# Subscriber Participating TO Model

## Final Proposal

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# 1 Introduction

The ISO developed the Subscriber PTO Model presented in this Final Proposal as an option for streamlining the development and enhancing the ongoing operation of transmission to meet public policy requirements or objectives, and California's energy policy goals in particular.

The need for additional generation of electricity over the next 10 years, including the need for carbon-free resources, some of which are out-of-state, has escalated rapidly in California as it continues transitioning to the decarbonized electrical grid required by Senate Bill 100 that was signed into law in 2018. This in turn has been driving a dramatically accelerated pace for new transmission development in current and future planning cycles. To help ensure we have the transmission in place to achieve this transition reliably and cost-effectively, the ISO has been coordinating with the state's primary energy planning and regulatory entities to adopt a much more strategic and proactive approach to resource, procurement, transmission planning and interconnections overall. The more proactive and coordinated strategic direction reflected in this year's transmission plan is set forth in a joint Memorandum of Understanding ("MOU")[1] signed by the ISO, the California Public Utilities Commission ("CPUC") and California Energy Commission ("CEC") in December 2022, that tightens the linkages between these key processes. The MOU emphasizes the continued role of the state agencies to provide resource forecasts - in the form of portfolios of resource quantities and locations – for planning purposes.

The CPUC has provided resource portfolios[2] as an input to the ISO's 2023-2024 transmission planning process calling for out-of-state wind generation that requires new transmission to reach the ISO border – 1,000 megawatts ("MW") from Idaho, 1,500 MW from Wyoming, and 2,328 MW from New Mexico. These volumes build on the amounts provided as part of the ISO's 2022-2023 transmission planning process ("TPP"), and match the values that the ISO used to size the transmission needed from the ISO border to load centers in the 2022-2023 plan. These amounts also align with the longer-term requirements set out in the scenario provided by the CEC and the CPUC to the ISO for the ISO's 20-Year Transmission Outlook released in May 2022.

The ISO is developing a Subscriber PTO Model for transmission projects moving forward through commercial interest to efficiently and cost-effectively deliver generation from out-of-state resource developers to California without increasing the Transmission Revenue Requirement ("TRR") of the Transmission Access Charge ("TAC"),[3] - except as already allowed for reimbursement of network upgrades within the ISO grid - and without selecting a specific project through the TPP but rather leveraging the actual

1 http://www.caiso.com/Documents/ISO-CEC-and-CPUC-Memorandum-of-Understanding-Dec-2022.pdf
2 CPUC Decision (D.) 23-02-040 adopted on February 23, 2023.
3 The access charge for use of the ISO controlled grid is currently $14.4449/MWH.

commercial interest generated by procurement and contracting entities. Beyond California's internal resource planning needs, markets like the Extended Day-Ahead Market will also benefit from improved integration of the ISO system with other utility systems in the Western interconnection through implementation of the Subscriber PTO Model.

Delivery of energy from out-of-state wind resources to the ISO balancing authority area ("BAA") will require development of long-distance transmission infrastructure to deliver power across multiple states. The ISO typically receives out-of-state generation from pseudo-tie arrangements. However, the ISO has found that standalone generation-only BAAs are more complicated when it comes to pseudo-tie arrangements. They are also less flexible for the generation needing to be considered through the market import capability process, and more challenging in utilizing transmission capacity that becomes available in real-time for other uses.

In addition, the Federal Energy Regulatory Commission ("FERC") has established policies supporting the development of transmission projects, including high-voltage direct current ("HVDC") transmission projects capable of transmitting power over long distances, through an approach where subscribers agree to fund such transmission projects in exchange for long-term transmission service rights.[4] The ISO is developing a model that will facilitate the delivery of needed resources to the ISO by accommodating FERC's subscriber-funded transmission approach.

The ISO is already discussing this model with project developers seeking to join the ISO with a project using the FERC subscriber-funded transmission approach. As an example, TransWest Express, LLC ("TransWest") has submitted multiple study requests into the ISO's TPP for the TransWest Express Transmission Project ("TWE Project"). Approval of the TWE Project as a regional or interregional project under ISO operational control as a result of selection in the TPP did not occur for a number of reasons, largely due to the resource planning decisions underpinning policy-driven transmission needs that did not support development at that time. TransWest approached the ISO to discuss how it could be possible for a potential generator interconnection customer interested in supporting the project to determine its viability. The result of these discussions informed the ISO's broader efforts to accommodate FERC's subscriber-funded transmission development approach, as reflected in the "Subscriber PTO Model".

The Subscriber PTO Model provides an opportunity for a project to move forward – or not – depending on whether the subscriber or subscribers to the project can contract its resources to be delivered to the ISO BAA, *e.g.,* through contracts with California load

[4] *See, e.g., Allocation of Capacity on New Merchant Transmission Projects and New Cost-Based, Participant-Funded Transmission Projects; Priority Rights to New Participant-Funded Transmission*, 142 FERC ¶ 61,038 (2013). Under this approach, subscribers are identified through an open solicitation process approved by FERC.

serving entities.[5] Comparable projects can similarly move forward under this same model. This allows the load serving entities or other contracting parties to determine the most economic and best fit for their own portfolios.[6] Once the Subscriber Participating TO have determined with certainty it will build the project, it will notify the ISO. Once the notification has been received and the criteria established to include the Subscriber Participating TO project in the TPP and Generator Interconnection and Deliverability Allocation Procedure ("GIDAP") has been completed, and then other generators may request to interconnect to the Subscriber Participating TO transmission facilities.

The Subscriber PTO Model would be used for new transmission lines to be built outside of the ISO BAA whose developers want to build and place their transmission facility(s) under ISO operational control and use those transmission facilities to connect generation to the ISO BAA without a decision in the TPP process.[7] The combined project, financed through the FERC-approved subscriber process, would be outside of the TRR of the TAC or Wheeling Access Charge ("WAC").[8] The ISO presents the Subscriber PTO Model as a potential win-win arrangement for the ISO, California load serving entities and project sponsors.

This Final Proposal presents a solution for establishing a Subscriber PTO Model with enhancements based on comments received from stakeholders on June 5, 2023 following the presentation of the Subscriber PTO Model Revised Draft Final Proposal presented on May 22, 2023.

# 2 Subscriber PTO Model Framework

A Subscriber Participating TO is a transmission owner outside of the ISO BAA whose transmission assets and Entitlements[9] were constructed, and whose transmission capacity is subject to long-term contractual obligations, to deliver energy, capacity, and associated attributes to satisfy state, municipal, county or federal policy requirements or directives. A Subscriber Participating TO will not include a TRR in the ISO's TAC or WAC for the initial build of the transmission and generation facilities that are connecting to the ISO controlled grid. Generator network upgrades or network upgrades identified in the interconnection studies and TPP for existing Participating TOs to connect the

[5] TransWest held a FERC-approved open solicitation process for the north-south capacity on the TWE Project, and the Power Company of Wyoming LLC ('PCW") obtained the subscription rights for the north-south capacity from Wyoming to the New Substation connecting the TWE Project. PCW is a developer of wind projects in Wyoming.

[6] The ISO has also been exploring alternatives that may include a generation-only balancing authority area pseudo-tying resources into the ISO.

[7] If the TPP identifies a transmission project to be built, consistent with Section 24 of the ISO tariff, it would be competitively bid if the criteria for competitive solicitation are met.

[8] The Subscriber PTO Model would be used solely for a transmission project that is paid for by subscribers and is outside the ISO BAA to be studied and incorporated into the ISO grid.

Subscriber Participating TO project will be financed consistent with the existing ISO tariff.[10]

An initial step towards allowing a project developer to join the ISO with a project using the FERC subscriber-funded transmission approach is for the ISO and a project sponsor to execute the Applicant Participating Transmission Owner Agreement ("APTO Agreement") to establish a working relationship between the developer and the ISO, similar to an approved project sponsor. This allows the Applicant Participating TO ("APTO") to act as a Participating TO predominately in the transmission planning and generator interconnection processes. It also allows communication between the ISO and the APTO regarding the status of the project.[11]

**Summary of Stakeholder Feedback on the Revised Draft Final Proposal**

The ISO received comments from 10 stakeholders regarding the Subscriber PTO Model Revised Draft Final Proposal. The following stakeholders provided comment: ACP-California, California Community Choice Association, CPUC Energy Division, CPUC Public Advocates Office ("Cal Advocates"), Golden State Clean Energy, Joint Commenters (BAMx, Six Cities, and NCPA[12]), LS Power, NextEra Energy Resources, Southern California Edison Company ("SCE"), and TransWest Express ("TransWest").

All stakeholders except Joint Commenters expressed support, some strongly, for the ISO developing a Subscriber PTO Model that would connect resources outside of the ISO BAA to be within the ISO BAA by connected to subscriber-funded transmission projects.

A number of stakeholders support the development of the SPTO Model and appreciated the work that the ISO has put into the development of a new approach to Participating TO participation through the Subscriber Participating TO initiative. The existence of new options, such as the Subscriber PTO model, to bring diverse clean energy resources online and deliver them to ISO load is critical to meet the state's decarbonization goals. The CPUC's Energy Division commented that it appreciates the potential benefits of a subscriber-funded participating transmission owner approach ("Subscriber PTO Model") for procuring out-of-state resources that increase the diversity of options for resource technologies and geographic locations. The Subscriber PTO Model could significantly help California meet its procurement goals for out-of-state resources, as set forth in the Preferred System Plan adopted by the CPUC in Decision 22-02-004.

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10 For network upgrades defined in the interconnection study process financing and reimbursement will be consistent with Section 10 and 11 of Appendix DD and Section 11 of Appendix EE. For TPP defined network upgrades financing will be consistent with Section 24 of the ISO tariff.

11 The ISO executed the Applicant Participating Transmission Owner Agreement with TransWest Express and filed it at FERC on January 13, 2023. Docket No. ER23-838 which was approved March 15, 2023.

12 The Joint Commenters include: the Bay Area Municipal Transmission group, which consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power ("BAMx"); the Northern California Power Agency, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the Six Cities").

Stakeholders requested additional detail and clarification regarding the generator interconnection process, deliverability allocation and the sequencing of the TPP and GIDAP processes for a Subscriber Participating TO project; additional detail on what type of projects are eligible for Subscriber PTO Model treatment; and the use of Congestion Revenue Rights ("CRRs") with respect to the Subscriber PTO Model.

As discussed further below, two commenters had specific components of the proposal that they oppose:

- Joint Commenters believe the Subscriber PTO Model is detrimental to the interests of the ISO transmission customers with respect to 1) the processes that the ISO will use to perform studies to identify (i) the network upgrades that are needed to interconnect the Subscriber Participating TO transmission facilities; and (ii) the network upgrades that are needed to enable the interconnection and deliverability of generation resources via the Subscriber Participating TO transmission facilities; and 2) the cost allocation for network upgrades associated with items (i) and (ii) above is inconsistent with the principle that existing ISO ratepayers not utilizing the Subscriber Participating TO facilities would be held harmless from increases in the ISO's Access Charge rates as a consequence of the Subscriber Participating TO facility.
- SCE's primary concern with the Subscriber PTO model is ensuring that none of the "original build" costs of a Subscriber Participating TO facility work their way into the ISO's TAC and strongly opposes the Subscriber Wheeling Charge concept.

# 3 Implementation of Subscriber PTO Model

## 3.1 Use of Encumbrances

Since inception, the ISO has honored Existing Contracts.[13] Existing Contracts are either Encumbrances[14] on the ISO Controlled Grid or are Entitlement rights that a Participating TO has on transmission facilities in a balancing authority area other than

[13] The contracts, which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as, may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Section 16 of the ISO tariff provides for treatment of Existing Contracts. There are over 40 different Encumbrances on the ISO controlled grid today.

[14] A legal restriction or covenant binding on a Participating TO that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances shall include Existing Contracts and may include: (1) other legal restrictions or covenants meeting the definition of Encumbrance and arising under other arrangements entered into before the ISO Operations Date, if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the ISO Operations Date.

the ISO. If the existing rights are not used by the existing rights holder, they are available for use in the ISO market.

The ISO holds the existing rights holder harmless from the cost of transmission and congestion because it has already paid for the transmission service through the Existing Contract. In addition, Existing Contracts have priority rights on the transmission path they have under contract. Providing this treatment for Subscriber Rights[15] would be much the same, except the legacy arrangements of existing Participating TOs were established at an earlier point in time. It is not uncommon for transmission owners to have legacy arrangements, which the ISO would honor if operational control of those facilities and entitlements were turned over to the ISO.

Here, the ISO proposes to honor Subscriber Rights as an Encumbrance essential to development of transmission facilities and that pre-dates the transmission owner becoming a Participating TO. The ISO has concluded that affording Encumbrance treatment to Subscriber Rights under the Subscriber PTO Model is appropriate and necessary because FERC's subscriber-funded transmission approach relies on long-term contractual transmission rights to subscribers to allow the project to be funded and built. If Subscriber Rights are not recognized through Encumbrances, it is unlikely that subscriber-funded transmission projects connecting out-of-state resources and benefiting California load-serving entities would be built.

The Subscriber Right will be treated in the same manner as an Existing Contract and receive the "perfect hedge" and scheduling priority since the contract rights holder will pay for the transmission under its transmission service agreements with the Subscriber Participating TO.[16]

### Stakeholder Feedback

This element of the proposal did not receive additional stakeholder feedback.

### Final Proposal

The ISO does not propose to change the solution offered in the Revised Draft Final Proposal and will use its existing Encumbrance functionality for the Subscriber Rights under the Subscriber PTO Model, thereby providing subscribers such as generator off-takers with the perfect hedge on the Subscriber Participating TO transmission facilities. As previously discussed, the perfect hedge provides the Subscriber Rights holder a scheduling priority for the contract path and exempts a Subscriber Rights holder from transmission service charges, congestion, bid cost recovery allocation, offsets and

[15] The ISO tariff would have this new definition: "Subscriber Rights means the transmission service rights and obligations of a Subscriber Participating TO to transmission customers with contracts entered into under the Subscriber Participating TO Tariff, as that tariff may change from time to time.

[16] The "perfect hedge" provides a scheduling priority for the contract path and exempts an Existing Rights holder from transmission service charges and congestion.

Integrated Forward Market congestion allocation similar to all ETCs and TORs in the ISO BAA.

## 3.2 Transmission Costs

A Subscriber Participating TO ***will not*** include in the ISO TAC the cost of its project – the TRR associated with building the transmission line to the existing ISO controlled grid or interconnecting the generation to its transmission line. However, any additional costs associated with upgrades required on an existing Participating TO's transmission system to interconnect the Subscriber Participating TO project would be included in the ISO's TAC. The Subscriber Participating TO will enter into agreements with its subscriber(s) to pay for the original line costs – capital, operation and maintenance, administrative and general, etc. – and be allowed to recover a Subscriber Wheeling Charge for the use of its transmission facilities by a non-subscriber. The ISO will model the project in the full network model, and only the self-schedule quantity provided by the Subscriber Rights in the day-ahead and real-time market will encumber the line. Self-schedules with Subscriber Rights will not pay the TAC rate or the ISO's WAC rate for use of the Subscriber Participating TO facilities. The remaining portion of the project that is not subscribed or scheduled using Subscriber Rights will be available for ISO market optimization, and a non-subscriber that uses the line will pay the applicable TAC or WAC rates. The TAC rate is paid by load within the ISO BAA and the WAC rate is paid by exports at the scheduling point where the transaction leaves the ISO BAA.

