



Memorandum

To: ISO Board of Governors

From: Keith Casey, Vice President, Market and Infrastructure Development

Date: October 28, 2015

Re: Decision on approved project sponsor enhancements

This memorandum requires Board action.

EXECUTIVE SUMMARY

The ISO proposes to amend its tariff to exempt approved project sponsors selected by the ISO through the competitive solicitation process from the application procedures required for new participating transmission owners. The processes are duplicative and there is no reason an approved project sponsor should also go through the application procedures to become a participating transmission owner. The determination of the need for the transmission project is included in the transmission planning process, the public is notified of the successful bidder's selection through an ISO market notice, and the approved project sponsor is required to execute an agreement that provides the same information as required by the participating transmission owner application process. Importantly, the agreement includes an obligation to become a participating transmission owner and turn over operational control of the approved transmission project to the ISO upon completion.

Management recommends the following motion:

Moved, that the ISO Board of Governors approves the proposed approved project sponsor enhancements, as described in the memorandum dated October 28, 2015; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

DISCUSSION AND ANALYSIS

In 2010 the ISO developed its competitive solicitation process for the selection of approved project sponsors to finance, construct, own, operate and maintain regional transmission facilities eligible for competitive solicitation included in the ISO's annual transmission plan. The competitive solicitation process requires bidders to submit an application to the ISO and, after a comprehensive evaluation of all applicants, including a description of qualifications to build the project, operation and maintenance practices, and project cost and cost containment, the bid is awarded to the approved project sponsor upon Management approval.

Absent an approved transmission project, if an entity desires to become a participating transmission owner and turn over operational control of their transmission facilities to the ISO, the tariff and Transmission Control Agreement provide an application process, stakeholder review of the application and Board decision. However, because the approved transmission project is not built yet, the Transmission Control Agreement would not be effective until the transmission project is energized and turned over to ISO operational control. Thus the ISO and the approved project sponsor enter into an Approved Project Sponsor Agreement that provides the roles and responsibilities during construction of the approved transmission project and requirements to become a participating transmission owner and turn the transmission project over to ISO operational control.

Since the transmission project has already been approved by the Board in the transmission planning process, and the selection of the successful bidder has already been determined by Management, requiring an entity to go through the participating transmission owner application process in addition to the competitive solicitation process is redundant. In addition, the duplicate process could introduce risk to the approved transmission project if the ISO has the right to require the approved project sponsor build the project, but then there is a "second bite at the apple" to determine if the ISO will accept the project in the participating transmission owner application process and include the cost in the ISO's transmission access charge.

This initiative proposes to exempt approved project sponsors from the ISO's normal application process for new participating transmission owners. The ISO believes the new participating transmission owner application process is duplicative of the competitive solicitation process and requiring approved project sponsors to submit an application would be inefficient and unnecessary. All of the notice and information requirements of the participating transmission owner application process are satisfied by the competitive solicitation process.

POSITIONS OF THE PARTIES

The proposed change is minimal and the ISO conducted one round of stakeholder interaction on this topic consisting of a proposal and draft tariff language. Comments were received from Six Cities who did not oppose the proposal and offered minor language changes to the proposed tariff language which we have accepted.¹

CONCLUSION

Management recommends that the Board approve the proposed change in this memorandum. This change is supported by stakeholders and was refined to address their comments. The proposed modification will improve the approved project sponsor experience.

¹ The Six Cities are the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside.