISO BAA.

3.2 Transmission Costs

A Subscriber Participating TO **will not** include in the ISO TAC the cost of its project – the TRR associated with building the transmission line to the existing ISO controlled grid or interconnecting the generation to its transmission line. However, any additional costs associated with upgrades required on an existing Participating TO’s transmission system to interconnect the Subscriber Participating TO project would be included in the ISO’s TAC. The Subscriber Participating TO will enter into agreements with its subscriber(s) to pay for the original line costs – capital, operation and maintenance, administrative and general, etc. – and be allowed to recover a Subscriber Wheeling Charge for the use of its transmission facilities by a non-subscriber. The ISO will model the project in the full network model, and only the self-schedule quantity provided by the Subscriber Rights in the day-ahead and real-time market will encumber the line. Self-schedules with Subscriber Rights will not pay the TAC rate or the ISO’s WAC rate for use of the Subscriber Participating TO facilities. The remaining portion of the project that is not subscribed or scheduled using Subscriber Rights will be available for ISO market optimization, and a non-subscriber that uses the line will pay the applicable TAC or WAC rates. The TAC rate is paid by load within the ISO BAA and the WAC rate is paid by exports at the scheduling point where the transaction leaves the ISO BAA.

Stakeholder Feedback from the Revised Draft Final Proposal

Joint Commenters remain concerned that the proposal has shifted from the original principle on which the Subscriber PTO Model was initially premised, which the Joint Commenters had understood as providing that existing ISO ratepayers that do not utilize the Subscriber Participating TO facilities would be held harmless from increases in the ISO’s TAC rates as a consequence of the Subscriber Participating TO facility. Similarly, SCE is concerned that the proposal allows one pathway in particular for costs related to the original build to affect the TAC that SCE believes should be reversed in the Final Proposal. Joint Commenters, CalCCA and SCE believe that costs associated with network upgrades on existing Participating TO systems should not be refunded over five years and the existing Participating TO should not include such costs in their TAC TRR.

SCE commented further that upgrade costs would be separable from the original build costs (the ISO has proposed to fully document the original build costs of the Subscriber Participating TO), and should be considered separately for cost recovery. In some instances, it would be appropriate for upgrades to be paid for by new subscribers, as in the case where upgrades are built to increase the capability of the facility to serve non-ISO BAA load (then, new subscribers would pay any incremental upgrade costs). If incremental costs are not recovered from new subscribers, and if the upgrades are for serving ISO BAA load, recovery of these upgrade costs should be through the ISO’s

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TAC. In both instances described above, the Subscriber Participating TO is fully compensated for its network upgrade costs, either through the ISO's TAC or through new subscriber revenue. SCE further commented that no Subscriber Wheeling Charge would be needed for these non-original build costs, and the ISO Wheeling Charge assessed for exiting the Subscriber Participating TO facility would equal the charge assessed to exit at any other High Voltage ISO exit point (assuming the Subscriber Participating TO facility is also High Voltage).

SCE does not take issue with costs associated with network upgrades that are studied in the ISO's TPP, even though such network upgrades would also be included in the TAC, because SCE believes a holistic consideration of network upgrades needed to meet approved CPUC resource portfolios through the ISO's TPP is the appropriate means of determining upgrades to the ISO grid for this purpose. The ISO justifies the inclusion of network upgrade costs associated only with the GIDAP in the TAC by saying that reimbursements for network upgrades associated with out-of-BAA generators are already allowed pursuant to FERC policy. However, SCE and Joint Commenters do not believe the policy cited is on point, since it is not specific to transmission line interconnections for a line that ultimately would be a part of the ISO BAA and in making such policy and obtaining FERC approval the ISO emphasized the narrow context of interconnections by new resources to neighboring systems that caused reliability or other issues on the ISO system, explaining that historically affected system issues on the ISO grid have been rare.

The ISO still believes the use of the Subscriber PTO Model will be limited and therefore analogous to the affected system cost recovery. The model is for transmission projects outside of the ISO BAA that will be interconnecting to the ISO so that generation can reach the ISO's ratepayers to satisfy state, municipal, county or federal policy requirements or directives including the renewable portfolio standards and greenhouse gas emissions. In that the initiative is to meet policy requirements or directives, the resources that the Subscriber Participating TO would be bringing to the ISO BAA will be renewable generation that will allow other generation to use the new internal network upgrades at others times of the day thereby relieving existing congestion on the system. The Participating TO network upgrades will be benefiting ISO's ratepayers in two ways; first ISO ratepayers are very likely to be the off-taker of the Subscriber Rights, and second the additional transmission available within the BAA as a result of these upgrades will likely decrease congestion in the market, benefiting all ratepayers.

Joint Commenters stated they are open to funding necessary reliability and deliverability upgrades through the ISO's Access Charge rates, if the off-takers of these subsequently interconnecting resources are ISO entities. If they are not ISO entities, then Joint Commenters believes it is not appropriate to require ISO transmission customers to fund upgrades on facilities that are for the benefit of resources procured by external parties. Joint Commenters state such funding is inconsistent with the ISO's recently-adopted policy in the Transmission Service and Market Scheduling ("TSMS") Priorities

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initiative, which provides for external parties seeking wheeling priorities to prepay the WAC for the duration of their request or, in the event of a long term request for which incremental deliverability capacity is necessary, to fund studies and pay for upgrade costs associated with providing incremental deliverability to the extent the upgrades are not deemed needed as a reliability, economic, or policy project by the ISO. The Subscriber Participating TO is not similarly situated with entities that are the subject of the TSMS initiative. The TSMS initiative allows an entity to have long-term firm transmission wheeling rights into and out of the ISO BAA which absent their request the network upgrade would not be needed; whereas the Subscriber Participating TO project is within the ISO BAA, will bring needed generation to meet California's policy initiatives and it is unlikely an off-taker would be a non-ISO entity because it would incur all ISO cost to export the generation from the ISO BAA. In that instance, it would be more likely that the generator would not build in the ISO BAA and build in a different BAA.

Final Proposal for Transmission Costs

The ISO does not propose to change the Revised Draft Final Proposal. The ISO will assess the TAC for non-subscriber imports using the Subscriber Participating TO scheduling point(s) and assess the WAC for non-subscriber exports using the Subscriber Participating TO scheduling point(s). The Subscriber Participating TO will be allowed to develop a Subscriber Wheeling Charge that does not exceed the ISO's then existing TAC and WAC that is approved by FERC and paid by non-subscriber use of the Subscriber Participating TO transmission facilities.

Any network upgrades required on existing Participating TO transmission facilities to interconnect the Subscriber Participating TO project will be recovered by the Participating TO through their TRR consistent with the ISO tariff. The TAC and WAC revenue received from non-subscriber uses of the Subscriber Participating TO facilities will be disbursed first to pay the Subscriber Participating TO for non-subscriber uses of its facilities, with any remaining revenue allocated to the other Participating TOs consistent with the existing revenue allocation process for non-load serving Participating TOs.

3.2.1 Subscriber Wheeling Charge

The ISO has concluded that a separate Subscriber Wheeling Charge¹⁷ is appropriate under the unique circumstances of the Subscriber PTO Model. Consistent with cost causation and open access principles, the ISO believes non-subscribers cannot use the project of a Subscriber Participating TO for free. On the other hand, including any costs of a Subscriber Participating TO's transmission facilities in the TRR for the TAC or WAC would be contrary to a fundamental design principle of the Subscriber PTO Model,

¹⁷ Please note that in developing the ISO tariff language for this proposal it has been determined that the Subscriber Wheeling Charge is going to be renamed the Non-Subscriber Usage Rate. But, to avoid confusion in the proposal, the term will not be changed thereby allowing consistency with the previous stages of the proposal.

