



California Independent  
System Operator Corporation

June 4, 2010

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: California Independent System Operator Corporation,  
Docket No. ER10-\_\_\_\_  
Revised Transmission Planning Process Proposal

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) hereby submits for filing an original and five copies of proposed amendments to its approved tariff to implement a revised transmission planning process.<sup>1</sup>

The proposed revisions to the ISO’s transmission planning process are necessary and appropriate to enable California to meet its ambitious Renewable Portfolio Standards (“RPS”) and environmental goals. The revised process includes a new category of transmission facilities – facilities that are needed to facilitate achievement of state and federal policy requirements and directives – and provides for collaboration with other California transmission providers to assess on a statewide basis the transmission infrastructure needed to achieve the ambitious renewable energy targets adopted by the state for California load serving entities. The revised process will culminate in the ISO’s preparation of a comprehensive transmission plan for its balancing authority area and conduct of a competitive solicitation that will provide an

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<sup>1</sup> This filing is submitted pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Section 35.15 of the regulations of the Federal Energy Regulatory Commission (the “Commission”), 18 C.F.R. § 35.15.

opportunity for independent transmission developers to submit proposals to build and own transmission elements identified in the plan.

The ISO proposes an effective date of August 3, 2010 for the revised transmission planning process tariff provisions. It is imperative that the Commission promptly approve the ISO's revised planning process, because the planning efforts to meet 33 percent RPS by 2020 need to commence immediately. Because of the length of time required to complete the siting and project approval process, obtain all necessary permits, and construct the unprecedented number of new high voltage transmission facilities that will be needed, the ISO must begin address these matters in the current planning cycle so that it can timely identify the initial set of "no-regrets" lines by March 2011, identify the Approved Project Sponsors, and then send those projects off to the authorized siting authorities to be permitted. Reaching 33 percent RPS will not occur overnight; rather, it will be achieved progressively over the next decade, going from the current 20 percent RPS level to 33 percent RPS by 2020. Accordingly, transmission will need to be built incrementally between now and 2020 to keep pace with new renewable generation coming on-line. The planning process must begin now because a significant amount of new renewable resources will need to be accessed well before 2020. As the California Public Utilities Commission ("CPUC") has recognized, achieving 33 percent RPS by 2020 is highly ambitious given the magnitude of the infrastructure build-out that is required.<sup>2</sup> Approving the ISO's proposal in a timely manner is the first step in enabling the State to achieve 33 percent RPS on target.

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<sup>2</sup> 33 percent RPS Implementation Analysis Preliminary Results at 1, CPUC (June 2009). These results can be found at: <http://www.cpuc.ca.gov/PUC/energy/Renewables/hot/33implementation.htm>.

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## I. EXECUTIVE SUMMARY

The ISO submits that its revised transmission planning process facilitates compliance with California's RPS through carefully targeted enhancements to the existing transmission planning process. Under the revised transmission planning process, the ISO will undertake a unified planning effort that will produce a single comprehensive transmission plan for the ISO balancing authority area that includes the transmission additions and upgrades driven by environmental policy goals, as well as those driven by the other needs and objectives that the transmission planning must address. To meet these objectives, the revised transmission planning process will:

- Develop a statewide conceptual transmission plan through collaboration with other transmission planners and transmission providers in California that will serve as one of many inputs into the ISO's planning process;
- Establish in the ISO tariff a new category of transmission additions and upgrades, referred to as "policy-driven" transmission projects, that are needed to meet state and federal policy requirements and directives that are not inconsistent with the Federal Power Act (such as 33 percent RPS by 2020);
- Integrate the planning and approval of policy-driven transmission elements into a revised Order 890-compliant transmission planning process;
- Create better synergies between the Large Generator Interconnection Procedures ("LGIP") and the Order No. 890 transmission planning process;
- Provide opportunities for stakeholder participation and input to the process;
- Continue to provide for the consideration of demand response, generation and other types of resources as alternatives to the approval of new transmission projects;
- Not adversely affect the ability of proposed generation resources – many of which support compliance with RPS – to qualify for funding under the American Recovery and Reinvestment Act of 2009;
- Finalize a transmission plan for the ISO balancing authority area with formal findings of need in sufficient detail to elicit specific proposals to build the needed transmission elements;
- Create a framework whereby all interested Project Sponsors, including both independent transmission developers and existing participating transmission owners, will have an equal opportunity to propose to

construct and own policy-driven transmission facilities, as well as transmission projects that provide economic benefits;

- Establish a clear mechanism for choosing among competing proposals and provide objective criteria, based on those used by the Public Utility Commission of Texas in similar circumstances, to use when the ISO is the entity that must choose among the proposals;
- In light of stakeholder concerns with a prior version of this proposal, (1) remove a right of first refusal for participating transmission owners to build policy-driven and economic transmission facilities, and (2) allow Project Sponsors that submitted projects in the ISO's 2008 and 2009 request windows to build and own their projects if found to be needed by the ISO to meet policy-driven or economic transmission needs;
- Retain existing tariff provisions regarding the responsibility for building reliability-driven projects, LGIP Network Upgrades, Location Constrained Resource Interconnection ("LCRI") facilities, and facilities needed to maintain the feasibility of allocated long-term Congestion Revenue Rights; and
- Maintain full compliance with Order No. 890.

In part A of this Executive Summary, the ISO provides an overview of the ISO's revised transmission planning process proposal. In part B, the ISO summarizes some key issues that have been raised in the stakeholder process and how the ISO has responded to them.

#### **A. Overview of the Revised Transmission Planning Process Proposal**

A primary responsibility of the ISO is to plan for the enhancement and expansion of transmission capability within its footprint to meet the evolving needs of the system. One such evolving need arises from California's ambitious RPS policy. California is a leader in the effort to increase the amount of renewable energy that load serving entities must procure to serve load. The state currently has a 20 percent RPS target and, pertinent to this filing, is moving to a 33 percent RPS by 2020. In addition to the State's RPS policy, other state and federal environmental initiatives are under consideration for implementation within this planning horizon, such as greenhouse gas reduction requirements. These policy requirements and directives will further influence the need for development of new supply resources and associated transmission infrastructure investment within a relatively brief time period.

In considering how best to plan transmission to achieve the State's ambitious goal of meeting 33 percent renewable energy by 2020, the ISO recognized the need to revise the current transmission planning process. Changes to this process were driven by the following factors:

- The need for an unprecedented amount of additional transmission over the next decade to deliver energy from new renewable resources in order to meet the 33 percent RPS by the 2020 target;
- The need to adopt a statewide perspective and take a more comprehensive, holistic approach to transmission planning and approval, rather than the current project-by-project approach;
- The need for a new tariff-based criterion for approving transmission projects that support state policy goals requiring access to renewable energy supply resources, as well as potential future state and federal policy requirements and directives that may result in a need to develop new transmission infrastructure; and
- The need to address the new challenges while continuing to fulfill the ISO's ongoing responsibilities as the planning authority for its balancing authority area and the requirements of Order No. 890.

The ISO's revised transmission planning process will be structured in three phases, and the activities under each will be set forth chronologically in the revised tariff. A timeline laying out milestones in the revised transmission planning process is provided as Attachment F to this filing. In Phase 1, the ISO will develop its unified planning assumptions with stakeholder input, much like it does today. In parallel, the ISO will begin developing a conceptual statewide transmission plan that examines transmission needs for the state of California as a whole. The Phase 1 process will comprise the first three months of the calendar year. In Phase 2, the ISO will develop the comprehensive transmission plan for its balancing authority area, as described below. Phase 2 will begin right after Phase 1 ends and continue for 12 months, culminating in the presentation of the comprehensive plan to the ISO Board for approval. The comprehensive plan will include both transmission *projects*, which are associated with specific Approved Project Sponsors, and transmission *elements*, for which Approved Project Sponsors have not yet been designated, but will be determined through an open solicitation process. In Phase 3, interested parties, including independent transmission developers as well as participating transmission owners, may submit proposals to build the transmission *elements* specified in the comprehensive plan.

### **1. Phase 1**

Phase 1 retains, with some minor enhancements, the existing tariff provisions regarding the development through a stakeholder process of uniform planning assumptions and a study plan that will guide the ISO's technical studies for the current planning cycle. In parallel with this activity, the ISO will also initiate development of a statewide conceptual transmission plan that will serve as an input into Phase 2 of the revised process. The ISO is not the only planning authority in the State of California; hence, the statewide conceptual plan is intended to view the state as a whole for considering needs for new transmission infrastructure to meet policy requirements. The



ISO may undertake that effort in collaboration with regional and sub-regional planning groups, as well as interconnected balancing authority areas as far as possible. For the 2010/2011 planning cycle the ISO is working with the California Transmission Planning Group (“CTPG”) for this purpose.<sup>3</sup>

## **2. Phase 2**

In Phase 2, the ISO will develop a comprehensive transmission plan for the ISO balancing authority area that specifies all of the upgrades and additions needed to meet the infrastructure needs of the grid. During Phase 2, the ISO also will perform the studies specified in its study plan and will assess the various inputs into the process that it receives, including, *inter alia*, the draft statewide conceptual plan and stakeholder comments on that plan, project proposals submitted in a request window, and stakeholder input received at several points in the process.

### **a. Policy-driven elements**

One of the most notable features of the ISO’s revised planning process is the creation of a new category of network transmission facilities, “policy-driven” transmission facilities that are needed to meet state or federal policy requirements and directives, including renewable goals that are not inconsistent with the Federal Power Act. The immediate motive for this new transmission category is California’s pursuit of a 33 percent RPS standard by 2020, which will require significant new transmission to be developed that is not covered by the existing transmission categories and approval criteria in the tariff.

Determining which transmission lines to approve for construction to achieve policy goals requires consideration of multiple criteria, including those measuring environmental impacts, commercial interest, and economic viability. The criteria for identifying and evaluating policy-driven transmission elements proposed for the tariff are intended to be generally applicable to policy requirements and directives, but with particular attention to the 33 percent RPS requirement. Hence, they build off of the Commission-approved criteria for LCRI facilities, which were intended to address similar policy goals, and include other pertinent criteria recommended by stakeholders, as well as criteria utilized by the California Renewable Energy Transmission Initiative to identify and rank renewable energy zones.

The comprehensive transmission plan will designate the policy-driven elements as either Category 1 or Category 2. Category 1 elements are those recommended to the ISO Board for approval of need. Category 2 elements are identified in the plan, but are not recommended for approval, because they will be re-assessed in the next planning cycle as candidate Category 1 facilities based on new information regarding generation development and other factors related to the need for policy-driven

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<sup>3</sup> With this proposal the ISO adopts the terminology “year X/(X+1) planning cycle” to denote the planning cycle that starts in year X and concludes in year X+1 with the completion of the comprehensive transmission plan for the ISO balancing authority area.

transmission elements. The two-category approach is necessary for managing the considerable uncertainty that exists regarding key external conditions that will materially affect a determination of what transmission is needed. For example, the location and timing of the new generating resources that will be coming on-line over the next ten years to meet 33 percent RPS by 2020, as well as other resources that may be needed to reliably integrate them into the grid, cannot be definitively known at this time. Accordingly, the ISO will identify the Category 1 policy-driven elements of the plan based on a “least regrets” evaluation of alternative generation development scenarios in order to minimize the risk of building under-utilized transmission capacity. Because Category 1 elements may not be sufficient, however, to achieve the 33 percent renewable energy target, the plan will identify additional Category 2 transmission elements for which the ISO would make a conclusive finding of need in a later planning cycle if and when the pattern of generation development becomes more certain and confirms the need for the facilities. Thus, when the ISO Board approves the comprehensive transmission plan at the end of Phase 2, its approval will constitute a finding of need and authorization to proceed to develop only the Category 1 policy-driven elements and any economically driven elements (discussed below) that the ISO finds to be needed.

**b. Reliability, LCRI, long-term CRR and merchant projects**

In Phase 2, the ISO will receive and evaluate proposals for reliability-driven projects in response to the ISO’s reliability study process, merchant transmission facility projects, projects required to maintain the feasibility of long-term congestion revenue rights (“Long-Term CRR Projects”) and LCRI projects. The ISO is not proposing any changes to the substance of these existing tariff provisions. Thus, the parties responsible for constructing these projects will be the applicable participating transmission owner or merchant transmission facility Project Sponsor, as appropriate. The comprehensive transmission plan presented to the ISO Board at the end of Phase 2 will identify these projects and their associated Project Sponsors.

**c. Coordination with large generation interconnection procedures**

Another notable feature of the ISO’s revised transmission planning process that will occur during Phase 2, starting with the 2011/2012 planning cycle, is coordination of the development of Network Upgrades needed to interconnect generation in the ISO’s interconnection queue with the transmission planning process. Such coordination is contemplated by ISO tariff Appendix Y, Section 7.2. Based on criteria specified in the tariff, the ISO may assess and modify in the revised planning process certain Network Upgrades that were originally identified in the LGIP Phase II interconnection studies. By evaluating LGIP-driven upgrades that might have a significant impact on the system within the context of the revised transmission planning process, the ISO can ensure a comprehensive approach for identifying the most efficient and effective Network Upgrades that are needed. The ISO will not apply this process during the 2010/2011 planning cycle so as not to adversely impact the schedules of generators that (1) are subject to deadlines to sign Large Generator Interconnection Agreements (“LGIAs”) in

order to receive funding under the American Recovery and Reinvestment Act, and (2) are on course to execute LGIAs this year under the existing LGIP tariff provisions, which are not being modified by this proposal.

To the extent the ISO modifies through the transmission planning process any facilities identified in a Phase II LGIP study to meet policy-driven or other system needs in addition to meeting the needs of the interconnection customers, the applicable participating transmission owner shall be responsible for constructing and owning such modified facilities if the Network Upgrade that is being modified (the original Network Upgrade identified in the Phase II LGIP study) would have been included in an LGIA for interconnection customers (e.g., a Network Upgrade identified in the Phase 2 LGIP study is being upsized to meet some system need in addition to serving the specific interconnection customers). Responsibility for building and owning upgrades or additions that are necessitated by the modification of the Network Upgrade identified in the Phase 2 LGIP study, but which are not part of the Network Upgrade that would have been included in an LGIA for interconnection customers, will be determined according to the category of the upgrade – *i.e.*, policy-driven or economically driven elements will be subject to the competitive solicitation process and open to project proposals from all interested parties, and reliability projects will be built and owned by the applicable participating transmission owner, as will any new facilities on or upgrades to existing participating transmission owner facilities, rights-of-way, or substations (unless the participating transmission owner agrees otherwise). In addition, if a policy-driven or economically driven transmission element identified in the transmission planning process obviates the need for a Network Upgrade, that fact will not affect the responsibility to build and own the policy-driven or economically driven element – *i.e.*, it will be open to the competitive solicitation of Phase 3.

To ensure that any potential modification through the transmission planning process of Network Upgrades identified in the Phase II LGIP studies does not adversely affect the cost responsibilities of interconnection customers, these entities' cost responsibilities will be capped at the amount they would be responsible for under the LGIP provisions of the tariff.

#### **d. Economically driven elements**

Although the economic assessment of transmission additions and upgrades to provide economic benefits will be comparable to the current basis of such assessment, the revised process makes two important changes to the current process to better align it with the objective of a more comprehensive approach to system planning and the competitive solicitation aspect of the revised planning process. First, the ISO will perform the economic analysis to assess needs for and identify additional transmission elements that will provide economic benefits later in the planning process than is done today. The ISO will conduct economic studies during Phase 2 after initially evaluating the merchant transmission facility, reliability-driven, LCRI, and long-term CRR projects submitted through the request window, as well as any LGIP-related Network Upgrades that the planning process has modified and the needed Category 1 policy-driven elements. Sequencing the economic studies in this way uses the other identified

transmission additions and upgrades as baseline assumptions against which to assess economic benefits. Second, the ISO will no longer accept economic project proposals in the request window, but instead will use its economic studies to identify transmission elements that provide cost-effective economic benefits, such as congestion cost reduction. Such elements will be included in the comprehensive transmission plan submitted to the Board. As with policy-driven projects, the ISO will hold an open solicitation in Phase 3 whereby all interested Project Sponsors, both independent transmission developers and participating transmission owners, will have an equal opportunity to propose to construct and own these needed transmission elements.

For the 2010 planning cycle, the ISO will use the Phase 2 economic studies as the basis for evaluating the project proposals that were submitted in the 2008 and 2009 transmission planning request windows. If the ISO finds that a project submitted during the 2008 or 2009 request window is needed by meeting either the criteria for policy-driven transmission elements or the criteria for economically driven elements, the Project Sponsor that submitted the project will be entitled to construct and own it, subject to certain basic qualification requirements. If there are competing 2008 and 2009 request window projects for the same transmission element, the Phase 3 process and standards for evaluating multiple-sponsor projects shall apply. This treatment of the 2008 and 2009 request window projects was modified considerably from the ISO's earlier proposals during the stakeholder process to address stakeholder concerns.

#### **e. Board approval of the comprehensive transmission plan**

At the conclusion of Phase 2 of the revised planning process, ISO management will submit the comprehensive transmission plan to its Board of Governors for approval. In contrast, under the current planning process, the annual transmission plan is presented to the Board for information purposes, and then at various times during the year the Board is presented with specific project proposals for formal approval. The ISO is revising the Board approval process to align better with the comprehensive nature of the revised planning process and to obtain Board approval at a single point in time of all the Category 1 policy-driven and economically driven elements that will be open to competitive proposals to build in Phase 3. The revised approach will preserve certain aspects of the current process, however, such as the ability of ISO management to approve projects costing less than \$50 million. Such projects will of course be identified in the comprehensive plan for completeness, as they are today, as will the Category 2 policy-driven elements that will be subject to re-assessment in the next planning cycle.

### **3. Phase 3**

#### **a. Opportunities for independent transmission developers**

In Phase 3, the ISO will receive specific proposals from all interested Project Sponsors to build the Category 1 policy-driven and economically driven transmission elements that were approved in the final Phase 2 plan. The ISO has made significant revisions to its Phase 3 process as the result of input received during the stakeholder

process. Notably, the ISO will conduct an open solicitation whereby all interested parties, including independent transmission developers as well as existing participating transmission owners, will have an equal opportunity to propose to construct and own these elements. The process proposed here draws on that used by the Public Utility Commission of Texas to solicit proposals to build Competitive Renewable Energy Zone transmission facilities within the footprint of the Electric Reliability Council of Texas (“ERCOT”).

In light of stakeholder concerns, the ISO revised prior proposals to remove a right of first refusal for participating transmission owners to build policy-driven and economically driven transmission projects.

#### **b. ISO review of submitted proposals**

The ISO will review the project proposals received in Phase 3 to determine whether they are technically consistent with the specifications in the final Phase 2 plan, whether they satisfy Applicable Reliability Criteria and the ISO’s Planning Standards and whether the Project Sponsors are qualified to build and own the facilities. The qualification standards will require potential Project Sponsors to demonstrate that they are physically, technically and financially capable of (1) completing the project in a timely and competent manner, and (2) operating and maintaining the facilities consistent with Good Utility Practice and Applicable Reliability Criteria. These are generally the types of criteria regulatory commissions apply to determine whether an entity should be granted a certificate of public convenience and necessity to build facilities. Where there is one qualified Project Sponsor proposing to construct and own a needed transmission element, that sponsor may proceed to the appropriate siting authority to have the project approved and sited once the ISO completes its qualification assessment.

#### **c. Selecting among multiple Project Sponsors**

Where two or more qualified Project Sponsors seek to construct and own the same policy-driven or economically driven transmission element, and both meet the qualification requirements just described, the ISO will, upon request, facilitate an opportunity for the Project Sponsors to collaborate with each other to propose a single joint project. If the Project Sponsors are unable to collaborate on a single project and all of the qualified Project Sponsors propose to seek siting authorizations from the same siting authority (*e.g.*, the CPUC), the ISO will defer to that siting authority to determine which Project Sponsor should build and own the project. This approach recognizes that it is ultimately state siting authorities (and some federal siting authorities) that determine which projects should be sited and built and who should build them. Recognizing the significant level of cooperation and coordination that will be required to successfully implement the revised planning process and meet the 33 percent RPS by 2020 goal, the ISO and the CPUC have entered into a Memorandum of Understanding setting forth their commitment to work together to coordinate the ISO’s revised transmission planning process and the identification of needed transmission infrastructure with the CPUC’s subsequent siting/permitting processes. The Memorandum of Understanding is provided as Attachment C hereto.

In cases where two or more qualified Project Sponsors submit proposals to build the same transmission element and the sponsors intend to seek siting approval from different siting authorities, the ISO will determine which Project Sponsor should build and own the project and recover the costs of the project in the ISO's transmission access charge. Such Approved Project Sponsor would then be required to proceed to the siting authority it had designated to obtain all necessary approvals, permits and siting authorizations. This approach recognizes that there is no formal mechanism within the state for deciding who should build a project in circumstances where two different Project Sponsors are seeking their authorizations from two different siting agencies. This approach will ensure that competing Project Sponsors are not duplicating efforts before different siting agencies and incurring significant expenses on projects that only one entity ultimately can build and own. The ISO will make its determination based on non-discriminatory criteria that will be clearly specified in the tariff. These criteria are based on (1) the criteria that the Public Utility Commission of Texas adopted to determine who should build and own new transmission projects related to Competitive Renewable Energy Zones within the ERCOT footprint, and (2) the ISO's consideration of pertinent criteria recommended by stakeholders. The criteria include, *inter alia*, a comparative assessment of the initial qualification criteria, a Project Sponsor's financial resources and capabilities, the Project Sponsor's technical and engineering qualifications, the Project Sponsor's current and expected capabilities to finance, license and construct the facility and then to own and maintain it, and the Project Sponsor's prior record regarding the construction and maintenance of any transmission facilities.

In response to stakeholder input that the ISO should take into account certain cost considerations, the ISO has included a criterion that provides Project Sponsors with the opportunity to demonstrate their unique cost containment capabilities, as well as any advantage that they have to build and own the project, including agreeing to a binding cap on the costs of the project it can recover through the ISO's transmission access charge. It would not be appropriate for the ISO to incorporate criteria for selecting among competing project proposals based on the estimated costs of a project because such a criterion would provide an incentive for Project Sponsors to deliberately underestimate their costs, and the ISO, unlike public utility commissions such as those of Texas or California, has no authority to enforce compliance with such estimates. The ISO's proposed criteria allow Project Sponsors to identify any tangible and quantitative advantages they have in building the project. This is more meaningful than reliance on estimates which may not be reliable and which the ISO cannot enforce.

The information that potential Project Sponsors must submit to allow the ISO to assess how they satisfy each of the tariff-specified selection criteria will be set forth in the ISO's Transmission Planning Business Practice Manual ("BPM"). These information submission requirements are based in large part on the information submission requirements used by the Public Utility Commission of Texas.<sup>4</sup>

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<sup>4</sup> An initial draft of the types of information Project Sponsors will submit to enable the ISO to evaluate project proposals is provided as Attachment G to this filing.

## **B. Summary of Major Issues and ISO Responses**

In August 2009, the ISO commenced a stakeholder initiative to design a more efficient, comprehensive, and collaborative transmission planning process. The stakeholder process was lengthy and thorough, as the ISO had to address some extremely complex, controversial, and polarizing issues. As the Commission is well aware from proceedings in other regions, the outcome of some of these issues potentially could impact the incentives of transmission owners for continuing or initiating new membership in independent system operators and regional transmission organizations. Given the significance of these issues, the ISO worked diligently to listen to the concerns of all stakeholders and to develop a proposal that would effectively achieve the stated objectives while fairly balancing the different stakeholder interests. As the result of stakeholder input, the ISO's final proposal submitted herewith reflects significant changes from its prior proposals during the stakeholder process. Importantly, the ISO has crafted a proposal that strikes a delicate, fair, and reasonable balance among competing interests of parties that took diametrically opposite positions on many key issues. The Commission should approve the proposal without modification so as not to undo the just and reasonable balance that the ISO has achieved.

This section discusses some specific issues that were raised during the stakeholder process to develop the revised transmission planning process proposal.

### **1. The California Transmission Planning Group**

For the 2010/2011 planning cycle, the ISO will collaborate with the CTPG to produce by July 2010 a statewide conceptual transmission plan aimed at achieving the 33 percent RPS goal. The CTPG comprises transmission planners and load serving transmission owners in California, including all of the primary municipal utilities in the state. The CTPG was formed following the Commission staff's outreach efforts and meetings in California to promote collaboration and joint transmission planning efforts. Some stakeholders have raised concerns regarding the ISO's collaboration with CTPG and the fact that CTPG membership is not open to all interested persons. The ISO submits that these concerns are misplaced. The CTPG is not a decision-making body; it will not and cannot decide which transmission elements will get built, who will get to build those elements, or how costs should be allocated. The ISO alone will determine which projects are needed within its footprint and who should build them, and those decisions will be made pursuant to the ISO's planning process, which is fully compliant with Order No. 890. The conceptual statewide plan developed by the CTPG, with which the ISO is collaborating, will merely be one of many inputs into the ISO's planning process. Any transmission elements identified in CTPG studies will be subject to the same criteria and standards applicable to other potential transmission elements identified by stakeholders during the planning process. The CTPG has also made great strides to open up its process, seek input from interested stakeholders, conduct additional studies, and make the results available to the public. The ISO notes that one of the key principles of Order No. 890 was the requirement for regional participation whereby each transmission provider must coordinate its transmission planning efforts with interconnected systems. The ISO's collaboration with the CTPG is wholly

consistent with this principle, the Commission's express statements in Order No. 890 regarding the scope and nature of a transmission provider's participation in regional planning efforts, and the existing provisions of the ISO tariff and Transmission Planning Business Practice Manual. Accordingly, the Commission should reject the objections to the ISO's participation in the CTPG and the use of the conceptual statewide plan developed by the CTPG as an input into the ISO's revised planning process.

## 2. LGIP Network Upgrades

Some stakeholders argued that the ISO is creating an inappropriate, new "right of first refusal" for participating transmission owners by not opening an opportunity for independent transmission developers to build Network Upgrades identified in the LGIP Phase II studies or certain modifications of such upgrades determined in the revised transmission planning process. To the contrary, the ISO believes that any other approach than what is described in this proposal would be inconsistent with the Commission's standard LGIP and LGIA policies and standards promulgated in Order No. 2003 *et seq.*<sup>5</sup> Under the Commission's *pro forma* LGIP/LGIA and the ISO's LGIP/LGIA, existing participating transmission owners build LGIP Network Upgrades. Even in instances where interconnection customers are permitted to construct Stand-Alone Network Upgrades, the participating transmission owner must own such upgrades. These rights and obligations of the existing participating transmission owners should not be altered merely because the ISO modified the Network Upgrades as part of the transmission planning process rather than under the LGIP. Not permitting the participating transmission owner even to build the original interconnection facilities identified in the LGIP Phase 2 studies would turn Order No. 2003 upside-down, require an overhaul of the LGIP and LGIA provisions adopted in Order No. 2003, and create substantial uncertainty for interconnection customers at a time when many new resources need to be connected to the ISO controlled grid. The ISO is not aware of any case in which the Commission has concluded that third-party transmission developers must be given the opportunity to build and own Network Upgrades identified in the large generator interconnection process. Importantly, those stakeholders seeking a change in the way LGIP Network Upgrades are constructed ignore the fact that the proposed tariff provisions actually give independent transmission developers an opportunity which they have not had before to propose to construct and own certain types of facilities (*e.g.*, additional policy-driven transmission plan elements and elements that provide economic benefits) that the ISO finds are needed when it evaluates LGIP Phase II upgrades in the comprehensive planning process. Such elements could avoid the need for LGIP-related Network Upgrades that otherwise would be built by the participating transmission owners. Overall, the ISO believes the enhancements proposed in this filing expand opportunities and increase competition to build and own facilities identified

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<sup>5</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs. 31,146 (2003), *order on reh'g*, Order No. 2003-A, 69 Fed. Reg. 15,932 (Mar. 26, 2004), FERC Stats. & Regs. 31,160 (2004), *order on reh'g*, Order No. 2003-B, 70 Fed. Reg. 265 (Jan. 4, 2005), FERC Stats. & Regs. 31,171 (2005), *order on reh'g*, Order No. 2003-C, 111 FERC 61,401 (2005).



in the ISO transmission planning process. It is difficult to fathom how such expanded opportunities would be unjust and unreasonable.

### **3. Upgrades and additions to existing participating transmission owner facilities and rights of way**

Where a needed policy-driven or economically driven transmission element includes facilities that constitute an upgrade of or an addition on an existing participating transmission owner facility, the construction or ownership of new facilities on an existing participating transmission substation, or construction or ownership of facilities on existing participating transmission owner rights-of-way, those facilities would be constructed and owned by the applicable participating transmission owner unless the other Project Sponsor has an agreement with the participating transmission owner to build and own such facilities. However, the remaining elements of the project would be subject to the open solicitation process and would be constructed and owned by the Approved Project Sponsor designated in accordance with the non-discriminatory criteria specified in the tariff. This approach is consistent with Commission precedent, as well as existing ISO tariff provisions, which recognize that third parties constructing transmission facilities do not have the right to own facilities on and upgrades to existing transmission owner facilities, property and substations, unless they have an agreement with the existing owner. This approach recognizes (1) the Commission's lack of authority to approve and site transmission projects, except its backstop authority under the Energy Policy Act of 2005 which is not implicated here, (2) the Commission's prior findings that third party developers do not have the right to construct and own upgrades to a transmission owner's system or build on the transmission facilities, rights-of-way, or substations of other transmission owners absent their consent, and (3) the reliability, liability, and constitutional taking concerns that would arise from a third party being permitted to build upgrades or other facilities on the existing facilities, property or substations of another transmission provider.

### **4. Backstop obligation to build**

The revised planning process proposal provides that a participating transmission owner with a service territory may be required by the ISO to build and own a needed policy-driven or economically driven transmission element located within its service territory for which no Project Sponsor submitted a proposal to build, or where the Approved Project Sponsor backs out or is otherwise unable to build the project. Rather than automatically requiring such participating transmission owner to construct and own the policy-driven or economically driven project, the ISO is proposing tariff provisions that would give it the discretion to conduct another competitive solicitation and entertain proposals to build the project before relying on the obligation to build. Giving the ISO this flexibility is appropriate because there may be instances where conducting another solicitation may not make sense; *e.g.*, where no Project Sponsor, other than the Approved Project Sponsor that has subsequently backed out, proposed to build the project in the first solicitation, conducting another solicitation would not likely turn up another sponsor and would only delay completion of the needed transmission element.

In the end, however, if no other Project Sponsor steps up to build these elements that were found to be needed and approved by the Board in the comprehensive plan, the participating transmission owners with service territories must be obligated to build them because they are responsible for providing the transmission needed to serve load and are the service providers of last resort, as well as the only entities that can be expected to bear this general obligation and burden. The ISO recognizes that concerns have been expressed about the impact of this obligation to build on participating transmission owners, but sees it as a necessary element of the proposal. The Commission should be mindful of this obligation and not undo the delicate balance the ISO has struck with the overall design of its proposal.

Thus, for the reasons set forth herein, the ISO requests the Commission to approve its revised transmission planning process proposal without modification by August 3, 2010. The ISO implores the Commission to maintain the extremely delicate balance that this revised transmission planning proposal strikes, which results from an extremely difficult, thorough and extensive eight-month stakeholder process. As the Commission is well aware, the ISO dealt with some extremely difficult, controversial and polarizing issues in this stakeholder process. At the Board meeting, stakeholders from all industry segments recognized that the ISO listened to their concerns, made appropriate modifications to its proposal to address those concerns, and crafted a balanced proposal. The ISO submits that its revised proposal effectively addresses many of the difficult issues that the Commission is currently facing with respect to transmission planning, and does so in a fair, balanced, and non-discriminatory manner, while (1) recognizing that the states and some federal authorities, not the ISO or the Commission, have jurisdiction over the siting, permitting, and certification of transmission facilities, (2) honoring existing transmission owner property rights and participating transmission owner service and reliability obligations, (3) addressing concerns raised by Project Sponsors who submitted projects in the 2008 and 2009 request windows to ensure that such Project Sponsors will be able to construct and own the projects they submitted if such projects are found to be needed either for policy-driven or economically driven reasons, and (4) adopting an open solicitation process similar to that used in Texas, which will provide an equal opportunity for independent transmission developers to build and own economically driven and the new category of “policy-driven” transmission projects, without any right of first refusal for existing participating transmission owners. In particular, the ISO’s process establishes appropriate, just and reasonable opportunities, obligations, and responsibilities for parties seeking to build transmission to meet needs identified by the ISO and strikes a fair balance among competing interests. For these reasons, the Commission should approve the ISO’s proposed tariff revisions.

## **II. BACKGROUND**

### **A. The Need For A Revised Planning Process**

California has launched an ambitious effort to increase the role of renewable energy resources in meeting the electricity needs of the state. This effort began eight years ago and has become even more ambitious in recent years. In 2002, the

California legislature enacted Senate Bill 1078, which established a renewable portfolio standard program, requiring that renewable energy constitute 20 percent of the portfolios of California public utilities by 2017. The California Energy Commission's ("CEC") 2003 Integrated Energy Policy Report recommended accelerating that goal to 20 percent by 2010, and the 2004 Energy Report Update further recommended increasing the target to 33 percent. The state's 2005 Energy Action Plan supported this goal.