**Stakeholder Feedback from the Revised Draft Final Proposal**

Joint Commenters remain concerned that the proposal has shifted from the original principle on which the Subscriber PTO Model was initially premised, which the Joint Commenters had understood as providing that existing ISO ratepayers that do not utilize the Subscriber Participating TO facilities would be held harmless from increases in the ISO's TAC rates as a consequence of the Subscriber Participating TO facility. Similarly, SCE is concerned that the proposal allows one pathway in particular for costs related to the original build to affect the TAC that SCE believes should be reversed in the Final Proposal. Joint Commenters, CalCCA and SCE believe that costs associated with network upgrades on existing Participating TO systems should not be refunded over five years and the existing Participating TO should not include such costs in their TAC TRR.

SCE commented further that upgrade costs would be separable from the original build costs (the ISO has proposed to fully document the original build costs of the Subscriber Participating TO), and should be considered separately for cost recovery. In some instances, it would be appropriate for upgrades to be paid for by new subscribers, as in the case where upgrades are built to increase the capability of the facility to serve non-ISO BAA load (then, new subscribers would pay any incremental upgrade costs). If incremental costs are not recovered from new subscribers, and if the upgrades are for serving ISO BAA load, recovery of these upgrade costs should be through the ISO's

TAC. In both instances described above, the Subscriber Participating TO is fully compensated for its network upgrade costs, either through the ISO's TAC or through new subscriber revenue. SCE further commented that no Subscriber Wheeling Charge would be needed for these non-original build costs, and the ISO Wheeling Charge assessed for exiting the Subscriber Participating TO facility would equal the charge assessed to exit at any other High Voltage ISO exit point (assuming the Subscriber Participating TO facility is also High Voltage).

SCE does not take issue with costs associated with network upgrades that are studied in the ISO's TPP, even though such network upgrades would also be included in the TAC, because SCE believes a holistic consideration of network upgrades needed to meet approved CPUC resource portfolios through the ISO's TPP is the appropriate means of determining upgrades to the ISO grid for this purpose. The ISO justifies the inclusion of network upgrade costs associated only with the GIDAP in the TAC by saying that reimbursements for network upgrades associated with out-of-BAA generators are already allowed pursuant to FERC policy. However, SCE and Joint Commenters do not believe the policy cited is on point, since it is not specific to transmission line interconnections for a line that ultimately would be a part of the ISO BAA and in making such policy and obtaining FERC approval the ISO emphasized the narrow context of interconnections by new resources to neighboring systems that caused reliability or other issues on the ISO system, explaining that historically affected system issues on the ISO grid have been rare.

The ISO still believes the use of the Subscriber PTO Model will be limited and therefore analogous to the affected system cost recovery. The model is for transmission projects outside of the ISO BAA that will be interconnecting to the ISO so that generation can reach the ISO's ratepayers to satisfy state, municipal, county or federal policy requirements or directives including the renewable portfolio standards and greenhouse gas emissions. In that the initiative is to meet policy requirements or directives, the resources that the Subscriber Participating TO would be bringing to the ISO BAA will be renewable generation that will allow other generation to use the new internal network upgrades at others times of the day thereby relieving existing congestion on the system. The Participating TO network upgrades will be benefiting ISO's ratepayers in two ways; first ISO ratepayers are very likely to be the off-taker of the Subscriber Rights, and second the additional transmission available within the BAA as a result of these upgrades will likely decrease congestion in the market, benefiting all ratepayers.

Joint Commenters stated they are open to funding necessary reliability and deliverability upgrades through the ISO's Access Charge rates, if the off-takers of these subsequently interconnecting resources are ISO entities. If they are not ISO entities, then Joint Commenters believes it is not appropriate to require ISO transmission customers to fund upgrades on facilities that are for the benefit of resources procured by external parties. Joint Commenters state such funding is inconsistent with the ISO's recently-adopted policy in the Transmission Service and Market Scheduling ("TSMS") Priorities

initiative, which provides for external parties seeking wheeling priorities to prepay the WAC for the duration of their request or, in the event of a long term request for which incremental deliverability capacity is necessary, to fund studies and pay for upgrade costs associated with providing incremental deliverability to the extent the upgrades are not deemed needed as a reliability, economic, or policy project by the ISO. The Subscriber Participating TO is not similarly situated with entities that are the subject of the TSMS initiative. The TSMS initiative allows an entity to have long-term firm transmission wheeling rights into and out of the ISO BAA which absent their request the network upgrade would not be needed; whereas the Subscriber Participating TO project is within the ISO BAA, will bring needed generation to meet California's policy initiatives and it is unlikely an off-taker would be a non-ISO entity because it would incur all ISO cost to export the generation from the ISO BAA. In that instance, it would be more likely that the generator would not build in the ISO BAA and build in a different BAA.

**Final Proposal for Transmission Costs**

The ISO does not propose to change the Revised Draft Final Proposal. The ISO will assess the TAC for non-subscriber imports using the Subscriber Participating TO scheduling point(s) and assess the WAC for non-subscriber exports using the Subscriber Participating TO scheduling point(s). The Subscriber Participating TO will be allowed to develop a Subscriber Wheeling Charge that does not exceed the ISO's then existing TAC and WAC that is approved by FERC and paid by non-subscriber use of the Subscriber Participating TO transmission facilities.

Any network upgrades required on existing Participating TO transmission facilities to interconnect the Subscriber Participating TO project will be recovered by the Participating TO through their TRR consistent with the ISO tariff. The TAC and WAC revenue received from non-subscriber uses of the Subscriber Participating TO facilities will be disbursed first to pay the Subscriber Participating TO for non-subscriber uses of its facilities, with any remaining revenue allocated to the other Participating TOs consistent with the existing revenue allocation process for non-load serving Participating TOs.

## *3.2.1 Subscriber Wheeling Charge*

The ISO has concluded that a separate Subscriber Wheeling Charge[17] is appropriate under the unique circumstances of the Subscriber PTO Model. Consistent with cost causation and open access principles, the ISO believes non-subscribers cannot use the project of a Subscriber Participating TO for free. On the other hand, including any costs of a Subscriber Participating TO's transmission facilities in the TRR for the TAC or WAC would be contrary to a fundamental design principle of the Subscriber PTO Model,

[17] Please note that in developing the ISO tariff language for this proposal it has been determined that the Subscriber Wheeling Charge is going to be renamed the Non-Subscriber Usage Rate. But, to avoid confusion in the proposal, the term will not be changed thereby allowing consistency with the previous stages of the proposal.

which allows these projects to move forward without funding through a TRR by all ISO customers. The evolving intent of this principle was the cost to build the Subscriber Participating TO's transmission facilities should not be included – not that the cost of network upgrades on existing Participating TOs transmission facilities to interconnect the Subscriber Participating TO's transmission facilities should not be included in the TAC and WAC which as discussed above does benefit ISO ratepayers. Similar to the TAC and WAC, the existing Participating TOs recover the cost of usage of current ISO controlled grid facilities through the ISO market systems. For a Subscriber Participating TO project, because the Subscriber Participating TO is not including the TRR for the original build of its transmission facilities or ongoing costs of its transmission facilities in the TRR for the TAC or WAC, the Subscriber Participating TO should be entitled to cost recovery if a Scheduling Coordinator other than a subscriber uses the project.[18]