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which allows these projects to move forward without funding through a TRR by all ISO customers. The evolving intent of this principle was the cost to build the Subscriber Participating TO's transmission facilities should not be included – not that the cost of network upgrades on existing Participating TOs transmission facilities to interconnect the Subscriber Participating TO's transmission facilities should not be included in the TAC and WAC which as discussed above does benefit ISO ratepayers. Similar to the TAC and WAC, the existing Participating TOs recover the cost of usage of current ISO controlled grid facilities through the ISO market systems. For a Subscriber Participating TO project, because the Subscriber Participating TO is not including the TRR for the original build of its transmission facilities or ongoing costs of its transmission facilities in the TRR for the TAC or WAC, the Subscriber Participating TO should be entitled to cost recovery if a Scheduling Coordinator other than a subscriber uses the project.¹⁸

The ISO will collect the TAC for imports or the WAC for exports on the Subscriber Participating TO scheduling points from Scheduling Coordinators that do not have a Subscriber Encumbrance (*i.e.* non-subscribers). If the Subscriber Participating TO facility had not been built, this additional revenue would not have been collected. The Subscriber Participating TO will develop a Subscriber Wheeling Charge in accordance with the ISO tariff and the Subscriber Participating TO's transmission owner tariff that will be approved by FERC. Any updates to the Subscriber Wheeling Charge will also need to be approved by FERC. The Subscriber Participating TO will notify the other Participating TOs and Approved Project Sponsors similar to the regulatory requirements of all other Participating TOs when it makes a FERC rate filing for the Subscriber Wheeling Charge. This Subscriber Wheeling Charge will be deducted from the revenue collected by the TAC and WAC.¹⁹

Specifically, the ISO will determine a MWH quantity based upon the bi-directional usage of the Subscriber Participating TO transmission facilities by non-subscribers. To obtain this rate, the ISO will determine the absolute value of non-subscriber import and export schedules at the Subscriber Participating TO scheduling point(s) and the Subscriber Wheeling Charge will be a volumetric rate (\$/MWH) to use the Subscriber Participating TO facilities. The amount of revenue the Subscriber Participating TO would receive would equal the following:

¹⁸ Given the existing ISO tariff requirement for the Participating TOs to reimburse generation owners for network upgrades and the March 27, 2023 FERC Order on the Interconnection Process Enhancement 2021 initiative established that external interconnection customers will be eligible for repayment of amounts advanced for network upgrades internal to the ISO needed to maintain reliability, the Participating TO will reimburse them in cash within five years of commercial operation of the generating facility. *Tariff Amendment to Implement Interconnection Process Enhancements filed January 26, 2023 (FERC Docket No. ER23-941)*. The ISO sees no reason to treat Subscriber Participating TOs any different with respect to network upgrades required on an existing Participating TO system.

¹⁹ The Subscriber Wheeling Charge will not be separately paid by any customer taking transmission service over the ISO controlled grid. Instead, the Subscriber Wheeling Charge will be a component deducted from the revenues received from customers paying the TAC for imports or the WAC for exports on the Subscriber Participating TO scheduling points.

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$$\begin{aligned} & \text{[|MWH import at Subscriber Participating TO Scheduling Point| + |MWH import at} \\ & \text{Subscriber Participating TO Scheduling Point|]} * \text{Subscriber Wheeling Charge (\$/MWH)} \\ & = \$ \text{ paid} \end{aligned}$$

The TAC and WAC revenue received from non-subscriber uses of the Subscriber Participating TO facilities will be disbursed first to pay the Subscriber Participating TO for non-subscriber uses of its facilities, with any remaining revenue allocated to the other Participating TOs consistent with the existing revenue allocation process for non-load serving Participating TOs.

The ISO will not include the Subscriber Wheeling Charge of the Subscriber Participating TO transmission facilities in the calculation of the TRR for the TAC or WAC. Because the Subscriber Participating TO transmission facilities will add new scheduling points, the ISO will be receiving more revenue than required to meet the existing Participating TO's TRR. This additional revenue will be available to meet the Subscriber Wheeling Charge discussed above.

Stakeholder Feedback from the Revised Draft Final Proposal

CalCCA generally supports the ISO's proposal to charge non-subscribers the TAC or WAC to use the Subscriber Participating TO line and use the TAC or WAC charges to first pay for the subscriber WAC developed by the subscriber and approved by the Federal Energy Regulatory Commission, including capping the rate at the Regional TAC or WAC rate.

SCE continues to question the need for any Subscriber Wheeling Charge, at least associated with the original build costs of the project. SCE's view is that a Subscriber Participating TO facility should not be approved by the ISO without the Subscriber Participating TO agreeing to deem the project "fully subscribed" for the capacity of the project. That is, no cost of the original project will ever be: 1) included in the ISO TAC; or 2) be eligible for a wheeling charge/revenue. A full subscription will deem that the subscriber contracts yield the full TRR of the Subscriber Participating TO through the charges (without considering any revenue credits). ISO approval for the Subscriber Participating TO to construct the facility only after having been deemed to be a full subscription requirement would ensure that there would be no left over unrecovered costs for the Subscriber Participating TO associated with the original build. It would also mean that there would be no original build costs for the Subscriber Participating TO to recover through any Subscriber Wheeling Charge. SCE comments that to use ratemaking terms, the net TRR of such an entity would be \$0, since there would be a revenue credit (i.e., revenue received from the subscriber entities) equal to the costs of owning and operating the facility. Since the TRR of the Subscriber Participating TO for the original build would be \$0, the Subscriber Wheeling Charge relating to original build costs should also be \$0 (if it is even determined at all). As a companion to "deeming" the line fully subscribed, the Subscriber Participating TO should receive CRRs associated with the full amount of the Subscriber Participating TO project turned over to

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the ISO. Under the SCE proposal, although the original project will never receive wheeling revenue, it will receive congestion rents. This would serve as a payment the Subscriber Participating TO is allowed to keep, and should be a net benefit to the Subscriber Participating TO when 1) the line is congested, and 2) third parties are using the line (and thus paying for congestion).

The ISO understands SCE's position, but respectfully disagrees. As previously stated, the use of CRRs for compensation to the Subscriber Participating TO would only compensate the Subscriber Participating TO if there were congestion on the line and not for the transmission service provided to non-subscriber user of the line. As discussed previously the ISO has concluded that a separate Subscriber Wheeling Charge is appropriate under the unique circumstances of the Subscriber PTO Model. The ISO believes that, consistent with cost causation and open access principles, non-subscribers cannot use the Subscriber Participating TO project for free. In addition, the ISO revised the CRR process in the CRR 1B initiative in 2018 whereby, at a high level, all CRR revenue is cleared on a daily/monthly basis. Revenue received in the Day-Ahead Market is used first for the perfect hedge for ETCs/TORs, and then to reimburse CRR holders for their congestion costs. If there is surplus revenue it goes into a balancing account. If there is insufficient revenue then the CRR holders get a pro rata reduction on the reimbursement of their congestion costs. If at the end of each month, there is any money in the balancing account it is returned to the ISO's Measured Demand less ETC/TORs. While Merchant Transmission CRRs are still allowed under the ISO tariff, the project sponsor can either have CRRs allocated to them or a regulatory rate, but not both.²⁰ As discussed previously the compensation of just CRRs has never resulted in a transmission line being built and some type of rate recovery is consistent with cost causation and FERC principles.²¹

SCE strongly opposes the ISO proposal for a Subscriber Wheeling Charge per kWh charge for the Subscriber Participating TO, the wheeling-out from the Subscriber Participating TO is not possible but-for the use of existing ISO transmission. If the WAC is now paid to the Subscriber Participating TO, SCE believes it effectively deprives the other Participating TOs from recovering the WAC that, but-for the Subscriber Participating TO, they would have received. This is neither just nor reasonable. SCE states this is just another reason that the Subscriber Participating TO should only be entitled to congestion rents, and should never receive WAC on the original costs of the Subscriber Participating TO line.

²⁰ ISO tariff Sections 36.10 and 36.11.

²¹ As an example, the ISO looked at paths that will be impacted by the TWE Project. Since all north-to-south flows are encumbered, all congestion revenue will be used to ensure the perfect hedge. To estimate congestion in the south-to-north direction, the ISO looked at exports for the period of June 2022 to March 2023 at Eldorado, Harry Allen and IPP to see the volume. There were only two exports (one in March 1 for 50 MW and another December 1 for up to 91 MW) which would not result in any congestion revenue for the TWE Project.