In 2006, the legislature responded by enacting Senate Bill 107, which codified the accelerated target for attaining the 20 percent RPS. In 2006, the legislature enacted Assembly Bill 32, which set into law measures to reduce the State's greenhouse gas emissions to 1990 levels by 2020. A 33 percent RPS was incorporated into the California Air Resources Board's scoping plan to achieve the targets for greenhouse gas reductions of State's Assembly Bill 32. That was further advanced pursuant to a related Executive Order issued by Governor Arnold Schwarzenegger in November 2008 (Executive Order S-14-08), which directed that California utilities with retail customers serve 33 percent of their load with renewable energy by 2020, the most aggressive renewable portfolio standard in the nation. In November 2009, Governor Schwarzenegger issued Executive Order S-21-09 directing the California Air Resources Board to adopt a regulation consistent with the 33 percent renewable energy target. The State legislature is currently considering an increase in its RPS to 33 percent by 2020. Both the CPUC and the CEC have endorsed a 33 percent RPS by 2020 standard.<sup>6</sup>

As the transmission provider for all of California's investor-owned utilities and the system planner of the ISO controlled grid, the ISO must play a major role in achieving these goals. The ISO concluded in 2006 that market failures were interfering with the efficient development of renewable resources. In response, the ISO undertook an initiative to facilitate the delivery of renewable and other location-constrained resources to the ISO controlled grid. On June 13, 2006, the ISO Board authorized ISO management to proceed with a stakeholder process directed toward the filing of a petition for a declaratory order regarding a proposal to address the market failures. The ISO developed a proposal with extensive stakeholder input, obtained Commission approval of the concept,<sup>7</sup> and then developed a tariff amendment with additional stakeholder input. The Commission approved the detailed tariff provisions implementing the ISO's LCRI facilities initiative on December 21, 2007.<sup>8</sup>

During the same period, the ISO pursued efforts to revise its transmission planning process to bring it into compliance with Order No. 890,<sup>9</sup> which the Commission

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<sup>6</sup> 33 percent RPS Implementation Analysis Preliminary Results at 1, CPUC (June 2009).

<sup>7</sup> *Cal. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,061 (2007).

<sup>8</sup> *Cal. Indep. Sys. Operator Corp.*, 121 FERC ¶ 61,286 (2007)

<sup>9</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No.

issued in February 2007. The Commission approved the ISO's transmission planning tariff revisions as in compliance with Order No. 890, subject to certain conditions.<sup>10</sup> The Commission has also accepted the ISO's compliance filings.<sup>11</sup>

Nonetheless, based on experience with its transmission planning process over the last two years, the ISO has concluded that the infrastructure improvements needed to allow the state to reach the 33 percent target by 2020 will not occur if the state's transmission system is assessed and built in a piecemeal fashion, project by project, as could occur under the current transmission planning process. Although the ISO's transmission planning process is operating as intended, it was not designed to accommodate the significant new challenges of planning the system to achieve the policy-driven infrastructure needs of the 33 percent policy in a condensed time frame.

As a result of its experience in recent years, the ISO concluded that a revised planning process was needed to accommodate the much shorter policy-driven time frame of the 33 percent policy and to establish the framework for addressing any similar policy initiatives. In particular, there was a need for a new category of transmission facilities intended to meet policy requirements and directives such as RPS that did not fall cleanly within the traditional categories of reliability and economics. Also, a more comprehensive, integrated and efficient approach was needed to facilitate timely planning decisions in order to meet established deadlines. The ISO also believed that a revised planning process was necessary to allow the ISO to address certain other inefficiencies in the transmission planning process that it has experienced in recent years. The ISO therefore initiated the stakeholder process described below.

## **B. Development of the Revised Transmission Planning Process – Stakeholder Process**

The ISO held an extensive and robust stakeholder process in connection with the revised transmission planning process proposal as outlined in Table 1 below. The ISO even extended that process by scheduling additional stakeholder meetings and continuing to work with stakeholders in an effort to resolve the difficult issues which had polarized the discussions, which required removing the initiative from several ISO Board agendas between December 2009 and March, 2010. The following table depicts the dates the ISO posted various versions of its revised transmission planning process proposal and the stakeholder engagement and comment dates.

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890, FERC Stats. & Regs. ¶¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶¶ 61,228 (2009).

<sup>10</sup> *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶¶ 61,283 (2008).

<sup>11</sup> *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶¶ 61,172 (2009); *Cal. Indep. Sys. Operator Corp.*, 130 FERC ¶¶ 61,048 (2010).

Table 1 - The Transmission Planning Stakeholder Process

No.	Document Name	Publication Date	Stakeholder Engagement Date <sup>12</sup>	Comments Received
1	Getting to 33% Renewables Portfolio Standard: Establishing a New ISO Tariff Category for Renewable Transmission Projects	Sept. 15, 2009	Sept 23, 2009	Sept. 30, 2009
2	Getting to 33% RPS Through Comprehensive, State-wide Grid Planning: A Revised Straw Proposal	Oct. 30, 2009	Nov. 6, 2009	Nov. 13, 2009
3	ISO Renewable Energy Transmission Planning Process (RETPP): Second Revised Straw Proposal	Dec. 2, 2009	Dec. 8 2009	Dec. 15, 2009
4	ISO Renewable Energy Transmission Planning Process (RETPP): Draft Final Proposal	Jan. 8, 2010 <sup>13</sup>	Jan. 12, 2010	Jan. 19, 2010
5	Renewable Energy Transmission Planning Process (RETPP): Second Draft Final Proposal	Apr. 2, 2010	Apr. 8, 2010	Apr. 15, 2010
6	The Revised Transmission Planning Process (Formerly the Renewable Energy Transmission Planning Process (RETPP)) Supplement to Second Draft Final Proposal	Apr. 28, 2010	May 4, 2010	May 7, 2010
7	Revised Transmission Planning Process – Complete Final Proposal	May 7, 2010	-	-

<sup>12</sup> Some stakeholder engagements were in-person meetings while others were conference calls.

<sup>13</sup> Original version was published on January 6, 2010. Minor corrections were made and the document was republished on January 8, 2010

The stakeholder process that led to the ISO's *Revised Transmission Planning Process – Complete Final Proposal* began on September 15, 2009 when the ISO launched its “Getting to 33 percent RPS” initiative by publishing an issue paper and straw proposal outlining a new tariff category for transmission upgrades and additions to support renewable energy access and a framework for comprehensively planning the transmission upgrades that will be needed to reach California’s 33 percent renewable energy target by 2020. The ISO followed up with a stakeholder meeting on September 23, after which interested parties had an opportunity to submit written comments by September 30. Subsequently, the ISO issued proposals on October 30, December 2, January 8, and April 2, each of which was followed by a stakeholder meeting or conference call and another opportunity to submit written comments. On April 28, the ISO published *The Revised Transmission Planning Process (Formerly the Renewable Energy Transmission Planning Process (RETPP)) Supplement to Second Draft Final Proposal*, which covered selected topics for further discussion.<sup>14</sup>

As a result of these activities, and in consideration of the thoughtful and constructive comments of stakeholders, the ISO reached the following conclusions, which are reflected in the present *Revised Transmission Planning Process – Complete Final Proposal* and described in detail in this transmittal letter:

1. To develop transmission infrastructure to achieve the state’s 33 percent renewable energy target it will be neither sufficient nor efficient to approach transmission planning in a piecemeal fashion, project by project. A more comprehensive planning approach is needed.
2. The comprehensive approach should take a statewide perspective through collaboration with the other transmission planners, owners and service providers in California.
3. To accommodate a reasonable lead time for building transmission by 2020, the initial statewide conceptual plan should be completed in 2010 to enable further necessary analysis and development efforts to proceed.
4. The transmission plan developed by the CTPG as input into the ISO’s transmission planning process will be truly conceptual in the sense that it would not entail decisions to approve specific transmission projects or allocate project costs. The member planning authorities would each make such decisions in accordance with their own procedures with regard to transmission facilities that would be part of their balancing authority areas.
5. The conceptual transmission plan developed by the CTPG would not perform sufficient analysis or planning activities to address all the reliability and operating needs of its members. Again, each member planning authority will be

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<sup>14</sup> The entire stakeholder record for the revised transmission planning process initiative is available at: <http://www.caiso.com/242a/242abe1517440.html>.

responsible for planning to meet these needs, but with awareness of the statewide plan as a context for planning.

6. Based on the previous two points, the ISO will conduct its own Order No. 890-compliant transmission planning process and its generation interconnection process, both of which have activities in progress that cannot be delayed significantly.
7. At the same time, the critical need for a comprehensive approach to planning means that the current transmission planning and generation interconnection activities should be integrated as far as possible. In particular the ISO will modify existing procedures so that a single annual transmission planning process can address both policy-driven elements and the other infrastructure needs of the ISO grid, leading to a single annual transmission plan that is presented to the ISO Board for approval.

During its stakeholder process the ISO carefully considered the comments of its stakeholders and made numerous significant revisions to its proposal. Below are some of the key revisions that the ISO made to its revised transmission planning proposal in response to stakeholder comments:

- Eliminated the right of first refusal for participating transmission owners to construct and own policy-driven and economically driven transmission projects that had originally been proposed in an early version of the revised transmission planning process proposal;
- Allowed Project Sponsors (both participating transmission owner and non-participating transmission owner) that submitted projects during the 2008 and 2009 request window to build and own those projects if they are found to be needed, during the 2010/2011 planning cycle, to meet policy-driven or economically driven criteria;
- Provided an open solicitation, similar to that employed by the Public Utility Commission of Texas and using similar criteria, for instances where there are competing projects to construct and own the same policy-driven or economically driven transmission element, under which all interested Project Sponsors may propose to construct and own policy-driven and economically driven transmission elements;
- Eliminated the existing tariff provision which gives participating transmission owners a right of first refusal to build economically driven project alternatives which the ISO determines are needed during the planning process;
- To address concerns expressed by, *inter alia*, Pattern Energy, the California Municipal Utility Association, the Transmission Agency of Northern California, the Bay Area Municipal Utility Group, and the

Northern California Power Authority regarding the potential costs of projects, added a selection criteria that examines (1) a Project Sponsor's demonstrated cost containment capabilities, (2) any voluntary, binding agreement by a Project Sponsor to cap the costs associated with constructing a specific transmission element that it will collect through the ISO's Transmission Access Charge), and (3) any clear and tangible advantages that a Project Sponsor can demonstrate or benefits that it can provide to build the project compared to other potential Project Sponsors;

- Exempted the 2010/2011 planning cycle from the new tariff provision that allows the ISO to assess whether certain Network Upgrades identified in the LGIP Phase 2 studies should be modified to address other system needs, so as not to adversely impact the schedules of generators who (1) are subject to deadlines to sign LGIAs in order to receive funding under the American Recovery and Reinvestment Act, and (2) are on course to execute LGIAs this year under the existing LGIP tariff provisions which are not being modified by this proposal.

The ISO also engaged with stakeholders regarding the modifications to the current ISO tariff planning provisions needed to implement the revised transmission planning proposal. This process involved the posting of an initial draft and a revised draft of the tariff language, allowing two opportunities for written stakeholder comments, and conducting two calls with stakeholders regarding the proposed tariff provisions. Table 2 below represents the stakeholder process for the development of the tariff language.

Table 2 - The Transmission Planning Process – Tariff Development

No.	Document Name	Publication Date	Stakeholder Engagement Date <sup>15</sup>	Comments Received
1	Revised Draft Transmission Planning Process Language	May 5, 2010	May 12, 2010	May 11, 2010
2	Revised Draft Transmission Planning Process Language Blacklines	May 11, 2010	-	-
3	Second Revised Draft Transmission Planning Process Language	May 19, 2010	May 26, 2010	May 25, 2010

<sup>15</sup> Some stakeholder engagements were in person meetings while others were conference calls.



4	Second Revised Draft Transmission Planning Process Language Blacklines	May 19, 2010	-	-
5	Revision to Second Revised Draft Transmission Planning Process Language	May 20, 2010	-	-
6	Revision to Second Revised Draft Transmission Planning Process Language Blacklines	May 21, 2010	-	-

On May 18, 2010, the ISO Board approved the revised transmission planning process proposal and authorized the filing of a tariff amendment with the Commission. A copy of the ISO's Memorandum to the Board regarding the *Decision on Revised Transmission Planning Process* and Board Presentation entitled *Decision on Revised Transmission Planning Process* are provided in Attachment D hereto.

At the ISO Board meeting on May 18, 2010, stakeholders representing a broad range of industry segments expressed their support for the ISO's revised transmission planning process proposal. They recognized that that issues raised in this initiative were contentious and difficult.<sup>16</sup> However, they noted that the ISO had conducted a robust stakeholder process and listened to different points of view and made significant changes to prior proposals to address the concerns of stakeholders.<sup>17</sup> Importantly, they stressed how the ISO's revised proposal strikes a reasonable balance among competing concerns and is fair and balanced.<sup>18</sup> In particular, stakeholders supported the new process for evaluating projects and were enthusiastic about the implementation of the more comprehensive, collaborative, and integrated planning process that will support the development of infrastructure needed to achieve California's renewable energy goals.<sup>19</sup>

### III. THE REVISED TRANSMISSION PLANNING PROCESS PROPOSAL

As discussed above, the revised transmission planning process will be structured in three phases, and the ISO has revised the organization of its transmission planning tariff (Section 24) to reflect the elements of the process in a more chronological order.

<sup>16</sup> See pages 24-25, and 57 of the transcript of the relevant portion of the May 18, 2010, ISO Board meeting pertaining to the revised transmission planning process proposal contained in Attachment E hereto.

<sup>17</sup> *Id.* at 31, 38, 42-43, and 45-47.

<sup>18</sup> *Id.* at 26, 31-33, and 43.

<sup>19</sup> *Id.* at 25, 31, 32, 35, 40, 43, 48 and 57.

A timeline laying out milestones in the revised transmission planning process is provided as Attachment F to this filing.

The reorganization and modification of Section 24, as well as the new tariff provisions that the ISO is proposing in order to implement the revised transmission planning process, are discussed in this Section III, beginning with Phase 1 (Section III.A below) and working chronologically through the revised cycle. Revised Section 24.1 provides a general overview of the revised transmission planning process and introduces a new defined term – Approved Project Sponsor – as well as establishing the yearly numbering convention for each revised transmission planning process annual cycle. Because the revised transmission planning process, like the current transmission planning process, will take place in overlapping fifteen month cycles, each cycle will be designated the “year  $X/(X+1)$  planning cycle,” referring to the cycle initiated during year  $X$  to complete a comprehensive transmission plan in year  $X+1$ . In other words, the planning cycle currently underway that culminates in a March 2011 transmission plan will be designated as the “2010/2011” planning cycle.

## **A. The Phase I Process**

### **1. Phase 1 Overview**

Under proposed Section 24.3, Phase 1 consists of two parallel transmission planning activities: the development and completion of the annual Unified Planning Assumptions and Study Plan; and, in tandem, the development of a conceptual statewide transmission plan that may be completed during Phase 1 or Phase 2.

Proposed Sections 24.3.1 through 24.3.3 provide that the ISO will undertake an annual stakeholder process to develop the Unified Planning Assumptions and Study Plan. This ISO activity, which is part of the ISO’s existing transmission planning process, will typically be conducted over the first quarter of each calendar year, as it was this year (2010). These steps are largely based on existing tariff provisions that have been grouped under Phase 1. The Study Plan provides the basis for the ISO’s reliability and other planning studies that mark the beginning of Phase 2.

Starting with the 2011/2012 annual planning cycle, the Phase 1 stakeholder process will provide the opportunity for participants to submit economic planning study requests as comments on the draft Unified Planning Assumption and Study Plan.<sup>20</sup> In the revised process, the ISO will continue to follow the existing tariff and BPM guidelines for determining how many and which economic studies it will perform. The economic planning studies will help to focus the ISO planners in Phase 2 on areas of the grid where transmission upgrades may yield significant economic benefits and will provide a basis for the submission of economically driven project proposals in Phase 3.

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<sup>20</sup> As explained below, during the 2010/2011 planning cycle, the ISO proposes to suspend the ability of participants to submit requests for additional economic planning studies, as the ISO will already be conducting substantial economic analyses to evaluate projects submitted during the 2008 and 2009 request windows.

In the 2011/2012 cycle, parties submitting these requests will have the benefit of the first full comprehensive plan incorporating policy-driven transmission elements for achieving California's 33 percent by 2020, which will provide a key input into the assessment of expected congestion on the grid. In addition, there will be further clarification of the state's regulatory goals and schedule for retirement or repowering of once-through cooling plants, which will affect congestion into load pockets in particular.

The development of a conceptual statewide transmission plan is an important step in the proposed revised transmission planning process. This step recognizes, among other things, that policy goals such as 33 percent RPS will apply throughout the State, not just within the ISO footprint. Although the conceptual statewide transmission plan is addressed in proposed Section 24.4.4 of the ISO tariff in the context of Phase 2 of the revised planning process, much of the initial work on the conceptual statewide plan will occur during Phase 1. The conceptual statewide transmission plan will identify potential transmission upgrades or additions needed to meet state and federal policy requirements, including renewable energy targets. This activity may be coordinated with regional and sub-regional planning groups and neighboring balancing authorities. A collaborative effort that will comply with this requirement was initiated in 2009 among the various California planning authorities and load serving transmission providers under the structure of the CTPG, which is currently developing a conceptual statewide transmission plan that can achieve the state's 33 percent RPS goal.

## **2. Unified Planning Assumptions and Study Plan**

The purpose of the Unified Planning Assumptions, under both the existing tariff and as defined in proposed Section 24.3.1, is to establish a common set of assumptions for the diverse planning studies that take place within the transmission planning process. The starting point for the Unified Planning Assumptions and Study Plan in Phase 1 is information and data from the transmission plan developed and approved in the previous annual planning cycle. In addition, proposed Section 24.3.1 requires the ISO to take other specified factors into account.

Most of the information and data categories the ISO will consider in the Unified Planning Assumptions and Study Plan are described in existing tariff provisions,<sup>21</sup> to which the ISO proposes minor changes or clarifications. These categories include:

- Western Electricity Coordinating Council ("WECC") base cases for the relevant planning horizon;
- Transmission upgrades and additions that the ISO approved in past transmission planning process cycles, including those that address transmission elements in the previous comprehensive transmission plan;

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<sup>21</sup> See existing ISO tariff Section 24.2.1.1.

