

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

Order Instituting Rulemaking to Revise and )  
Clarify Commission Regulations Relating to ) R.08-11-005  
the Safety of Electric Utility and ) (Filed November 6, 2008)  
Communications Infrastructure Provider )  
Facilities. )

**Reply Comments of the California Independent System Operator  
Corporation on CPSD’s Proposed Rules in Phase I of Rulemaking 08-11-005,  
Specifically CPSD Proposal 2.A.**

Pursuant to the procedural schedule established in the Assigned Commissioner’s Ruling and Scoping Memo dated January 6, 2009 and the Assigned Administrative Law Judge’s Ruling dated March 20, 2009, the California Independent System Operator Corporation (“the ISO”) submits these reply comments.<sup>1</sup>

The ISO has adopted maintenance and inspection standards for electric transmission facilities under its operational control consistent with the directives of the California Public Utilities Code. These standards are incorporated into a Transmission Control Agreement with Participating Transmission Owners (“PTOs”), which is approved by Federal Energy Regulatory Commission (“FERC”). In its opening comments filed on March 27, 2009, Pacific Gas and Electric Company (“PG&E”) asserts that the ISO is (or should be) the only entity with responsibility for ensuring proper inspection and maintenance of California’s transmission facilities and that the ISO’s oversight of PG&E’s transmission inspection and maintenance practices is comprehensive.<sup>2</sup> Specifically, PG&E argues that the ISO has responsibility for the safety of these facilities and that there is no need for further regulation by the California Public Utilities Commission (“CPUC”) or any other regulatory body.<sup>3</sup> The ISO submits these reply comments to ensure that the record in this proceeding is complete with respect to

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<sup>1</sup> Concurrently with these reply comments, the ISO is filing a motion to intervene in this proceeding.

<sup>2</sup> PG&E comments at pp. 27-30.

<sup>3</sup> *Id.* at pp. 29-30.

the ISO's role in maintaining and inspecting electric transmission facilities under the ISO's operational control.

The ISO's obligation to adopt inspection and maintenance standards arises, in part, from California Public Utilities Code Section 348. Section 348 provides that the ISO:

shall adopt inspection, maintenance, repair, and replacement standards for the transmission facilities under its control no later than September 30, 1997. The standards, which shall be performance or prescriptive standards, or both, as appropriate, for each substantial type of transmission equipment or facility, shall provide for high quality, safe, and reliable service. In adopting its standards, the Independent System Operator shall consider: cost, local geography and weather, applicable codes, national electric industry practices, sound engineering judgment, and experience. The Independent System Operator shall also adopt standards for reliability, and safety during periods of emergency and disaster. The Independent System Operator shall report to the Oversight Board, at such times as the Oversight Board may specify, on the development and implementation of the standards in relation to facilities under the operational control of the Independent System Operator. The Independent System Operator shall require each transmission facility owner or operator to report annually on its compliance with the standards. That report shall be made available to the public.

Section 348 does not eliminate the statutory authority of other regulatory agencies to adopt or enforce standards applicable to the safety, inspection, maintenance, repair, and replacement of electric transmission facilities in California but rather directs the ISO to adopt "standards" to "provide for high quality, safe, and reliable service." For example, California Public Utilities Code Section 761 provides the CPUC with broad authority related to the safety of transmission facilities. In certain situations, California Public Resources Code Section 4293 provides authority over certain transmission facility safety issues to agencies with primary responsibility for fire protection.

The ISO has adopted performance standards for electric transmission facilities under its operational control, as expressly contemplated by the statute. These standards are reflected in Appendix C of the Transmission Control Agreement between the ISO and

the PTOs.<sup>4</sup> The ISO's standards were developed to provide for flexibility while ensuring the reasonableness of each PTO's approach to maintenance.<sup>5</sup> To do this, each PTO prepares its own maintenance practices that must be consistent with the requirements of the ISO's standards.<sup>6</sup> Under the Transmission Control Agreement, the ISO assesses the effectiveness of each PTO's maintenance practices through an availability performance monitoring system.<sup>7</sup> The purpose of the standards is to provide for a high quality, safe, and reliable ISO Controlled Grid by meeting the following objectives:

- Ensuring that the availability performance levels inherent to the transmission facilities are maintained;
- Restoring availability to the levels inherent to the transmission facilities when degradation has occurred;
- Economically extending the useful life of the transmission facilities while maintaining inherent levels of availability; and
- Achieving the aforementioned objectives at a minimum reasonable total cost for maintenance with the intent of minimizing customer impacts.<sup>8</sup>

Pursuant to the Transmission Control Agreement, the ISO has established a Transmission Maintenance Coordination Committee ("TMCC") as an advisory committee to the ISO's Board of Governors.<sup>9</sup> The TMCC is comprised of eleven voting members representing three investor-owned utilities, unions, the California Energy Commission and California Public Utilities Commission, as well as municipal utilities

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<sup>4</sup> Transmission Control Agreement, Appendix C. A copy of the ISO's Transmission Control Agreement can be viewed at the following url: <http://www.caiso.com/docs/2005/10/08/2005100817510214319.html>.