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As discussed above, the ISO has determined that new Scheduling Points the Subscriber Participating TO adds to the ISO controlled grid will provide additional WAC revenue that would not have previously been received but-for the Subscriber PTO Model. As an example, SCE will still receive the WAC at Eldorado that it receives today from its interconnection with Los Angeles and Arizona. However, SCE would not have received the WAC for transactions from PacifiCorp, IPP or TWE Crystal that TransWest will be bringing to the ISO. Therefore, there is not a loss in WAC revenue for the existing Participating TOs.

TWE commented that the Revised Draft Final Proposal leaves open the question of whether CRRs may be used with respect to the south-to-north capacity on the TWE Project. TWE comments it is important to clarify that to the extent a CRR construct is used with respect to the TWE Project, TransWest expects that the revenue associated with such CRRs would be allocated to TransWest or its subscriber PCW in some manner because it is the Subscriber PTO that is funding the entire cost of the construction and operation of the TWE Project. While TransWest only requires an Encumbrance on the TWE Project in the north-to-south direction to deliver wind generation to California customers, all revenues associated with use of the TWE Project transmission facilities – whether by subscribers or non-subscribers, and in both directions – should flow back to TransWest or its subscriber PCW as the Subscriber PTO. As discussed above, TWE does have a choice to accept CRR allocation or some type of rate recovery. Based on past discussions with TWE and ISO experience, the ISO believes the opportunity for some type of rate recovery is preferred.

3.2.2 Future Network Upgrades

If in the future, as discussed further in Section 3.4, a generator wants to interconnect to the Subscriber PTO transmission facilities, the ISO will evaluate the generating facility as it does any other potential generation projects through the ISO's generator interconnection process consistent with Appendix DD of the ISO tariff. In addition, if the ISO is provided portfolios from the CPUC that require generation in a certain area, the TPP determines transmission that must be built to meet the needs of the portfolio. If a Subscriber Participating TO's bid wins the competitive solicitation process consistent with Section 24 of the ISO tariff or if the Subscriber Participating TO is otherwise designated to build a new project (such as an upgrade to its existing facilities) under Section 24, then the Subscriber Participating TO could have its costs solely for the new TPP project paid for under the Regional TRR. In this scenario, the Subscriber Participating TO would establish a Regional TRR to recover those costs of new facilities or upgrades to accommodate the interconnection or TPP approved transmission facility.

Transmission Charge

	Subscriber	Non-Subscriber
During Subscriber Agreement term	Paid through transmission service agreement	Pays the TAC or WAC based on market usage
New transmission interconnection during term of Subscriber Agreement	No impact	Subscriber PTO develops a TRR to cover these additional costs and once approved by FERC, are added to the ISO TRR as if they were a new Participating TO.
Subscriber Agreement terminated	N/A	Pays the TAC or WAC based on market usage

Stakeholder Feedback from the Revised Draft Final Proposal

This element of the proposal did not receive additional stakeholder feedback.

Final Proposal for Future Network Upgrades

The ISO does not propose to change the Revised Draft Final Proposal. If a new generator in the future were to connect to the Subscriber Participating TO transmission facilities, schedules for the new generator output not using subscriber rights will be assessed as a non-subscriber use of the Subscriber Participating TO transmission facilities. The revenue received from non-subscriber deliveries on these scheduling points will first pay the Subscriber Wheeling Charge for import and exports using the Subscriber Participating TO transmission facilities and the remainder will be available to pay the TRR of the other Participating TOs. The Subscriber Wheeling Charge will not be greater than the TAC or WAC.

For any future network upgrades required by the generator interconnection process or TPP that is not part of the original build, the Subscriber Participating TO will develop a FERC-approved TRR that will be incorporated into the ISO's TAC and WAC.

3.2.3 Termination of the Subscriber Encumbrance

The Subscriber Participating TO will establish the Subscriber Encumbrance terms and it may vary with different subscriber agreements with the Subscriber Participating TO. Whether to continuing the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of its transmission facilities. However, the Subscriber Participating TO will not receive TAC/WAC rate recovery for the original building costs

of the Subscriber Participating TO transmission facilities regardless of any continuation of Subscriber Encumbrances.

Stakeholder Feedback from the Revised Draft Final Proposal

This element of the proposal did not receive additional stakeholder feedback.

Final Proposal for Termination of the Subscriber Encumbrance

The ISO does not propose to change the Revised Draft Final Proposal. The ISO and Subscriber Participating TO will memorialize the original-build costs and a schedule of depreciation as well as the initial subscriber term. At the end of the Subscriber Encumbrance term, the decision whether or not to continue the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of their transmission facilities. The Subscriber Participating TO will not include in the TAC or WAC its TRR for the original build cost of the Subscriber Participating TO transmission facilities.

3.3 Transmission Cost Allocation

3.3.1 Cost to Subscribers

Consistent with the design of the Subscriber Wheeling Charge discussed above, the Subscriber Participating TO will have its own TAC Area. The subscriber has already paid for the cost of transmission and congestion on the Subscriber Participating TO transmission facilities. In the case of the TransWest Project, the subscriber right for an ISO load serving entity would get the transaction to the New substation connecting to the Harry Allen – Eldorado transmission line.

If the subscriber has already purchased ancillary services, it will not pay those charges. Similar to other Existing Contract Rights holder, the subscribers with Subscriber Rights will be excluded from bid cost recovery allocation, offsets and Integrated Forward Market congestion allocation. They are exempt from these additional costs because: (1) the SC is providing its own supply to meet its own demand and the ISO is not economically dispatching resources to meet its load; (2) these schedules are not optimized by the market, and (3) the supply resource is a price taker and not eligible for bid cost recovery. As such, costs associated with these schedules will be minimal. The ISO will calculate all other ISO charges, including losses, in accordance with the ISO tariff.

If a non-subscriber uses Subscriber Participating TO transmission facilities, the SC would pay all applicable costs including the TAC or WAC, congestion and all other ISO charges, including losses, as calculated in accordance with the ISO tariff.

Stakeholder Feedback from the Revised Draft Final Proposal

This element of the proposal did not receive additional stakeholder feedback.

Final Proposal for Cost to Subscribers

The ISO does not propose to change the solution in the Revised Draft Final Proposal. The Subscriber Participating TO will have its own TAC Area. Similar to other Existing Contract Rights holders, the subscribers have already paid for the cost of transmission and congestion and the ISO will apply the Existing Contract ISO tariff provisions. Provided the subscriber uses a balanced schedule, it will be excluded from bid cost recovery allocation, offsets and IFM congestion allocation. If the subscriber already purchased ancillary services, it will also not pay those charges.

3.3.2 Cost to Non-Subscribers

Non-subscribers seeking to deliver through the existing ISO footprint and on the Subscriber Participating TO project will pay the TAC or the WAC, as applicable, for use of both transmission systems. The ISO will have Locational Marginal Prices (“LMPs”) at each of the Scheduling Points on the Subscriber Participating TO transmission facilities and at the generation connected to the project. Energy, ancillary services, and all other applicable ISO charges will be charged in accordance with the ISO tariff.

As discussed above, the Subscriber Wheeling Charge will be used to reimburse the Subscriber Participating TO for the use of its transmission facilities by non-subscribers and will be deducted from the TAC and WAC. Under the revised Subscriber PTO Model, Scheduling Coordinators using the Subscriber Participating TO’s transmission, other than a subscriber, and other portions of the ISO Controlled Grid will not pay both the applicable Subscriber Wheeling Charge and the ISO’s Access Charge separately. As stated above, to avoid rate pancaking, the ISO will charge the TAC or WAC, as applicable, to imports and exports at the Subscriber Participating TO scheduling points. The ISO will allocate revenues for the Subscriber Wheeling Charge through the ISO’s settlement systems.

