

Memorandum

To: ISO Board of Governors
From: Keith Casey VP, Market & Infrastructure Development
Date: December 7, 2016
Re: **Decision on Participating Transmission Owner Application of GridLiance West Transco LLC**

This memorandum requires Board action.

EXECUTIVE SUMMARY

In October 2016 GridLiance West Transco LLC (GridLiance West) submitted an application to the California Independent System Operator Corporation (ISO) to become a participating transmission owner by purchasing a portion to the Valley Electric Association, Inc. (VEA) system. GridLiance West will own certain 230 kV transmission facilities in Nevada formerly owned by VEA which will remain under the operational control of the ISO. Management requests that the Board of Governors approve the ISO's acceptance of the GridLiance West application. Upon effectiveness of the Transmission Control Agreement and the Federal Energy Regulatory Commission acceptance of GridLiance West's transmission owner tariff and transmission revenue requirement, GridLiance West will become a participating transmission owner.

Moved, that the ISO Board of Governors approves the ISO's acceptance of the application of GridLiance West Transco LLC for participating transmission owner status, conditioned on (1) GridLiance West executing the Transmission Control Agreement and (2) the Federal Energy Regulatory Commission accepting a transmission owner tariff and transmission revenue requirement for GridLiance West.

DISCUSSION AND ANALYSIS

In accordance with the procedures established pursuant to section 4.3 of the ISO tariff and section 2 of the Transmission Control Agreement, GridLiance West submitted an application on October 3, 2016 that proposed turning over operational control of GridLiance West's 230 kV transmission facilities and entitlements to the ISO.

In order for an applicant to become a participating transmission owner, sections 2.2.3 and 2.2.5 of the Transmission Control Agreement require that the ISO accept the application and permit a party to become a participating transmission owner if the ISO determines that:

- The transmission lines and associated facilities to be placed under the ISO's operational control can be incorporated into the ISO controlled grid without any material adverse impact on its reliability;
- Incorporating such transmission rights will not put the ISO in breach of applicable reliability criteria and its obligations as a member of the Western Electricity Coordinating Council (WECC);
- The ISO has no outstanding objections regarding any of the applicant's transmission facilities or entitlements;
- The applicant is capable of performing its obligations under the Transmission Control Agreement; and
- All applicable regulatory approvals of the applicant's transmission owner tariff and the transmission revenue requirement have been obtained.

GridLiance West satisfies the first element because the facilities are currently part of the ISO controlled grid and under the ISO operational control. GridLiance West will satisfy the second element by contracting with a transmission operator certified and registered with WECC and NERC who will enter into a Coordinated Functional Registration Agreement with the ISO that delineates GridLiance West or its transmission operator and the ISO's respective responsibilities with respect to NERC's transmission operator functional requirements. The ISO and GridLiance West's transmission operator are currently finalizing the Coordinated Functional Registration Agreement. GridLiance West satisfies the third element, as the ISO has no objection to GridLiance West's transmission facilities or entitlements because the facilities and entitlements are currently under the ISO's operational control. GridLiance West also satisfies the fourth element because GridLiance West, is contracting with an experienced transmission owner and operator who will perform the operational obligations under the Transmission Control Agreement on GridLiance West's behalf. These obligations include compliance with ISO operating orders, the transmission maintenance standards, and other actions associated with the physical transmission facilities themselves. GridLiance West has been very responsive to the ISO during the participating transmission owner application process and has demonstrated its willingness to perform obligations associated with the Transmission Control Agreement.

The fifth element is addressed through the conditional nature of the Board's approval. GridLiance West has advised the ISO that it intends to file its transmission owner tariff and associated transmission revenue requirement with FERC shortly. The proposed motion states that FERC acceptance of these filings is an express condition of accepting GridLiance West as a participating transmission owner. If GridLiance West does not complete all of these requirements, including FERC approval, then the ISO would not agree to accept GridLiance West as a participating transmission owner.

POSITIONS OF THE PARTIES

As required by section 2.2.2 of the Transmission Control Agreement, the ISO posted GridLiance West's application for participating transmission owner status on the ISO website on October 3, 2016 for a 60 day comment period ending December 2, 2016 to give interested parties an opportunity to review the application and submit comments to the ISO. ISO received comments from Silicon Valley Power and the Transmission Agency of Northern California raising concerns regarding the costs of the facilities being purchased by GridLiance West. Costs of transmission facilities are subject to FERC jurisdiction. The ISO did not receive any comments pertaining to issues under the ISO's approval purview.

CONCLUSION

Management recommends that the Board approve the ISO's acceptance of GridLiance West's application for participating transmission owner status conditioned on (i) GridLiance West's execution of the Transmission Control Agreement and (ii) acceptance of GridLiance West's transmission owner tariff and transmission revenue requirement by FERC. Based on the criteria set forth in the Transmission Control Agreement, Management has concluded that the application submitted by GridLiance West satisfies all of the requirements for acceptance.