The ISO will collect the TAC for imports or the WAC for exports on the Subscriber Participating TO scheduling points from Scheduling Coordinators that do not have a Subscriber Encumbrance (*i.e*. non-subscribers). If the Subscriber Participating TO facility had not been built, this additional revenue would not have been collected. The Subscriber Participating TO will develop a Subscriber Wheeling Charge in accordance with the ISO tariff and the Subscriber Participating TO's transmission owner tariff that will be approved by FERC. Any updates to the Subscriber Wheeling Charge will also need to be approved by FERC. The Subscriber Participating TO will notify the other Participating TOs and Approved Project Sponsors similar to the regulatory requirements of all other Participating TOs when it makes a FERC rate filing for the Subscriber Wheeling Charge. This Subscriber Wheeling Charge will be deducted from the revenue collected by the TAC and WAC.[19]

Specifically, the ISO will determine a MWH quantity based upon the bi-directional usage of the Subscriber Participating TO transmission facilities by non-subscribers. To obtain this rate, the ISO will determine the absolute value of non-subscriber import and export schedules at the Subscriber Participating TO scheduling point(s) and the Subscriber Wheeling Charge will be a volumetric rate ($/MWH) to use the Subscriber Participating TO facilities. The amount of revenue the Subscriber Participating TO would receive would equal the following:

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[18] Given the existing ISO tariff requirement for the Participating TOs to reimburse generation owners for network upgrades and the March 27, 2023 FERC Order on the Interconnection Process Enhancement 2021 initiative established that external interconnection customers will be eligible for repayment of amounts advanced for network upgrades internal to the ISO needed to maintain reliability, the Participating TO will reimburse them in cash within five years of commercial operation of the generating facility. *Tariff Amendment to Implement Interconnection Process Enhancements filed January 26, 2023 (FERC Docket No. ER23-941).* The ISO sees no reason to treat Subscriber Participating TOs any different with respect to network upgrades required on an existing Participating TO system.

[19] The Subscriber Wheeling Charge will not be separately paid by any customer taking transmission service over the ISO controlled grid. Instead, the Subscriber Wheeling Charge will be a component deducted from the revenues received from customers paying the TAC for imports or the WAC for exports on the Subscriber Participating TO scheduling points.

[|MWH import at Subscriber Participating TO Scheduling Point| + |MWH import at Subscriber Participating TO Scheduling Point|] * Subscriber Wheeling Charge ($/MWH) = $ paid

The TAC and WAC revenue received from non-subscriber uses of the Subscriber Participating TO facilities will be disbursed first to pay the Subscriber Participating TO for non-subscriber uses of its facilities, with any remaining revenue allocated to the other Participating TOs consistent with the existing revenue allocation process for non-load serving Participating TOs.

The ISO will not include the Subscriber Wheeling Charge of the Subscriber Participating TO transmission facilities in the calculation of the TRR for the TAC or WAC. Because the Subscriber Participating TO transmission facilities will add new scheduling points, the ISO will be receiving more revenue than required to meet the existing Participating TO's TRR. This additional revenue will be available to meet the Subscriber Wheeling Charge discussed above.

**Stakeholder Feedback from the Revised Draft Final Proposal**

CalCCA generally supports the ISO's proposal to charge non-subscribers the TAC or WAC to use the Subscriber Participating TO line and use the TAC or WAC charges to first pay for the subscriber WAC developed by the subscriber and approved by the Federal Energy Regulatory Commission, including capping the rate at the Regional TAC or WAC rate.

SCE continues to question the need for any Subscriber Wheeling Charge, at least associated with the original build costs of the project. SCE's view is that a Subscriber Participating TO facility should not be approved by the ISO without the Subscriber Participating TO agreeing to deem the project "fully subscribed" for the capacity of the project. That is, no cost of the original project will ever be: 1) included in the ISO TAC; or 2) be eligible for a wheeling charge/revenue. A full subscription will deem that the subscriber contracts yield the full TRR of the Subscriber Participating TO through the charges (without considering any revenue credits). ISO approval for the Subscriber Participating TO to construct the facility only after having been deemed to be a full subscription requirement would ensure that there would be no left over unrecovered costs for the Subscriber Participating TO associated with the original build. It would also mean that there would be no original build costs for the Subscriber Participating TO to recover through any Subscriber Wheeling Charge. SCE comments that to use ratemaking terms, the net TRR of such an entity would be $0, since there would be a revenue credit (i.e., revenue received from the subscriber entities) equal to the costs of owning and operating the facility. Since the TRR of the Subscriber Participating TO for the original build would be $0, the Subscriber Wheeling Charge relating to original build costs should also be $0 (if it is even determined at all). As a companion to "deeming" the line fully subscribed, the Subscriber Participating TO should receive CRRs associated with the full amount of the Subscriber Participating TO project turned over to

the ISO. Under the SCE proposal, although the original project will never receive wheeling revenue, it will receive congestion rents. This would serve as a payment the Subscriber Participating TO is allowed to keep, and should be a net benefit to the Subscriber Participating TO when 1) the line is congested, and 2) third parties are using the line (and thus paying for congestion).

The ISO understands SCE's position, but respectfully disagrees. As previously stated, the use of CRRs for compensation to the Subscriber Participating TO would only compensate the Subscriber Participating TO if there were congestion on the line and not for the transmission service provided to non-subscriber user of the line. As discussed previously the ISO has concluded that a separate Subscriber Wheeling Charge is appropriate under the unique circumstances of the Subscriber PTO Model. The ISO believes that, consistent with cost causation and open access principles, non-subscribers cannot use the Subscriber Participating TO project for free. In addition, the ISO revised the CRR process in the CRR 1B initiative in 2018 whereby, at a high level, all CRR revenue is cleared on a daily/monthly basis. Revenue received in the Day-Ahead Market is used first for the perfect hedge for ETCs/TORs, and then to reimburse CRR holders for their congestion costs. If there is surplus revenue it goes into a balancing account. If there is insufficient revenue then the CRR holders get a pro rata reduction on the reimbursement of their congestion costs. If at the end of each month, there is any money in the balancing account it is returned to the ISO's Measured Demand less ETC/TORs. While Merchant Transmission CRRs are still allowed under the ISO tariff, the project sponsor can either have CRRs allocated to them or a regulatory rate, but not both.[20] As discussed previously the compensation of just CRRs has never resulted in a transmission line being built and some type of rate recovery is consistent with cost causation and FERC principles.[21]

SCE strongly opposes the ISO proposal for a Subscriber Wheeling Charge per kWh charge for the Subscriber Participating TO, the wheeling-out from the Subscriber Participating TO is not possible but-for the use of existing ISO transmission. If the WAC is now paid to the Subscriber Participating TO, SCE believes it effectively deprives the other Participating TOs from recovering the WAC that, but-for the Subscriber Participating TO, they would have received. This is neither just nor reasonable. SCE states this is just another reason that the Subscriber Participating TO should only be entitled to congestion rents, and should never receive WAC on the original costs of the Subscriber Participating TO line.

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20 ISO tariff Sections 36.10 and 36. 11.

21 As an example, the ISO looked at paths that will be impacted by the TWE Project. Since all north-to-south flows are encumbered, all congestion revenue will be used to ensure the perfect hedge. To estimate congestion in the south-to-north direction, the ISO looked at exports for the period of June 2022 to March 2023 at Eldorado, Harry Allen and IPP to see the volume. There were only two exports (one in March 1 for 50 MW and another December 1 for up to 91 MW) which would not result in any congestion revenue for the TWE Project.