Stakeholder Feedback from the Revised Draft Final Proposal

NextEra seeks additional feedback from the ISO on the allocation of congestion revenue that the ISO would collect on market transactions utilizing either released subscriber capacity or available non-subscriber capacity under the SPTO model. During the May 22nd stakeholder call, the ISO indicated that the capacity associated with the Subscriber Right is removed from the CRR model because subscribers obtain physical rights that are a perfect congestion hedge. However, this circumstance does not appear to encompass circumstances where subscribers or owners release their rights in the Day-Ahead and Real-Time for market use. Nor does it appear to encompass a circumstance where a Subscriber Participating TO has unsubscribed capacity available to ISO markets, whether in one-direction or both. NextEra Resources understands that the rationale for the proposed revenue allocation approach stems from

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the premise that the market use of the released capacity benefits Load-Serving Entities load, which pay for the embedded costs of the transmission system by paying wheeling access charges. However, this allocation approach overlooks an important fact in the context of the Subscriber PTO Model: unlike what is the case for regulated transmission, load will not pay for the embedded cost of the Subscriber Participating TO facilities through the TAC. Rather, under the Subscriber PTO Model capacity will be subscribed and paid for by subscribers and turned over to the ISO's control as a network facility. Accordingly, consistent with FERC cost allocation principles, the parties paying for the embedded cost of the Subscriber Participating TO transmission facilities (the subscribers and owners) should benefit from the associated congestion rents. The current Subscriber Participating TO proposal seems to be inconsistent with how congestion revenues are allocated for regulated transmission by ISO or EIM/EDAM participants. As discussed in Section 3.2.1 above, the Subscriber Participating TO does have the option in the ISO tariff to received CRRs or some type of rate recovery but not both. Depending upon the project at the time the Subscriber Participating TO requests to become an applicant Participating TO, it must declare the Entitlements and Encumbrances it is proposing to turn over to ISO Operational Control in accordance with the Transmission Control Agreement. If transmission is available (i.e. unencumbered) on the transmission line to release CRRs, the ISO will do so.

So that stakeholders had better understand the ISO's CRR process, the following is a high-level recap. The ISO releases 65% of system capacity (all constraints and thermal limits) in the annual process to load serving entities in the allocation and through the auction for qualified auction participants. The remaining 35% is available in the monthly process. For the annual allocation, the ISO allows load serving entities to nominate up to a maximum of 75% of their historical load. After the ISO has held the three annual allocation tiers, the ISO then opens up for the auction participants. The auction revenues do go into the CRR balancing account. The ISO uses only the Day-Ahead Market congestion rents to fund CRRs and if there are insufficient congestion rents the CRR payments are reduced (to all CRR holders allocation and auction) to the level of Day-Ahead Market congestion rents collected. Auction revenues go back to demand on a monthly basis. Congestion revenue on the Subscriber Participating TO facilities is used to provide the perfect hedge to their off-takers and then to load serving entities that are allocated CRRs or entities that receive CRRs through the auction.

Final Proposal for the Cost to Non-Subscribers

The ISO does not propose to change the solution proposed in the Revised Draft Final Proposal. Non-subscribers load will pay the TAC and non-subscriber exports will pay the WAC. The Subscriber Participating TO will receive revenue commensurate with its Subscriber Wheeling Charge and the non-subscriber use of its transmission facilities. Any congestion revenue received on the Subscriber Participating TO transmission facilities will be used first to provide the perfect hedge and then to hedge congestion costs for CRR holders.

3.4 Generator Interconnection Process and Subscriber PTO Project Interconnection

As part of the transmission interconnection request process for the Subscriber Participating TO, the affected Participating TO and ISO will study the project for interconnection facilities, and reliability and deliverability network upgrades. If upgrades have been developed in the TPP related to the generation served by the Subscriber Participating TO project for purposes of meeting the portfolios established by the CPUC, then the Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. If additional upgrades are required for the generation served by the Subscriber Participating TO on the existing Participating TO(s) grid, such upgrades will still be financed upfront by the generator connected to the Subscriber Participating TO transmission facilities and the existing Participating TO will reimburse the generator consistent with the GIDAP, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection.

If the TPP does not identify upgrades required for the Subscriber Participating TO project based on the CPUC portfolios, deliverability will be allocated as part of the next Transmission Plan Deliverability (“TPD”) allocation process. In these circumstances, upgrades on the then existing ISO controlled grid will still be financed upfront by the generator connected to the existing Participating TO, which will reimburse the generator consistent with the Generator Interconnection and Deliverability Allocation Procedure, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection.

When the Subscriber Participating TO has determined the project will be built the Subscriber Participating TO will notify the ISO. Once that notification is received, if subsequent non-subscriber generators desire to interconnect to the Subscriber Participating TO transmission facilities, because they have committed to become part of the ISO controlled grid, the interconnection requests will be studied and treated in accordance with Appendix DD and Section 25 of the ISO tariff. The generator would finance upfront any new network upgrades, on both the Subscriber Participating TO transmission facilities and Participating TO transmission facilities, if applicable, and those costs would be subject to refund by the Subscriber Participating TO over a five-year period. This is similar to a Participating TO, and consistent with the ISO tariff. In this case, the Subscriber Participating TO would develop a TRR in accordance with Section 26 and Appendix F, Schedule 3 of the ISO tariff to recover the cost of these new network upgrades to the Subscriber Participating TO transmission facilities that will be included in the existing ISO TAC rate. This is consistent with the ISO’s treatment of transmission upgrades on the ISO grid triggered by new generator interconnections.

Stakeholder Feedback from the Revised Draft Final Proposal

ACP-California requests that ISO articulate the technical and study-related reasons for its proposed approach to the subscriber generation interconnecting to TransWest. This

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will help provide necessary clarity to stakeholders. Additionally, this background will be required for future tariff filings, so it will have to be developed at some point, but it would be beneficial for stakeholders to understand prior to this proposal being finalized. ACP-California requests additional detail on the sequencing of the transmission interconnection studies for the Subscriber PTO with the GIDAP process, and the interactions with Cluster 14 and 15 (and earlier clusters). This information is necessary in order for stakeholders to adequately assess whether this creative solution might create concerns around potential harm to other in flight projects. Joint Comments has similar questions.

The ISO clarifies the following detail with respect to the interaction and process for the interconnection study the ISO will be using for the transmission interconnection process to study the network upgrades for the Subscriber Participating TO project, including the attached generation facilities. To study the interconnection of a new transmission line, both the transmission line interconnection points and generation injection must be known. The interconnection process will also provide the deliverability network upgrades if upgrades for the Subscriber Participating TO project exist in the TPP for purposes of meeting the portfolios established by the CPUC. The Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. The Subscriber Participating TO transmission facilities will become part of the GIDAP base case, and available for other generator interconnection, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement (“APTOA”) with ISO;
- A signed a generator interconnection agreement with subscriber resources; and
- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
 - Construction Activities²² have begun.
 - Transmission interconnection studies with interconnecting transmission owners have begun.

ACP-California recommends that ISO use a different term than “right of first refusal.” This would help avoid confusion about what is being proposed. Our understanding is that the “right of first refusal” (as ISO is using the term in the Subscriber PTO proposal) is in reference to the deliverability and **not** for the right to construct/own the network upgrades themselves. The CPUC Energy Division and Cal Advocates had similar

²² Construction Activities is defined as actions by a Participating TO that result in irrevocable financial commitments for the purchase of major electrical equipment or land for Participating TO’s Interconnection Facilities or Network Upgrades assigned to the Interconnection Customer that occur after receipt of all appropriate governmental approvals needed for the Participating TO’s Interconnection Facilities or Network Upgrades.

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concerns and questioned why FERC should grant the new exemption from competitive procurement and the ISO should make it clear that the regulations that determine which projects are eligible for competitive solicitation are set by the existing ISO Tariff and FERC Order 1000. The ISO agrees and has changed that language. The ISO does not intend to limit the number of projects eligible for competitive solicitation.

