FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKET REGULATION

California Independent System
Operator Corporation
Docket No. ER17-1432-000

June 5, 2017

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attention: William H. Weaver
Senior Counsel for California Independent System Operator Corporation

Reference: Deficiency Letter

Dear Mr. Weaver:

On April 18, 2017, the California Independent System Operator Corporation (CAISO) filed proposed tariff revisions to create a new class of transmission owner, a Certified Small Participating Transmission Owner (CSPTO). Under CAISO's proposal, certain low-voltage, generator-interconnection-driven network upgrade costs of a CSPTO would be recovered through the regional transmission access charge and allocated to all load on the system rather than being recovered through that specific transmission owner's low-voltage transmission access charge, as CAISO's tariff currently requires.[1] Thus, a CSPTO's low-voltage, generator-interconnection-driven network upgrade costs would receive the rate treatment currently reserved for high-voltage, generator-interconnection-driven network upgrades. CAISO proposes three criteria to determine whether a transmission owner would qualify to be a CSPTO: (1) the transmission owner has a filed annual gross load that is 2,000 GWh or less; (2) the transmission owner is located in an area where there is significant interest in developing new generating facilities that can support municipal, county, state, federal, or other renewable portfolio standards; and (3) the transmission owner does not have a need for the interconnecting generation to meet

[1] CAISO Transmittal at 1-2.

its own renewable portfolio standard.[2] CAISO submits that the reason for the tariff revisions is driven by the rate impact Valley Electric Association (Valley Electric) will suffer as a result of CAISO's currently effective tariff provisions and rate design.[3]

Please be advised that the filing is deficient and the Commission requires additional information in order to process the filing. Please provide complete responses to the following within 30 days:

1. CAISO's second criterion is that a potential CSPTO must be located in an area with "significant interest" in renewable development.[4] CAISO states that it refrained from a specific numerical gauge of such interest as this would not "account for all circumstances that would meet the purpose of the standard."[5] Please explain what factors CAISO would use to determine whether a CSPTO was located in an area with "significant interest" in renewable development. Please describe the characteristics of a participating transmission owner that would be denied CSPTO status because they fail to meet the second criterion.

2. Please explain how a CSPTO will annually certify, or CAISO will otherwise know, that the CSPTO meets the "significant interest" standard. For example, if there are no new interconnection applications in the CSPTO's footprint during that year, does that constitute a lack of significant interest or would it require some span of successive years of no new interconnection requests before reaching such a determination? If a CSPTO fails to meet the significant interest standard in a given year and loses its status, could it reapply in the following year? If so, what would it need to show as proof of "significant interest"?

3. CAISO's third criterion states that a potential CSPTO must not be subject to a renewable portfolio standard.[6] CAISO further explains that "a transmission owner may satisfy this criterion where: (1) it has already fulfilled its renewable portfolio standard or comparable municipal, county, state, or federal directive,

[2] *Id.* at 2, 8.

[3] *Id.* at 4.

[4] *Id.* at 8; Attachment A § 26.7.1(2).

[5] CAISO Transmittal at 9.

[6] *Id.* at 8.

or (2) it has already sufficiently contracted with resources that have achieved commercial operation or will achieve commercial operation within a year that will fulfill its renewable portfolio standard."[7] CAISO also proposes to exclude certain CSPTO network upgrade costs from the CSPTO cost allocation to the extent they are used to serve the needs of the CSPTO.[8] CAISO further proposes that a CSPTO must annually affirm that it continues to meet the criterion.

a. Please explain the rationale for treating those with no renewable portfolio standard the same as those which have such a standard but have already met it.

b. Please explain how CAISO will enforce these provisions and provide specific examples of how these provisions would apply in different scenarios.

c. CAISO states, "where a [CSPTO] meets these criteria but its own procurement triggers the need for network upgrades on its low-voltage system, the cost of those network upgrades will remain in its low-voltage/local transmission access charge."[9] Does this mean that a transmission owner will remain eligible for CSPTO status if it relies on new generation that interconnects to its low-voltage transmission facilities to meet a renewable portfolio standard, but that those specific low-voltage upgrades associated with this generation will not be subject to CSPTO rate treatment? In that instance, would all other interconnection-driven low voltage network upgrades on the CSPTO's low-voltage facilities not driven by the CSPTO's need to meet a renewable portfolio standard continue to flow into the CAISO regional transmission access charge?

4. CAISO states that a "CSPTO is not the *sole* beneficiary of generator-interconnection-driven network upgrades on its low-voltage system, and therefore should not bear *all* of those upgrades' costs."[10] Please explain how

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[7] *Id.* at 9.

[8] *Id.* at 7.

[9] *Id.* at 2.

[10] *Id.* at 14.

> CAISO transmission customers will benefit from low voltage interconnection network upgrades in Valley Electric's service territory.

This letter is issued pursuant to 18 C.F.R. § 375.307(a)(1)(v) (2016) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713 (2016), and a response to this letter must be filed with the Secretary of the Commission within 30 days of the date of this letter by making an amendment filing in accordance with the Commission's electronic tariff requirements.[11]

The information requested in this letter will constitute an amendment to your filing, and a new filing date will be established, pursuant to *Duke Power Company*, 57 FERC ¶ 61,215 (1991), upon receipt of CAISO's electronic tariff filing. A notice of amendment will be issued upon receipt of your response.

Failure to respond to this letter within the time period specified may result in an order rejecting your filing. Pending receipt of the above information, a filing date will not be assigned to your filing.

Sincerely,

Steve P. Rodgers, Director
Division of Electric Power
Regulation – West

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[11] *Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (stating that an amendment filing must include at least one tariff record even though a tariff revision might not otherwise be needed). The response must be filed using Type of Filing Code 180 – Deficiency Filing. If there are no changes to tariff records, CAISO can attach a single tariff record with no changes.