

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company (U902M) for Approval of its
Energy Storage Procurement Framework
and Program As Required by Decision 13-
10-040.

Application 14-02-006
(Filed February 28, 2014)

And Related Matters.

Application 14-02-007
Application 14 02-009

**NOTICE OF EX PARTE COMMUNICATION BY
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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April 14, 2014

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Pursuant to Article 8 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the California Independent System Operator Corporation (“CAISO”) hereby files this notice of the following oral ex parte communication with Melicia Charles, advisor to Commissioner Carla Peterman, and Julie Fitch, Chief of Staff for Commissioner Carla Peterman.

On April 9, 2014, starting at approximately 3:35 PM, representatives from the CAISO initiated a telephone conference call with Melicia Charles to discuss the energy storage applications filed by PG&E, SDG&E and SCE. Attending for the CAISO were Heather Sanders, Director, Regulatory Affairs-Distributed Energy Resources; John Goodin, Regulatory Policy Manager; Donald Tretheway, Lead Market Design and Regulatory Policy Specialist, Lorenzo Kristov, Principal, Market and Infrastructure Policy, Tom Flynn, Infrastructure Policy Development Manager, Philip Pettingill, Director, State Regulatory Strategy and Judith Sanders, Senior Counsel. The meeting was requested by Ms. Charles.

The CAISO representatives discussed specific matters raised in the IOUs' applications regarding the procurement of energy storage as a transmission asset or as a "dual-use" facility to function both as a transmission asset and a market participant. The CAISO clarified that a storage project cannot be designated a transmission asset for cost recovery through transmission rates based solely on the fact that the project allows a needed transmission upgrade to be deferred. Indeed, other types of resources including distributed generation, demand response and energy efficiency may defer the need to build transmission but are typically not treated as transmission assets. In order for a storage project to be designated a transmission asset for cost recovery through transmission rates, the CAISO's transmission planning process must find that the project is a cost effective solution to a specific identified transmission need and must include that project in the CAISO's transmission plan for approval by its Governing Board. The CAISO explained that an energy storage project is generally not a cost effective transmission solution because the project would have to function solely for transmission support purposes (such as reactive support) and not provide market functions such as load-following and ancillary services. At the present time, the CAISO has no tariff or regulatory paradigm for "dual-use" assets that provide both transmission and market functionality.

The discussion of these topics with Ms. Charles took place between 3:33-3:45 PM. Julie Fitch joined the call at 4:10 PM and the topic was discussed again from 4:10-4:17 PM. There

were no handouts provided at the meeting. To request a copy of this notice, please contact Anna Pascuzzo (916-351-2212).

Respectfully submitted,

By: /s/ Judith B. Sanders

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Dated: April 14, 2014