As discussed above, the ISO has determined that new Scheduling Points the Subscriber Participating TO adds to the ISO controlled grid will provide additional WAC revenue that would not have previously been received but-for the Subscriber PTO Model. As an example, SCE will still receive the WAC at Eldorado that it receives today from its interconnection with Los Angeles and Arizona. However, SCE would not have received the WAC for transactions from PacifiCorp, IPP or TWE Crystal that TransWest will be bringing to the ISO. Therefore, there is not a loss in WAC revenue for the existing Participating TOs.

TWE commented that the Revised Draft Final Proposal leaves open the question of whether CRRs may be used with respect to the south-to-north capacity on the TWE Project. TWE comments it is important to clarify that to the extent a CRR construct is used with respect to the TWE Project, TransWest expects that the revenue associated with such CRRs would be allocated to TransWest or its subscriber PCW in some manner because it is the Subscriber PTO that is funding the entire cost of the construction and operation of the TWE Project. While TransWest only requires an Encumbrance on the TWE Project in the north-to-south direction to deliver wind generation to California customers, all revenues associated with use of the TWE Project transmission facilities – whether by subscribers or non-subscribers, and in both directions – should flow back to TransWest or its subscriber PCW as the Subscriber PTO. As discussed above, TWE does have a choice to accept CRR allocation or some type of rate recovery. Based on past discussions with TWE and ISO experience, the ISO believes the opportunity for some type of rate recovery is preferred.

### *3.2.2 Future Network Upgrades*

If in the future, as discussed further in Section 3.4, a generator wants to interconnect to the Subscriber PTO transmission facilities, the ISO will evaluate the generating facility as it does any other potential generation projects through the ISO's generator interconnection process consistent with Appendix DD of the ISO tariff. In addition, if the ISO is provided portfolios from the CPUC that require generation in a certain area, the TPP determines transmission that must be built to meet the needs of the portfolio. If a Subscriber Participating TO's bid wins the competitive solicitation process consistent with Section 24 of the ISO tariff or if the Subscriber Participating TO is otherwise designated to build a new project (such as an upgrade to its existing facilities) under Section 24, then the Subscriber Participating TO could have its costs solely for the new TPP project paid for under the Regional TRR. In this scenario, the Subscriber Participating TO would establish a Regional TRR to recover those costs of new facilities or upgrades to accommodate the interconnection or TPP approved transmission facility.

Transmission Charge

| | Subscriber | Non-Subscriber |
|---|---|---|
| During Subscriber Agreement term | Paid through transmission service agreement | Pays the TAC or WAC based on market usage |
| New transmission interconnection during term of Subscriber Agreement | No impact | Subscriber PTO develops a TRR to cover these additional costs and once approved by FERC, are added to the ISO TRR as if they were a new Participating TO. |
| Subscriber Agreement terminated | N/A | Pays the TAC or WAC based on market usage |

**Stakeholder Feedback from the Revised Draft Final Proposal**

This element of the proposal did not receive additional stakeholder feedback.

**Final Proposal for Future Network Upgrades**

The ISO does not propose to change the Revised Draft Final Proposal. If a new generator in the future were to connect to the Subscriber Participating TO transmission facilities, schedules for the new generator output not using subscriber rights will be assessed as a non-subscriber use of the Subscriber Participating TO transmission facilities. The revenue received from non-subscriber deliveries on these scheduling points will first pay the Subscriber Wheeling Charge for import and exports using the Subscriber Participating TO transmission facilities and the remainder will be available to pay the TRR of the other Participating TOs. The Subscriber Wheeling Charge will not be greater than the TAC or WAC.

For any future network upgrades required by the generator interconnection process or TPP that is not part of the original build, the Subscriber Participating TO will develop a FERC-approved TRR that will be incorporated into the ISO's TAC and WAC.

## *3.2.3 Termination of the Subscriber Encumbrance*

The Subscriber Participating TO will establish the Subscriber Encumbrance terms and it may vary with different subscriber agreements with the Subscriber Participating TO. Whether to continuing the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of its transmission facilities. However, the Subscriber Participating TO will not receive TAC/WAC rate recovery for the original building costs

of the Subscriber Participating TO transmission facilities regardless of any continuation of Subscriber Encumbrances.

**Stakeholder Feedback from the Revised Draft Final Proposal**

This element of the proposal did not receive additional stakeholder feedback.

**Final Proposal for Termination of the Subscriber Encumbrance**

The ISO does not propose to change the Revised Draft Final Proposal. The ISO and Subscriber Participating TO will memorialize the original-build costs and a schedule of depreciation as well as the initial subscriber term. At the end of the Subscriber Encumbrance term, the decision whether or not to continue the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of their transmission facilities. The Subscriber Participating TO will not include in the TAC or WAC its TRR for the original build cost of the Subscriber Participating TO transmission facilities.

## 3.3 Transmission Cost Allocation

### *3.3.1 Cost to Subscribers*

Consistent with the design of the Subscriber Wheeling Charge discussed above, the Subscriber Participating TO will have its own TAC Area. The subscriber has already paid for the cost of transmission and congestion on the Subscriber Participating TO transmission facilities. In the case of the TransWest Project, the subscriber right for an ISO load serving entity would get the transaction to the New substation connecting to the Harry Allen – Eldorado transmission line.

If the subscriber has already purchased ancillary services, it will not pay those charges. Similar to other Existing Contract Rights holder, the subscribers with Subscriber Rights will be excluded from bid cost recovery allocation, offsets and Integrated Forward Market congestion allocation. They are exempt from these additional costs because: (1) the SC is providing its own supply to meet its own demand and the ISO is not economically dispatching resources to meet its load; (2) these schedules are not optimized by the market, and (3) the supply resource is a price taker and not eligible for bid cost recovery. As such, costs associated with these schedules will be minimal. The ISO will calculate all other ISO charges, including losses, in accordance with the ISO tariff.

If a non-subscriber uses Subscriber Participating TO transmission facilities, the SC would pay all applicable costs including the TAC or WAC, congestion and all other ISO charges, including losses, as calculated in accordance with the ISO tariff.

#### Stakeholder Feedback from the Revised Draft Final Proposal

This element of the proposal did not receive additional stakeholder feedback.

#### Final Proposal for Cost to Subscribers

The ISO does not propose to change the solution in the Revised Draft Final Proposal. The Subscriber Participating TO will have its own TAC Area. Similar to other Existing Contract Rights holders, the subscribers have already paid for the cost of transmission and congestion and the ISO will apply the Existing Contract ISO tariff provisions. Provided the subscriber uses a balanced schedule, it will be excluded from bid cost recovery allocation, offsets and IFM congestion allocation. If the subscriber already purchased ancillary services, it will also not pay those charges.

### *3.3.2 Cost to Non-Subscribers*

Non-subscribers seeking to deliver through the existing ISO footprint and on the Subscriber Participating TO project will pay the TAC or the WAC, as applicable, for use of both transmission systems. The ISO will have Locational Marginal Prices ("LMPs") at each of the Scheduling Points on the Subscriber Participating TO transmission facilities and at the generation connected to the project. Energy, ancillary services, and all other applicable ISO charges will be charged in accordance with the ISO tariff.

