

May 19, 2014

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Compliance Filing  
Docket No. ER13-103-\_\_\_\_**

Dear Secretary Bose:

The California Independent System Operator Corporation (“CAISO”) submits this filing in compliance with the Commission’s “Order on Clarification and Compliance,” issued in the captioned proceeding on March 20, 2014.<sup>1</sup>

## **I. Background**

On October 11, 2012, the CAISO filed tariff revisions in this proceeding to comply with the local and regional transmission and cost allocation requirements of Order No. 1000.<sup>2</sup> On April 18, 2013, the Commission issued an order accepting the ISO’s compliance filing, effective October 1, 2013, subject to a second compliance filing containing further tariff changes as directed in the April 18 Order.<sup>3</sup>

The CAISO submitted the second compliance filing on August 20, 2013 (“August 20 Compliance Filing”). On October 4, 2013, the CAISO filed an

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, 146 FERC ¶ 61,198 (2014) (“March 20 Order”).

<sup>2</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

<sup>3</sup> See *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,057, at Ordering Paragraphs (A) and (B) (2013) (“April 18 Order”).

answer to comments submitted in response to the August 20 Compliance Filing (“October 4 Answer”). The October 4 Answer explained that the Commission should accept the August 20 Compliance Filing subject to certain minor tariff clarifications that the CAISO agreed to make in a further compliance filing if so directed by the Commission.

In the March 20 Order, the Commission accepted the August 20 Compliance Filing, effective as of October 1, 2013, subject to a further compliance filing containing the tariff changes discussed in Section II below.<sup>4</sup>

## **II. Compliance with the March 20 Order<sup>5</sup>**

### **A. Incorporating Consideration of Transmission Needs Driven by Public Policy Requirements in the Regional Transmission Planning Process**

In the March 20 Order, the Commission directed the CAISO to clarify in accordance with the April 18 Order how a decision not to consider a previously identified transmission need driven by public policy requirements will be provided to stakeholders, e.g., by posting such explanation on its website or by some other means.<sup>6</sup> In accordance with that directive, the CAISO has revised tariff section 24.3.3(f) to clarify that the CAISO will post on its website an explanation of any decision not to consider a previously identified transmission need driven by public policy requirements.

### **B. Qualification Criteria**

In the March 20 Order, the Commission found that the CAISO’s proposed qualification criteria for determining an entity’s eligibility to submit a proposal in the competitive solicitation process comply with the directives in the April 18 Order, with the three exceptions discussed below.<sup>7</sup>

First, the Commission directed the CAISO to clarify in tariff section 24.5.3.1(b) that credit ratings or audited financial statements are examples of information to be submitted to demonstrate a potential transmission developer’s

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<sup>4</sup> See March 20 Order at Ordering Paragraphs (B) and (C).

<sup>5</sup> For ease of reference, the section headings in Section II of this transmittal letter are the same as the section headings in the March 20 Order under which the Commission issued its compliance directives.

<sup>6</sup> March 20 Order at PP 32, 35 (citing April 18 Order at P 97).

<sup>7</sup> March 20 Order at P 73.

financial capability.<sup>8</sup> The CAISO has made this clarification to section 24.5.3.1(b).

Second, the Commission directed the CAISO to specify the information that a potential transmission developer should provide to demonstrate that it has the ability to assume liability for major losses resulting from failure of the transmission facility. In this regard, the Commission found that the additional information reflected in the October 4 Answer provides clarity for potential transmission developers and directed that this information be included in the tariff.<sup>9</sup> Accordingly, the CAISO has revised tariff section 24.5.3.1(c) to include the types of information specified in the October 4 Answer.<sup>10</sup>

Third, the Commission directed the CAISO to clarify that a potential transmission developer need only demonstrate that it has a plan to assemble a sufficiently sized team with the manpower, equipment, knowledge, and skill required to undertake the design, construction, operation, and maintenance of the transmission solution in the event that its transmission solution is selected.<sup>11</sup> The CAISO has made this clarification in tariff section 24.5.3.1(a).

### **C. Information Requirements**

In the March 20 Order, the Commission directed the CAISO to revise its tariff to allow a potential transmission developer to submit a detailed plan for constructing, operating, and maintaining transmission facilities in the absence of a previous record regarding construction, operation, and maintenance of

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<sup>8</sup> March 20 Order at P 75.

<sup>9</sup> *Id.* at P 76 (citing October 4 Answer at 34). The cited portion of the October 4 Answer stated that such information includes, *inter alia*, letters of credit, letters of intent from financial institutions regarding financial commitments to support the project sponsor, insurance policies or the ability to obtain insurance to cover such losses, the use of account set asides or accumulated funds, the revenues earned from the project, sufficient credit ratings, contingency financing, or other evidence showing sufficient financial ability to cover these losses in the ordinary course of business.

<sup>10</sup> The ISO notes that the qualification criterion regarding the financial capabilities of the project sponsor and its team and the ability of the project sponsor and its team to assume liability for major losses was previously contained in section 24.5.3.1(b). Because the addition of the information required by the March 20 Order made the discussion of this qualification criterion in a single sub-section unwieldy, the ISO has split former section 24.5.3.1 (b) into two subsections, 24.5.3.1(b) and 24.5.3.1(c), and renumbered the subsequent sub-sections of section 24.5.3.1 accordingly.