- Location constrained resource interconnection facilities the ISO has conditionally approved;
- Network upgrades and additions identified under the ISO's LGIP that were not included in the previous comprehensive transmission plan;
- Operational solutions validated by the ISO in the Local Capacity Technical Study under Section 40.3.1;
- Policy requirements and directives, as appropriate, including programs initiated by state and federal regulatory agencies;
- Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;<sup>22</sup> and
- Economic planning study requests, beginning with the 2011/2012 planning cycle.

The provisions have been modified only as necessary for consistency with other proposed revisions in the transmission planning process. In particular, the timing of economic planning studies is revised, as described *infra* in the discussion of Phase 2, to allow consideration of the results of those studies in the planning cycle in which the studies are conducted, rather than in the subsequent planning cycle, consistent with the comprehensive nature of the revised planning process.

Through this filing, the ISO also proposes to enhance the existing process by adding several new categories to proposed Section 24.3.1. These new categories are as follows:

- Category 2 policy-driven transmission upgrade and addition elements that were identified in a prior planning cycle;
- Demand response programs proposed in comments for inclusion in the base case or assumptions for the comprehensive transmission plan;
- Generation and other non-transmission projects proposed in comments for inclusion in long-term planning studies as alternatives to transmission additions or upgrades; and
- Planned facilities in interconnected balancing authority areas.

As described in connection with Phase 2, Category 2 policy-driven transmission upgrade and addition elements considered in developing the Unified Planning

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<sup>22</sup> Examples of such areas are the Competitive Renewable Energy Zones identified by the state's Renewable Energy Transmission Initiative as discussed below.

Assumptions and Study Plan are those that the ISO has determined could be needed to achieve state or federal policy requirements but did not approve during the previous cycle (e.g., if because of the uncertainty regarding the potential for renewable resource development in the zones that these transmission elements would access, the need for these elements was not firmly demonstrated). This category does not exist in the current tariff. The purpose of identifying Category 2 policy-driven elements in the Unified Planning Assumptions and Study Plan is to facilitate the resolution of policy-driven needs in the new planning cycle. The demand response programs and generation and non-transmission projects described in proposed Section 24.3.1 are submitted during the request window under the current tariff. (The new timing of the request window is discussed in the section on Phase 2.) Their inclusion in the Unified Planning Assumptions and Study Plan ensures that these programs and projects will be considered within the same planning cycle as under the current tariff. Finally, the inclusion of planned facilities in neighboring balancing authority areas in the Unified Planning Assumptions and Study Plan supports the regional coordination principle established by the Commission in Order No. 890.

The ISO will prepare the Unified Planning Assumptions and Study Plan based on the foregoing information and data. Proposed Section 24.3.2 sets forth certain minimum contents of the Unified Planning Assumptions and Study Plan. Again, these requirements in large part reflect existing tariff provisions, with minor changes and clarifications that are now grouped under the Phase 1 planning activities.<sup>23</sup> The required minimum contents include the following:

- Planning data and assumptions to be used;
- Description of the computer models, methodology, and other criteria used in each technical study;
- A list of each study to be performed and a summary of each technical study's purpose;
- Description of any significant modifications to the planning data and assumptions;
- The identification of any entities directed to perform all or part of a technical study;
- The proposed schedule for the stakeholder process and location of posted documents for each TPP cycle;

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<sup>23</sup> For example, compare proposed Section 24.3.2(c) with existing ISO tariff Section 24.2.1.2(c).

- Description of any sensitivity studies, including project or solution alternatives, to be performed in the technical studies, to the maximum extent practicable;
- Description of the high priority economic studies determined by the ISO under Section 24.3.5; and
- Identification of the state or federal policy requirements or directives that the ISO will utilize to develop policy-driven elements during Phase 2.

Under proposed Section 24.3.3, considering the inputs above, the ISO will prepare the draft Unified Planning Assumptions and Study Plan that will be posted for stakeholder review and input. In addition, beginning with the 2011/2012 planning cycle, the ISO will first provide a comment period, prior to the preparation of the draft Unified Planning Assumptions and Study Plan, for interested parties to submit demand response proposals for inclusion in the base case and generation or non-transmission alternatives proposed as alternatives to transmission upgrades or additions (Section 24.3.3 (a)) and will consider those comments in preparation of the draft. The stakeholder process contemplated in this provision augments the existing process with an additional opportunity for stakeholder proposals and increased notice requirements.<sup>24</sup>

The process then requires the ISO to issue a market notice advising stakeholders of the availability of the draft and the schedule for submitting comments and conducting a public conference. Proposed Section 24.3.3(b) requires the ISO, at least one week after the draft is posted, to host a public meeting for market participants, electric utility regulatory agencies, and other interested parties to review, discuss, and make recommended modifications to the draft Unified Planning Assumptions and Study Plan. The ISO may hold additional meetings, web conferences or teleconferences for further discussion. These events will also be announced in a market notice. The due date for interested parties to submit comments will be at least two weeks after the first public conference and the ISO will post all the comments it receives on the draft. The ISO will thereafter determine and post on its website the final Unified Planning Assumptions and Study Plan, and the base cases to be used in the technical studies.

Beginning with the 2011/2012 planning cycle, during the comment period on the Unified Planning Assumptions and Study Plan, interested parties may submit, in addition to comments on the assumptions and plan, economic planning study requests based on the previous comprehensive transmission plan. Under the existing tariff provisions, parties requested economic planning studies during a request window.<sup>25</sup> The proposed submission of economic planning study requests during the revised Phase 1 process, rather than during the Phase 2 request window, is optimal because it

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<sup>24</sup> See existing ISO tariff Section 24.2.1.3.

<sup>25</sup> See existing ISO tariff Section 24.2.3.

will allow stakeholders to consider the draft assumptions and study plan as well as the draft comprehensive transmission plan from the previous cycle in developing their requests while still allowing the ISO enough time to properly evaluate the requests.

Under the revised tariff, the ISO will not be taking economic planning study requests in the 2010/2011 planning cycle. For this first cycle of the revised process the ISO must consider a significant number of proposed projects pending review from the 2008 and 2009 request windows that will require economic analyses, as well as conduct a robust stakeholder process applying the proposed new policy-driven criterion to determine the transmission elements that are needed for the state to meet its 33 percent RPS by 2020 goal. Addressing these pressing matters will require the full dedication of the ISO's resources during this planning cycle.

If the ISO receives a request for an economic planning study in the subsequent planning cycles, the ISO will consider whether the request should be designated as a High Priority Economic Planning Study to be performed for developing the comprehensive transmission plan. Proposed Section 24.3.5.1 sets forth the requirements for making that determination, which are nearly identical to the existing requirements.<sup>26</sup> The ISO will consider whether the requested economic planning study:

1. Seeks to assess congestion that was not identified or was identified but not mitigated in prior TPP cycles;
2. Addresses delivery of generation from LCRI Generators or network transmission facilities intended to access generation from an Energy Resource Area or similar resource area assigned a high priority by the CPUC or CEC;
3. Addresses local capacity area resource requirements;
4. Contains demand information indicating that congestion is projected to increase over the planning horizon and the magnitude of that congestion;  
or
5. Encompasses the upgrades necessary to integrate new generation resources or loads on an aggregated or regional basis.

Under proposed Section 24.3.5.2, once the ISO selects the High Priority Economic Planning Studies, it will post a list of those studies to be included in the Study Plan. The ISO will perform up to five proposed high priority studies, but may at its discretion perform a greater number of studies. The ISO may also consider economic planning studies performed and submitted by market participants for consideration in

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See existing ISO tariff Section 24.2.3.2.

the development of the comprehensive transmission plan. These requirements are consistent with the existing process.<sup>27</sup>

### **3. Statewide Conceptual Transmission Plan and Collaboration with Regional and Sub-regional Planning Entities**

Under proposed Section 24.4.4, the ISO will annually develop or participate in the development of a conceptual statewide transmission plan as part of its own planning process, potentially in collaboration with other regional or sub-regional transmission planning groups or entities, as well as interconnected Balancing Authority Areas. As part of this aspect of the annual planning cycle, the ISO will post a draft of the conceptual statewide transmission plan on its website, issue a market notice to advise stakeholders of the availability of the plan, conduct at least one public conference to discuss and obtain input on the draft, and provide interested parties the opportunity to provide comments on the draft before the plan is completed. The ISO will finalize the statewide conceptual plan to be used as an important input to the Phase 2 process described below. Depending upon factors involving other regional or sub-regional transmission planning groups or entities, the conceptual statewide transmission plan may be completed during Phase 1 or Phase 2 of the transmission planning cycle.<sup>28</sup>

Conceptual transmission planning is appropriate to perform when it is necessary to identify and evaluate numerous potential new transmission elements in a comprehensive manner. More detailed engineering studies are then typically conducted after the conceptual analysis is vetted with stakeholders, by identifying the most promising potential elements and then analyzing them in more detail. California has multiple balancing authorities that are also planning authorities. Achieving the state's RPS goals thus presents a significant coordination challenge, as reflected by the fact that in the 2009-2010 timeframe, there have been three efforts to develop statewide conceptual planning studies that evaluate the transmission needed to interconnect and deliver the resources that will be needed to satisfy California's 33 percent RPS.

The first initiative was the Renewable Energy Transmission Initiative, a statewide multi-agency, multi-stakeholder group that was established in 2007 by the CPUC and the CEC to identify and evaluate Competitive Renewable Energy Zones for California load-serving entities and developers.<sup>29</sup> The ISO participated in the Renewable Energy Transmission Initiative from the start. The Renewable Energy Transmission Initiative's results have provided an important input to support renewable transmission planning and permitting activities. Notably, the Renewable Energy Transmission Initiative has ranked all the zones by environmental and economic criteria, and continues to update

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<sup>27</sup> See existing ISO tariff Section 24.2.3.3.

<sup>28</sup> In this transmittal letter, the conceptual statewide transmission plan process is described in the Phase 1 section because it begins during that phase.

<sup>29</sup> Renewable Energy Transmission Initiative documentation is publicly available on CEC's website at: <http://www.energy.ca.gov/reti/index.html>.



these rankings as additional information is made available. The Renewable Energy Transmission Initiative also conducted conceptual transmission planning using a simplified analytical approach that identified the potential flow impact on new and existing transmission elements from each potential Competitive Renewable Energy Zone. In early 2009, the Renewable Energy Transmission Initiative steering committee recommended that the ISO and other planning entities perform a detailed, contingency-based technical analysis of proposed new line segments as soon as possible to determine which are needed and how construction should be phased to ensure that sufficient transmission is placed in service to meet state goals by 2020. One of the issues to be resolved, in part through the subsequent more formal transmission planning analyses, was how to use the Renewable Energy Transmission Initiative information in guiding the next phase of California planning.

A second effort at conceptual planning was the ISO's 2009 preliminary study that refined the Renewable Energy Transmission Initiative approach by focusing on a set of transmission elements to meet a 33 percent RPS and conducting power flow and stability studies to identify the preferred set of needed elements.<sup>30</sup> That study identified the set of resources by beginning with projects that had power purchase agreements, and then adding resources from the ISO queue and the publicly available data on the queues of other planning entities (e.g., LADWP and IID), until a statewide 33 percent RPS was achieved. That study also assumed a level of renewable imports. In this fashion, the ISO identified an initial set of transmission elements to interconnect 14 renewable energy zones. The ISO's 2009 conceptual study was an entirely ISO-developed study.

In the 2010/2011 planning cycle, the ISO is participating in the third recent effort at statewide conceptual transmission planning in California, which is being conducted by the CTPG. During 2010, the ISO will collaborate with the CTPG to develop a statewide conceptual transmission plan, initially focusing on the transmission elements that might be needed to achieve the 33 percent RPS target by 2020. It is anticipated that the CTPG statewide conceptual plan may be updated in subsequent years to reflect new developments relevant to the plan.

An explicit objective of the CTPG is to identify opportunities for joint transmission projects, which the ISO believes is an important focus and potential benefit of developing a statewide 33 percent renewable transmission plan. Like the Renewable Energy Transmission Initiative, the CTPG is a statewide process, in which all planning entities within the state are participating, but the CTPG is conducting power flow and stability studies to identify needed transmission elements. Moreover, it is evaluating a wide variety of different scenarios and transmission alternatives. Similarly to the prior Renewable Energy Transmission Initiative studies, however, the CTPG plan will remain conceptual in the sense that it is not intended to address all the reliability and operational needs of the CTPG balancing authorities and it will not necessarily provide all the engineering details required to develop complete proposals to build the facilities.

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<sup>30</sup> Available at <http://www.caiso.com/242a/242ae729af70.pdf>.

The CTPG renewable transmission planning effort has been divided into three phases, not to be confused with the phases of the ISO's revised transmission planning process. In the first phase, CTPG's study focused on a 33 percent renewable energy portfolio developed to reflect the initial renewable resource procurement preferences of the CTPG-member load serving entities (which supply the majority of California retail loads). These entities provided renewable energy procurement scenarios reflecting anticipated resource plans, installed capacity, and in some cases expected renewable production at the time of peak load.<sup>31</sup>

In the second phase of this planning effort, the CTPG greatly expanded its outreach to stakeholders, including most notably the Renewable Energy Transmission Initiative participants. To better facilitate stakeholder participation from this point onwards, the CTPG posted a draft of its study plan for each phase for stakeholder comment before finalizing the plan. In addition, the CTPG posted a draft of its study report for each phase for comment before finalizing the report. In the second phase, the CTPG evaluated a renewable generation interconnection-based queue portfolio, developed by the ISO and the publicly owned utilities, as well as an initial portfolio developed by the Renewable Energy Transmission Initiative.<sup>32</sup>

In the third phase of the CTPG planning effort, which is currently underway, the CTPG is seeking to build on the record of the second phase, to further expand the set of resources studied, and to respond to stakeholders. In particular, the CTPG is examining an additional Renewable Energy Transmission Initiative renewable portfolio that is focused on the highest-ranked Competitive Renewable Energy Zones as well as 13 proposals for alternative transmission projects submitted by independent transmission companies and other entities. The CTPG will evaluate each proposed stakeholder alternative to determine whether the alternative satisfies the transmission need identified in the CTPG studies and how the electrical performance of the alternative compares to the transmission solution identified in the CTPG studies. In addition, the CTPG will complete a planning-level cost comparison and environmental review for stakeholder review.<sup>33</sup>

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<sup>31</sup> The CTPG posted the revised final study plan for the first phase on November 2, 2009 at: [http://www.ctpg.us/public/images/stories/downloads/CTPG\\_revised\\_Study\\_Plan\\_Nov\\_2\\_draft.pdf](http://www.ctpg.us/public/images/stories/downloads/CTPG_revised_Study_Plan_Nov_2_draft.pdf); and the final report on February 17, 2010 at: [http://www.ctpg.us/public/images/stories/downloads/2010-02-17\\_ctpg\\_phase\\_1\\_2020\\_study\\_report\\_final.pdf](http://www.ctpg.us/public/images/stories/downloads/2010-02-17_ctpg_phase_1_2020_study_report_final.pdf).

<sup>32</sup> The CTPG posted the draft study plan for the second phase for stakeholder comment on January 29, 2010, and the final study plan on February 10, 2010 at: [http://www.ctpg.us/public/images/stories/CTPG\\_Phase2\\_Draft\\_Final\\_Study\\_Plan\\_021110.pdf](http://www.ctpg.us/public/images/stories/CTPG_Phase2_Draft_Final_Study_Plan_021110.pdf). CTPG posted the final report for the second phase on May 7, 2010 at: [http://www.ctpg.us/public/images/stories/downloads/2010-05-07\\_final\\_phase\\_2\\_ctpg\\_study\\_report.pdf](http://www.ctpg.us/public/images/stories/downloads/2010-05-07_final_phase_2_ctpg_study_report.pdf).

<sup>33</sup> The CTPG posted the draft study plan for the third phase on April 19, 2010 and the final study plan on May 10, 2010 at: [http://www.ctpg.us/public/images/stories/downloads/2010-05-](http://www.ctpg.us/public/images/stories/downloads/2010-05-10_final_phase_3_ctpg_study_report.pdf)

The current collaborative process between regional and sub-regional entities in California is a major step forward in addressing the major transmission challenges presented by the state's 33 percent RPS and other policy goals. The ISO will continue to participate in these efforts, as well as conduct its own transmission planning process as proposed herein. As discussed below, Phase 2 of the ISO's transmission planning process for the 2010/2011 planning cycle will include consideration of CTPG's full set of results and final report. The ISO's planning process and coordination with other regional and sub-regional entities is critical to the success of these activities. A lack of coordination between entities could lead to inefficient planning and investment decisions, particularly with respect to the new, large-scale transmission infrastructure that will be needed in the next ten years to access renewable resources. While these new institutional arrangements are still evolving, the ISO is committed to supporting them and utilizing them as available in subsequent planning cycles.

#### **4. The Development of the Conceptual Statewide Plan Is Consistent with Order No. 890.**

In Section IV below, the ISO explains that the proposed revisions to the ISO's transmission planning process do not diminish the ISO's compliance with Order No. 890. As explained therein, the ISO's revised transmission planning process largely maintains the existing transmission planning process tariff provisions that are relevant to Order No. 890 compliance, and where the ISO modifies the existing Order No. 890-compliant planning provisions, the proposed modifications enhance compliance.

During the stakeholder initiative, however, certain stakeholders raised the following objections related to Order No. 890 regarding the ISO's Phase 1 proposal: (1) through the CTPG the ISO is inappropriately delegating its transmission planning authority to a subset of transmission owners and municipal utilities; (2) the CTPG is not open to all interested parties and it is not transparent; (3) the CTPG is not a FERC-compliant Order No. 890 planning entity so it should not be permitted to develop a statewide conceptual plan; and (4) there is no mention of CTPG in the ISO tariff. Because these comments are specific to the ISO's collaboration with CTPG, the ISO will address them here.

First, arguments that the ISO is delegating transmission planning authority to CTPG ignore several very critical facts. Most importantly, CTPG is not a decision-making body. Whether or not the CTPG process fully reflects all of the Order No. 890 principles, the ISO will be conducting its own separate and parallel planning process. All of the CTPG's assumptions, results and recommendations will ultimately be vetted in the ISO's process, along with other assumptions, results and proposals that the CTPG process may not have addressed. The CTPG will not – and cannot – determine which

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[10 Final Phase 3 CTPG Study Plan.pdf](#). The CTPG anticipates posting its draft study report on June 14, 2010 and the final report, including evaluation of the results from all three CTPG phases, on July 7, 2010.

transmission projects get built, who will build them, and how the costs will be allocated. Likewise, its conceptual conclusions will not – and cannot – be determinative of which transmission elements the ISO will approve or who will build them. All decisions regarding which transmission elements are needed within the ISO footprint and who should build them will be made by the ISO in accordance with its Order No. 890-compliant planning process and criteria.<sup>34</sup> Further, although the conceptual statewide transmission plan developed by the CTPG will be an important input into the ISO’s planning process, it will be one of many inputs that the ISO will consider. Other inputs will be provided by, *inter alia*, the CPUC and its processes, the CEC, the Renewable Energy Transmission Initiative, interconnected balancing authority areas, other regional and sub-regional planning groups with which the ISO collaborates, the ISO’s interconnection queue, WECC data, economic planning studies, and individual stakeholders participating in the ISO’s planning process.

In addition, the ISO will evaluate those transmission elements identified in the CTPG conceptual statewide transmission plan that are relevant to the ISO balancing authority area under the same criteria applicable to every other project that the ISO will consider. The ISO will apply these criteria with equal force to all identified potential transmission elements, whether they are identified in the CTPG draft conceptual plan or come from some other input source. The proposed tariff provisions do not provide any special exemptions from such evaluation for the CTPG-identified transmission elements. Thus, the ISO is not delegating its transmission planning function to a non-Order No. 890 compliant entity. Rather, consistent with the regional coordination principle of Order No. 890, the ISO’s proposed approach will facilitate sufficient coordination to consider regional approaches for meeting transmission needs expeditiously without requiring the participating transmission providers to develop the new regional or sub-regional institutional infrastructure that would be needed to decide project approvals and cost allocation within a collaborative group such as the CTPG.

Second, objections based on the fact that membership in the CTPG is not open to all interested parties are likewise misplaced, as are arguments that the ISO should not be using the inputs from an entity whose membership is not open. Taken to their logical extreme, these stakeholders’ arguments would preclude the ISO from collaborating with the Bonneville Power Authority, other interconnected balancing authority areas, or other regional and sub-regional planning groups unless everyone is permitted to “be in the room” in the discussions of such other regional and sub-regional planning groups or entities. Order No. 890 does not require this; indeed, it expressly

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<sup>34</sup> Any suggestion that the CTPG is simply a vehicle for CTPG members to promote the development of their own generation is a red herring. All generation in the ISO footprint must come through the ISO’s interconnection queue and satisfy the requirements set forth in the ISO’s LGIP. If a new generation project meets all of the LGIP requirements, the reliability and delivery upgrades needed to interconnect such new generation will be developed in accordance with the LGIP. Further, the ISO, not the CTPG or individual participating transmission owners, must ultimately determine whether a transmission project is needed; so, any concerns about discrimination are unfounded. Transmission owners cannot dictate which projects are approved by the ISO in the transmission planning process.

recognizes that the opposite may be true. In that regard, in Order No. 890, the Commission stated:

The Commission adopts the NOPR's proposal and will require that transmission planning meetings be open to all affected parties, including but not limited to, all transmission and interconnection customers, state commissions, and other stakeholders. We recognize that it may be appropriate in certain circumstances, such as a particular meeting of a subregional group, to limit participation to a relevant subset of these entities.<sup>35</sup>

Thus, the Commission itself has recognized that not every input into the planning process will come from entities that are Order No. 890-compliant. Indeed, if that were a requirement, the ISO would not be able to receive input from individual stakeholders because their inputs had not been developed in an open and transparent Order No. 890 process.

The ISO's engagement with the CTPG is consistent with this principle. Any suggestion that the ISO reject input from the CTPG would ignore the significant work and studies that are being undertaken by the CTPG and the unprecedented level of collaboration that is occurring between investor-owned and publicly-owned utilities. There is no reason why the CTPG should not be permitted to provide input into the ISO's planning process just like every other stakeholder.

Third, the facts that the CTPG does not have a FERC-approved Order No. 890 planning process and that the CTPG will not be fully compliant with all of the Order No. 890 principles is not a fatal flaw that renders the ISO's own planning process unjust and unreasonable. The CTPG is not a transmission provider and thus not subject to Order No. 890. Moreover, in Order No. 890, the Commission recognized the value of voluntary and coordinated regional planning efforts.<sup>36</sup> The Commission also recognized that there are numerous institutions engaged in voluntary regional and sub-regional planning and supported these efforts.<sup>37</sup> Most of these entities do not have FERC-approved Order No. 890 planning processes, and the Commission has not required that they do so. There is no basis to treat the CTPG differently.

Nonetheless, it is worth noting that the CTPG process is consistent with relevant key principles required by Order No. 890 – coordination, transparency, information exchange, and regional participation.<sup>38</sup> Transmission providers participate on a regional

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<sup>35</sup> Order No. 890 at P 460.

<sup>36</sup> *Id.* at P 524.

<sup>37</sup> *Id.* at PP 514-522.

<sup>38</sup> Other Order No. 890 principles are simply not relevant to the CTPG because it does not make decisions about transmission upgrades and additions. The dispute resolution and cost allocation principles are not applicable to the CTPG because it will not have any final decision-

basis and share information necessary to ensure effective coordination and develop any plans and base cases. The CTPG's assumptions, results and recommendations are transparent and publicly available. As noted above, the CTPG has posted study plans for each phase of the analyses its members have performed and will make public the underlying data supporting the conceptual statewide study report. Transmission providers will also coordinate to identify potential joint projects and other lines that might be needed to achieve the state's RPS and other goals based on the assumptions utilized in the regional CTPG planning process. Further, the ISO will ensure openness in the collaborative statewide planning process by posting a draft of the conceptual statewide transmission plan, conducting at least one public conference to discuss the draft, and obtaining input from stakeholders through written comments submitted before the plan is completed. In this first planning cycle under the revised transmission planning process (*i.e.*, 2010/2011), the ISO fully expects that the CTPG will be providing these same opportunities for stakeholders through its own process.

Finally, a few stakeholders asked why the CTPG is not mentioned by name in the ISO tariff. Under the proposed tariff provisions, it is the ISO's responsibility to develop, or participate in the development of, and present to stakeholders a conceptual statewide transmission plan in each planning cycle. In the 2010/2011 cycle, the ISO is collaborating with the CTPG to develop that plan. However, the ISO cannot predict whether the current CTPG activities will continue in the future and cannot dictate the CTPG's future work plans. For these reasons, and those discussed above, the ISO does not mention the CTPG or any other specific collaborative vehicle in the tariff as the means to develop the statewide conceptual plan.

Instead, the ISO has imposed on itself the obligation to develop a conceptual statewide transmission plan each year. The new tariff provisions give the ISO the flexibility to collaborate with regional and sub-regional planning groups, as well as interconnected balancing authority areas, to produce the plan. If the ISO were required to specify the CTPG and the other regional and sub-regional planning groups with which it collaborates in its tariff, the ISO would constantly be making tariff amendments to add and delete entities. That is not productive or necessary, because the inputs resulting from collaboration with specified regional planning entities are not rates or terms and conditions of service; they are merely inputs into the planning process (and the ISO receives inputs from a multitude of stakeholders whose names are not specified in the tariff). These regional and sub-regional planning entities cannot dictate what transmission elements the ISO must adopt for its footprint and include in its transmission plan.

The ISO notes that the Commission found that the ISO's existing transmission planning tariff complies with Order No. 890, and that the current tariff does not specify

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making authority regarding which transmission lines will be approved and built. The comparability principle is also inapplicable to the CTPG for this reason. Because the CTPG is not a decision-making body, the ISO and other individual transmission operators will take comparability into account in reaching their determinations of need.

each and every regional planning group with which the ISO collaborates. Rather, the tariff only sets forth a general obligation for the ISO to participate in regional and sub-regional planning efforts. For the reasons discussed above, the Commission approved the ISO's proposal to include in its transmission planning BPM, rather than the tariff,<sup>39</sup> a non-comprehensive list of some of the regional planning entities with which the ISO collaborates.<sup>40</sup> At most, the ISO could add the CTPG to this list, but it is neither necessary, appropriate, nor consistent with Commission precedent to require the ISO to identify in the ISO tariff the the CTPG or any specific regional or sub-regional planning entity or interconnected balancing authority area with which the ISO collaborates.

## **B. The Phase 2 Process**

### **1. Phase 2 Overview**

The goal of Phase 2 of the revised planning process is to develop an annual comprehensive transmission plan for the ISO controlled grid that specifies the upgrades and additions needed to meet the infrastructure needs of the grid, including a new category of "policy-driven" transmission additions and upgrades which the ISO finds are needed to support state or federal policy requirements or directives. Policy-driven elements are transmission elements that would not be covered by other transmission addition or upgrade categories and criteria such as economic, reliability, and generator interconnection. In Phase 2 the ISO will conduct the following major activities:

1. Perform technical planning studies as described in the Phase 1 study plan and post the study results;
2. Provide a request window for submission of reliability project proposals in response to the ISO's technical studies, as well as LCRI facility project proposals, demand response or generation proposals offered as alternatives to transmission additions or upgrades to meet reliability needs, and Merchant Transmission Facility project proposals;
3. To the extent not completed in Phase 1, complete the conceptual statewide plan which will be used as an input in Phase 2, and provide stakeholders an opportunity to comment on that plan;
4. Evaluate and refine the portion of the conceptual statewide plan that applies to the ISO footprint, as part of the process to identify policy-driven

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<sup>39</sup> *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,283 (2008) at P 154.

<sup>40</sup> See Section 5.1 of the BPM for transmission planning.

transmission elements and other infrastructure needs to include in the ISO's final comprehensive transmission plan;

5. Starting with the 2011/2012 planning cycle, reassess significant transmission upgrades and additions identified in completed LGIP Phase II cluster studies to determine from a comprehensive planning perspective whether any of these facilities should be enhanced or otherwise modified to more effectively or efficiently meet overall planning needs;<sup>41</sup>
6. Perform a "least regrets" analysis of potential policy-driven additions and upgrades to identify those elements that should be approved as Category 1 transmission elements based on minimal risk of constructing under-utilized transmission capacity;
7. Identify additional Category 2 policy-driven additions and upgrades that may be needed to achieve the relevant policy requirements and directives, but for which final approval is dependent on future developments and, as such, should be deferred for reconsideration in a later planning cycle;
8. Perform economic studies to either (a) evaluate the proposals that were submitted into the 2008 and 2009 request windows (2010/2011 cycle only), or (b) identify economically beneficial upgrade and addition elements or modifications to initially identified transmission projects to be included in the final comprehensive transmission plan (2011/2012 and later cycles);
9. Conduct stakeholder meetings and provide public comment opportunities at key points during Phase 2 – the revised process introduces one additional stakeholder meeting and comment opportunity beyond what the current planning process provides); and
10. Consolidate the results of the above activities to formulate a final, annual comprehensive transmission plan to present to the ISO Board for approval at the conclusion of Phase 2.

Compared to the existing planning process, the proposed revised process introduces five important changes within Phase 2. First is the creation of the new policy-driven criterion for identifying and approving needed transmission additions and upgrades, and the associated concepts of Category 1 (least regrets) and Category 2

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<sup>41</sup> Section 7.2 of the ISO tariff, Appendix Y, provides for coordination between the LGIP and the transmission planning process.



transmission elements. Second is the further consideration of a statewide conceptual plan that is based on a statewide assessment of transmission needs to achieve federal or state policy goals and that provides a key input to the ISO's identification of policy-driven elements (and other infrastructure needs) for its own balancing authority area. Third is the explicit coordination between the LGIP and the comprehensive transmission planning process, which will begin with the 2011/2012 planning cycle. Fourth is the new approach for identifying economically beneficial transmission upgrades and additions, which entails, among other things, replacing the annual request window process for soliciting economically driven project proposals with a more comprehensive planning process that includes an initial identification by the ISO of transmission projects needed to provide economic benefits followed by an open solicitation to determine who constructs and owns needed economically driven projects. The fifth major change is approval by the ISO Board of the comprehensive transmission plan as a whole, rather than the current approach of presenting the plan to the Board for information and then seeking approval of individual projects. Each of these innovations is discussed in greater detail in sub-sections below.

Phase 2 begins as the ISO planners start to perform the technical studies specified in the study plan developed in Phase 1. During Phase 2, the ISO incorporates the results of the statewide conceptual plan and stakeholder input on the plan to produce a draft comprehensive transmission plan for the ISO footprint that the ISO will post for stakeholder review and comment, and then will submit to the ISO Board of Governors for approval in March of each year, fifteen months after the start of Phase 1.

The comprehensive transmission plan will include both transmission *projects* and transmission *elements*. Transmission projects will be those additions and upgrades for which an Approved Project Sponsor has been identified, including reliability-driven projects, LCRI facility projects, transmission projects needed to maintain the feasibility of long-term CRRs, Merchant Transmission Facility projects and, consistent with proposed Section 24.4.6.5, certain LGIP Network Upgrades. Transmission elements will be transmission additions and upgrades needed to (1) meet state and federal policy requirements and directives, including renewable policies, that are not inconsistent with the Federal Power Act (referred to as "policy-driven" transmission elements); and (2) reduce congestion costs, production supply costs, transmission losses, or other electric supply costs resulting from improved access to cost-effective resources (referred to as economically driven or economically beneficial elements). These transmission elements will not have an Approved Project Sponsor at the time the ISO presents the comprehensive transmission plan to the ISO Board for approval because the ISO will conduct an open solicitation process in Phase 3 to determine who should construct and own these transmission elements. In the Phase 3 open solicitation, all interested Project Sponsors will have an opportunity to submit proposals to construct and own these transmission elements.

The transmission plan will designate each of the policy-driven elements as either Category 1 or Category 2. The use of these categories will better enable the ISO to plan transmission to meet relevant state or federal policy objectives in an environment where there is considerable uncertainty regarding the key factors that materially affect a

determination of what transmission is needed. Failure to explicitly manage these variables in the planning process would increase the risk of over-building capacity. For example, with respect to meeting the state's 33 percent renewable energy target, key uncertainties include the locations of the new renewable resources and other new generation that will be coming on-line over the next ten years and the commercial operation date of such generation. In light of these uncertainties, the ISO will identify a set of Category 1 policy-driven elements that the ISO concludes will minimize the risk of building under-utilized transmission capacity, based on a "least regrets" evaluation of alternative generation development scenarios. The criteria to be used for this evaluation are identified in Section 24.4.6.6 of the revised tariff.

Because the Category 1 elements that meet the "least regrets" criteria in the initial planning cycles of the revised transmission planning process may not be sufficient to achieve the 33 percent renewable energy target, the ISO may need to identify additional Category 2 transmission elements which, when combined with Category 1 facilities, would be sufficient to achieve the 33 percent target. However, there would be no conclusive findings of need for these Category 2 elements, and they would need to be re-evaluated in the next planning cycle based on more current information (*e.g.*, regarding expected generation development) to determine whether they would become Category 1 facilities.

When the ISO Board approves the comprehensive transmission plan at the end of Phase 2, its approval will constitute a finding of need and an authorization to develop the Category 1 policy-driven elements and the economically beneficial elements in the plan, as well as the transmission projects that are included in the plan with identified Approved Project Sponsors and that would require Board approval under current tariff provisions.<sup>42</sup> As indicated above, in Phase 3 the ISO will accept proposals from all interested Project Sponsors to build and own the approved policy-driven and economically driven transmission elements.

By definition, the Category 2 elements in the comprehensive plan will not be authorized to proceed further when the ISO Board approves the plan, but will instead be identified for a re-evaluation of need during the next annual cycle of the planning process. At that time, the ISO will determine whether, based on relevant new information on the patterns of expected development, the Category 2 elements now satisfy the "least regrets" criteria, remain Category 2 projects or should be removed from the transmission plan.