Final Proposal for Generator Interconnection Process and Subscriber PTO Project Interconnection

The ISO clarifies the Revised Draft Final Proposal with respect to the interconnection study the ISO will be using for the transmission interconnection process to study the network upgrades for the Subscriber Participating TO project, including the attached generation facilities. To study the interconnection of a new transmission line, both the transmission line interconnection points and generation injection must be known. The interconnection process will also provide the deliverability network upgrades if upgrades for the Subscriber Participating TO project exist in the TPP for purposes of meeting the portfolios established by the CPUC. The Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. The Subscriber Participating TO transmission facilities will become part of the GIDAP base case, and available for other generator interconnection, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement (“APTOA”) with ISO;
- A signed a generator interconnection agreement with subscriber resources; and
- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
 - Construction Activities have begun.
 - Transmission interconnection studies with interconnecting transmission owners have begun.

In addition, the generator will be required to finance upfront and then be reimbursed by the existing Participating TOs for generator network upgrades on existing ISO controlled grid facilities as required by the ISO tariff if the network upgrade is not required by the TPP.

Future non-subscriber generator network upgrades identified in the generator interconnection process would also be financed upfront and reimbursed consistent with the ISO tariff. The Participating TOs will be allowed to recover such costs in a TRR developed for such network upgrades, consistent with the ISO tariff. In the case of the Subscriber Participating TO, it will be allowed to recover the costs of future non-subscriber generator network upgrades identified in the generator interconnection

process in a TRR, which will be developed for such network upgrades, consistent with the ISO tariff.

3.5 Transmission Planning Process and Transmission Issues

With the new CPUC preferred system plan, high transportation electrification portfolio and the decision of policymakers to encourage the development of out-of-state wind now to ensure it is built in time to meet California's needs, the time has come to provide an opportunity for out-of-state resources to be considered in the existing generator interconnection process. The ISO seeks to effectuate this through a new category of transmission to be placed under the ISO's operational control but that would not be ISO-approved rate-based transmission paid for through the TRR of the TAC. Rather, the Subscriber PTO Model is a unique opportunity for the ISO to leverage existing transmission line development without significantly affecting all ISO ratepayers by putting the cost of the Subscriber Participating TO's project in the TRR for the TAC and WAC.

As discussed above, the ISO will be using for the transmission interconnection process to study the network upgrades for the Subscriber Participating TO project, including the attached generation facilities. The interconnection process will provide the reliability and deliverability network upgrades if upgrades for the Subscriber Participating TO project exist in the TPP for purposes of meeting the portfolios established by the CPUC. The Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. The Subscriber Participating TO transmission facilities will become part of the TPP base case, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement (“APTOA”) with ISO;
- A signed a generator interconnection agreement with subscriber resources; and
- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
 - Construction Activities have begun.
 - Transmission interconnection studies with interconnecting transmission owners have begun.

Once the Subscriber Participating TO has notified the ISO that it is committing to build the project, subsequent interconnection requests can be received and the Subscriber Participating TO will participate in the generator interconnection processes in advance of turning over operational control of its transmission facilities to the ISO.

Projects applying to use the Subscriber PTO Model will be studied as part of the transmission interconnection request process for the Subscriber Participating TO applicant, the affected Participating TO and the ISO will study the project for

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interconnection facilities, and reliability and deliverability network upgrades. If upgrades have been developed in the TPP related to the generation to be served by the Subscriber Participating TO project for purposes of meeting the portfolios established by the CPUC, then the Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement.

If additional upgrades are required for the generation served by the Subscriber Participating TO on the then existing ISO controlled grid, it will still be financed upfront by the generator connected to the Subscriber Participating TO transmission facilities, similar to the interconnection of any other generator in the ISO BAA, and the existing Participating TO will reimburse the generator consistent with the GIDAP, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection.

A description of the process for how the first priority on deliverability will be allocated to the Subscriber Participating TO generator project(s) has been provided below:

- 1) Subscriber Participating TO's project will follow the same GIDAP TPD allocation process as other queued resources. The following criteria has to be met before the generator connected to the Subscriber Participating TO's project can apply into the TPD process:
 - i) Transmission interconnection studies to be completed.
 - ii) Execution of the generator interconnection agreement
 - iii) Commitment to proceed with the construction of the Subscriber Participating TO transmission line.
 - iv) Subscriber Participating TO's transmission line and generator(s) modeled in TPP and GIDAP basecase.
- 2) A new type of queue position "SPTO Queue Position" is included in the ISO tariff. This queue position will be applied to the Subscriber Participating TO's generator project(s). After these projects have met the criteria discussed above, the generator can apply into the next TPD cycle under existing TPD application groups. The process will apply as follows:
 - i) Once they apply, ISO will allocate the TPP created deliverability to the subscriber projects based on their TPD allocation application. (e.g. if they applied under group A and only 50% of the subscriber project has a PPA, deliverability will be allocated only to that 50% of the project.)
 - ii) Any unallocated deliverability will be held for the subscriber project until it has exhausted all its opportunities to apply for a TPD allocation, i.e. using the existing parking and re-application process.

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- iii) The Subscriber Participating TO generator project will qualify for the second round of parking as well based on existing criteria (deliverability exists, shared NUs are not delayed).
- iv) Non-subscriber projects will be behind the subscriber projects in deliverability allocation priority for the TPP created deliverability.

Stakeholder Feedback from the Revised Draft Final Proposal

LS Power's understanding is that the interconnection studies currently underway are only applicable to the transmission interconnection. Would these transmission interconnection studies be expanded to include all aspects of the Phase I and Phase II interconnection studies consistent with the GIDAP, Appendix DD and Section 25 of the ISO tariff that governs generator interconnections. LS Power's understanding is incorrect. As discussed above, to study a new transmission interconnection, the points of interconnection of the line and the generation on the line need to be known. Since these studies are already being done as part of the transmission project interconnection, they do not need to be studied twice.

LS Power has concern that incorporating this into the Subscriber PTO Model could provide future opportunities for "queue jumping" by attaching generation to small transmission projects and using the Subscriber PTO Model. The ISO believes that the definition of the Subscriber PTO Model being a generator and transmission line outside of the ISO BAA that is paid for by subscribers and needed to meet California's policy requirements should avoid any type of "queue jumping". As an example, any generator interconnecting to the ISO BAA would not be eligible to use this model.

LS Power's understanding is that this should be interpreted as providing the Subscriber Participating TO generation with the first option for the deliverability made available by upgrade identified in the 2023-24 TPP for meeting the CPUC portfolio. It would be good for ISO to clarify that the deliverability priority does not arise from the business model of the Subscriber Participating TO but from ISO's planning for the CPUC portfolio. The ISO believes it has answered LS Power's question in the above explanation.

Final Proposal for Transmission Planning and Transmission Issues

The ISO clarifies the Revised Draft Final Proposal with respect to the transmission planning process and transmission issues. The ISO, as requested, clarified the deliverability allocation and first option of deliverability for the Subscriber Participating TO. The Subscriber Participating TO transmission facilities will become part of the TPP base case, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement ("APTOA") with ISO;
- A signed a generator interconnection agreement with subscriber resources; and

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- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
 - Construction Activities have begun.
 - Transmission interconnection studies with interconnecting transmission owners have begun.

3.6 Deliverability

3.6.1 Maximum Import Capability

Maximum Import Capability (“MIC”) represents deliverability for imports (any resource not physically connected inside the ISO BAA), and the ISO calculates this for all Scheduling Points at the ISO BAA boundary as discussed in Section 6.1.3.5 of the Business Practice Manual for Reliability Requirements. With the addition of a Subscriber Participating TO line, the ISO may have new BAA boundary points. The generation interconnected to the project will be within the ISO BAA and will not need a MIC allocation to count for Resource Adequacy; however, it will need to go through the generator interconnection process discussed above to get deliverability similar to any other resource internal to the ISO BAA. The ISO determines deliverability for internal resources based on the ISO deliverability methodology irrespective of internal entitlements (those are for financial hedge and scheduling priority). The ISO will calculate MIC capability at new ISO BAA boundary points the same as all other intertie points, based on historical schedules (not applicable in year one), portfolio needs and MIC expansion requests as allowed under the ISO tariff. The ISO will determine the amount of available MIC at new interties as part of the annual MIC calculation process when the project is energized and every year thereafter. Existing MIC will have priority over Subscriber Participating TO projects.