<sup>11</sup> March 20 Order at P 80.

transmission facilities.<sup>12</sup> The CAISO has revised tariff section 24.5.2.1(j) to include this change.

**D. Evaluation Process for Transmission Proposals Selection in the Regional Transmission Plan for Purposes of Cost Allocation**

In the March 20 Order, the Commission gave the CAISO the option of either (i) deleting the proposed provision in tariff section 24.5.1 that permits the selection of more than one potential solution to a transmission need in phase 2 of the transmission planning process; or (ii) further explaining why the provision is consistent with the compliance directives in the April 18 Order and further describing how the CAISO will select from among multiple proposed solutions.<sup>13</sup> To comply with this directive, the CAISO has chosen option (i) offered by the Commission and has deleted the proposed provision in section 24.5.1.

**E. Reevaluation Process for Transmission Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation**

In the March 20 Order, the Commission directed the CAISO to revise its tariff to state that if the CAISO determines that an abandoned project is no longer needed, the CAISO will not direct a participating transmission owner to backstop the continued development of the project.<sup>14</sup> The CAISO has revised tariff section 24.6.4 accordingly.

The Commission also directed the CAISO to delete a use of the word “not” in tariff section 24.6 that the CAISO agreed in the October 4 Answer was a clerical error.<sup>15</sup> The CAISO has revised section 24.6 to delete that word.

**F. Cost Allocation**

In the March 20 Order, the Commission accepted the CAISO’s proposal in the October 4 Answer to clarify, if so directed by the Commission, that mitigation costs associated with a required upgrade on a neighboring system that the CAISO agrees to bear would be the responsibility of the approved project sponsor that will construct and own the transmission facilities that necessitated

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<sup>12</sup> *Id.* at P 94.

<sup>13</sup> *Id.* at P 133.

<sup>14</sup> *Id.* at P 147.

<sup>15</sup> *Id.* at PP 145, 147 (citing October 4 Answer at 43).

such upgrades, and such mitigation costs would be recovered through the participating transmission owner's transmission revenue requirement, which in turn is subject to approval by the Commission.<sup>16</sup> In accordance with the Commission's directive, the CAISO has made this clarification to tariff section 24.10.

### **III. Materials Provided in this Compliance Filing**

In addition to this transmittal letter, this compliance filing includes Attachments A and B. Attachment A contains clean CAISO tariff sheets reflecting the tariff revisions described above. Attachment B shows these revisions in black-line format.

If there are any questions regarding this filing, please contact the undersigned.

Respectfully submitted,

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Counsel for the California Independent System Operator Corporation

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<sup>16</sup> *Id.* at P 174 (citing October 4 Answer at 38).

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom this 19th day of May, 2014.

/s/Sarah Garcia  
Sarah Garcia

**Attachment A – Clean Tariff Sheets**

**ER13-103 Compliance**

**California Independent System Operator Corporation**

**May 19, 2014**

### 24.3.3

#### Stakeholder Input - Unified Planning Assumptions/Study Plan

- (a) Beginning with the 2011/2012 planning cycle and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will provide a comment period during which Market Participants, electric utility regulatory agencies and all other interested parties may submit the following proposals for consideration in the development of the draft Unified Planning Assumptions and Study Plan:
  - (i) Demand response programs for inclusion in the base case or assumptions;
  - (ii) Generation and other non-transmission alternatives, consistent with Section 24.3.2(a) proposed as alternatives to transmission solutions; and
  - (iii) State, municipal, county or federal policy requirements or directives.
- (b) Following review of relevant information, including stakeholder comments submitted pursuant to Section 24.3.3(a), the CAISO will prepare and post on the CAISO Website a draft of the Unified Planning Assumptions and Study Plan. The CAISO will issue a Market Notice announcing the availability of such draft, soliciting comments, and scheduling a public conference(s) as required by Section 24.3.3(c);
- (c) No less than one (1) week subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one (1) public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice;
- (d) Interested parties will be provided a minimum of two (2) weeks following the first public meeting to provide comments on the draft Unified Planning Assumptions

and Study Plan. Such comments may include Economic Planning Study requests based on the comprehensive Transmission Plan from the prior cycle. All comments on the draft Unified Planning Assumptions and the Study Plan will be posted by the CAISO to the CAISO Website;

- (e) Following the public conference(s), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The final Unified Planning Assumptions and Study Plan will include an explanation as to the public policy requirements or directives that were selected for consideration in the current planning cycle as well as the suggested public policy requirements and directives that were not selected for consideration and the reasons therefor. The CAISO will post the base cases to be used in the technical studies to its secured website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published;
- (f) A public policy requirement or directive selected for consideration in a transmission planning cycle will be carried over into subsequent transmission planning cycles unless the ISO determines that such public policy requirement or directive has been eliminated, modified, or is otherwise not applicable or relevant for transmission planning purposes in a current transmission planning cycle. The ISO will post on its website an explanation of any decision not to consider a previously identified public policy requirement or directive from consideration in the current transmission planning process cycle.

