

Attachment B – Blacklines

Location Constrained Resource Interconnection Amendment Filing

October 31, 2007

Redline Edits Submitted by Imperial Irrigation District

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24 TRANSMISSION EXPANSION.

A Participating TO shall be obligated to construct all transmission additions and upgrades that are determined to be needed in accordance with the requirements of this Section 24 and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the ISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO's obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 24.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO's obligations under this ISO Tariff or as those rights may be conferred by the ISO or may arise or exist pursuant to this ISO Tariff.

24.1 Determination of Need.

A Participating TO or any other Market Participant may propose a transmission system addition or upgrade. The ISO will determine that a transmission addition or upgrade is needed where it will promote economic efficiency, ~~or~~ maintain System Reliability, or connect Location Constrained Resource Interconnection Generators to the ISO Controlled Grid in a cost effective manner when compared to other potential transmission or interconnection facility alternatives. as set forth below.

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24.1.2 Location Constrained Resource

A location constrained resource is a generation resource that is constrained as a result of its location remote from existing transmission facilities which is relatively small in size and has an immobile fuel source.

24.1.3. Location Constrained Resource Interconnection Facility Projects.

(a) The CAISO, a Participating TO or any other Market Participant may propose a transmission addition as a Location Constrained Resource Interconnection Facility. A proposal shall include the following information:

- (ia) Information showing that the proposal meets the requirements of Section 24.1.3.1;
- (iib) Transmission studies demonstrating that the proposed transmission addition satisfies the applicable ISO grid planning standards, including planning standards that are Applicable Reliability Requirements;
- (iiie) Identification of one or more alternative transmission additions that would accomplish the objective of the proposal;
- (ivd) Planning level cost estimate for the proposed transmission addition and all proposed alternatives;
- (ve) A conceptual plan for future connection of further transmission additions that would convert the proposed transmission addition into a network transmission facility;
- (vif) The estimated commercial operation date of the proposed transmission addition; and
- (viig) A conceptual plan for connecting potential LCRIgS, if known, to the proposed transmission addition.

(b) WHEN THE CAISO, A PARTICIPATING TO OR A OTHER MARKET PARTICIPANT PROPOSES A TRANSMISSION ADDITION AS A LOCATION CONSTRAINED RESOURCE INTERCONNECTION FACILITY, THE PROPOSED TRANSMISSION ADDITION SHALL BE EVALUATED IN AN OPEN AND TRANSPARENT REGIONAL TRANSMISSION PLANNING PROCESS, the California Sub-Regional PLANNING GROUP and - OTHER PARTICIPANTS IN THAT PLANNING PROCESS, INCLUDING BUT NOT LIMITED TO NON- PARTICIPATING TRANSMISSION OWNERS, SHALL HAVE AN OPPORTUNITY TO PROPOSE ALTERNATIVES TO THE PROPOSED TRANSMISSION ADDITION AND THE LEAST-COST SOLUTION SHALL BE DETERMINED BY THE California Sub-regional Planning Group .

IF THERE ARE ALTERNATIVES TO THE PROPOSED Location Constrained Resource Interconnection Facility AVAILABLE AT A LOWER COST OR WITH LESS ADVERSE ENVIRONMENTAL IMPACTS, THE PROPOSED Location Constrained Resource Interconnection Facility SHALL NOT BE APPROVED BY THE CAISO OR ELIGIBLE FOR COST RECOVERY FROM CAISO RATEPAYERS AS A LOCATION CONSTRAINED RESOURCE INTERCONNECTION FACILITY .

24.1.3.1 Criteria for Qualification as a Location Constrained Resource Interconnection Facility.

A transmission facility shall qualify FOR CONSIDERATION as a Location Constrained Resource Interconnection Facility if the ISO determines that all of the following requirements are met:

- (a) The transmission facility is to be constructed for the primary purpose of connecting two or more Location Constrained Resource Interconnection Generators in an Energy Resource Area to the ISO Controlled Grid.
- (b) The transmission facility will be a High Voltage Transmission Facility.
- (c) At the time of its commercial operation, the transmission facility will not be a network facility and would not be eligible for inclusion in a Participating TO's TRR other than as an LCRIF.
- (d) The transmission facility meets applicable ISO grid planning standards, including standards that are Applicable Reliability Requirements
- (e) The addition of the capital cost of the transmission facility to High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the costs of LCRIFs recovered through the TRBA) included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs in effect at the time of the CAISO's evaluation of the facility.

(f) Prior to the commencement of construction of the facility, existing or prospective owners of LCRIGs have demonstrated their intention to connect LCRIGs to the transmission facility consistent with the requirements of Section 24.1.3.2.