Stakeholder Feedback from the Revised Draft Final Proposal

LS Power questioned whether the new paradigm would be applicable to generators interconnecting to a non-contiguous Subscriber Participating TO. It would be helpful for ISO to describe how this study process would work and how deliverability will be handled given that these projects would be required to utilize MIC. If the Subscriber Participating TO project is not contiguous with the existing ISO BAA, while the ISO is willing to provide the Subscriber Participating TO services, the Subscriber Participating TO would need to have sufficient contract rights in another BAA(s) to reach the existing ISO BAA. In that instance, the Subscriber Participating TO will need to have MIC rights to bring the generation into the existing ISO BAA.

LS Power would also like to understand why these projects would not follow the dynamic transfer process and instead be studied by Affected PTOs and ISO. The Subscriber Participating TO is not requesting to be a dynamic transfer, they are requesting to be in the ISO BAA but their transmission does not directly connect to the

Subscriber Participating TO Model Final Proposal

existing ISO BAA. The ISO is willing to treat the entity as a Subscriber Participating TO but it must meet all of the Subscriber Participating TO criteria. Regardless of whether the Subscriber Participating TO is directly connected or non-contiguous, the Affected Participating TOs will perform an interconnection study as discussed above.

LS Power would like the ISO to verify in the final proposal that existing MIC and incremental MIC resulting from the upgrades planned to meet the 2023-24 CPUC base portfolio will have priority over the Subscriber Participating TO generation. Existing MIC will have priority over Subscriber Participating TO project(s), as noted previously. For expanded or incremental MIC resulting from planned upgrades for integrating out-of-state resources over new transmission as required by CPUC provided resource portfolio, Subscriber Participating TO project(s) will have priority up to the amount of deliverability included in the CPUC resource portfolio requirement.

Final Proposal for Maximum Import Capability

The ISO clarifies the Revised Draft Final Proposal with respect to MIC. If the Subscriber Participating TO project is not contiguous with the existing ISO BAA, while the ISO is willing to provide the Subscriber Participating TO services, the Subscriber Participating TO would need to have sufficient contract rights in another BAA(s) to reach the existing ISO BAA. In that instance, the Subscriber Participating TO will need to have MIC rights to bring the generation into the existing ISO BAA.

Existing MIC will have priority over Subscriber Participating TO project(s), as noted previously. For expanded or incremental MIC resulting from planned upgrades for integrating out-of-state resources over new transmission as required by CPUC provided resource portfolio, Subscriber Participating TO project(s) will have priority up to the amount of deliverability included in the CPUC resource portfolio requirement.

3.6.2 Deliverability Allocation Process

Similar to any other generating facility seeking to interconnect to the ISO controlled grid, Full or Partial Capacity Deliverability Status for a generator seeking to interconnect to the ISO controlled grid via a Subscriber PTO project is contingent upon all pre-cursor TPP, generation interconnection process, and reliability and deliverability network upgrades specified in the generator interconnection agreement being in service. If any required upgrade mentioned above is not yet in-service, a generating facility can obtain "Interim Deliverability" status if the annual net qualifying capacity deliverability study determines that the generating facility can have deliverability during the next resource adequacy cycle, in advance of completion of all upgrades.

Stakeholder Feedback from the Revised Draft Final Proposal

This element of the proposal did not receive additional stakeholder feedback.

Final Proposal

The ISO proposes to maintain the deliverability allocation process as discussed in the Revised Draft Final Proposal.

4 WEIM Governing Body Role

This initiative proposes certain ISO tariff amendments to enhance the opportunities for transmission developer to become a Participating TO. ISO staff believes that these proposed ISO tariff changes will go to the Board of Governors only and that the WEIM Governing Body will have no role in the decision.

The Board and the WEIM Governing Body have joint authority over any proposal to change or establish any ISO tariff rule(s) applicable to the EIM Entity balancing authority areas, EIM Entities, or other market participants within the EIM Entity balancing authority areas, in their capacity as participants in EIM. This scope excludes from joint authority, without limitation, any proposals to change or establish ISO tariff rule(s) applicable only to the ISO balancing authority area or to the ISO controlled grid.

Charter for EIM Governance § 2.2.1. The ISO tariff changes proposed here would not be “applicable to EIM Entity balancing authority areas, EIM Entities, or other market participants within EIM Entity balancing authority areas, in their capacity as participants in EIM.” Rather, they would be applicable “only to ... the ISO controlled grid.” Accordingly, these proposed changes to implement these enhancements would fall outside the scope of joint authority.

The WEIM Governing Body also has an advisory role that extends to any proposal to change or establish ISO tariff rules that would apply to the real-time market but are not within the scope of joint authority. This initiative, however, does not propose changes to real-time market rules.

Stakeholders are encouraged to submit a response in their written comments to the proposed classification as described above, particularly if they have concerns or questions.

5 Stakeholder Engagement

The schedule for stakeholder engagement is provided below. The ISO presented to the Board of Governors the request for TransWest to become a Participating TO and it was conditionally approved in December 2022. The Board of Governors’ approval in December 2022 contemplated a further stakeholder process on the Subscriber PTO Model. The Subscriber PTO Model is anticipated to be presented to the Board of Governors in July 2023.

Date	Event
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**Subscriber Participating TO Model
Final Proposal**

6/22/2023	Publish Final Proposal and draft tariff language
6/29/2023	Stakeholder conference call on Final Proposal and draft tariff language
7/19/2023	Comments due on draft tariff language
7/20/2023	Board of Governors Meeting

The ISO will hold a stakeholder conference call on June 29, 2023 to review the Revised Draft Final Proposal. Stakeholders are encouraged to submit comments on draft tariff language through the ISO's commenting tool using the link on the initiative webpage by close of business on July 19, 2023.

Attachment D – Board Memorandum and Vote
Subscriber Participating Transmission Owner Model
California Independent System Operator Corporation
September 22, 2023

Memorandum

To: ISO Board of Governors

From: Neil Millar, Vice President Infrastructure & Operations Planning

Date: July 12, 2023

Re: **Decision on the Subscriber Participating Transmission Owner Model**

This memorandum requires ISO Board of Governors action.

EXECUTIVE SUMMARY

The California Independent System Operator Corporation developed a new Subscriber Participating Transmission Owner (“PTO”) model for development of generation and transmission from outside of the ISO balancing area, which will facilitate delivery of critically needed resources to the ISO. This model can enable new transmission lines outside of the ISO balancing area for developers who want to build and place their transmission facility or facilities under ISO operational control and use those transmission facilities to connect generation to the ISO balancing area without a decision in the Transmission Planning Process.¹ The transmission project connecting to such generation, financed through the FERC-approved subscriber process, would be outside of the transmission revenue requirement of the ISO’s transmission access charge.²

- This model enables development of out-of-state renewable generation identified in the CPUC’s Final Decision Ordering Supplemental Mid-Term Reliability Procurement,³ the CPUC resource portfolios used in the ISO’s 2023-2024 Transmission Planning Process, and aligns with the longer-term requirements set out in the scenario provided by the CEC and the CPUC to the ISO for the ISO’s 20-Year Transmission Outlook released in May 2022.

¹ If the Transmission Planning Process identifies a transmission project to be built, consistent with Section 24 of the ISO tariff, it would be competitively bid if the criteria for competitive solicitation are met and the costs would be included in the ISO’s transmission access charge.

² The Subscriber PTO Model would be used solely for a transmission project that is paid for by subscribers and is outside the ISO balancing area to be studied and incorporated into the ISO controlled grid. The access charge consists of two components, the transmission access charge that is assessed to load and the wheeling access charge that is assessed to exports and wheel-through transactions

³ CPUC Decision (D.) 23-02-040 adopted on February 23, 2023.

- The Federal Energy Regulatory Commission (“FERC”) has established policies supporting the development of transmission projects, including high-voltage direct current transmission projects capable of transmitting power over long distances through an approach where subscribers agree to fund such transmission projects in exchange for long-term transmission service rights.