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#### **24.5.1 Competitive Solicitation Process**

According to the schedule set forth in the Business Practice Manual, in the month following the CAISO Governing Board's approval of the comprehensive Transmission Plan, the CAISO will initiate a period of at least two (2) months that will provide an opportunity for Project Sponsors to submit specific proposals

to finance, own, and construct the Regional Transmission Facilities subject to competitive solicitation identified in the comprehensive Transmission Plan. If the transmission solution adopted in Phase 2 involves an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility, the Participating TO will construct and own such upgrade, improvement, addition or replacement facilities unless a Project Sponsor and the Participating TO agree to a different arrangement. For Regional Transmission Facilities with capital costs of \$50 million or less that were approved by CAISO management before Governing Board approval of the comprehensive Transmission Plan, the two month period will be initiated following management approval of the facility, and the Project Sponsor selection process may follow an accelerated schedule described in the Business Practice Manual. Such proposals must include plan of service details and supporting information as set forth in the Business Practice Manual sufficient to: (1) enable the CAISO to determine whether the Project Sponsor meets the qualification criteria specified in section 24.5.3.1; (2) enable the CAISO to determine whether a Project Sponsor's proposal meets the proposal qualification criteria in section 24.5.3.2; and (3) enable the CAISO, if there are multiple qualified Project Sponsors bidding on the same Regional Transmission Facility, to conduct a comparative analysis of the proposals and Project Sponsors and select an Approved Project Sponsor as described in section 24.5.2.5. The project proposal will identify the authorized governmental body from which the Project Sponsor will seek siting approval for the project. Within 30 days after the CAISO posts the draft comprehensive Transmission Plan to its website, for each Regional Transmission Facility identified in the comprehensive Transmission Plan that is subject to competitive solicitation, the CAISO will post, for informational purposes only, those existing qualification criteria and selection factors, in addition to any binding cost containment commitments, which the CAISO believes are key for purposes of selecting an Approved Project Sponsor for the particular transmission solution, consistent with the comparative analysis described in section 24.5.4 and the project sponsor qualification and selection criteria specified in sections 24.5.3.1 and 24.5.4, respectively. Thus, Project Sponsors will have a minimum of ninety (90) days after the posting of key selection criteria before the deadline for submitting proposals to construct, own, operate, and maintain a transmission solution subject to competitive solicitation. The posting of such key criteria is solely intended to provide information to Project Sponsors to assist them in the preparation of their applications and to highlight specific topics to

which particular attention should be paid in the application given their importance in connection with a particular Regional Transmission Facility. The posting of the key selection criteria is not a replacement or substitute for the qualification and selection criteria set forth in sections 24.5.3.1 and 24.5.4, and in its comparative analysis conducted in accordance with section 24.5.4, the ISO is required to comparatively assess all of the qualification and selection criteria, not just those listed as key selection criteria. In its posting of the key selection criteria, the ISO cannot add new or different criteria than those already specified in sections 24.5.3.1 and 24.5.4. To determine the key criteria for each transmission solution subject to competitive solicitation, the ISO will consider: (1) the nature, scope and urgency of the need for the transmission solution; (2) expected severity of siting or permitting challenges; (3) the size of the transmission solution, potential financial risk associated with the transmission solution, expected capital cost magnitude, cost overrun likelihood and the ability of the Project Sponsor to contain costs; (4) the degree of permitting, rights-of-way, construction, operation and maintenance difficulty; (5) risks associated with the construction, operation and maintenance of the transmission solution; (6) technical and engineering design difficulty or whether specific expertise in design or construction is required; (7) special circumstances or difficulty associated with topography, terrain or configuration; (8) specific facility technologies or materials associated with the transmission solution; (9) binding cost containment measures, including cost caps; (10) abandonment risk; and (11) whether the overall cost of the transmission solution impacts the ISO's prior determination of, and inclusion in, the comprehensive Transmission Plan of the more efficient or cost effective solution during Phase 2 of the transmission planning process.

The posting of the key selection criteria shall not undermine the ISO's prior determination in Phase 2 of the transmission planning process of the more efficient or cost-effective transmission solution to be reflected in the comprehensive Transmission Plan, nor shall the posting of the key criteria replace or be inconsistent with the ISO's obligation under section 24.5.4 to undertake a comparative analysis of each Project Sponsor with respect to each Project Sponsor qualification and selection criterion.

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#### **24.5.2.1 Project Sponsor Information Requirements**

The application to be submitted to the CAISO by an entity desiring to become an Approved Project Sponsor shall include the following general information (as well as related details) in response to the questions on the application form:

- (a) The following financial information:
  - (i) A proposed financial plan demonstrating that adequate capital resources are available to the Project Sponsor to finance the transmission solution, and that constructing, operating and maintaining the facilities will not significantly impair the Project Sponsor's creditworthiness or financial condition;
  - (ii) A showing from the Project Sponsor's most recent audited financial statements that the Project Sponsor's assets are in excess of liabilities as a percentage of the total cost of the transmission solution;
  - (iii) Financial funding ratios from the most recent audited financial statements;
  - (iv) Credit arrangements between affiliated entities, including corporate parent, and compliance with regulatory restrictions and requirements; and,
  - (v) Bankruptcy, dissolution, merger or acquisition history;
- (b) The credit rating from Moody's Investor Services and Standard & Poors of the Project Sponsor, or its parent company, controlling shareholder, or any other entity providing a bond guaranty or corporate commitment to the Project Sponsor,;
- (c) Information showing the Project Sponsor's ability to assume liability for major losses resulting from failure of, or damage to, the transmission facility, including damage after the facility has been placed into operation;
- (d) The projected in-service date of each transmission solution with a construction plan and timetable;
- (e) A description of the Project Sponsor's proposed engineering, construction, maintenance and management teams, including relevant capability and experience;
- (f) A description of the Project Sponsor's resources for operating and maintaining the transmission solution after it is placed in-service;