Under the proposed revised transmission planning process, Phases 1 and 2 of the transmission planning process will encompass the same fifteen month cycle currently spanned by Stages 1, 2 and 3, and the last three months of Phase 2 of one

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<sup>42</sup> Under existing tariff provisions ISO management can approve transmission projects whose capital cost is equal to or less than \$50 million. Under the revised planning process such projects would be included in the comprehensive plan as pre-approved by ISO management and not requiring further Board approval.

planning cycle will overlap Phase 1 of the next cycle, which will also span three months.<sup>43</sup> Phase 3 of the revised process, which is the period during which the ISO will consider project proposals to construct the policy-driven and economically driven elements approved by the Board, will take place following Board approval of the comprehensive plan and in parallel with the start of Phase 2 of the next annual cycle. The ISO intends to develop a detailed timetable for the revised transmission planning process as the necessary changes to the transmission planning BPM are addressed with stakeholders. However, the ISO anticipates that the sequence of ISO and stakeholder activities will follow generally similar calendar dates that are embodied in the current transmission planning process. The milestones are described in Attachment F.

## **2. Phase 2 Stakeholder Process**

Phase 2 of the revised transmission planning process, described in proposed tariff Section 24.4, is analogous to Stages 2 and 3 of the current process in the sense that the ISO will conduct technical studies, evaluate specific project proposals submitted through a request window that meet the information requirements described in the tariff and BPM, conduct a thorough stakeholder process and develop a transmission plan. The revised process preserves the major milestones and stakeholder participation activities provided in Stages 2 and 3 of the current process and adds one additional round of stakeholder engagement. The revised process will have three rounds of stakeholder meetings and opportunities to provide written comments in Phase 2: (a) discussion of the preliminary technical study results, proposed reliability projects, the statewide conceptual plan and any LGIP-driven Network Upgrades being assessed within the transmission planning process; (b) a status update on any further ISO technical study results and preliminary identification of needed transmission projects and elements; and (c) consideration of stakeholder comments after the posting of the draft comprehensive plan prior to presentation to the Board for approval in March. The first and third of these meetings coincide with the stakeholder meetings conducted under the existing planning process; the second is added as an intermediate checkpoint to review and get feedback on the ISO's progress towards the comprehensive plan.

## **3. Conducting Technical Studies and Posting Study Results**

Proposed tariff Section 24.4.1 describes the technical studies conducted by the ISO, and duplicates current tariff language.<sup>44</sup> The tariff contemplates that technical studies may be conducted, at the direction of the ISO, by participating transmission owners or third parties. Technical studies will utilize the unified planning assumptions to the maximum extent possible, and the ISO will measure the results of the studies

<sup>43</sup> These details will be set forth in the BPM. Like stages 1-3 of the current process, Phases 1 and 2 of the revised process will take place from January of year X through March of year X+1, using the convention adopted in this proposal to denote each annual cycle as the "year X/(X+1)" planning cycle.

<sup>44</sup> See current tariff section 24.2.2.

against applicable reliability criteria, ISO planning standards, and other criteria set forth in the BPM (Section 24.4.1(b)). The technical studies will identify needs, propose mitigation solutions and coordinate, with the participating transmission owners, transmission planning responsibilities required for compliance with the NERC Reliability Standards (Section 24.4.1(c)).

Not less than 120 days after the final Unified Planning Assumptions and Study Plan are posted at the end of Phase 1 of the revised planning process, the ISO will post the preliminary technical study results and ISO-proposed mitigation solutions, along with the results of the studies conducted by the Participating TOs and other third parties at the ISO's direction, if applicable (Section 24.4.1(a)). The ISO will hold a stakeholder meeting to address the study results and will provide an opportunity for stakeholder comments. After considering the comments, the ISO will post the final study results (Section 24.4.1(b)).

Proposed Section 24.4.2 provides that the participating transmission owners must submit reliability-driven project proposals 30 days after the preliminary technical study results are posted. This requirement is consistent with the ISO's existing process. Also consistent with current practice is the opportunity for the CEC, the CPUC, and other interested parties to propose reliability driven projects. Section 24.4.2, which pertains only to the submission of reliability-driven project proposals, replicates most of current Section 24.1.2.<sup>45</sup> The remainder of the current tariff language regarding reliability-driven projects also remains unchanged, but has been moved to proposed Section 24.4.6.2.

Unlike the current process, the ISO will not post the results of its economic studies at the same time that it posts the results of the reliability and other technical studies described in the study plan because the economic studies will be conducted later in Phase 2 under the revised process. As explained below, the ISO will perform economic studies only after it has evaluated project proposals to address other infrastructure needs and identified the policy-driven elements. Stakeholders will be able to review and provide comments on the economic study results after the draft comprehensive transmission plan is posted, which will allow sufficient time for the ISO to consider stakeholder comments as it prepares the version of the comprehensive plan to be submitted to the Board for approval.

#### **4. The Conceptual Statewide Plan and Comment Period**

Section 24.4.4 provides that the ISO will begin to develop the conceptual statewide plan during Phase 1 and that it may coordinate with regional or sub-regional planning groups or entities. Although the conceptual statewide plan will be an important

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<sup>45</sup> As reflected in Section 24.4.2 of the revised tariff, the ISO has modified existing tariff language to clarify that "other interested parties" can propose reliability projects. While preparing this filing, the ISO determined that the existing tariff language was not broad enough to capture some of the entities that participate in the planning process and which recommend transmission solutions.

input into the ISO's planning process, the transmission upgrades and additions it identifies for the ISO balancing authority area will be thoroughly assessed in the ISO's process of developing the comprehensive transmission plan. As noted, for the 2010/2011 annual transmission planning cycle, the ISO proposes to develop the conceptual statewide plan in coordination with the CTPG, as discussed above. In future transmission planning cycles, statewide planning to achieve state and federal policy requirements and goals and identify infrastructure being developed by other balancing authorities may involve collaboration between the ISO and other transmission planning entities, including interconnected balancing authority areas.

Once the conceptual statewide plan to be used as an input to the ISO's planning process is developed, the ISO will post it on the website and issue a market notice. Following this posting, interested parties may submit comments on the plan to the ISO. With these comments, parties can propose modifications to the statewide plan for ISO consideration, including transmission lines needed to access out-of-state resource areas or other resource locations not included in the plan, modifications to transmission elements contained in the statewide plan, and non-transmission alternatives. In addition, the ISO and stakeholders will discuss the statewide conceptual plan at the first major Phase 2 stakeholder meeting where the preliminary technical study results and reliability proposals are also discussed.

During the stakeholder process, some stakeholders suggested that the ISO provide a more definitive period for the development and posting of the conceptual statewide plan. While the ISO will provide milestones related to the conceptual statewide plan in the BPM, collaboration with other entities requires flexibility because the timing of inputs (*e.g.*, completion of a conceptual statewide plan) depends upon the activities of those entities. The ISO will ensure that stakeholders have ample time to provide comments on the conceptual statewide plan during Phase 2 of the transmission planning cycle so that the ISO can properly consider the comments in developing the comprehensive transmission plan for the ISO footprint.

## **5. The Request Window**

Proposed Section 24.4.3 sets forth the request window process. Similar to the current planning process, the ISO proposes to accept the following project proposals during a request window period under a schedule to be set forth in the BPM: reliability-driven projects; LCRI facility project proposals, demand response or generation proposals as alternatives to transmission additions or upgrades to meet reliability needs, and proposals for Merchant Transmission Facilities.

The current tariff provides that, in addition to the project proposals listed above, parties must submit through the request window proposals for economically driven projects, economic planning studies, demand response programs for inclusion in the base case, and generation projects for inclusion in the long-term planning studies as alternatives to transmission additions and upgrades. However, in developing a revised planning process, the ISO realized that the existing request window process for these items was not fully compatible with the key planning objectives that the ISO was

seeking to implement, namely a more efficient planning process, adoption of a policy-driven planning criterion, the performance of comprehensive planning for the ISO footprint, and an open solicitation for proposals to build economically driven (as well as policy-driven) transmission upgrades and additions. Under the revised planning process, the ISO proposes to address these items in a different manner and at different points in the planning process. This is consistent with the more efficient and comprehensive planning approach that the ISO is implementing, as well as the implementation of an open solicitation process for needed policy-driven and economically driven transmission elements.

First, starting with the 2011/2012 cycle the ISO will accept proposals for demand response programs proposed for inclusion in the base case, and generation projects proposed for inclusion in long-term planning studies during Phase 1 of the process, prior to the preparation of the draft Unified Planning Assumptions and Study Plan. Also starting with the 2011/2012 planning cycle, the ISO will accept proposals for economic planning studies (based on the previous year's congestion studies), at the same time parties submit comments on the draft uniform planning assumptions and study plan. Next, alternatives to transmission additions and upgrades can be suggested during the stakeholder comment period on the conceptual statewide plan. Project Sponsors will still be able to identify the potential need for economically driven projects under the revised planning process, but not through the request window. Instead, the ISO will conduct economic planning studies and will interact with stakeholders during the Phase 2 stakeholder process to identify economically driven transmission elements that are needed. Once the needed economically driven transmission elements are identified, the ISO will conduct an open solicitation process whereby all interested parties, both participating transmission owners and independent transmission developers, will have an opportunity to propose to build and own such elements.

The proposed approach for identifying needed economically driven transmission additions and upgrades is based on two key design principles. The first principle is the need to support the new, more efficient comprehensive planning approach which the ISO proposes to implement. Under the revised process, the ISO will perform the economic studies later in the process, rather than earlier as is done under the current process, so that it can use the initially identified other identified transmission upgrades and additions (*i.e.*, reliability projects, policy-driven projects, LCRI facility projects, upgrades identified through the large generator interconnection process, projects to address long-term CRR feasibility, and Merchant Transmission Facility projects) as the baseline against which to assess projects that would provide economic benefits. This is consistent with the comprehensive planning objective of the revised process. The importance of establishing this sequence was highlighted by the ISO's initial round of conceptual studies regarding the transmission necessary to achieve 33 percent RPS. These studies showed that substantial transmission additions and upgrades could be needed to meet this goal, and that these transmission additions and upgrades would have significant impacts on the flows, economics, and reliability of the California power system that must be understood and taken into account in evaluating which economic transmission elements provide benefits and are needed.

The second principle supporting the reform of the request window provisions is the retention of opportunities for both participating transmission owners and independent developers to build and own economically beneficial projects, but through a new mechanism – an open solicitation process in which all interested parties can submit proposals to construct and own these transmission elements. This change is appropriate because under the revised process the relevant economic studies will not be performed until later in Phase 2, after the request window has closed. This is a much more efficient and comprehensive approach to transmission planning than evaluating individual transmission projects in a vacuum on a project-by-project basis to determine whether there is a specific need for the project. This approach to economically driven projects is also necessitated by the fact that the ISO, in response to the input of independent transmission developers, will now be holding an open solicitation for economically driven projects similar to that used by the Public Utility Commission of Texas for Competitive Renewable Energy Zone transmission projects.

Because of the open solicitation process for economically driven transmission elements, the ISO is also proposing to eliminate the language in existing tariff Section 24.1.1(c) that accords a right of first refusal to participating transmission owners to build economically driven projects proposed and approved by the ISO. This change goes hand-in-hand with the ISO's elimination of request window submissions for economically driven projects. These changes are appropriate given that the ISO will identify all needed economically beneficial additions and upgrades through the Phase 2 process, and there will be an open solicitation through which all interested parties can propose to build such projects. Maintaining a right of first refusal for participating transmission owners to build these types of projects is inconsistent with the open solicitation process and with a basic objective of comprehensive transmission planning. Similarly, maintaining a mechanism for all parties to propose "economically driven projects" that do not take into account other elements of the comprehensive system plan or the ISO's own evaluation of economic needs is inconsistent with the efficient planning process needed to ensure all reliability, policy-driven, and economic needs are addressed by the ISO transmission plan, as well as with the open solicitation process that the ISO is undertaking. The revised process preserves opportunities for both participating transmission owners and independent developers by allowing both groups to submit proposals in Phase 3 to build and own the economically beneficial elements identified in the final comprehensive plan.<sup>46</sup>

A couple of stakeholders suggested that parties should have the opportunity to propose through a request window economically driven projects that do not respond to any needs previously identified by the ISO and that the ISO should be obligated to evaluate the benefits of such project proposals. Such a process would be highly

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<sup>46</sup> For the 2010/2011 cycle the ISO will identify economically beneficial elements by evaluating the projects submitted into the 2008 and 2009 request windows. If the ISO finds any of these projects to be needed based on the economic assessment, the entity that proposed the project will have the right to build and own it, subject to certain qualification requirements described in the tariff and discussed *infra*.

inefficient and inconsistent with the comprehensive planning and open solicitation process that the ISO is proposing to implement. With such a request window opportunity, the ISO could be analyzing dozens or even hundreds of speculative transmission project proposals that are unrelated to the needs identified by the system planner. Consistent with Order No. 890, to the extent parties believe that there is the potential for a project that will provide customers with economic benefits, they can submit a request for economic planning study under Section 24.3.4.<sup>47</sup> If the ISO identifies economic needs through such studies, the ISO will also identify transmission elements to address those needs in the comprehensive plan, and all parties will have an opportunity to propose to build those elements in Phase 3 of the planning process. In addition, parties have the ability to propose merchant transmission facilities in the request window, and there is no requirement that such merchant facilities address identified needs.

The ISO believes that the proposed revised approach for identifying needed economically driven transmission elements, including the timing of the ISO economic studies, the scope of the request window, and the open solicitation of bids to build and own economically driven elements, produces a more efficient and effective consideration of such projects. It is also consistent with the practices of other RTOs and ISOs. For example, the New York ISO and ISO-New England, in their Commission-approved planning processes, conduct needs evaluations prior to the proposal of solutions. ISO-New England, for example, has a formal needs assessment process, which includes the opportunity for requests for economic studies, and then solicits market solutions and regulated transmission solutions to the needs identified by the ISO.<sup>48</sup> The Commission has held that these transmission planning process provisions comply with the requirements of Order No. 890.<sup>49</sup>

Some parties suggested that independent transmission developers with innovative, cost-effective ideas for transmission upgrades and additions that address system needs may not have incentives to suggest these ideas to the ISO absent a guarantee that the party who proposed the idea will have the opportunity to build and own it if adopted in the transmission plan. Interestingly, many of these same parties argued strenuously during the stakeholder process that the ISO adopt an open solicitation process like that used in Texas. A process which grants an unlimited ability to submit project proposals is inconsistent with such an open solicitation process,

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<sup>47</sup> As the Commission held in Order No. 890, system planners do not have an obligation to perform an unlimited number of economic planning studies. Order No. 890 at P 547. If the ISO does not *designate* the requested study as a high priority economic planning study, parties may conduct such studies at their own expense and submit such studies for consideration in the development of the comprehensive transmission plan.

<sup>48</sup> See Sections 4.1 and 4.2 of Attachment K to the ISO-New England OATT.

<sup>49</sup> *New York Independent System Operator, Inc.*, 125 FERC ¶ 61,068 (2008); *ISO New England, Inc.*, 123 FERC ¶ 61,161 (2008).



whereby all interested parties have the opportunity to propose to build needed transmission elements.

In any event, potential transmission developers with good ideas should have every incentive to participate in the ISO's Phase 2 process and contribute their ideas for cost-effective transmission elements. First, this process affords numerous business opportunities to independent transmission developers, particularly with the elimination of the right-of-first-refusal provision in Section 24.1.1 (c). If any of these entities has a project idea they believe would be a cost-effective solution to an ISO transmission need, participation throughout the Phase 2 process provides the opportunity to have their idea considered for inclusion in the comprehensive plan. Potential project developers will be able to provide their analysis and other input to inform the selection of transmission elements to be incorporated in the comprehensive plan in order to better align the plan with projects that these developers are considering.

Additionally, the Project Sponsor selection criteria proposed by the ISO will allow that sponsor, during Phase 3, to demonstrate any particular advantage or benefit it provides compared to other Project Sponsors that should favor its selection to build the project. As noted above, the ISO is essentially proposing a process modeled after that of the Public Utility Commission of Texas. Independent transmission developers actively participated in that process, and many were approved as Project Sponsors. There is no reason to think that the same will not happen under the ISO's revised planning process.

## **6. Network Upgrades Identified in the LGIP**

Achieving California's 33 percent renewable energy target will require the interconnection of a large number of new resources to the ISO controlled grid. Based on its experience with projects currently in the generation interconnection queue, the ISO anticipates that the studies of different clusters may reveal the need for overlapping and cumulative Network Upgrades. Certain needed generator interconnection Network Upgrades can be more efficiently and effectively accomplished if upgrades to the same transmission segment or electrical area of the grid are evaluated together and coordinated with other planned transmission upgrades and additions, so that they can be sized appropriately for the multiple demands that will be placed upon them. The revised transmission planning process therefore provides for evaluation of generator interconnection Network Upgrades that are candidates to be more efficiently sized or otherwise modified based on cost-effectiveness considerations through the comprehensive transmission planning process (Section 24.4.6.5), starting with the 2011/2012 planning cycle.

Section 7.2 of the ISO LGIP in ISO tariff Appendix Y already provides for coordinating the Phase II Interconnection Studies with the ISO transmission planning process under Section 24 of the tariff. This includes, but is not limited to, coordination of generation development potential in transmission upgrade designs and consideration of phased development and the option value of transmission projects to address uncertainty. To implement this coordination in the context of the ISO's revised planning

process beginning with the 2011/2012 planning cycle, proposed Section 24.4.6.5 provides that upgrades identified during the Phase II Interconnection Study (which applies to the current “transition cluster”) or the Interconnection Facilities Study (which applies to the serial queue that preceded the consideration of interconnection requests in clusters) may be assessed as part of the comprehensive transmission plan if the upgrades (1) are new lines above 200 kV having capital costs of more than \$100 million; (2) are new 500 kV substation facilities with capital costs of more than \$100 million; or (3) have capital costs of more than \$200 million. Following the completion of the relevant interconnection studies, the ISO will publish a list of the facilities meeting these criteria according to the schedule in the BPM.

As discussed above, the purpose of the ISO’s assessment is to ensure that the Network Upgrades are appropriately sized and configured not only to meet demands associated with specific studied interconnection requests, but also to meet other identified potential system needs in an efficient manner. Accordingly, under proposed Section 24.4.6.5, Network Upgrades included in the comprehensive transmission plan may include components not included in the upgrades identified in the original Phase II Interconnection Study or may involve expansions of Network Upgrades originally identified in the Phase II Interconnection Study if the ISO determines that such modifications are needed.

The Commission has recognized in a recent order concerning the Midwest ISO that in order to plan the system in the most efficient manner, a system operator may need to expand Network Upgrades identified through the generator interconnection process as appropriate to address other system needs, provided that an interconnection customer or group of interconnection customers is only responsible for the cost of those upgrades necessary to interconnect them in accordance with the LGIP and not for any additional upgrades that are intended solely to improve system efficiency or for some reason other than the interconnection of those particular generators.<sup>50</sup> The ISO’s proposal is consistent with this guidance because the assessment and possible modification in the transmission planning process of upgrades identified in the original Phase II Interconnection Study will not increase the cost responsibilities of interconnection customers as provided in Appendix Y of the ISO tariff dealing with the LGIP.

Some stakeholders have suggested that the ISO should make changes to the LGIP in conjunction with the proposed revisions to the transmission planning process to address, for example, whether and how any modifications to LGIP-identified Network Upgrades through the transmission planning process may reduce or eliminate an interconnection customer’s cost responsibility. For several reasons the ISO does not believe that this is necessary or appropriate within the current proposal. First, changing interconnection customers’ cost responsibility for Network Upgrades identified in

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<sup>50</sup> *Midwest Independent Transmission System Operator*, 131 FERC ¶ 61,165 at P 22 (2010) (“Thus, Midwest ISO may determine through its study process that a large upgrade, such as the Brookings Line, should be built because it will both accommodate the interconnection of a group of projects and address other system-wide needs”).

accordance with the LGIP is beyond the scope of this stakeholder initiative and tariff amendment filing. Section 24.4.6.5 provides that Network Upgrades identified in the large generator interconnection Phase II studies that are not assessed in the transmission planning process, or that meet the criteria for assessment in the planning process but are not modified in that process, will continue to be included in LGIAs consistent with existing interconnection provisions. Such Network Upgrades will also be included as baseline assumptions in the Unified Planning Assumptions and Study Plan for the next planning cycle under proposed Section 24.3.1.

Second, even if the ISO makes some modifications or additions to the facilities identified in the Phase II interconnection studies during the transmission planning process, the results of the LGIP Phase II interconnection study will set an upper bound on each interconnection customer's cost responsibility for the upgrades associated with its interconnection,<sup>51</sup> and the assessment under Section 24.4.6.5 will not increase that responsibility. In other words, consistent with the Midwest ISO decision, interconnection customers will not be responsible for any costs above and beyond those costs needed for their interconnection.

Finally, the ISO does not propose to implement the new provisions for assessing LGIP Network Upgrades within the planning process until the 2011/2012 planning cycle, which means that these provisions will not apply to LGIP-driven Network Upgrades until after the ISO completes the Phase II cluster studies for the next cluster of interconnection customers about mid-year in 2011. In that regard, during the stakeholder process, some interconnection customers that are subject to deadlines to sign a LGIA in order to receive funding under the American Recovery and Reinvestment Act<sup>52</sup> expressed concern about the potential impact on their schedules of the consideration of Network Upgrades needed to accommodate their interconnections in the 2010/2011 planning cycle. Similarly, generators who are on course to execute LGIAs this year under the existing LGIP tariff provisions expressed concern that subjecting the facilities identified in the Phase II LGIP studies to a further assessment under the transmission planning process would prevent them from timely executing their LGIAs. They pointed out that any delays would be inconsistent with the provisions of the LGIP which the ISO is not proposing to change in this filing. The ISO seeks to avoid any changes to its planning process that conceivably could impair the addition of resources needed to meet state and federal policy objectives or otherwise impinge on generators' rights and expectations under the LGIP. Accordingly, proposed Section 24.4.6.5 expressly provides that the ISO will only apply the provisions of this provision starting with the 2011/2012 planning cycle.<sup>53</sup>

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<sup>51</sup> See proposed Section 24.4.6.5.

<sup>52</sup> American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-3.

<sup>53</sup> The ISO notes that it will be conducting and completing a stakeholder process to consider possible revisions to the LGIP in connection with the stakeholder process currently in progress for reforming the Small Generator Interconnection Procedures. To the extent stakeholders desire to explore changes to existing LGIP provisions related to the consideration

In the event the ISO determines as part of the transmission planning process that certain Network Upgrades identified in the LGIP Phase II studies should be enhanced to more efficiently and effectively meet system needs, *i.e.*, by expanding their size or including additional equipment, the applicable participating transmission owner to which the new generation is interconnecting shall be responsible for building and owning such enhanced facilities if the original Network Upgrade would have been included in a LGIA as part of the Phase II studies if built under the LGIP. For example, if a single circuit Network Upgrade from point A to point B identified in the LGIP Phase II studies is modified through the transmission planning process to a double circuit facility, or if the ISO determines that an additional transformer at point B must be connected to the line, the participating transmission owner responsible for the original single circuit A-to-B LGIP Network Upgrade shall be responsible to construct and own the enhanced Network Upgrade.

If the ISO determines through the transmission planning process that a Network Upgrade identified in the LGIP Phase II study should be enhanced as described above, and then determines that as a consequence of such enhancement there is a need for other transmission additions or upgrades, the responsibility to build such other facilities will be determined according to the category of the facility. If the modification of an LGIP Network Upgrade from point A to point B creates a reliability need elsewhere on the system which must be addressed by adding new facilities or upgrades, those new facilities or upgrades would be driven by reliability, and the participating transmission owner would have the responsibility to build and own. Alternatively, if the modification of an LGIP Network Upgrade from point A to point B creates congestion elsewhere on the system, and the ISO determines that a previously unidentified line from point C to point D would be a cost-effective congestion mitigation transmission addition, that line would constitute an economically driven transmission element, and would be subject to the Phase 3 open solicitation process.

The provisions of Section 24.5.2, regarding construction on or upgrades to participating transmission owners' facilities, rights-of-way, and sub-stations would apply to any upgrades or additions identified through the ISO's assessment of LGIP Network Upgrades in the transmission planning process. It is also worth noting that the responsibility to build a policy-driven or economically driven element identified in the transmission planning process will not be affected by the fact that the element might eliminate the need for a Network Upgrade identified in the LGIP Phase II studies. Thus, if the ISO identifies a policy-driven or economically driven element from point C to point D, and because of that element a Network Upgrade from point A to point B identified in the Phase II studies is no longer required, the element from point C to point D remains subject to the open solicitation process. Finally, as noted above, all other LGIP Network Upgrades that met the Section 24.4.6.5 criteria but were not modified in the Phase 2

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of LGIP Network Upgrades through the ISO planning process, that is the appropriate forum, and there is sufficient time, to do so.

evaluation process will proceed to LGIAs and will not be further addressed in the transmission planning process.

Some stakeholders argued that the provision described above creates a new right of first refusal for participating transmission owners that is inconsistent with Commission policy. To the contrary, any other approach would be inconsistent with the Commission's standard LGIP and LGIA policies and provisions adopted in Order No. 2003 *et seq.* In that regard, under Sections 5.1 and 11.3 of the Commission's standard LGIA and the ISO's LGIA, construction of necessary Network Upgrades is the responsibility of the participating transmission owner to whose existing facilities the generator will interconnect.<sup>54</sup> Under certain circumstances, the interconnection customer may have an option to build stand-alone facilities, but even in those circumstances, Section 5.1 of the ISO's LGIA and the Commission's standard LGIA provide that the transmission customer must turn ownership of those facilities over to the participating transmission owner unless there is an agreement otherwise. The ISO does not believe these rights and obligations of participating transmission owners should be altered merely because modifications to a Network Upgrade identified in the Phase II LGIP studies are being considered for possible modification under the transmission planning process, rather than under the LGIP.

For example, if the participating transmission owner is responsible for upgrading a 69 kV line to a 115 kV line as the result of the LGIP process, and the ISO subsequently determines that a 230 kV line is more appropriate to more efficiently and effectively meet system needs, that participating transmission owner should not lose its right to build the Network Upgrade just because the ISO "upsized" the line that was identified in the LGIP Phase II planning studies. That would turn Order No. 2003 on its head. The LGIP program contemplates that (1) generators interconnect to existing facilities, and (2) the *existing* transmission owner to which the generation will interconnect builds the necessary reliability and delivery Network Upgrades to its system to accommodate the new generation, and executes an LGIA with the interconnection customer and the ISO that reflects the rights and obligations of all parties. Allowing new LGIP Network Upgrades (including enhanced upgrades as described earlier that are still needed to interconnect generation customers) to be constructed and owned by a third-party transmission developer that has not been involved with the interconnection study process and does not have the same obligations as the participating transmission owner would be inconsistent with the entire LGIP framework. It would introduce substantial uncertainty for the interconnection customer that today looks to two parties – the ISO and the relevant participating transmission

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<sup>54</sup> See also, *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003-A, FERC Stats. & Regs. 31,160 at PP 230-36 (2004). There are two variations of the *pro forma* LGIA in Appendices V and Z to the ISO tariff (as well as two variations of the *pro forma* LGIP in Appendices W and Y). The agreements have certain differences, depending upon whether an interconnection request is studied serially or through a queue cluster. Both agreements are substantively identical concerning the role of the participating transmission owner as the builder of Network Upgrades.

owner – to address its interconnection needs. Any overhaul of the Commission’s LGIP program is neither appropriate in the context of this limited tariff amendment filing nor justifiable. The ISO has reviewed Commission precedent and is not aware of any case in which the Commission has concluded that third-party transmission developers must be given the opportunity to build and own Network Upgrades identified in the large generator interconnection process.

Importantly, the few stakeholders that objected to this provision ignore the fact that the ISO is also creating a new opportunity for them to propose to build and own certain new facilities that the ISO identifies as needed to meet policy-driven goals or which are economically beneficial as the result of its assessment of the LGIP Phase II studies. As explained above, if the ISO determines in the planning process that a transmission plan element is needed for policy or economic reasons and that plan element avoids the need for a Network Upgrade identified in the Phase II LGIP studies, the policy-driven element or economically driven element would be subject to the Phase 3 open solicitation provisions. This is an opportunity that independent transmission providers do not have under the existing tariff. Stated differently, the ISO’s revised planning process provides transmission developers with business opportunities they did not previously have. The Commission has found the existing planning provisions of the ISO tariff to be just and reasonable and not unduly discriminatory. It is difficult to see how the tariff would become unjust and unreasonable as the result of the ISO giving independent transmission developers such new opportunities..

## **7. Evaluating Transmission Projects and Determining Policy-Driven Elements**

Proposed Sections 24.4.5 and 24.4.6 provide a general overview of how, during Phase 2, the ISO will determine the needed transmission projects and elements, or alternative elements, to be included in the comprehensive transmission plan. In essence, the ISO will conduct studies and assess proposals, stakeholder comments and recommendations and study results, both sequentially and in parallel, to arrive at a draft comprehensive transmission plan to be reviewed with stakeholders prior to being presented to the Board for approval.

Following the first Phase 2 stakeholder meeting described earlier and the closing of the request window, the ISO will develop the final comprehensive transmission plan for the ISO footprint in a sequence of two steps. In the first step, once the ISO has received stakeholder comments on the conceptual statewide plan, completed the technical studies described in the study plan and assembled the request window submissions mentioned above as well as the relevant input from the LGIP, the ISO will identify policy-driven elements according to criteria discussed below. When the policy-driven elements have been determined, the ISO will formulate a preliminary comprehensive transmission plan that addresses all needs identified up to this point but prior to performing the requested economic planning studies and any other relevant economic studies. The second step entails the economic analysis of the preliminary plan and is discussed in the next sub-section.

This preliminary plan will address reliability needs, policy-driven transmission needs, long-term CRR feasibility needs, needs for LCRI facilities, and large generator interconnection needs, and will also include any approved merchant transmission projects. For all but the policy-driven elements of this preliminary plan, the identified additions and upgrades will be transmission *projects* associated with specified Project Sponsors that will build and own each facility in accordance with existing tariff provisions. For the policy-driven elements, the plan will identify the specific facilities needed but will not specify the parties who will build and own these facilities because that will be determined pursuant to the open solicitation process.

The ISO will identify the needed policy-driven elements by considering these elements in the context of (a) the other transmission needs and projects identified in Phase 2 up to this point; (b) any additional study scenarios that reflect expected new generation development relevant to the policy objectives being addressed; (c) any significant Network Upgrades identified through the ISO's interconnection process; and (d) any alternative transmission solutions submitted by stakeholders in the comment period. The comprehensive transmission plan will identify policy-driven transmission elements proposed for approval based on sufficient, demonstrated commercial interest on the part of new generation that will utilize the new transmission capacity, as well as other criteria described below that enable the ISO to minimize the risk of stranded transmission investment. The elements proposed for approval will be referred to as Category 1 elements, and such facilities will be based on "least regrets" assessment to minimize the risk of building under-utilized transmission capacity.

The comprehensive plan will also identify Category 2 policy-driven upgrades and additions that may be needed, but whose need ultimately depends, among other things, on where and how much new generation development occurs. The Category 2 upgrades will not be authorized to proceed further as a result of their inclusion in the comprehensive transmission plan and will not be specifically approved by the ISO Board. As discussed above, Category 2 upgrades identified in the comprehensive transmission plan will be reevaluated in the next annual planning cycle.

Proposed Section 24.4.6.6 describes Category 1 and 2 policy-driven elements and the process by which the ISO will determine the need for such transmission upgrades or additions using the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission elements as evidenced by signed and approved power purchase agreements and interconnection agreements;
- (b) the results and identified priorities of the CPUC's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission element as compared to the potential planning level costs of other alternative transmission elements;

- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission elements themselves;
- (f) the extent to which the transmission element will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the ISO grid;
- (g) potential future connections to other resource areas and transmission elements;
- (h) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
- (i) the potential for a particular transmission element to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
- (j) the effect of uncertainty associated with the above criteria, and any other considerations that could affect the risk of stranded investment; and
- (k) the effects of other additions or upgrades being considered for approval during the planning process.

The transmission planning BPM will provide the analytical detail for implementing these criteria. Simply stated, the principle behind the analytical approach will be to assess candidate transmission elements according to the above criteria – both across particular resource scenarios (*e.g.*, as done by the Renewable Energy Transmission Initiative and the CTPG in connection with the 33 percent renewable standard) and individually or by subset to reflect the proposed transmission element’s value in fulfilling the relevant state or federal policy (*e.g.*, interconnecting particular Competitive Renewable Energy Zones) – and to specify standards that a candidate element must meet to qualify for Category 1. Then the highest ranking elements that fail to meet the Category 1 standards will be candidates for Category 2.

Several of these criteria correspond to criteria that the Commission has approved for evaluating the need for LCRI facilities.<sup>55</sup> Some of those criteria and other criteria listed here would use the economic and environmental factors evaluated by the Renewable Energy Transmission Initiative and the CPUC to identify and rank renewable energy projects and zones. The ISO notes that some of these criteria have also been

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<sup>55</sup> See Section 24.1.3.1 of the existing ISO tariff.



developed and utilized by the ISO to evaluate the costs and benefits of alternative transmission projects proposed as economically driven projects (using the ISO's Transmission Economic Assessment Methodology); this methodology will inform development of a least regrets plan.<sup>56</sup> In addition to using external (and generally public) sources of information on these criteria, the ISO will also utilize its own assessments (e.g., of reliability impacts of alternative transmission solutions and of the estimated renewable integration costs associated with particular zones) to establish the rankings of Category 1 and 2 transmission elements.

