

**Southern California Edison's Comments Concerning  
The Nevada Hydro Company, Inc.'s Amended TO Tariff  
For Participating Transmission Owner**

Southern California Edison Company ("SCE") appreciates this opportunity to provide its comments on the amended Transmission Owner Tariff ("Amended TO Tariff") recently submitted by Nevada Hydro Company, Inc. ("Nevada Hydro" or "TNHC") to become a Participating Transmission Owner ("PTO") in the California Independent System Operator Corporation ("CAISO"). As SCE has noted before, the addition of a pump-storage facility, such as the one proposed by Nevada Hydro, may have features which benefit the entire CAISO grid, including enhancing grid reliability and providing ancillary services. However, in order for Nevada Hydro to become a PTO, it must have a transmission project that has been approved through the CAISO's Transmission Expansion and Planning Process.<sup>1</sup>

In view of the provisions of the CAISO Tariff, the guidance provided by the Federal Energy Regulatory Commission ("FERC" or "Commission"), and the decisions previously made by the CAISO Board with respect to this matter, Nevada Hydro's Amended TO Tariff and its original PTO application, as they currently stand, cannot be accepted by the CAISO. Of course, SCE encourages Nevada Hydro to submit a new PTO application in the future should factual developments so warrant. Additionally, SCE has concerns related to the Amended TO Tariff and the PTO application submitted by Nevada Hydro. SCE offers these comments to aid any future PTO application that may be submitted by Nevada Hydro to the CAISO.

**I. The PTO Application**

In its PTO application submitted in February 2007, Nevada Hydro proposed to turn over to the CAISO's Operational Control a project that consists of two components: (1) a "pump storage generation" facility ("LEAPS"); and (2) an "approximately 30-mile 500kV transmission line" connecting SCE's Valley-Serrano line with San Diego Gas and Electric's ("SDG&E") Talega-Escondido line ("TE/VS Interconnection").<sup>2</sup>

As for LEAPS, it is a generation facility, and CAISO does not take Operational Control of generation facilities.<sup>3</sup> Furthermore, in its March 24, 2008 Order on Rate Incentives and Compliance Filings, the Commission determined that the pumped hydro storage facility may not be operated and/or managed by the CAISO or functionalized as transmission for rate recovery purposes.<sup>4</sup>

As to the TE/VS Interconnection, it is not clear at this time if Nevada Hydro would or could seek to place this line, without the associated LEAPS' facility, under the CAISO Operational Control. Even assuming, however, that Nevada Hydro re-submits its PTO application to reflect that only the TE/VS Interconnection will be under the CAISO's Operational Control, it is

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<sup>1</sup> See CAISO FERC Electric Tariff, Appendix EE.

<sup>2</sup> PTO Application at p. 1.

<sup>3</sup> See e.g. CAISO Tariff §§ 4.3.1; 4.4.1.2; and the definition of Operational Control in Appendix A to the CAISO Tariff.

<sup>4</sup> *Order on Rate Incentives and Compliance Filings*, 122 FERC ¶ 61,272 (2008).

unclear – as the facts currently stand – how the CAISO can take Operational Control of this facility in a manner that is consistent with the CAISO Tariff.

In the normal course of the CAISO's operations, a Market Participant or a PTO may propose, in accordance with Section 24 of the CAISO Tariff, the construction of a transmission system addition or upgrade, and provide the studies justifying their proposal. The CAISO then would analyze the applicant's studies and/or conduct its own studies to determine whether the proposed project should be approved within the construct of the CAISO Tariff. To date, Nevada Hydro has not met the requirements of CAISO Tariff Section 24 and meeting these requirements would be a prerequisite if Nevada Hydro intends to have the TE/VS Interconnection operate as a network transmission facility under the CAISO's Operational Control. Of course, Nevada Hydro need not comply with Section 24 of the CAISO Tariff, nor submit an application to the CAISO to become a PTO if, as the facts below strongly suggest, the TE/VS Interconnection is not intended and will not function as a network transmission facility, but only a generation interconnection line.

In the PTO application submitted to the CAISO in 2007, Nevada Hydro indicated that its entire proposed project, including the TE/VS Interconnection "is being permitted" under FERC's "permitting regulations (FERC Project Number P-11858-002)."<sup>5</sup> FERC Project Number P-11858 is a hydro licensing proceeding. The Commission, however, does not have the jurisdiction to license the construction of a network transmission facility in a hydro licensing proceeding. Under the Federal Power Act section 3(11) and section 2.2 of the Commission's regulations, 18 CFR § 2.2, the Commission lacks authority in a hydro proceeding to license "transmission lines which are not primary lines transmitting power from the power house or appurtenant works of a project to the point of junction with the distribution system or with the interconnected primary transmission system." To put it more simply, the Commission can only "permit" the construction of the TE/VS Interconnection in Docket No. P-11858 if the TE/VS Interconnection is a generation-tie line. Nevada Hydro's decision to seek permitting of the TE/VS Interconnection in Docket No. P-11858 indicates that this line is not a network transmission facility, but is rather a generation interconnection line.

SCE certainly has no objections to Nevada Hydro's decision to construct a radial generation interconnection line that would, as represented by Nevada Hydro, run from the LEAPS generating facilities to two connecting points on the CAISO grid. CAISO, however, does not take Operational Control of radial lines used to interconnect generation to the grid. As such, Nevada Hydro cannot turn over the TE/VS Interconnection to the CAISO Operational Control, and cannot become, on the basis of this power line, a PTO in the CAISO.

If however, notwithstanding all of Nevada Hydro's actions to the contrary, the TE/VS Interconnection is intended to be a network transmission facility, it is imperative that Nevada Hydro and the CAISO follow and complete the requirements of the CAISO Tariff Section 24. Certainly, the CAISO ratepayers cannot legitimately be asked to bear the costs associated with the TE/VS Interconnection, nor should FERC be making such a determination of the just and reasonable costs of the facility unless and until the requisite studies have established the need for this facility.

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<sup>5</sup> PTO application at p. 1.

## **II. TO Tariff**

Putting aside all of the substantive problems noted above with respect to the Application,<sup>6</sup> Nevada Hydro's proposed TO Tariff includes various errors and language insufficiencies that Nevada Hydro should remedy when and if Nevada Hydro qualifies to become a PTO. For example, many of the terms and definitions in Nevada Hydro's TO Tariff are obviously unnecessary, such as the FTR-related definitions, and the Zone-related definitions, which do not exist under the CAISO's Market Redesign Tariff Update ("MRTU"). Additionally, the term TSR should be replaced with the term "Entitlement" throughout the TO Tariff.) There is no need for the definition of the term "TSR" and it should be deleted in its entirety. Furthermore, Section 5.4 provides a different definition of Transmission Service right than its PTO application, which should simply be deleted.

SCE hereby reserves its rights to raise additional issues regarding Nevada Hydro's TO Tariff, and to file additional comments at a later time, if necessary. We appreciate your consideration of the issues addressed in these comments.

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<sup>6</sup> SCE's comments on Nevada Hydro's TO Tariff are not included to waive or alter in any respect the concerns raised by SCE above with respect to the fundamental deficiencies in the Nevada Hydro's PTO Application. These comments are only intended to aid Nevada Hydro in developing an appropriate and workable TO Tariff should such a TO Tariff become necessary.