- (g) A discussion of the capability and experience of the Project Sponsor that would enable it to comply with all on-going scheduling, operating, and maintenance activities required for each transmission solution, including those required by the tariff, business practice manuals, policies, rules, guidelines, and procedures established by the CAISO;
- (h) Resumes for all key management personnel, including contractors, that will be involved in obtaining siting approval and other required regulatory approvals and for constructing, operating and maintaining each transmission solution;
- (i) A description of the Project Sponsor's business practices that demonstrate consistency with Good Utility Practice for proper licensing, designing and right-of-way acquisition for constructing, operating and maintaining transmission solutions that will become part of the CAISO Controlled Grid;
- (j) The Project Sponsor's previous record regarding construction, operation and maintenance of transmission facilities within and outside the CAISO Controlled Grid, or a detailed plan for constructing, operating, and maintaining transmission facilities in the absence of a previous record regarding construction, operation, and maintenance of transmission facilities;
- (k) The Project Sponsor's pre-existing procedures and practices for acquiring and managing right of way and other land for transmission facility, or, in the absence of preexisting procedures or practices, a detailed description of its plan for right of way and other land acquisition;
- (l) A description of existing rights of way or substations upon which all or a portion of the transmission facility can be located and incremental costs, if any, that would be incurred in connection with placing new or additional facilities associated with the transmission solution on such existing rights of way;
- (m) The Project Sponsor's preexisting practices or procedures for mitigating the impact of the transmission solution on affected landowners and for addressing public concerns regarding facilities associated with the transmission solution. In the absence of such

preexisting practices or procedures, the Project Sponsor shall provide a detailed plan for mitigating such impacts and addressing public concerns;

- (n) A description of the following and any related or relevant information regarding:
  - (i) the proposed structure types and composition, conductor size and type;
  - (ii) the proposed route and rights of way; and
  - (iii) a plan for addressing topography issues;
- (o) Cost containment capabilities and cost cap, if any;
- (p) Description of the Project Sponsor's plan for complying with standardized maintenance and operation practices and all applicable reliability standards;
- (q) Any other strengths and advantages that the Project Sponsor and its team may have to build and own the transmission solution, as well as any specific efficiencies or benefits demonstrated in its Project Sponsor proposal; and
- (r) The authorized government body from which the Project Sponsor will seek siting approval for the transmission solution and the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, as well as its history of imposing such measures.

Additional details about the information that must be submitted is set forth in the Business Practice Manual and on the application form. On the CAISO's request, the Project Sponsor will provide additional information that the CAISO reasonably determines is necessary to conduct its qualification and selection evaluation with respect to the particular transmission solutions that are subject to competitive solicitation.

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#### **24.5.3.1 Project Sponsor Qualification**

After posting the list of information-sufficient applications and, if applicable, after the conclusion of any applicable collaboration process under Section 24.5.2.2, the CAISO will evaluate the information submitted by each Project Sponsor in response to the questions on the application pertaining to sections 24.5.2.1(a)-(i) to determine whether the Project Sponsor has demonstrated that its team is physically, technically, and financially capable of (i) completing the needed transmission solution in a timely and competent manner; and (ii) operating and maintaining the transmission solution in a manner that is

consistent with Good Utility Practice and applicable reliability criteria for the life of the project, based on the following qualification criteria:

- (a) whether the Project Sponsor has demonstrated that it has assembled, or has a plan to assemble, a sufficiently-sized team with the manpower, equipment, knowledge and skill required to undertake the design, construction, operation and maintenance of the transmission solution;
- (b) whether the Project Sponsor and its team have demonstrated that they have sufficient financial resources, by providing information including, but not limited to, satisfactory credit ratings, audited financial statements, or other financial indicators;
- (c) whether the Project Sponsor and its team have demonstrated the ability to assume liability for major losses resulting from failure of any part of the facilities associated with the transmission solution by providing information such as letters of credit, letters of interest from financial institutions regarding financial commitment to support the Project Sponsor, insurance policies or the ability to obtain insurance to cover such losses, the use of account set asides or accumulated funds, the revenues earned from the transmission solution, sufficient credit ratings, contingency financing, or other evidence showing sufficient financial ability to cover these losses in the normal course of business;
- (d) whether the Project Sponsor has (1) proposed a schedule for development and completion of the transmission solution consistent with need date identified by the CAISO; and (2) has the ability to meet that schedule;
- (e) whether the Project Sponsor and its team have the necessary technical and engineering qualifications and experience to undertake the design, construction, operation and maintenance of the transmission solution;
- (f) whether the Project Sponsor makes a commitment to become a Participating TO for the purpose of turning the Regional Transmission Facility that the Project Sponsor is selected to construct and own as a result of the competitive

solicitation process over to the ISO's Operational Control , to enter into the Transmission Control Agreement with respect to the transmission solution, to adhere to all Applicable Reliability Criteria and to comply with NERC registration requirements and NERC and WECC standards, where applicable.

If the CAISO determines that a Project Sponsor meets these criteria, it shall be deemed a qualified Project Sponsor.