(G) PRIOR TO THE COMMENCEMENT OF THE CONSTRUCTION OF THE FACILITY, THE PROPOSED TRANSMISSION FACILITY SHALL HAVE BEEN DETERMINED, IN THE California Sub-Regional Planning Group , TO BE THE LEAST COST ALTERNATIVE AMONG ANY OTHER TRANSMISSION OF INTERCONNECTION FACILITY ALTERNATIVES AND THERE SHALL BE NO OTHER ALTERNATIVE WITH LESS ADVERSE ENVIRONMENTAL IMPACTS.

24.1.3.2 Demonstration of Interest in a Location Constrained Recourse Interconnection Facility.

A proponent of an LCRIF must demonstrate interest in the LCRIF equal to sixty percent (60%) or more of the capacity of the transmission facility in the following manner prior to the commencement of construction of the LCRIF:

(a) the proponent's demonstration must include a showing that LCRIGs that would connect to the transmission facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the transmission facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and [

(b) to the extent the showing pursuant to Section 24.1.3.2(a) does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent's demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIGs have demonstrated interest in the LCRIF by either of the following methods:

(i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or

(ii) paying a deposit to the ISO equal to the sum of the minimum deposits required of an applicant for interconnection to the ISO Controlled Grid in connection with all required studies, reduced by the deposits actually paid by the LCRIG for such studies, which deposit shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies if the LCRIF is not approved or is withdrawn by the proponent; and provide proof of ownership of rights to access renewable energy source for proposed LCRIG for five years or longer; and demonstrate the availability of sustained renewable energy capacity for a period of five years or longer for proposed LCRIG proposed location.

24.1.3.3 Coordination With Existing Transmission facilities of, and Additions Proposed by, Non-Participating Transmission Owners.

In the event that a transmission addition proposed as an LCRIF would connect to LCRIGs in an Energy Resource Area that ~~would~~ also be connected by a transmission ~~OR INTERCONNECTION~~ facility that ~~EITHER ALREADY EXISTS OR~~ is proposed to be constructed by a person that is not a Participating Transmission Owner and does not intend to place that facility under the Operational Control of the ISO, the ISO shall coordinate with the person ~~OWNING OR~~ proposing that transmission ~~OR INTERCONNECTION~~ facility through ~~any~~ ALL regional planning processes~~ES~~ [NOTE TO IID TEAM: WHAT IS CORRECT/RELEVANT REGIONAL PLANNING GROUP?] to avoid the unnecessary construction of duplicative transmission additions to connect ~~the same~~ LCRIGs to the ISO Controlled Grid ~~THAT WOULD BE PAID FOR BY CAISO RATEPAYERS.~~

24.1.3.4 Evaluation of Location Constrained Resource Interconnection Facilities.

In evaluating whether a proposed LCRIF that meets the requirements of Section 24.1.3.1 is needed, and for purposes of ranking and prioritizing LCRIF projects, the CAISO will consider the following factors:

(a) Whether, and if so, the extent to which, the transmission facility exceeds applicable ISO grid planning standards, including standards that are Applicable Reliability Requirements.

- (b) Whether, and if so, the extent to which, the transmission facility has the capability and flexibility both to interconnect potential LCRIGs in the Energy Resource Area and to be converted in the future to a network transmission facility.
- (c) Whether the projected cost of the transmission facility is reasonable in light of its projected benefits, in comparison to the costs and benefits of other alternatives for [connecting generating units or otherwise meeting a need identified in the ISO planning process, including alternatives that are not LCRIFs. In making this determination, the ISO shall take into account, among other factors, the following:
- (1) The potential capacity of LCRIGs and the potential Energy that could be produced by LCRIGs in each Energy Resource Area;
 - (2) The capacity of LCRIGs in the ISO's interconnection queue for each Energy Resource Area;
 - (3) Whether, and if so, the extent to which, LCRIGs in the Energy Resource Area to which the transmission facility would connect would contribute to fuel diversity;
 - (5) The projected cost and schedule of the transmission facility in comparison with other transmission OR INTERCONNECTION facilities that could connect LCRIGs to the ISO Controlled Grid EITHER DIRECTLY THROUGH A PARTICIPATING TO'S TRANSMISSION FACILITIES OR INDIRECTLY THROUGH A TRANSMISSION SYSTEM OWNED BY A NON-PTO;
 - (6) Whether, and if so, the extent to which the transmission facility would provide additional reliability or economic benefits to the ISO Controlled Grid; and
 - (7) Whether, and if so, the extent to which the transmission facility would promote the efficient, cost effective development of infrastructure; [SEE FERC'S ORDER, 120 FERC ¶ 61,244 AT P 12]
 - (7) Whether, and if so, the extent to which the transmission facility would create a risk of stranded costs, INCLUDING BUT NOT LIMITED TO STRANDED COSTS ON NEIGHBORING UTILITY SYSTEMS WHICH HAVE EXISTING OR

PROPOSED NEW TRANSMISSION INFRASTRUCTURE IN OR NEAR THE
ENERGY RESOURCE AREA.