Approval of the Subscriber PTO Model by the ISO Board will provide non-ISO transmission developers the fundamental rules by which they will interconnect to the ISO controlled grid and participate in the Transmission Planning Process and Generator Interconnection and Deliverability Allocation Process. This model will also establish an accounting mechanism for purchases of the subscriber generation with pre-paid rights to deliver the supply to load in the ISO and for non-subscribers that may use the Subscriber PTO facilities when the capacity is not used by purchasers of the subscriber generation.

Establishing these rules is critical to support the ISO’s ability to meet the CPUC’s portfolio requirements incorporated in the Transmission Planning Process and the state’s energy policy goals. The ISO Board approved TransWest Express, LLC as an applicant participating transmission owner in December 2022 to bring 1,500 MW of Wyoming wind to the ISO and while they have broken ground on the transmission project, they need this policy in place to be able to market their project. The subscribers need the knowledge of how the ISO will treat the transactions on the line and what additional revenue the transmission owner may receive from non-subscriber use of the transmission project in the ISO’s market.

Moved, that the ISO Board of Governors approve the ISO’s proposal for the Subscriber PTO Model as detailed in the memorandum dated July 11, 2023, and;

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposal, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

DISCUSSION AND ANALYSIS

Subscriber PTO Model Framework

The Subscriber PTO Model provides an option for a project to move forward depending on whether the subscriber or subscribers⁴ to the project can contract their resources to be delivered to the ISO balancing area (e.g., through contracts with California load serving entities). Comparable projects can similarly move forward under this same model. This allows the load serving entities or other contracting parties to determine the most economic and best fit for their own portfolios.⁵

This model enables development of out-of-state renewable generation and the new transmission facilities required to reach the CPUC portfolio identified resource locations. These portfolios call for out-of-state wind generation that requires new transmission to reach the ISO border: 1,000 MW from Idaho, 1,500 MW from Wyoming, and 2,328 MW from New Mexico. These volumes build on the amounts provided as part of the ISO's 2022-2023 Transmission Planning Process, and match the values that the ISO used to size the transmission needed from the ISO border to load centers in the 2022-2023 plan. In addition, the model will facilitate the delivery of needed resources to the ISO, which are complementary with FERC's subscriber-funded transmission approach.

The Subscriber PTO Model would be used for new transmission lines outside of the ISO balancing area whose developers want to build and place their transmission facility(ies) under ISO operational control and use those transmission facilities to connect generation to the ISO balancing area without a decision to approve the transmission facility(ies) in the Transmission Planning Process.⁶ The combined project, financed through the FERC-approved subscriber process, would be outside of the transmission revenue requirement of the ISO's access charge. The Subscriber PTO Model is a potential win-win arrangement for the ISO, California load serving entities and project sponsors.

Use of Encumbrances

Since subscribers of the Subscriber PTO project are ultimately financing the full cost of the transmission facilities, the Subscriber PTO will include in their application to become a

⁴ Subscriber is defined as an entity, or its designee, that has a subscriber encumbrance used to provide subscriber rights pursuant to a subscription agreement. The subscription agreement is defined as a contract or other legal arrangement between one or more subscribers (i.e. generating facilities) and a Subscriber PTO that includes the provision of a subscriber encumbrance to the subscriber. The subscriber would then provide the subscriber rights to the off-takers of generation from their facilities.

⁵ The Board conditionally approved TransWest Express LLC as a Subscriber PTO pending the outcome of this initiative.

⁶ If the Transmission Planning Process identifies a transmission project to be built, consistent with Section 24 of the ISO tariff, it would be competitively bid if the criteria for competitive solicitation were met.

Participating TO an encumbrance on the transmission facilities. This encumbrance represents the Subscriber Rights in the market, which the ISO will honor using its existing functionality developed for encumbrances on the ISO controlled grid, thereby providing subscribers with the same treatment on the Subscriber PTO transmission facilities as any other encumbrance the ISO administers under the Transmission Control Agreement.⁷ This treatment provides the Subscriber Rights holder a scheduling priority for the contract path and exempts a Subscriber Rights holder from transmission service charges, bid cost recovery allocation, offsets and Integrated Forward Market congestion allocation similar to all existing contracts and transmission ownership rights in the ISO balancing area.

Transmission Costs

The ISO will assess the transmission access charge for non-subscriber imports using the Subscriber PTO scheduling point(s), assess the wheeling access charge for non-subscriber exports, and wheel-through transactions using the Subscriber PTO scheduling point(s). The Subscriber PTO will be allowed to develop a non-subscriber usage rate that does not exceed the ISO's then existing transmission rates approved by FERC, which would be recovered from non-subscriber use of the Subscriber PTO transmission facilities.

Non-Subscriber Usage Rate

A separate non-Subscriber usage rate is appropriate under the unique circumstances of the Subscriber PTO Model. Consistent with cost causation and open access principles, the ISO believes non-subscribers cannot use the project of a Subscriber PTO for free. On the other hand, including any costs of a Subscriber PTO's transmission facilities in the transmission revenue requirement for the transmission access charge or wheeling access charge would be contrary to a fundamental design principle of the Subscriber PTO Model, which allows these projects to move forward without funding through a transmission revenue requirement by all ISO customers. The evolving intent of this principle was to exclude the cost to build the Subscriber PTO's transmission facilities.⁸ Because the Subscriber PTO is not including the transmission revenue requirement for the original build of its transmission facilities or ongoing costs of its transmission facilities in the transmission revenue requirement for the transmission access charge, the Subscriber PTO should be entitled to cost recovery if a Scheduling Coordinator other than a subscriber uses the project.

The ISO will collect the transmission access charge for imports or the wheeling access charge for exports and wheel-through on the Subscriber PTO scheduling points from Scheduling Coordinators that do not have a right to schedule their use under the

⁷ Encumbrances on the ISO controlled grid generally consist of contracts entered into by the transmission owners prior to the ISO, sometimes referred to as existing transmission contracts or ETCs.

⁸ The proposal was to exclude the cost of network upgrades on existing Participating TOs transmission facilities to interconnect the Subscriber PTO's transmission facilities. These additional network upgrade costs do benefit ISO ratepayers and are appropriately recovered through the access charge.

encumbrance recognized by the market (i.e. non-subscribers). If the Subscriber PTO facility had not been built, this additional revenue would not have been collected. The Subscriber PTO will develop a non-subscriber usage rate in accordance with the ISO tariff and the Subscriber PTO's transmission owner tariff that will be approved by FERC. Any updates to the non-subscriber usage rate will also need to be approved by FERC. The Subscriber PTO will notify the other Participating TOs and Approved Project Sponsors similar to the regulatory requirements of all other Participating TOs when it makes a FERC rate filing for the non-subscriber usage rate. This non-subscriber usage rate will be deducted from the revenue collected via the access charge.

Future Network Upgrades

If a new generator in the future were to connect to the Subscriber PTO transmission facilities, the ISO will evaluate the generating facility as it does any other potential generation projects interconnecting to the ISO controlled grid through the ISO's generator interconnection process consistent with the ISO tariff.

For any future network upgrades required by the generator interconnection process or Transmission Planning Process that are not part of the original build, the Subscriber PTO will develop a FERC-approved transmission revenue requirement that will be incorporated into the ISO's access charge.

Termination of the Subscriber Encumbrance

The ISO and Subscriber PTO will memorialize the original-build costs and a schedule of depreciation as well as the initial subscriber term. At the end of the Subscriber Encumbrance term, the decision whether or not to continue the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber PTO's intentions for the future of its transmission facilities. The Subscriber PTO will not include in the ISO's access charge its transmission revenue requirement for the original build cost of the Subscriber PTO transmission facilities.