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#### **24.6 Obligation to Construct Transmission Solutions**

The Approved Project Sponsor selected to construct the needed transmission solution or the applicable Participating TO where there is no Approved Project Sponsor, must make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of the required transmission solution. This obligation includes the Approved Project Sponsor's use of eminent domain authority, where provided by state law. A Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located shall be obligated to construct all regional transmission solutions included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor either from the first competitive solicitation or future competitive solicitations. The Approved Project Sponsor shall not sell, assign or otherwise transfer its rights to finance, construct and own the needed transmission solution, or any element thereof, before the facilities have been energized and, if applicable, turned over to the CAISO's Operational Control unless the CAISO has approved such proposed transfer, which approval shall not be unreasonably withheld. The CAISO shall not approve such sale, assignment or transfer unless the purchaser, transferee or assignee (i) meets the qualification requirements set forth in section 24.5.3.1; (ii) agrees to honor any binding cost containment measures or cost caps agreed to by the Approved Project Sponsor in its proposal; (iii) agrees to meet the factors that the ISO relied upon in selecting the proposal of the Approved Project Sponsor; and (iv) assumes the rights and obligations set forth in the Approved Project Sponsor Agreement.

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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, 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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#### **24.10 Operational Review and Impact Analysis**

The CAISO will perform an analysis on the ISO Controlled Grid and an operational review of all Regional Transmission Facilities studied as part of the CAISO Transmission Planning Process that are proposed to be connected to, or made part of, the CAISO Controlled Grid to ensure that the solutions included in the comprehensive Transmission Plan provide for acceptable Operational Flexibility and meet all their requirements for proper integration with the CAISO Controlled Grid. This analysis includes identifying the impacts of Regional Transmission Facilities on neighboring Planning Regions or Balancing Authority Areas, including the resulting need, if any, for new solutions in such neighboring Planning Regions or Balancing Authority Areas. If the CAISO finds that a Regional Transmission Facility does not provide for acceptable Operational Flexibility, does not adequately integrate with the CAISO Controlled Grid or causes impacts on neighboring Planning Regions, transmission systems or Balancing Authority Areas, the CAISO shall coordinate with the operators of neighboring Balancing Authority Areas or transmission systems, if applicable, to reassess and redesign the Regional Transmission Facility to be constructed. If the impacts caused by Regional Transmission Facilities proposed to be added to the CAISO Controlled Grid can be mitigated through other solutions on the ISO Controlled Grid or through operational adjustments, the costs of such solutions shall be recovered through the CAISO's Regional Access Charge as part of the costs of the transmission solution. The CAISO shall not be responsible for compensating another transmission provider, Planning Authority, or Balancing Area Authority for the costs of any required solutions, or other consequences, on their systems associated with Regional Transmission Facilities, whether identified by the CAISO or the neighboring system, unless the CAISO voluntarily agrees to bear such costs pursuant to a written agreement with the neighboring system; provided that the CAISO will not agree to bear such costs until it first discusses the matter with stakeholders and provides stakeholders with an opportunity to submit comments. Transmission solutions that do not provide acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid cannot be included in the CAISO Transmission Plan or approved by CAISO management or the CAISO Governing Board, as applicable. Any costs in connection with required solutions in neighboring transmission systems associated with Regional Transmission Facilities that the CAISO agrees to bear will be the responsibility of the Approved Project Sponsor who will construct and own the

Regional Transmission Facilities that necessitated the solutions or on the neighboring transmission system, and such mitigation costs may be recovered through the CAISO's Regional Access Charge, subject to FERC approval, and all relevant tariff provisions pertaining to the calculation, billing, and recovery of the Regional Access Charge, and any related applicable provisions, shall apply.

**Attachment B – Marked Tariff Sheets**

**ER13-103 Compliance**

**California Independent System Operator Corporation**

**May 19, 2014**

### 24.3.3

#### Stakeholder Input - Unified Planning Assumptions/Study Plan

- (a) Beginning with the 2011/2012 planning cycle and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will provide a comment period during which Market Participants, electric utility regulatory agencies and all other interested parties may submit the following proposals for consideration in the development of the draft Unified Planning Assumptions and Study Plan:
  - (i) Demand response programs for inclusion in the base case or assumptions;
  - (ii) Generation and other non-transmission alternatives, consistent with Section 24.3.2(a) proposed as alternatives to transmission solutions; and
  - (iii) State, municipal, county or federal policy requirements or directives.
- (b) Following review of relevant information, including stakeholder comments submitted pursuant to Section 24.3.3(a), the CAISO will prepare and post on the CAISO Website a draft of the Unified Planning Assumptions and Study Plan. The CAISO will issue a Market Notice announcing the availability of such draft, soliciting comments, and scheduling a public conference(s) as required by Section 24.3.3(c);
- (c) No less than one (1) week subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one (1) public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice;
- (d) Interested parties will be provided a minimum of two (2) weeks following the first public meeting to provide comments on the draft Unified Planning Assumptions

and Study Plan. Such comments may include Economic Planning Study requests based on the comprehensive Transmission Plan from the prior cycle. All comments on the draft Unified Planning Assumptions and the Study Plan will be posted by the CAISO to the CAISO Website;

- (e) Following the public conference(s), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The final Unified Planning Assumptions and Study Plan will include an explanation as to the public policy requirements or directives that were selected for consideration in the current planning cycle as well as the suggested public policy requirements and directives that were not selected for consideration and the reasons therefor. The CAISO will post the base cases to be used in the technical studies to its secured website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published;
- (f) A public policy requirement or directive selected for consideration in a transmission planning cycle will be carried over into subsequent transmission planning cycles unless the ISO determines that such public policy requirement or directive has been eliminated, modified, or is otherwise not applicable or relevant for transmission planning purposes in a current transmission planning cycle. The ISO will post on its website provide an explanation of any decision not to consider a previously identified public policy requirement or directive from consideration in the current transmission planning process cycle.