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26 TRANSMISSION RATES AND CHARGES.

The following comments are provided in lie of tariff language for the CAISO's consideration.

The allocation of LCRIF costs to wheel-through transmission customers is not addressed within this proposed tariff. FERC has previously directed the CAISO to address this element of the design. IID urges the CAISO to examine the impact on existing transmission capacity because of LCRIF implementations and implement a design that reflects proper cost allocation. As will be evident, due to the radial nature of the vast majority of remote facilities there is no benefit to the wheeling customer primarily using the bulk "backbone" transmission. In fact, the loading introduced to the system by LCRIF may reduce wheel-through capacity and increase congestion costs for wheel through.

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26.6 Location Constrained Resource Interconnection Facilities.

The costs of an LCRIF shall be includable in a participating TO's High Voltage Revenue Requirement IF APPROVED BY THE FERC AFTER NOTICE AND AN OPPORTUNITY FOR PROTESTS AND A HEARING. -- Any Participating TO that owns an LCRIF shall set forth in its TO Tariff a charge payable by LCRIGs connected to that facility. The charge shall require each LCRIG to pay on a going forward basis its pro rata share of the Transmission Revenue Requirement associated with the LCRIF which shall be calculated based on the maximum capacity of the LCRIG relative to the capacity of the LCRIF. Each Participating TO shall credit its High Voltage TRR with revenues received from LCRIGs with respect to such charges by recording such revenues in its TRBA.

26.6.1 Location Constrained Resource Interconnection Facilities that Become Network Facilities.

If the construction of a new transmission facility or upgrade causes an LCRIF to become a network facility, then the LCRIGs connected to the LCRIF shall not be required to pay charges described in Section 26.6 upon the effective date of the inclusion of the costs of such new transmission facility or upgrade in the Participating Transmission Owner's Transmission Revenue Requirement.

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**ISO TARIFF APPENDIX A
Master Definitions Supplement**

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Energy Resource Area (ERA) A geographic region certified by the CPUC and the CEC in a joint proceeding, as an area in which multiple LCRIGs could be located, provided that, for the interim period before the CPUC and CEC certify such areas and for LCRIFs that are proposed to connect LCRIGs located outside the State of California, an Energy Resource Area shall mean a geographic region that would be connected to the ISO Controlled Grid by an LCRIF with respect to which the ISO Board determines that all of the requirements of Section 24.1.3 are satisfied, except for the requirement that the LCRIGs to which the LCRIF would connect are located in an area certified as an ERA by the CPUC and the CEC.

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**High Voltage
Transmission Facility**

A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers-, provided that the High Voltage Transmission Facilities of a Participating TO shall include any Location Constrained Resource Interconnection Facility of that Participating TO that has been turned over to the ISO's Operational Control.

[NOTE: THIS DEFINITION APPEARS NECESSARY FOR RATE SECTIONS 26.1 ET AL, BUT IT DOES NOT WORK FOR SECTION 24.1.3.4 (C) (4)]

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**Location Constrained
Resource Interconnection
Facility (LCRIF)**

A High Voltage Transmission Facility that has been determined by the ISO to satisfy all of the requirements of Section 24.1.3.

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**Location Constrained
Resource Interconnection
Generator (LCRIG)**

A Generating Unit that (a) uses a primary fuel source or source of energy that is in a fixed location and cannot practicably be transported from that location; ~~and~~ (b) is located in an Energy Resource Area; AND (3) IS LOCATED remotely FROM ANY EXISTING TRANSMISSION FACILITIES. -. Generating Units meeting criterion (a) shall include, but not be limited to, wind, solar, geothermal, hydroelectric, digester gas, landfill gas, ocean wave and ocean thermal tidal current Generating Units.

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Transmission Revenue
Credit

For an Original Participating TO, the proceeds received from the ISO for Wheeling service, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from (a) the proceeds received from any cost differences between Transmission Losses and Ancillary Service requirements associated LCRIG with Existing Rights and the ISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the proceeds received from the ISO for Wheeling service and Net FTR Revenue, plus respect to an LCRIF, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the proceeds received from the ISO for Wheeling service and Net FTR Revenue, plus (a) the proceeds received from any LCRIF with respect to an LCRIF, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. After the 10-year transition period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO.

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