Transmission Cost Allocation

The Subscriber PTO will have its own TAC Area. This mechanism allows the ISO to provide the special rate treatment discussed in this proposal. Similar to other Existing Contract Rights holders, the subscribers have already paid for the cost of transmission and congestion and the ISO will apply the Existing Contract ISO tariff provisions. Provided the subscriber uses a balanced schedule, it will be excluded from transmission costs, bid cost recovery allocation, offsets and integrated forward market congestion allocation associated with the Subscriber PTO facilities. If the subscriber already purchased ancillary services, it will also not pay those charges.

Non-subscriber imports to load will pay the transmission access charge and non-subscriber exports and wheel-trough transactions will pay the wheeling access charge. The Subscriber PTO will receive revenue commensurate with its non-subscriber usage rate and the non-subscriber use of its transmission facilities. Any congestion revenue received on the Subscriber PTO transmission facilities will be used first to provide protection from the congestion costs that would otherwise accrue and then to reduce congestion costs for congestion revenue rights holders, if applicable.

Generator Interconnection Process and Subscriber PTO Project Interconnection

To study the interconnection of a new transmission line, both the transmission line interconnection points and generation injection must be known. The interconnection process will also provide the deliverability network upgrades if upgrades for the Subscriber PTO project exist in the Transmission Planning Process for purposes of meeting the out-of-state resource portfolios established by the CPUC.⁹ The Subscriber PTO will have the first option to acquire the additional deliverability made possible by the delivery network upgrades, up to the amount of deliverability included in the CPUC out-of-state resource portfolio requirement. The Subscriber PTO transmission facilities will become part of the Generator Interconnection and Deliverability Allocation Procedure base case, and available for other generator interconnection, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement with the ISO;
- A signed generator interconnection agreement with subscriber resources; and
- A notice to proceed to the ISO, which confirms that interconnection studies and construction have begun.

Future non-subscriber generator network upgrades identified in the generator interconnection process would also be financed upfront and reimbursed consistent with the ISO tariff. The Participating TOs will be allowed to recover such costs in a transmission revenue requirement developed for such network upgrades, consistent with the ISO tariff. In the case of the Subscriber PTO, it will be allowed to recover the costs of future non-subscriber generator network upgrades identified in the generator interconnection process in a transmission revenue requirement, which will be developed for such network upgrades, consistent with the ISO tariff.

Transmission Planning Process and Transmission Issues

⁹ "Out-of-state" is a term used by the CPUC, but the ISO clarifies that this model addresses resource and transmission development that is outside of the ISO balancing area. In some cases, in-state resources may still be outside of the ISO balancing area.

The Subscriber PTO transmission facilities will become part of the Transmission Planning Process base case once the ISO has been notified that the project is being built, and meets the criteria outlined above.

Deliverability

The ISO is willing to extend Subscriber PTO services to projects that may not be contiguous with the existing ISO balancing area, *i.e.*, when the resources and transmission facilities are connected with a balancing area other than the ISO. In this circumstance, the Subscriber PTO must have sufficient contract rights across the intermediary balancing area to reach the ISO balancing area. This arrangement in turn requires the Subscriber PTO or its off-takers to have sufficient maximum import capability rights to bring the generation into the existing ISO balancing area. It is important to maintain the maximum import capability requirement because there remains an intermediary balancing area and maximum import capability is the current mechanism for delivery of resources from outside the ISO balancing area to meet the resource adequacy requirement.

Existing maximum import capability will have priority over Subscriber PTO projects. For expanded or incremental maximum import capability resulting from planned upgrades for integrating out-of-state resources over new transmission, as required by the CPUC provided resource portfolio, Subscriber PTO projects will have first priority up to the amount of deliverability included in that resource portfolio requirement.

Similar to any other generating facility seeking to interconnect to the ISO controlled grid, full or partial capacity deliverability status for a generator seeking to interconnect to the ISO controlled grid via a Subscriber PTO project is contingent upon all pre-cursor transmission projects, and reliability and deliverability network upgrades specified in the generator interconnection agreement are required to be constructed and energized. If any required upgrade mentioned above is not yet in-service, a generating facility can obtain “Interim Deliverability” status if the annual net qualifying capacity deliverability study determines that the generating facility can have deliverability during the next resource adequacy cycle, in advance of completion of all upgrades.

POSITION OF THE PARTIES

The ISO had an extensive stakeholder process consisting of six separate meetings and papers, which started in August 2022 and culminated with the final proposal presented to stakeholders on June 29, 2023. The ISO received comments from 10 stakeholders regarding the Subscriber PTO Model Revised Draft Final Proposal. The following stakeholders provided comments: ACP-California, California Community Choice Association, CPUC Energy Division, CPUC Public Advocates Office, Golden State Clean

Energy, Joint Commenters¹⁰, LS Power, NextEra Energy Resources, Southern California Edison Company and TransWest Express. All stakeholders except Joint Commenters support development of the Subscriber PTO Model, some strongly, with a few stakeholders having some concerns and one opposition on particular elements of the proposal. Attached is a stakeholder matrix outlining the concerns.

MANAGEMENT RECOMMENDATION

Management has concluded that implementing the Subscriber PTO model consistent with the elements discussed above is appropriate to meet California's future renewable needs and recommends that the ISO Board of Governors approve the proposal.

¹⁰ The Joint Commenters include the Bay Area Municipal Transmission group, which consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power ("BAMx"); the Northern California Power Agency, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the Six Cities").

APPENDIX A – STAKEHOLDER MATRIX

Stakeholder	Stakeholder Comments	ISO Response
Joint Commenters, SCE and Cal CCA	Believe model is detrimental to the ISO transmission customers if network upgrades on existing Participating TO transmission facilities are recovered through the ISO’s access charge. Because the Subscriber PTO transmission facilities were not approved through the Transmission Planning Process, then the upgrades to the existing Participating TO system, if needed, should not be recovered through the existing Participating TO transmission revenue requirement.	The ISO believes that Section 24 of its tariff requires generators within the ISO balancing area to finance network upgrades upfront and then be reimbursed over a five-year period once they achieve their commercial operation date. In addition, FERC recently approved the ISO’s request to implement similar reimbursement for generators that are in an affected system. ¹¹ There is no reason to treat differently a Subscriber PTO generator that is within the ISO balancing area.
Joint Commenters	If the off-takers are not ISO entities then the funding should be consistent with the long-term firm transmission service for entities – i.e. absent the request for long-term firm transmission by an external entity, the transmission would not have been built.	Subscriber PTO is not similarly situated. The Subscriber PTO project is within the ISO BAA and the projects are specifically to meet the CPUC resource portfolios for resources outside the ISO BAA.

¹¹ *Tariff Amendment to Implement Interconnection Process Enhancements filed January 26, 2023 (FERC Docket No. ER23-941)*

Stakeholder	Stakeholder Comments	ISO Response
SCE	If the transmission facility is already fully paid for by subscribers then why should they be allowed to collect a usage rate for non-subscriber use of the line.	The ISO believes that the subscribers paid for their use of the line; if they are not using it, FERC open access and cost causation principles support the non-subscriber paying for using the transmission facilities
SCE	Strongly opposes allowing Subscriber PTOs to receive a usage rate that would deprive existing Participating TOs from recovering the wheeling access charge they would have received.	Subscriber PTO will add additional scheduling points to the ISO balancing area and thereby bring in more revenue than existed prior to the interconnection of its transmission facilities. In addition, the existing Participating TOs will continue to recover a wheeling charge for all exports from their facilities, including where the Subscriber PTO interconnects with the ISO balancing authority area. Thus, it is only fair that they receive that revenue as part of the compensation for non-subscribers using the transmission facilities. In addition, the existing Participating TOs will still receive the wheeling charge from their existing scheduling points.



**Board of Governors
General Session**

July 20, 2023

**Decision on Subscriber Participating
Transmission Owner Model**

Motion

Moved, that the ISO Board of Governors approve the ISO’s proposal for the Subscriber PTO Model, as detailed in the memorandum dated July 11, 2023, and;

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposal, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

Moved: Governor Galiteva Second: Governor Eto

Board Action: Passed		Vote Count: 5-0
Borenstein	Y	
Eto	Y	
Galiteva	Y	
Leslie	Y	
Schori	Y	