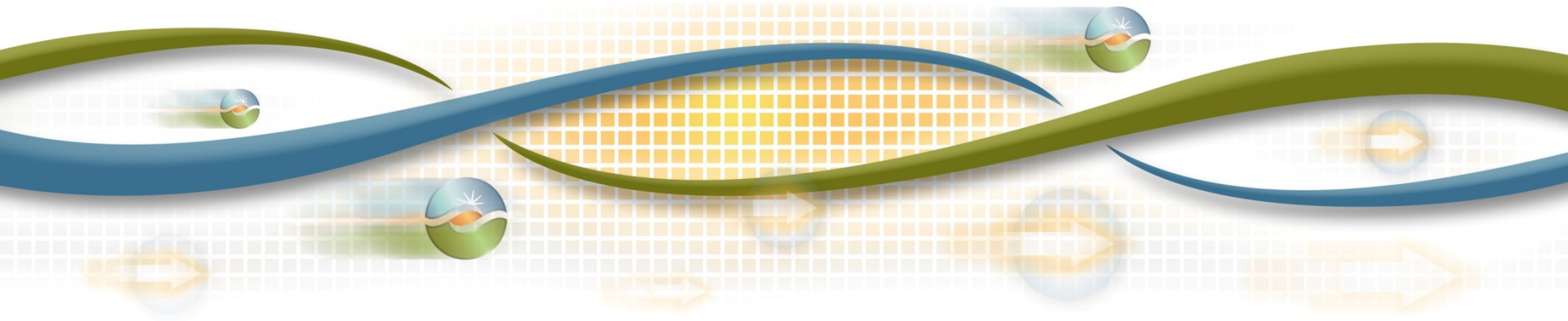


Decision on ISO planning standards

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The ISO is proposing to modify the ISO planning standards in the following three areas:

- Planning for Category C (such as n-1-1) contingencies in high density urban load area
- Extreme event reliability
- Updates required due to new NERC transmission planning standards

A thorough stakeholder process was conducted:

- Stakeholder process initiated April, 2014
- Stakeholder meetings
 - April 11, 2014
 - May 29, 2014
 - July 28, 2014
- Issued straw proposal and draft revisions to ISO planning standards for stakeholder comments
- Received comments and provided responses in comment matrix

Proposal to codify the ISO's current practice in planning in high density urban load areas:

- To not rely upon high density urban load shedding as a long term planning solution for Category C contingencies
- Not previously codified in the ISO planning standards
- Consistent with historical practices prior to and since the creation of the ISO

Stakeholder comments on planning in high density urban load areas:

- Some comments expressly supporting proposal
- Editorial suggestions
- Requests for more details and consistency about what is considered “high density” load area
- General concerns about the magnitude and cost impact to ratepayers
- Preference to see exemptions to this standard also being made available
- Preference for benefit to cost ratio calculations to be the primary method for any ISO standard above NERC

Extreme event reliability standard (San Francisco Peninsula) is being recommended because:

- NERC reliability standards require the ISO to study the impacts of extreme events on the system; however do not require mitigation.
- There are unique circumstances affecting the San Francisco Peninsula that warrant consideration of mitigations for extreme events:
 - the population density in this urban load area, and
 - geography and system configuration, and
 - potential risks for extreme events, and
 - challenging restoration times.

Extreme event reliability standard (San Francisco Peninsula) proposal:

- Proposal establishes reasonable framework for Board to consider recommendations in the ISO transmission planning process
- Proposal does not mandate a specific level of enhanced service nor a particular reinforcement
- Other areas of the system may be considered for similar treatment on a case-by-case basis as a part of the transmission planning assessment.

Stakeholder comments on extreme event reliability standard:

- Some comments expressly supporting proposal
- Questions regarding the need and value of this new standard
- Requests that standard be general in nature and open to other areas if warranted
- Requests for more language regarding when an extreme event would initiate a review of potential mitigations
- Preference for much more detail included in the standard

New NERC transmission planning standards are requiring updates to the ISO planning standards:

- NERC reliability standard TPL-001-4 has consolidated the four existing transmission planning standards into one and takes effect over two years
- Requirements R1 and R7 – January 1, 2015
 - do not require changes to the ISO planning standards.
- Requirements R2 through R6 – January 1, 2016
 - Changes to ISO planning standards will be applicable for the 2015-2016 transmission planning process

Stakeholder comments on revisions to address new NERC transmission planning standards:

- Most comments expressly support the proposal.
- Several editorial suggestions and clarifications.
- Request to implement these changes into the 2015-16 transmission planning cycle.
- View expressed that firm load loss should be prevented for all single contingency and similar events, even where permitted by the NERC standards.
- Questioning the impacts of the NERC Standard changes.

Management recommends approval of the revised ISO planning standards:

- The revised planning standards are a much needed update to the current standards.
- The new standards provide greater clarity and transparency on planning criteria and will help ensure reliable service.