<sup>5</sup> *Id.* at Section 2.

<sup>6</sup> *Id.* at Section 5.

<sup>7</sup> *Id.* at Sections 2-4.

<sup>8</sup> *Id.* at Section 2.1

<sup>9</sup> *Id.* at Section 7.

and Western Wind Energy. The TMCC's purpose is to develop and revise maintenance procedures, which are guidelines to facilitate compliance with the ISO's standards, and make recommendations on changes to the ISO standards. The TMCC is also required to periodically investigate and report on the appropriateness of a formal program of incentives and penalties associated with availability measures.<sup>10</sup>

The Transmission Control Agreement gives the ISO the authority to seek permission from FERC for the imposition of penalties if a PTO either exhibits a significant degradation in trends in its availability performance due to maintenance or is "grossly or willfully negligent" with regard to maintenance.<sup>11</sup> The Transmission Control Agreement also requires that PTOs comply with other regulations and laws. Specifically, Section 10 of Appendix C of the Transmission Control Agreements states:

Each PTO shall maintain and the ISO shall operate Transmission Facilities in accordance with Good Utility Practice, sound engineering judgment, the guidelines as outlined in the Transmission Control Agreement, and all other applicable laws and regulations

In its comments, PG&E asserts that the ISO controls the inspection and maintenance of PG&E's electric transmission facilities and supervises the area extensively.<sup>12</sup> While the ISO does review and monitor the maintenance practices of PTOs consistent with the terms of the Transmission Control Agreement, the ISO's maintenance standards are not prescriptive regulations. Instead, the Transmission Control Agreement requires the PTOs to adhere to such regulations where they already exist. Under the Transmission Control Agreement, the ISO performs limited site and record reviews on an annual basis to ensure that PTOs are adhering to their respective maintenance practices developed pursuant to the Transmission Control Agreement. The ISO relies on this audit mechanism to verify responsible maintenance of the electric transmission system under its operational control.

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<sup>10</sup> *Id.* at Section 9.1.

<sup>11</sup> *Id.* at Section 9.3.

<sup>12</sup> PG&E Opening Comments at p. 27.

The ISO's performance standards and the maintenance practices developed by the PTOs are intended to improve the PTOs' ability to enhance or maintain the availability measures specified in the Transmission Control Agreement and ensure the safe and reliable operation of electric transmission facilities consistent with applicable law. Indeed, the Transmission Control Agreement, to which the PTOs are contractually bound, expressly recognizes that entities other than the ISO may exercise authority over the safety of electric transmission facilities in California. For example, Section 10.1 of the Transmission Control Agreement states:

Each PTO shall take proper care to ensure the safety of personnel and the public in performing Maintenance duties. The ISO shall operate Transmission Facilities in a manner compatible with the priority of safety. In the event there is conflict between safety and reliability, the jurisdictional agency regulations for safety shall take precedence.

The ISO appreciates the opportunity to provide an overview of its performance standards adopted in accordance with the requirements of California Public Utilities Code Section 348.

Dated: April 8, 2009

Respectfully submitted,

*/s/ Judith Sanders*

Judith Sanders  
Anthony J. Ivancovich  
Assistant General Counsel – Regulatory  
Judith B. Sanders  
Senior Counsel  
California Independent System  
Operator Corporation  
151 Blue Ravine Road  
Folsom, CA 95630  
916-351-4400 - office  
916-608-7296 – facsimile  
jsanders@caiso.com

**CERTIFICATE OF SERVICE**

I hereby certify that I have served, by electronic and United States mail, a copy of the foregoing Reply Comments of the California Independent System Operator Corporation on CPSD's Proposed Rules in Phase I of Rulemaking 08-11-005, Specifically CPSD Proposal 2.A., to each party in Docket No. R.08-11-005.

Executed on April 8, 2009 at Folsom, California.

/s/ Jane L. Ostapovich  
Jane L. Ostapovich

An Employee of the California Independent  
System Operator Corporation