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#### **24.5.1 Competitive Solicitation Process**

According to the schedule set forth in the Business Practice Manual, in the month following the CAISO Governing Board's approval of the comprehensive Transmission Plan, the CAISO will initiate a period of at least two (2) months that will provide an opportunity for Project Sponsors to submit specific proposals

to finance, own, and construct the Regional Transmission Facilities subject to competitive solicitation identified in the comprehensive Transmission Plan. If the transmission solution adopted in Phase 2 involves an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility, the Participating TO will construct and own such upgrade, improvement, addition or replacement facilities unless a Project Sponsor and the Participating TO agree to a different arrangement. For Regional Transmission Facilities with capital costs of \$50 million or less that were approved by CAISO management before Governing Board approval of the comprehensive Transmission Plan, the two month period will be initiated following management approval of the facility, and the Project Sponsor selection process may follow an accelerated schedule described in the Business Practice Manual. Such proposals must include plan of service details and supporting information as set forth in the Business Practice Manual sufficient to: (1) enable the CAISO to determine whether the Project Sponsor meets the qualification criteria specified in section 24.5.3.1; (2) enable the CAISO to determine whether a Project Sponsor's proposal meets the proposal qualification criteria in section 24.5.3.2; and (3) enable the CAISO, if there are multiple qualified Project Sponsors bidding on the same Regional Transmission Facility, to conduct a comparative analysis of the proposals and Project Sponsors and select an Approved Project Sponsor as described in section 24.5.2.5. The project proposal will identify the authorized governmental body from which the Project Sponsor will seek siting approval for the project. Within 30 days after the CAISO posts the draft comprehensive Transmission Plan to its website, for each Regional Transmission Facility identified in the comprehensive Transmission Plan that is subject to competitive solicitation, the CAISO will post, for informational purposes only, those existing qualification criteria and selection factors, in addition to any binding cost containment commitments, which the CAISO believes are key for purposes of selecting an Approved Project Sponsor for the particular transmission solution, consistent with the comparative analysis described in section 24.5.4 and the project sponsor qualification and selection criteria specified in sections 24.5.3.1 and 24.5.4, respectively. Thus, Project Sponsors will have a minimum of ninety (90) days after the posting of key selection criteria before the deadline for submitting proposals to construct, own, operate, and maintain a transmission solution subject to competitive solicitation. The posting of such key criteria is solely intended to provide information to Project Sponsors to assist them in the preparation of their applications and to highlight specific topics to

which particular attention should be paid in the application given their importance in connection with a particular Regional Transmission Facility. The posting of the key selection criteria is not a replacement or substitute for the qualification and selection criteria set forth in sections 24.5.3.1 and 24.5.4, and in its comparative analysis conducted in accordance with section 24.5.4, the ISO is required to comparatively assess all of the qualification and selection criteria, not just those listed as key selection criteria. In its posting of the key selection criteria, the ISO cannot add new or different criteria than those already specified in sections 24.5.3.1 and 24.5.4. To determine the key criteria for each transmission solution subject to competitive solicitation, the ISO will consider: (1) the nature, scope and urgency of the need for the transmission solution; (2) expected severity of siting or permitting challenges; (3) the size of the transmission solution, potential financial risk associated with the transmission solution, expected capital cost magnitude, cost overrun likelihood and the ability of the Project Sponsor to contain costs; (4) the degree of permitting, rights-of-way, construction, operation and maintenance difficulty; (5) risks associated with the construction, operation and maintenance of the transmission solution; (6) technical and engineering design difficulty or whether specific expertise in design or construction is required; (7) special circumstances or difficulty associated with topography, terrain or configuration; (8) specific facility technologies or materials associated with the transmission solution; (9) binding cost containment measures, including cost caps; (10) abandonment risk; and (11) whether the overall cost of the transmission solution impacts the ISO's prior determination of, and inclusion in, the comprehensive Transmission Plan of the more efficient or cost effective solution during Phase 2 of the transmission planning process.