As discussed above, the Subscriber Wheeling Charge will be used to reimburse the Subscriber Participating TO for the use of its transmission facilities by non-subscribers and will be deducted from the TAC and WAC. Under the revised Subscriber PTO Model, Scheduling Coordinators using the Subscriber Participating TO's transmission, other than a subscriber, and other portions of the ISO Controlled Grid will not pay both the applicable Subscriber Wheeling Charge and the ISO's Access Charge separately. As stated above, to avoid rate pancaking, the ISO will charge the TAC or WAC, as applicable, to imports and exports at the Subscriber Participating TO scheduling points. The ISO will allocate revenues for the Subscriber Wheeling Charge through the ISO's settlement systems.

#### Stakeholder Feedback from the Revised Draft Final Proposal

NextEra seeks additional feedback from the ISO on the allocation of congestion revenue that the ISO would collect on market transactions utilizing either released subscriber capacity or available non-subscriber capacity under the SPTO model. During the May 22nd stakeholder call, the ISO indicated that the capacity associated with the Subscriber Right is removed from the CRR model because subscribers obtain physical rights that are a perfect congestion hedge. However, this circumstance does not appear to encompass circumstances where subscribers or owners release their rights in the Day-Ahead and Real-Time for market use. Nor does it appear to encompass a circumstance where a Subscriber Participating TO has unsubscribed capacity available to ISO markets, whether in one-direction or both. NextEra Resources understands that the rationale for the proposed revenue allocation approach stems from

the premise that the market use of the released capacity benefits Load-Serving Entities load, which pay for the embedded costs of the transmission system by paying wheeling access charges. However, this allocation approach overlooks an important fact in the context of the Subscriber PTO Model: unlike what is the case for regulated transmission, load will not pay for the embedded cost of the Subscriber Participating TO facilities through the TAC. Rather, under the Subscriber PTO Model capacity will be subscribed and paid for by subscribers and turned over to the ISO's control as a network facility. Accordingly, consistent with FERC cost allocation principles, the parties paying for the embedded cost of the Subscriber Participating TO transmission facilities (the subscribers and owners) should benefit from the associated congestion rents. The current Subscriber Participating TO proposal seems to be inconsistent with how congestion revenues are allocated for regulated transmission by ISO or EIM/EDAM participants. As discussed in Section 3.2.1 above, the Subscriber Participating TO does have the option in the ISO tariff to received CRRs or some type of rate recovery but not both. Depending upon the project at the time the Subscriber Participating TO requests to become an applicant Participating TO, it must declare the Entitlements and Encumbrances it is proposing to turn over to ISO Operational Control in accordance with the Transmission Control Agreement. If transmission is available (i.e. unencumbered) on the transmission line to release CRRs, the ISO will do so.

So that stakeholders had better understand the ISO's CRR process, the following is a high-level recap. The ISO releases 65% of system capacity (all constraints and thermal limits) in the annual process to load serving entities in the allocation and through the auction for qualified auction participants. The remaining 35% is available in the monthly process. For the annual allocation, the ISO allows load serving entities to nominate up to a maximum of 75% of their historical load. After the ISO has held the three annual allocation tiers, the ISO then opens up for the auction participants. The auction revenues do go into the CRR balancing account. The ISO uses only the Day-Ahead Market congestion rents to fund CRRs and if there are insufficient congestion rents the CRR payments are reduced (to all CRR holders allocation and auction) to the level of Day-Ahead Market congestion rents collected. Auction revenues go back to demand on a monthly basis. Congestion revenue on the Subscriber Participating TO facilities is used to provide the perfect hedge to their off-takers and then to load serving entities that are allocated CRRs or entities that receive CRRs through the auction.

**Final Proposal for the Cost to Non-Subscribers**

The ISO does not propose to change the solution proposed in the Revised Draft Final Proposal. Non-subscribers load will pay the TAC and non-subscriber exports will pay the WAC. The Subscriber Participating TO will receive revenue commensurate with its Subscriber Wheeling Charge and the non-subscriber use of its transmission facilities. Any congestion revenue received on the Subscriber Participating TO transmission facilities will be used first to provide the perfect hedge and then to hedge congestion costs for CRR holders.

## 3.4 Generator Interconnection Process and Subscriber PTO Project Interconnection

As part of the transmission interconnection request process for the Subscriber Participating TO, the affected Participating TO and ISO will study the project for interconnection facilities, and reliability and deliverability network upgrades. If upgrades have been developed in the TPP related to the generation served by the Subscriber Participating TO project for purposes of meeting the portfolios established by the CPUC, then the Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. If additional upgrades are required for the generation served by the Subscriber Participating TO on the existing Participating TO(s) grid, such upgrades will still be financed upfront by the generator connected to the Subscriber Participating TO transmission facilities and the existing Participating TO will reimburse the generator consistent with the GIDAP, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection.

If the TPP does not identify upgrades required for the Subscriber Participating TO project based on the CPUC portfolios, deliverability will be allocated as part of the next Transmission Plan Deliverability ("TPD") allocation process. In these circumstances, upgrades on the then existing ISO controlled grid will still be financed upfront by the generator connected to the existing Participating TO, which will reimburse the generator consistent with the Generator Interconnection and Deliverability Allocation Procedure, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection.

When the Subscriber Participating TO has determined the project will be built the Subscriber Participating TO will notify the ISO. Once that notification is received, if subsequent non-subscriber generators desire to interconnect to the Subscriber Participating TO transmission facilities, because they have committed to become part of the ISO controlled grid, the interconnection requests will be studied and treated in accordance with Appendix DD and Section 25 of the ISO tariff. The generator would finance upfront any new network upgrades, on both the Subscriber Participating TO transmission facilities and Participating TO transmission facilities, if applicable, and those costs would be subject to refund by the Subscriber Participating TO over a five-year period. This is similar to a Participating TO, and consistent with the ISO tariff. In this case, the Subscriber Participating TO would develop a TRR in accordance with Section 26 and Appendix F, Schedule 3 of the ISO tariff to recover the cost of these new network upgrades to the Subscriber Participating TO transmission facilities that will be included in the existing ISO TAC rate. This is consistent with the ISO's treatment of transmission upgrades on the ISO grid triggered by new generator interconnections.

**Stakeholder Feedback from the Revised Draft Final Proposal**

ACP-California requests that ISO articulate the technical and study-related reasons for its proposed approach to the subscriber generation interconnecting to TransWest. This

will help provide necessary clarity to stakeholders. Additionally, this background will be required for future tariff filings, so it will have to be developed at some point, but it would be beneficial for stakeholders to understand prior to this proposal being finalized. ACP-California requests additional detail on the sequencing of the transmission interconnection studies for the Subscriber PTO with the GIDAP process, and the interactions with Cluster 14 and 15 (and earlier clusters). This information is necessary in order for stakeholders to adequately assess whether this creative solution might create concerns around potential harm to other in flight projects. Joint Comments has similar questions.

The ISO clarifies the following detail with respect to the interaction and process for the interconnection study the ISO will be using for the transmission interconnection process to study the network upgrades for the Subscriber Participating TO project, including the attached generation facilities. To study the interconnection of a new transmission line, both the transmission line interconnection points and generation injection must be known. The interconnection process will also provide the deliverability network upgrades if upgrades for the Subscriber Participating TO project exist in the TPP for purposes of meeting the portfolios established by the CPUC. The Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. The Subscriber Participating TO transmission facilities will become part of the GIDAP base case, and available for other generator interconnection, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement ("APTOA") with ISO;
- A signed a generator interconnection agreement with subscriber resources; and
- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
    - Construction Activities[22] have begun.
    - Transmission interconnection studies with interconnecting transmission owners have begun.

