

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Inquiry Regarding the Commission’s) Docket No. PL19-3-000
Electric Transmission Incentives Policy)**

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“CAISO”) submits these Reply Comments in response to the Federal Energy Regulatory Commission’s (Commission) Notice of Inquiry (NOI).

I. REPLY COMMENTS

A. The Applicability of Order No. 890 to Transmission Owner Asset Management Projects Is Beyond Scope and Has Already Been Addressed by the Commission

The CPUC asks that the Commission find that the open and transparent planning principles adopted in Order No. 890 were intended to apply to all transmission investment including so-called “self-approved” asset replacement projects and capital maintenance projects that transmission owners undertake to extend the useful life of transmission assets.¹ This issue beyond the scope of the specific issues raised in the NOI, and the Commission recently rejected a complaint seeking to impose such a requirement,² finding that asset management projects, including those that incidentally increase capacity, are not subject to Order No. 890.³ The Commission also recognized

¹ CPUC Comments at 21-22.

² *Cal. Pub. Util. Comm’n, et al. v. Pac. Gas and Elec. Co.*, 164 FERC ¶ 61,161 (2018).

³ *Id.* at P 68.

that the CAISO's transmission planning process appropriately focuses on transmission projects that are expansion-related and rejected arguments that the CAISO intended to evaluate non-expansion transmission-related work in its transmission planning process.⁴

B. The CAISO's Annual Transmission Planning Process Will Determine If There Are Any Reliability or Congestion Issues

The CPUC states there are no pressing reliability or congestion issues on the CAISO system that warrant incentives.⁵ The CAISO conducts an annual transmission planning process, and that process determines if there are reliability or congestion issues anywhere on the system that require transmission solutions. If the CAISO finds an individual transmission project is required to address a specific reliability or congestion need, and the project otherwise meets the basic requirements for incentives established by the Commission, the project owner should not be categorically precluded from seeking appropriate incentives.

The CAISO also notes that California Senate Bill 100 established a 60 percent renewable portfolio standard by 2030 and a 100 percent non-GHG emitting standard by 2045. This legislation may give rise to new transmission development necessary to maintain reliable grid operations.

C. Certain Incentives Should be Awarded Automatically

The CPUC urges the Commission not to award incentives on an automatic

⁴ *Id.* at P 70.

⁵ CPUC Comments at 15-19.

basis.⁶ The CPUC expresses concern that “if the Commission departs from the case-by-case approach that investment decisions will not be adequately disciplined because PTOs will be improperly encouraged to undertake transmission infrastructure projects that may not be necessary.”⁷

That concern cannot materialize under the CAISO tariff. Participating transmission owners and transmission developers cannot undertake reliability and economically-driven transmission expansion and upgrade projects (*i.e.*, projects needed for reliability or to address congestion needs) absent CAISO approval of such projects in the transmission planning process and a CAISO finding that such projects are needed. Under the CAISO tariff, the CAISO evaluates and approves needed reliability and economic transmission facilities at *all* voltage levels. Thus, there is no opportunity for Participating Transmission Owners and transmission developers unilaterally to undertake reliability and congestion relief projects that are unnecessary. The Commission has also conditioned the grant of incentives on projects being approved in the CAISO’s transmission planning process, so concerns about unnecessary investment to obtain incentives is unwarranted.⁸

The CAISO’s initial Comments stated why the Commission should automatically authorize incentives for abandoned plant (and regulatory asset treatment and construction work in progress) to projects that meet the minimum eligibility standards. The CAISO will not repeat that discussion here. Requiring a case-by-case analysis ignores that all CAISO-approved projects present the same risk to the Participating

⁶ CPUC Comments at 23-30.

⁷ *Id.* at 25.

⁸ *W. Grid Dev., LLC*, 130 FERC ¶ 61,056 (2010); *Green Energy Express LLC*, 129 FERC ¶ 61,165 (2009).

Transmission Owner or transmission developer, namely the risk that the CAISO will cancel the project or the developer will be unable to obtain the necessary permits. The CPUC's Comments highlight this risk noting "the myriad transmission projects that have been cancelled or put on hold in recent years" by the CAISO.⁹ The CAISO also notes even though it has cancelled a large number of projects in recent years, in the same planning cycles it has approved other reliability transmission projects needed elsewhere on the system. Thus, the mere fact some projects are cancelled does not mean that others are unnecessary to maintain reliability. Under these circumstances, standardizing the abandoned plant incentive (and other incentives) will facilitate developers' ability to attract capital and mitigate risks beyond their control.

II. CONCLUSION

For the foregoing reasons, any final action the Commission takes in this proceeding should be consistent with the discussion herein and in the CAISO's initial Comments.

Respectfully submitted,

By: Anthony Ivancovich

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel, Regulatory
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 608-7135
Fax: (916) 608-7222
aivancovich@caiso.com

August 26, 2019

⁹ CPUC Comments at 17.

CERTIFICATE OF SERVICE

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

Dated at Folsom, California, this 26th day of August, 2019.

/s/ Martha Sedgley
Martha Sedgley