The posting of the key selection criteria shall not undermine the ISO's prior determination in Phase 2 of the transmission planning process of the more efficient or cost-effective transmission solution to be reflected in the comprehensive Transmission Plan, nor shall the posting of the key criteria replace or be inconsistent with the ISO's obligation under section 24.5.4 to undertake a comparative analysis of each

Project Sponsor with respect to each Project Sponsor qualification and selection criterion. ~~If the CAISO determines in Phase 2 of the transmission planning process that more than one transmission solution could constitute the more efficient or cost-effective solution to meet a specific identified need depending on the outcome of the competitive solicitation, the CAISO shall have the authority to identify more than~~

~~one potential transmission solution in the comprehensive Transmission Plan. Under those circumstances, based on the outcome of the competitive solicitation, the CAISO will make the final determination of which alternative transmission solution identified in the Board-approved comprehensive Transmission Plan constitutes the more efficient or cost-effective transmission solution to be selected for construction.~~

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#### **24.5.2.1 Project Sponsor Information Requirements**

The application to be submitted to the CAISO by an entity desiring to become an Approved Project Sponsor shall include the following general information (as well as related details) in response to the questions on the application form:

- (a) The following financial information:
  - (i) A proposed financial plan demonstrating that adequate capital resources are available to the Project Sponsor to finance the transmission solution, and that constructing, operating and maintaining the facilities will not significantly impair the Project Sponsor's creditworthiness or financial condition;
  - (ii) A showing from the Project Sponsor's most recent audited financial statements that the Project Sponsor's assets are in excess of liabilities as a percentage of the total cost of the transmission solution;
  - (iii) Financial funding ratios from the most recent audited financial statements;
  - (iv) Credit arrangements between affiliated entities, including corporate parent, and compliance with regulatory restrictions and requirements; and,
  - (v) Bankruptcy, dissolution, merger or acquisition history;
- (b) The credit rating from Moody's Investor Services and Standard & Poors of the Project Sponsor, or its parent company, controlling shareholder, or any other entity providing a bond guaranty or corporate commitment to the Project Sponsor,;
- (c) Information showing the Project Sponsor's ability to assume liability for major losses resulting from failure of, or damage to, the transmission facility, including damage after the facility has been placed into operation;

- (d) The projected in-service date of each transmission solution with a construction plan and timetable;
- (e) A description of the Project Sponsor's proposed engineering, construction, maintenance and management teams, including relevant capability and experience;
- (f) A description of the Project Sponsor's resources for operating and maintaining the transmission solution after it is placed in-service;
- (g) A discussion of the capability and experience of the Project Sponsor that would enable it to comply with all on-going scheduling, operating, and maintenance activities required for each transmission solution, including those required by the tariff, business practice manuals, policies, rules, guidelines, and procedures established by the CAISO;
- (h) Resumes for all key management personnel, including contractors, that will be involved in obtaining siting approval and other required regulatory approvals and for constructing, operating and maintaining each transmission solution;
- (i) A description of the Project Sponsor's business practices that demonstrate consistency with Good Utility Practice for proper licensing, designing and right-of-way acquisition for constructing, operating and maintaining transmission solutions that will become part of the CAISO Controlled Grid;
- (j) The Project Sponsor's previous record regarding construction, operation and maintenance of transmission facilities within and outside the CAISO Controlled Grid, or a detailed plan for constructing, operating, and maintaining transmission facilities in the absence of a previous record regarding construction, operation, and maintenance of transmission facilities;
- (k) The Project Sponsor's pre-existing procedures and practices for acquiring and managing right of way and other land for transmission facility, or, in the absence of preexisting procedures or practices, a detailed description of its plan for right of way and other land acquisition;
- (l) A description of existing rights of way or substations upon which all or a portion of the transmission facility can be located and incremental costs, if any, that would be incurred

in connection with placing new or additional facilities associated with the transmission solution on such existing rights of way;

- (m) The Project Sponsor's preexisting practices or procedures for mitigating the impact of the transmission solution on affected landowners and for addressing public concerns regarding facilities associated with the transmission solution. In the absence of such preexisting practices or procedures, the Project Sponsor shall provide a detailed plan for mitigating such impacts and addressing public concerns;
- (n) A description of the following and any related or relevant information regarding:
  - (i) the proposed structure types and composition, conductor size and type;
  - (ii) the proposed route and rights of way; and
  - (iii) a plan for addressing topography issues;
- (o) Cost containment capabilities and cost cap, if any;
- (p) Description of the Project Sponsor's plan for complying with standardized maintenance and operation practices and all applicable reliability standards;
- (q) Any other strengths and advantages that the Project Sponsor and its team may have to build and own the transmission solution, as well as any specific efficiencies or benefits demonstrated in its Project Sponsor proposal; and
- (r) The authorized government body from which the Project Sponsor will seek siting approval for the transmission solution and the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, as well as its history of imposing such measures.

Additional details about the information that must be submitted is set forth in the Business Practice Manual and on the application form. On the CAISO's request, the Project Sponsor will provide additional information that the CAISO reasonably determines is necessary to conduct its qualification and selection evaluation with respect to the particular transmission solutions that are subject to competitive solicitation.

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#### **24.5.3.1 Project Sponsor Qualification**

After posting the list of information-sufficient applications and, if applicable, after the conclusion of any applicable collaboration process under Section 24.5.2.2, the CAISO will evaluate the information submitted by each Project Sponsor in response to the questions on the application pertaining to sections 24.5.2.1(a)-(i) to determine whether the Project Sponsor has demonstrated that its team is physically, technically, and financially capable of (i) completing the needed transmission solution in a timely and competent manner; and (ii) operating and maintaining the transmission solution in a manner that is consistent with Good Utility Practice and applicable reliability criteria for the life of the project, based on the following qualification criteria:

- (a) whether the Project Sponsor has demonstrated that it has assembled, or has a plan to assemble, a sufficiently-sized team with the manpower, equipment, knowledge and skill required to undertake the design, construction, operation and maintenance of the transmission solution;
- (b) whether the Project Sponsor and its team have demonstrated that they have sufficient financial resources, by providing information including, but not limited to, satisfactory credit ratings, audited financial statements, and/or other financial indicators; ~~as well as~~
- (c) whether the Project Sponsor and its team have ~~the~~ demonstrated the ability to assume liability for major losses resulting from failure of any part of the facilities associated with the transmission solution by providing information such as letters of credit, letters of interest from financial institutions regarding financial commitment to support the Project Sponsor, insurance policies or the ability to obtain insurance to cover such losses, the use of account set asides or accumulated funds, the revenues earned from the transmission solution, sufficient credit ratings, contingency financing, or other evidence showing sufficient financial ability to cover these losses in the normal course of business;
- (d) whether the Project Sponsor has (1) proposed a schedule for development and completion of the transmission solution consistent with need date identified by the CAISO; and (2) has the ability to meet that schedule;

- (e) whether the Project Sponsor and its team have the necessary technical and engineering qualifications and experience to undertake the design, construction, operation and maintenance of the transmission solution;
- (f) whether the Project Sponsor makes a commitment to become a Participating TO for the purpose of turning the Regional Transmission Facility that the Project Sponsor is selected to construct and own as a result of the competitive solicitation process over to the ISO's Operational Control , to enter into the Transmission Control Agreement with respect to the transmission solution, to adhere to all Applicable Reliability Criteria and to comply with NERC registration requirements and NERC and WECC standards, where applicable.

If the CAISO determines that a Project Sponsor meets these criteria, it shall be deemed a qualified Project Sponsor.

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#### **24.6 Obligation to Construct Transmission Solutions**

The Approved Project Sponsor selected to construct the needed transmission solution or the applicable Participating TO where there is no Approved Project Sponsor, must make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of the required transmission solution. This obligation includes the Approved Project Sponsor's use of eminent domain authority, where provided by state law. A Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located shall be obligated to construct all regional transmission solutions included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor either from the first competitive solicitation or future competitive solicitations. The Approved Project Sponsor shall not sell, assign or otherwise transfer its rights to finance, construct and own the needed transmission solution, or any element thereof, before the facilities have been energized and, if applicable, turned over to the CAISO's Operational Control unless the CAISO has ~~not~~ approved such proposed transfer, which approval shall not be unreasonably withheld. The CAISO shall not approve such sale, assignment or transfer unless the purchaser, transferee or assignee (i) meets the qualification requirements set forth in section 24.5.3.1; (ii) agrees to honor any

binding cost containment measures or cost caps agreed to by the Approved Project Sponsor in its proposal; (iii) agrees to meet the factors that the ISO relied upon in selecting the proposal of the Approved Project Sponsor; and (iv) assumes the rights and obligations set forth in the Approved Project Sponsor Agreement.

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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, 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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#### **24.10 Operational Review and Impact Analysis**

The CAISO will perform an analysis on the ISO Controlled Grid and an operational review of all Regional Transmission Facilities studied as part of the CAISO Transmission Planning Process that are proposed to be connected to, or made part of, the CAISO Controlled Grid to ensure that the solutions included in the comprehensive Transmission Plan provide for acceptable Operational Flexibility and meet all their requirements for proper integration with the CAISO Controlled Grid. This analysis includes identifying the impacts of Regional Transmission Facilities on neighboring Planning Regions or Balancing Authority Areas, including the resulting need, if any, for new solutions in such neighboring Planning Regions or Balancing Authority Areas. If the CAISO finds that a Regional Transmission Facility does not provide for acceptable Operational Flexibility, does not adequately integrate with the CAISO Controlled Grid or causes impacts on neighboring Planning Regions, transmission systems or Balancing Authority Areas, the CAISO shall coordinate with the operators of neighboring Balancing Authority Areas or transmission systems, if applicable, to reassess and redesign the Regional Transmission Facility to be constructed. If the impacts caused by Regional Transmission Facilities proposed to be added to the CAISO Controlled Grid can be mitigated through other solutions on the ISO Controlled Grid or through operational adjustments, the costs of such solutions shall be recovered through the CAISO's Regional Access Charge as part of the costs of the transmission solution. The CAISO shall not be responsible for compensating another transmission provider, Planning Authority, or Balancing Area Authority for the costs of any required solutions, or other consequences, on their systems associated with Regional Transmission Facilities, whether identified by the CAISO or the neighboring system, unless the CAISO voluntarily agrees to bear such costs pursuant to a written agreement with the neighboring system; provided that the CAISO will not agree to bear such costs until it first discusses the matter with stakeholders and provides stakeholders with an opportunity to submit comments. Transmission solutions that do not provide acceptable Operational Flexibility or do not adequately integrate with the CAISO

Controlled Grid cannot be included in the CAISO Transmission Plan or approved by CAISO management or the CAISO Governing Board, as applicable. Any costs in connection with ~~ef~~ required solutions ~~transmission facilities~~ in neighboring transmission systems associated with Regional Transmission Facilities that the CAISO agrees to bear will be the responsibility of the Approved Project Sponsor who will construct and own the Regional Transmission Facilities that necessitated the solutions or on the neighboring transmission system, and such mitigation costs may be recovered through the CAISO's Regional Access Charge, subject to FERC approval, and all relevant tariff provisions pertaining to the calculation, billing, and recovery of the Regional Access Charge, and any related applicable provisions, shall apply.