

which is located within Nevada Power's balancing authority area (BAA).³ In these filings, SDG&E and CAISO request that Desert Star, the Merchant substation, and the 230 kV transmission line which extends one mile between the Merchant substation and Southern California Edison Company's (SoCal Edison) Eldorado substation be included in CAISO's BAA.

3. SDG&E states that the proposed LGIA conforms with CAISO's *pro forma* LGIA. Nevertheless, SDG&E explains that it is filing the LGIA in order to seek Commission confirmation that, following the proposed reconfiguration of the Merchant substation, SDG&E's facilities at the Merchant substation may be considered an extension of Desert Star's integrated network facility subject to CAISO's operational control. Thus, all requests for interconnection service to SDG&E's Eldorado-Merchant facilities would be submitted to CAISO rather than SDG&E.

4. SDG&E explains that a second one-mile long 230 kV transmission line is under construction between the Eldorado substation and the Merchant substation. This second circuit is located on a vacant position on the towers that hold the original 230 kV transmission line. SDG&E estimates this work and the associated modifications to accommodate this second line at the Eldorado substation to be completed by April 4, 2012, although SDG&E notes that this date could be slightly delayed into mid-April. SDG&E anticipates that, upon completion of this second transmission line, the breakers between the north and south buses in the Merchant substation will be locked open. SDG&E contends that this work and associated modifications will have the effect of transferring the substation facilities south of the breakers, as well as Desert Star, to the CAISO BAA; although the second line will initially be in the Nevada Power BAA.

5. SDG&E states that SoCal Edison and Nevada Power anticipate completion by June 2012 of a new interconnection between Nevada Power's Magnolia-NSO 230 kV line and the Eldorado substation. Once the interconnection is completed, the breakers connecting the north and south buses of the Merchant substation will be closed and Nevada Power will decommission its facilities connected to the northern half of the Merchant substation. According to SDG&E, the result of this reconfiguration will be to move the second transmission line between the Eldorado substation and the Merchant substation into CAISO's BAA.⁴

³ See *Nevada Power Co.*, 130 FERC ¶ 61,147 (2010) (order accepting the LGIA between Nevada Power and El Dorado Energy, LLC).

⁴ According to SDG&E, aspects of the reconfiguration have been the subject of letter agreements among the parties that have been accepted by the Commission in Docket Nos. ER11-3798-000 (Delegated Letter Order issued July 7, 2011) and

(continued...)

6. SDG&E argues that, following the reconfiguration of the Merchant and Eldorado substations, it will be appropriate for CAISO to assume control over SDG&E's interconnection facilities at the Merchant substation. According to SDG&E, from an operational and engineering perspective SDG&E's facilities at the Merchant substation then will properly be considered as an extension of the Eldorado substation. SDG&E contends that, following the reconfiguration of the Merchant substation, SDG&E's facilities will constitute integrated network facilities that should be included in SDG&E's transmission system as a participating transmission owner. SDG&E further argues that operational control of SDG&E's Merchant substation facilities will enhance CAISO's operational control of the Eldorado facility which, according to SDG&E, is already considered an integrated network facility.

7. SDG&E states that the Eldorado substation and the Merchant substation are extremely close to each other, with the fences to the substations only 1200 yards apart, and that the connecting 230 kV line is less than one mile in length. Further, SDG&E asserts that CAISO has received a significant number of requests seeking interconnection to the CAISO controlled grid in the vicinity of the Eldorado and Merchant substations. SDG&E argues that operational control of the Merchant facilities will enable CAISO to plan interconnections to the Eldorado area facilities in the most reliable and economic manner, avoiding duplication of work and sub-optimal system configurations.

8. According to SDG&E, unless CAISO has operational control of the Merchant substation facilities, it is concerned that a third party may seek interconnection with both the CAISO controlled Eldorado facilities and the SDG&E controlled Merchant facilities. SDG&E argues that CAISO is in a better position to consider broad system planning issues and is, therefore, the more appropriate party to exercise control over the Merchant substation facilities.

9. Finally, SDG&E argues that Commission precedent supports a finding that, after reconfiguration, the Merchant substation will be an integrated network facility over which CAISO should exercise operational control. SDG&E cites *Mansfield Municipal*

ER11-4104-000 (Delegated Letter Order issued August 22, 2011). The referenced letter agreements involved SDG&E's commitment to reimburse costs incurred by Nevada Power for moving the Merchant substation from Nevada Power's BAA into CAISO's BAA in Docket No. ER11-3798-000 and a parallel agreement in which Nevada Power agreed to reimburse costs to SoCal Edison incurred in connection with the new interconnection of Nevada Power's Magnolia-NSO 230 kV line to the Eldorado substation in Docket No. ER11-4104-000.