ACP-California recommends that ISO use a different term than "right of first refusal." This would help avoid confusion about what is being proposed. Our understanding is that the "right of first refusal" (as ISO is using the term in the Subscriber PTO proposal) is in reference to the deliverability and ***not*** for the right to construct/own the network upgrades themselves. The CPUC Energy Division and Cal Advocates had similar

[22] Construction Activities is defined as actions by a Participating TO that result in irrevocable financial commitments for the purchase of major electrical equipment or land for Participating TO's Interconnection Facilities or Network Upgrades assigned to the Interconnection Customer that occur after receipt of all appropriate governmental approvals needed for the Participating TO's Interconnection Facilities or Network Upgrades.

concerns and questioned why FERC should grant the new exemption from competitive procurement and the ISO should make it clear that the regulations that determine which projects are eligible for competitive solicitation are set by the existing ISO Tariff and FERC Order 1000. The ISO agrees and has changed that language. The ISO does not intend to limit the number of projects eligible for competitive solicitation.

### Final Proposal for Generator Interconnection Process and Subscriber PTO Project Interconnection

The ISO clarifies the Revised Draft Final Proposal with respect to the interconnection study the ISO will be using for the transmission interconnection process to study the network upgrades for the Subscriber Participating TO project, including the attached generation facilities. To study the interconnection of a new transmission line, both the transmission line interconnection points and generation injection must be known. The interconnection process will also provide the deliverability network upgrades if upgrades for the Subscriber Participating TO project exist in the TPP for purposes of meeting the portfolios established by the CPUC. The Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. The Subscriber Participating TO transmission facilities will become part of the GIDAP base case, and available for other generator interconnection, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement ("APTOA") with ISO;
- A signed a generator interconnection agreement with subscriber resources; and
- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
    - Construction Activities have begun.
    - Transmission interconnection studies with interconnecting transmission owners have begun.

In addition, the generator will be required to finance upfront and then be reimbursed by the existing Participating TOs for generator network upgrades on existing ISO controlled grid facilities as required by the ISO tariff if the network upgrade is not required by the TPP.

Future non-subscriber generator network upgrades identified in the generator interconnection process would also be financed upfront and reimbursed consistent with the ISO tariff. The Participating TOs will be allowed to recover such costs in a TRR developed for such network upgrades, consistent with the ISO tariff. In the case of the Subscriber Participating TO, it will be allowed to recover the costs of future non-subscriber generator network upgrades identified in the generator interconnection

process in a TRR, which will be developed for such network upgrades, consistent with the ISO tariff.

## 3.5 Transmission Planning Process and Transmission Issues

With the new CPUC preferred system plan, high transportation electrification portfolio and the decision of policymakers to encourage the development of out-of-state wind now to ensure it is built in time to meet California's needs, the time has come to provide an opportunity for out-of-state resources to be considered in the existing generator interconnection process. The ISO seeks to effectuate this through a new category of transmission to be placed under the ISO's operational control but that would not be ISO-approved rate-based transmission paid for through the TRR of the TAC. Rather, the Subscriber PTO Model is a unique opportunity for the ISO to leverage existing transmission line development without significantly affecting all ISO ratepayers by putting the cost of the Subscriber Participating TO's project in the TRR for the TAC and WAC.

As discussed above, the ISO will be using for the transmission interconnection process to study the network upgrades for the Subscriber Participating TO project, including the attached generation facilities. The interconnection process will provide the reliability and deliverability network upgrades if upgrades for the Subscriber Participating TO project exist in the TPP for purposes of meeting the portfolios established by the CPUC. The Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement. The Subscriber Participating TO transmission facilities will become part of the TPP base case, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement ("APTOA") with ISO;
- A signed a generator interconnection agreement with subscriber resources; and
- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
    - Construction Activities have begun.
    - Transmission interconnection studies with interconnecting transmission owners have begun.

Once the Subscriber Participating TO has notified the ISO that it is committing to build the project, subsequent interconnection requests can be received and the Subscriber Participating TO will participate in the generator interconnection processes in advance of turning over operational control of its transmission facilities to the ISO.

Projects applying to use the Subscriber PTO Model will be studied as part of the transmission interconnection request process for the Subscriber Participating TO applicant, the affected Participating TO and the ISO will study the project for

interconnection facilities, and reliability and deliverability network upgrades. If upgrades have been developed in the TPP related to the generation to be served by the Subscriber Participating TO project for purposes of meeting the portfolios established by the CPUC, then the Subscriber Participating TO will have the first option to acquire the additional Deliverability made possible by the Delivery Network Upgrades, up to the amount of Deliverability included in the CPUC resource portfolio requirement.

If additional upgrades are required for the generation served by the Subscriber Participating TO on the then existing ISO controlled grid, it will still be financed upfront by the generator connected to the Subscriber Participating TO transmission facilities, similar to the interconnection of any other generator in the ISO BAA, and the existing Participating TO will reimburse the generator consistent with the GIDAP, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection.

A description of the process for how the first priority on deliverability will be allocated to the Subscriber Participating TO generator project(s) has been provided below:

1) Subscriber Participating TO's project will follow the same GIDAP TPD allocation process as other queued resources. The following criteria has to be met before the generator connected to the Subscriber Participating TO's project can apply into the TPD process:
    i) Transmission interconnection studies to be completed.
    ii) Execution of the generator interconnection agreement
    iii) Commitment to proceed with the construction of the Subscriber Participating TO transmission line.
    iv) Subscriber Participating TO's transmission line and generator(s) modeled in TPP and GIDAP basecase.
2) A new type of queue position "SPTO Queue Position" is included in the ISO tariff. This queue position will be applied to the Subscriber Participating TO's generator project(s). After these projects have met the criteria discussed above, the generator can apply into the next TPD cycle under existing TPD application groups. The process will apply as follows:
    i) Once they apply, ISO will allocate the TPP created deliverability to the subscriber projects based on their TPD allocation application. (*e.g.* if they applied under group A and only 50% of the subscriber project has a PPA, deliverability will be allocated only to that 50% of the project.)
    ii) Any unallocated deliverability will be held for the subscriber project until it has exhausted all its opportunities to apply for a TPD allocation, i.e. using the existing parking and re-application process.

iii) The Subscriber Participating TO generator project will qualify for the second round of parking as well based on existing criteria (deliverability exists, shared NUs are not delayed).

iv) Non-subscriber projects will be behind the subscriber projects in deliverability allocation priority for the TPP created deliverability.

**Stakeholder Feedback from the Revised Draft Final Proposal**

LS Power's understanding is that the interconnection studies currently underway are only applicable to the transmission interconnection. Would these transmission interconnection studies be expanded to include all aspects of the Phase I and Phase II interconnection studies consistent with the GIDAP, Appendix DD and Section 25 of the ISO tariff that governs generator interconnections. LS Power's understanding is incorrect. As discussed above, to study a new transmission interconnection, the points of interconnection of the line and the generation on the line need to be known. Since these studies are already being done as part of the transmission project interconnection, they do not need to be studied twice.

LS Power has concern that incorporating this into the Subscriber PTO Model could provide future opportunities for "queue jumping" by attaching generation to small transmission projects and using the Subscriber PTO Model. The ISO believes that the definition of the Subscriber PTO Model being a generator and transmission line outside of the ISO BAA that is paid for by subscribers and needed to meet California's policy requirements should avoid any type of "queue jumping". As an example, any generator interconnecting to the ISO BAA would not be eligible to use this model.

LS Power's understanding is that this should be interpreted as providing the Subscriber Participating TO generation with the first option for the deliverability made available by upgrade identified in the 2023-24 TPP for meeting the CPUC portfolio. It would be good for ISO to clarify that the deliverability priority does not arise from the business model of the Subscriber Participating TO but from ISO's planning for the CPUC portfolio. The ISO believes it has answered LS Power's question in the above explanation.