*Electric Department v. New England Power Co.*⁵ (*Mansfield*) to support its argument that, because CAISO will provide transmission service to other customers using the Merchant substation facilities, those facilities meet the *Mansfield* test as integrated network facilities.⁶ Accordingly, SDG&E asserts, following the disconnection of Nevada Power's facilities, the Merchant substation should be considered an extension of the Eldorado substation and approved for operational control by CAISO. SDG&E requests that the Commission accept the LGIA for filing, effective April 4, 2012.

II. Notices of Filings and Responsive Pleadings

10. Notices of SDG&E's and CAISO's filings were published in the *Federal Register*, 77 Fed. Reg. 7142 (2012), with interventions and protests due on or before February 24, 2012. Calpine Corporation (Calpine) filed a timely motion to intervene in Docket No. ER12-989-000.

III. Discussion

A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), Calpine's timely, unopposed motion to intervene serves to make it a party to this proceeding.

B. Substantive Matters

12. The Commission agrees with SDG&E and CAISO that following the reconfiguration of the Merchant substation it will essentially act as an extension of the Eldorado substation. Once the second interconnection between Nevada Power's

⁵ Opinion No. 454, 97 FERC ¶ 61,134 (2001), *reh'g den.*, Opinion No. 454-A, 98 FERC ¶ 61,115 (2002).

⁶ SDG&E states that CAISO intends to provide transmission service to other customers and the Merchant substation will provide reliability benefits to the CAISO controlled grid. As a result, SDG&E contends that the facility will be an integrated network facility under *Mansfield*, because the transmission provider controlling the Merchant substation will be able to provide transmission to itself or other transmission customers over the facilities, thereby meeting factor 3 under *Mansfield*. In addition, SDG&E contends that the fact that the Merchant substation will provide reliability benefits to the CAISO controlled grid will render the facilities an integrated network facility, consistent with factor 4 under *Mansfield*.

Magnolia-NSO 230 kV line and the Eldorado substation is completed, the breakers connecting the north and south buses of the Merchant substation are closed and Nevada Power's facilities decommissioned, the Merchant substation's proximity to the Eldorado substation and the interdependent nature of the interconnection between the two substations compels our finding.

13. In *Mansfield*, the Commission discussed five factors, any one of which can be utilized to determine whether a facility is integrated with the rest of the network. Those five factors are: (1) whether the facilities are radial, or whether they loop back into the transmission system; (2) whether energy flows only in one direction, from the transmission system to the customer over the facilities, or in both directions, from the transmission system to the customer, and from the customer to the transmission system; (3) whether the transmission provider is able to provide transmission service to itself or other customers . . . over the facilities in question; (4) whether the facilities provide benefits to the transmission grid in terms of capability or reliability, and whether the facilities can be relied on for coordinated operation of the grid; and, (5) whether an outage on the facilities would affect the transmission system.⁷ We find that, due to the proximity and interdependence of the two substations, once the reconfiguration is completed, CAISO will be able to utilize the Merchant substation facilities to provide transmission service to SDG&E as a transmission provider and to others and that the Merchant substation will provide reliability benefits to the CAISO controlled grid. As a result, we find that the reconfigured Merchant substation is an integrated network resource, consistent with factors three and four under *Mansfield* and it is intended to provide transmission service to SDG&E as a transmission provider and also to other transmission customers.

14. Our finding that the Merchant substation is an integrated network resource will not be effective until the reconfiguration is completed. SDG&E states that the new interconnection of SoCal Edison's Magnolia-NSO 230 kV line and the Eldorado substation and the corresponding removal of the existing Nevada Power 230 kV circuit interconnection in the Merchant substation could be completed by approximately June 2012. Thus, the Merchant substation will not be considered an integrated network resource, eligible for rolled in pricing, until the reconfiguration is completed.

15. The Commission also agrees with SDG&E and CAISO that CAISO is in a better position to consider broad system planning issues, and that operational control of the Merchant substation facilities will enable CAISO to plan interconnections to the

⁷ *Mansfield*, 97 FERC at 61,613–14 (2001).

Eldorado area facilities in the most reliable and economic manner, thereby avoiding duplication of work and sub-optimal system planning and configurations.

16. Finally, the Commission agrees that following the reconfiguration of transmission facilities at the Merchant substation it is appropriate that CAISO's BAA be expanded to include the Merchant substation and the transmission lines connecting the Eldorado and Merchant substations. Therefore, it is appropriate for SDG&E to seek interconnection with CAISO as reflected in the LGIA submitted in this proceeding.

The Commission orders:

SDG&E and CAISO's LGIA is accepted, effective April 4, 2012, as requested.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.