**Final Proposal for Transmission Planning and Transmission Issues**

The ISO clarifies the Revised Draft Final Proposal with respect to the transmission planning process and transmission issues. The ISO, as requested, clarified the deliverability allocation and first option of deliverability for the Subscriber Participating TO. The Subscriber Participating TO transmission facilities will become part of the TPP base case, once the ISO has been notified that the project is being built. Such notification should include:

- A signed Applicant Participating TO Agreement ("APTOA") with ISO;
- A signed a generator interconnection agreement with subscriber resources; and

- A notice to proceed has been provided to the ISO which confirms the following criteria have been met:
    - Construction Activities have begun.
    - Transmission interconnection studies with interconnecting transmission owners have begun.

## 3.6 Deliverability

### 3.6.1 Maximum Import Capability

Maximum Import Capability ("MIC") represents deliverability for imports (any resource not physically connected inside the ISO BAA), and the ISO calculates this for all Scheduling Points at the ISO BAA boundary as discussed in Section 6.1.3.5 of the Business Practice Manual for Reliability Requirements. With the addition of a Subscriber Participating TO line, the ISO may have new BAA boundary points. The generation interconnected to the project will be within the ISO BAA and will not need a MIC allocation to count for Resource Adequacy; however, it will need to go through the generator interconnection process discussed above to get deliverability similar to any other resource internal to the ISO BAA. The ISO determines deliverability for internal resources based on the ISO deliverability methodology irrespective of internal entitlements (those are for financial hedge and scheduling priority). The ISO will calculate MIC capability at new ISO BAA boundary points the same as all other intertie points, based on historical schedules (not applicable in year one), portfolio needs and MIC expansion requests as allowed under the ISO tariff. The ISO will determine the amount of available MIC at new interties as part of the annual MIC calculation process when the project is energized and every year thereafter. Existing MIC will have priority over Subscriber Participating TO projects.

**Stakeholder Feedback from the Revised Draft Final Proposal**

LS Power questioned whether the new paradigm would be applicable to generators interconnecting to a non-contiguous Subscriber Participating TO. It would be helpful for ISO to describe how this study process would work and how deliverability will be handled given that these projects would be required to utilize MIC. If the Subscriber Participating TO project is not contiguous with the existing ISO BAA, while the ISO is willing to provide the Subscriber Participating TO services, the Subscriber Participating TO would need to have sufficient contract rights in another BAA(s) to reach the existing ISO BAA. In that instance, the Subscriber Participating TO will need to have MIC rights to bring the generation into the existing ISO BAA.

LS Power would also like to understand why these projects would not follow the dynamic transfer process and instead be studied by Affected PTOs and ISO. The Subscriber Participating TO is not requesting to be a dynamic transfer, they are requesting to be in the ISO BAA but their transmission does not directly connect to the

existing ISO BAA. The ISO is willing to treat the entity as a Subscriber Participating TO but it must meet all of the Subscriber Participating TO criteria. Regardless of whether the Subscriber Participating TO is directly connected or non-contiguous, the Affected Participating TOs will perform an interconnection study as discussed above.

LS Power would like the ISO to verify in the final proposal that existing MIC and incremental MIC resulting from the upgrades planned to meet the 2023-24 CPUC base portfolio will have priority over the Subscriber Participating TO generation. Existing MIC will have priority over Subscriber Participating TO project(s), as noted previously. For expanded or incremental MIC resulting from planned upgrades for integrating out-of-state resources over new transmission as required by CPUC provided resource portfolio, Subscriber Participating TO project(s) will have priority up to the amount of deliverability included in the CPUC resource portfolio requirement.

**Final Proposal for Maximum Import Capability**

The ISO clarifies the Revised Draft Final Proposal with respect to MIC. If the Subscriber Participating TO project is not contiguous with the existing ISO BAA, while the ISO is willing to provide the Subscriber Participating TO services, the Subscriber Participating TO would need to have sufficient contract rights in another BAA(s) to reach the existing ISO BAA. In that instance, the Subscriber Participating TO will need to have MIC rights to bring the generation into the existing ISO BAA.

Existing MIC will have priority over Subscriber Participating TO project(s), as noted previously. For expanded or incremental MIC resulting from planned upgrades for integrating out-of-state resources over new transmission as required by CPUC provided resource portfolio, Subscriber Participating TO project(s) will have priority up to the amount of deliverability included in the CPUC resource portfolio requirement.

### 3.6.2 Deliverability Allocation Process

Similar to any other generating facility seeking to interconnect to the ISO controlled grid, Full or Partial Capacity Deliverability Status for a generator seeking to interconnect to the ISO controlled grid via a Subscriber PTO project is contingent upon all pre-cursor TPP, generation interconnection process, and reliability and deliverability network upgrades specified in the generator interconnection agreement being in service. If any required upgrade mentioned above is not yet in-service, a generating facility can obtain “Interim Deliverability” status if the annual net qualifying capacity deliverability study determines that the generating facility can have deliverability during the next resource adequacy cycle, in advance of completion of all upgrades.

**Stakeholder Feedback from the Revised Draft Final Proposal**

This element of the proposal did not receive additional stakeholder feedback.

**Final Proposal**

The ISO proposes to maintain the deliverability allocation process as discussed in the Revised Draft Final Proposal.

# 4 WEIM Governing Body Role

This initiative proposes certain ISO tariff amendments to enhance the opportunities for transmission developer to become a Participating TO. ISO staff believes that these proposed ISO tariff changes will go to the Board of Governors only and that the WEIM Governing Body will have no role in the decision.

The Board and the WEIM Governing Body have joint authority over any

proposal to change or establish any ISO tariff rule(s) applicable to the EIM Entity balancing authority areas, EIM Entities, or other market participants within the EIM Entity balancing authority areas, in their capacity as participants in EIM. This scope excludes from joint authority, without limitation, any proposals to change or establish ISO tariff rule(s) applicable only to the ISO balancing authority area or to the ISO controlled grid.

Charter for EIM Governance § 2.2.1. The ISO tariff changes proposed here would not be "applicable to EIM Entity balancing authority areas, EIM Entities, or other market participants within EIM Entity balancing authority areas, in their capacity as participants in EIM." Rather, they would be applicable "only to … the ISO controlled grid." Accordingly, these proposed changes to implement these enhancements would fall outside the scope of joint authority.

The WEIM Governing Body also has an advisory role that extends to any proposal to change or establish ISO tariff rules that would apply to the real-time market but are not within the scope of joint authority. This initiative, however, does not propose changes to real-time market rules.

Stakeholders are encouraged to submit a response in their written comments to the proposed classification as described above, particularly if they have concerns or questions.

# 5 Stakeholder Engagement

The schedule for stakeholder engagement is provided below. The ISO presented to the Board of Governors the request for TransWest to become a Participating TO and it was conditionally approved in December 2022. The Board of Governors' approval in December 2022 contemplated a further stakeholder process on the Subscriber PTO Model. The Subscriber PTO Model is anticipated to be presented to the Board of Governors in July 2023.

| Date | Event |
|---|---|

| | |
|---|---|
| 6/22/2023 | Publish Final Proposal and draft tariff language |
| 6/29/2023 | Stakeholder conference call on Final Proposal and draft tariff language |
| 7/19/2023 | Comments due on draft tariff language |
| 7/20/2023 | Board of Governors Meeting |

The ISO will hold a stakeholder conference call on June 29, 2023 to review the Revised Draft Final Proposal. Stakeholders are encouraged to submit comments on draft tariff language through the ISO's commenting tool using the link on the initiative webpage by close of business on July 19, 2023.