The process can be illustrated by the 2010 statewide conceptual transmission planning effort to date, which, as noted, has focused on facilitating achievement of 33 percent RPS by 2020. Through the collaborative statewide planning process under the CTPG, as discussed above in the description of Phase 1, several alternative scenarios have been modeled to achieve this goal, and they vary by the type and location of renewable resources as well as other criteria. For example, one scenario uses a renewable portfolio focused heavily on the renewable resource projects in the ISO and publicly-owned utility generation interconnection queues, and hence reflects commercial interest, whereas another scenario focused on the development of resources in the "best" zones as ranked independently by the Renewable Energy Transmission Initiative based on environmental and economic (but not commercial) criteria. The renewable resources modeled in these two scenarios do overlap, but there will be some zones that are ranked high by environmental and economic criteria, but have less commercial interest than anticipated; conversely there will be some zones that have substantial commercial interest but have higher environmental risk, based on the most recent information. As noted in item (b) above, state agencies such as CPUC are also engaged in this process of evaluating how commercial interest aligns with objective assessments of renewable development potential and risk and will also provide scenario evaluations through their resource planning processes. These evaluations will also help the ISO reduce the large number of possible scenarios and alternatives that may arise in the conceptual planning phase into a smaller number of transmission elements that will form the basis for the ISO's Phase 2 formulation of the comprehensive plan.

In this way, the ISO will refine and revise the portion of the conceptual statewide plan that applies to the ISO balancing authority area with stakeholder input. At this point, the ISO will also assess which of the candidate policy-driven elements should be considered as Category 1 or "least regrets" based on their relatively low risk of being under-utilized because they appear as needed across different generation scenarios or rank high based on the commercial, economic and environmental criteria described above.

Once these Category 1 policy-driven elements are identified, the ISO will assess whether they are sufficient to achieve the policy objectives that are the focus of this

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<sup>56</sup> ee ISO, "Transmission Economic Assessment Methodology," June 2004, available at <http://www.caiso.com/docs/2004/06/03/2004060313241622985.pdf>.

effort. If these elements are not sufficient, then the ISO will identify additional Category 2 elements that would not meet the “least regrets” criteria for Category 1 but which would, in combination with the identified Category 1 elements, be sufficient to achieve the 33 percent target. Transmission elements designated as Category 2 would be upgrades and additions that ranked the highest of those that were not designated Category 1, based on the same criteria identified above.

## **8. Running Economic Studies and Identifying Economically Driven Transmission Elements**

Once the ISO has developed the preliminary plan as described above, including the projects needed to maintain reliability, LCRI facility projects eligible for conditional or final approval, qualified merchant transmission projects, LGIP Network Upgrades and Category 1 policy-driven elements, the ISO will conduct the high priority economic planning studies submitted during Phase 1 and identified in the study plan as well as any additional economic studies needed as the basis for determining whether additional transmission upgrade or addition elements should be added to the preliminary comprehensive plan, or whether initially identified projects or elements should be modified, based on their economic benefits (Section 24.4.6.7).

Next, based on the results of these studies, the ISO will identify economically driven transmission elements that reflect the optimal additions and upgrades to mitigate the congestion or other economic needs and realize the identified economic benefits, within the context of the other transmission projects and elements included in the preliminary plan. For the 2010/2011 cycle currently in progress, the ISO will use these studies as the basis for evaluating the economically driven project proposals that were submitted to the 2008 and 2009 request windows under the existing transmission planning provisions. As a result of this last step the ISO will incorporate the selected economically driven elements into the plan to finalize the comprehensive transmission plan that will be presented in draft form to the stakeholders for review and comment, and to the ISO Board in final form for approval.

To make a determination of economic benefits, the ISO will use criteria specified in existing tariff Section 24.2.3.2 (and moved to Section 24.4.6.7) to analyze whether additional elements are needed to address:

- (a) Congestion identified by the ISO in the congestion data summary published for the applicable transmission planning process cycle and the magnitude, duration, and frequency of that congestion;
- (b) Local capacity area resource requirements;
- (c) Congestion projected to increase over the planning horizon used in the transmission planning process and the magnitude of that congestion; or
- (d) Integration of new resources or loads on an aggregated or regional basis.

In addition, proposed Section 24.4.6.7 provides that the ISO shall consider the degree to which, if any, the benefits of the economic mitigation solutions outweigh the costs of the facility being considered, including a reduction in production costs, congestion costs, transmission losses and capacity or other electric supply costs resulting from improved access to cost-efficient resources. The ISO's analysis will include a consideration of demand-side management and non-transmission alternatives. This approach for considering the need for and identifying economically beneficial transmission elements is consistent with current Section 24.1.1(b), describing the ISO's study process for economically driven projects submitted through the request window. The proposed revised planning process does not modify this analytical approach, though it does place the economic analysis at a later point in the process to better comport with the logic of the more comprehensive planning approach being proposed.

## 9. 2008 and 2009 Request Window Projects

The current transmission planning process provides that economically driven projects may be proposed by participating transmission owners, Project Sponsors, the CPUC or the CEC through the request window and evaluated by the ISO (Section 24.1.1(b)). In addition, the transmission planning BPM, as clarified by an ISO Technical Bulletin, directs participating transmission owners to submit into the request window LGIP Phase 1 reliability and deliverability Network Upgrades that have not been included in LGIAs and that are efficiently sized to meet the needs of multiple generation interconnection requests in the same area and for which approval was being sought through the transmission planning process (*i.e.*, "upsized" facilities or additional facilities beyond those identified in the LGIP studies that must be approved under the other categories of transmission, not the LGIP).<sup>57</sup> In the 2008 and 2009 planning cycles, Project Sponsors and participating transmission owners submitted more than 30 transmission upgrade and addition projects through the request window.

In its initial straw proposals in the revised transmission planning process stakeholder initiative, the ISO proposed to give a right of first refusal to the participating transmission owners to build all policy-driven and economically driven transmission elements that the ISO found to be needed, including any that were similar to or even identical to the 2008 and 2009 proposals. Subsequently, the ISO revised its proposal for the 2008 and 2009 proposals<sup>58</sup> (as reflected in proposed tariff Section 24.4.6.8) to

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<sup>57</sup> See BPM for Transmission Planning, <https://bpm.caiso.com/bpm/bpm/version/00000000000013> at Section 2.1.2.1; November 20, 2009 Technical Bulletin Request Window Submissions-LGIP (LGIP) Network Upgrades, <http://www.caiso.com/246c/246cc8d556500.pdf>

<sup>58</sup> As discussed elsewhere, in response to input from stakeholders, the ISO revised its proposal to provide that the determination of who builds and owns both the new category of policy-driven transmission elements, as well as economically driven transmission elements, will be subject to an open solicitation process in which all interested project sponsors will have an opportunity to submit proposals.

provide that if projects submitted during the 2008 and 2009 request windows are found to be needed as either economically driven or Category 1 policy-driven elements in the comprehensive transmission plan, they can be constructed and owned by the Project Sponsor that submitted the project, provided that sponsor meets certain minimum criteria for project sponsorship described in proposed Section 24.5.2.1(c). Where there are competing projects from the 2008 or 2009 request windows for the same policy-driven or economically driven need, the ISO will choose the Project Sponsor from the pool of 2008 and 2009 request window submissions in accordance with the criteria and process set forth in proposed Section 24.5.2.3.

## **10. The Comprehensive Transmission Plan and Board Approval Process**

Once the ISO has completed its evaluation of the conceptual statewide plan and stakeholder comments, the request window project submissions, LGIP Network Upgrades, the results of its economic studies and congestion mitigation solutions (or for the 2010/2011 cycle, the results of assessment of the 2008 and 2009 request window submissions), the ISO will draft the comprehensive transmission plan. The plan will include a detailed description of needed transmission upgrade and addition elements such that during Phase 3 Project Sponsors will be able to submit complete proposals to build the facilities (Category 1 policy-driven elements and, beginning with the 2011/2012 cycle, economically driven elements).

Proposed Section 24.4.7 provides details about the needed transmission elements that the ISO expects to be included in the plan. Specifically, a description of a transmission upgrade or addition element would typically include information about:

- a) minimum conductor ampacity;
- b) approximate line impedance;
- c) approximate series compensation levels;
- d) substation bus and breaker configuration;
- e) breaker clearing times;
- f) transformer characteristics (capacity, impedance, tap range);
- g) minimum shunt capacitor and reactor sizes;
- h) minimum FACTS device specifications;
- i) SPS requirements;
- j) planning level cost estimates; and

- k) projected in-service date.

The BPM will provide additional details about transmission element descriptions.

In addition to the needed transmission upgrade and addition elements, the comprehensive transmission plan may include the additional contents set forth in Section 24.4.8. This section duplicates existing tariff Section 24.2.4(b) with the exception of the addition of information about (1) transmission addition and upgrade projects with a capital cost of \$50 million or more submitted through the request window and for which additional studies are needed prior to presentation to the Board for approval and (2) Category 2 transmission elements.

The current stakeholder process for reviewing the technical study results and draft transmission plan (Stages 2 and 3 of the current process) has been retained in proposed Section 24.4.9, with the addition of a third, intermediate stakeholder meeting and comment opportunity as described above. According to the dates set forth in the BPM, consistent with the existing planning process, the ISO will hold the first Phase 2 stakeholder conference after the technical study results have been posted and the participating TOs have submitted reliability-driven projects. Stakeholders will be provided a minimum two-week period to provide comments on such proposals (Section 24.4.9(a)). Then, not less than 120 days after the results of the technical studies are posted, and not less than six weeks after the request window closes, the ISO will post the draft comprehensive transmission plan and subsequently will hold a stakeholder conference (Section 24.4.9(c)). Once again parties will be provided with a minimum of two weeks to provide comments on the comprehensive transmission plan, consistent with the existing planning process. As noted earlier, an additional conference will be scheduled in between these two activities.

As set forth in Section 24.4.10, the ISO will present the draft comprehensive transmission plan to the ISO Governing Board for approval, and then will post it in final form on the ISO website. Similar to the current approval procedures, ISO management continues to have the authority to approve projects with capital costs of \$50 million or less prior to approval of the plan by the ISO Governing Board. These projects will be included in the plan as approved by management. Projects with capital costs of greater than \$50 million for which all studies have been completed will be deemed approved by the Board as part of the plan, along with Category 1 policy-driven elements and economically driven elements.

This transmission plan and project approval process largely replicates the current procedure except that, because the current process directs that the transmission plan be presented to the Board for informational purposes, projects with capital costs of more than \$50 million were always presented to the Board for approval at subsequent meetings, regardless of whether ISO staff had completed its studies of the projects. The ISO's proposal to have Board approval of the comprehensive transmission plan provides additional efficiencies by permitting larger projects to be approved as part of the plan.

## **C. The Phase 3 Process**

### **1. Phase 3 Overview**

One of the key features of the ISO's revised transmission planning process is the adoption of an open solicitation process for both the new category of policy-driven transmission elements and for economically driven transmission elements. This process is similar to the process implemented by the Public Utility Commission of Texas to select among interested transmission providers seeking to construct and own Competitive Renewable Energy Zone transmission projects. During Phase 3 of the ISO's revised planning process, all entities, both independent transmission developers and existing participating transmission owners, may submit proposals to finance, construct, and own Category 1 policy-driven transmission elements and economically driven transmission elements that were included in the comprehensive transmission plan approved by the ISO Governing Board in Phase 2. As noted above, these elements are included in the comprehensive transmission plan without the designation of an Approved Project Sponsor.

The ISO will evaluate each project proposal submitted in Phase 3 to determine whether the Project Sponsor and the proposal meet certain minimum criteria. If the ISO receives only one proposal for a particular element that meets the minimum criteria for a Project Sponsor, the Project Sponsor that submitted that proposal has the right to construct and own the project. If there is more than one proposal to construct and own a needed transmission element, the ISO will facilitate collaboration among multiple Project Sponsors to see if they can agree on a single joint project. If the multiple Project Sponsors cannot reach agreement on a collaborative approach to construct and own a certain plan element, and are all seeking to obtain their siting authorizations from the same regulatory authority, the ISO will defer to that state siting authority to determine which Project Sponsor should finance, construct, and own the project. If the competing Project Sponsors intend to obtain their siting authorizations from different regulatory authorities, the ISO will determine which entity will construct and own the project in accordance with the process and non-discriminatory criteria set forth in the tariff.

### **2. Identification and Qualification of Project Sponsors**

Under proposed Section 24.5.1, the Phase 3 process begins in the month following the Governing Board approval of the comprehensive transmission plan, according to a more specific schedule to be set forth in the BPM. Project sponsors will have a minimum of two months to submit proposals to construct and own Category 1 policy-driven transmission elements and economically driven transmission elements. The information Project Sponsors must submit to support their applications and demonstrate that they are qualified to build the project will be specified in the BPM. This information will enable the ISO to determine, in accordance with Section 24.5.2.1, whether a submitted proposal meets the requirements of the transmission element identified in the comprehensive plan and whether the Project Sponsor that submitted the proposal is qualified to build and own the project. In the event multiple Project Sponsors propose to build the same transmission element, the information submitted by

Project Sponsors is also necessary to enable the ISO to evaluate the competing proposals based on the selection criteria specified in Sections 24.5.2.1 and 24.5.2.4 of the tariff.

A preliminary and illustrative list of the types of information submission requirements that the ISO is considering including in its BPM is included in Attachment G to this filing. The ISO will conduct a robust stakeholder process to determine ultimately the specific information that Project Sponsors must submit to support their proposals to construct and own needed transmission elements. The information listed in Attachment G draws, in large part, from the information that the Public Utility Commission of Texas requires interested Transmission Service Providers to submit in support of their application(s) to build Competitive Renewable Energy Zone transmission plan facilities.<sup>59</sup> The list in Attachment G also contains additional information requirements in order to enable the ISO to evaluate a Project Sponsor's satisfaction of certain specific selection criteria set forth in Sections 24.5.2.1 and 24.5.2.4.

The ISO stresses that the BPM will only specify the information that Project Sponsors must submit to support their proposals. The BPM will *not* specify the criteria that the ISO will apply in approving a Project Sponsor. All selection criteria are set forth in the tariff. These are the criteria the ISO must apply in approving a Project Sponsor.

The ISO does not believe that specific information submission requirements need to be included in the tariff under the Commission's rule of reason.<sup>60</sup> In Order No. 890, the Commission confirmed that it will continue to apply its rule of reason in a manner that would not require all of a transmission provider's business practices to be included

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<sup>59</sup> See Tex. Admin. Code, Tit. 16, R. 25.216(e)(1-2).

<sup>60</sup> As described in *Town of Easton v. Delmarva Power and Light Co. et al.*, 24 FERC ¶ 61,251 at 61,531 (1983), under the rule of reason the Commission "balance[s] [its] desire not to deprive utilities or groups of utilities of the flexibility they need to manage their own affairs by introducing substantial delay and layered decision-making into their operations . . . with the need for the full disclosure that furthers the purpose of having filing and posting requirements which provide real benefits to existing and potential customers or users of the services in question." In its Prior Notice and Filing Requirements Under Part II of the Federal Power Act, 64 FERC ¶ 61,139 at 61,988 (1993), the Commission adopted the description offered by the U.S. Court of Appeals for the District of Columbia Circuit in *City of Cleveland v. FERC*:

[T]here is an infinitude of practices affecting rates and service. The statutory directive must reasonably be read to require the recitation of only those practices that affect rates and service *significantly*, that are realistically susceptible of specification, and that are not so generally understood in any contractual arrangement as to make recitation superfluous. It is obviously left to the Commission, within broad bounds of discretion, to give concrete application to this amorphous directive.

773 F.2d 1368, 1376 (D.C. Cir. 1985) (emphasis in original).

in its tariff.<sup>61</sup> The ISO's information submission business practices do not significantly affect rates, terms and conditions; they are only information and details that Project Sponsors must submit to support their applications. As the ISO gains experience with this new selection process, the ISO may find that certain previously adopted information requirements are unnecessary for the evaluation process or require the provision of too much information. The ISO may also find that it needs additional or different information in order to fairly and adequately evaluate a proposal's satisfaction of certain of the selection criteria specified in the tariff. The ISO should have the flexibility to modify or update information submission requirements over time without needing to file a tariff amendment to seek Commission approval of an information submission requirement. As noted above, the information requirements to be included in the BPM will be thoroughly vetted with stakeholders. Any revisions to the initial list will be made pursuant to the BPM Change Management Process, and stakeholders will have an opportunity to appeal any BPM changes.<sup>62</sup>

Thus, the ISO's inclusion of these additional information submission requirements is consistent with the Commission's prior determination that these types of details are appropriately included in a BPM. Under Section 24.2.3 of its existing Commission-approved tariff, all proposals to build projects "must use the forms and satisfy the information and technical requirements set forth in the [BPM]."

Under proposed Section 24.5.1, the Project Sponsor must also identify the governmental body with the authority to approve the siting of the specific needed transmission element from which the Project Sponsor will seek siting approval. As discussed below, this information is necessary in order for the ISO to determine the appropriate methodology for deciding among competing proposals to build a particular element of the plan.

The ISO will publish the list of proposals and the Project Sponsors that submitted them, and will review each proposal to determine if it meets the minimum qualifications for selection. If necessary in order to complete the ISO's review of proposals to build transmission elements, the ISO may request additional information from Project Sponsors, and Project Sponsors shall provide such additional information as the ISO may reasonably request.

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<sup>61</sup> "The Commission disagrees with parties arguing that all of a transmission provider's rules, standards, and practices should be incorporated into its OATT. We believe that requiring transmission providers to file all of their rules, standards and practices in their OATTs would be impractical and potentially administratively burdensome." Order No. 890 at P 1651.

<sup>62</sup> Under section 22.11.1.6 of the ISO tariff, any entity qualified to submit a proposed BPM revision, which includes any market participant, may appeal the decision regarding the BPM to a BPM appeal committee. If dissatisfied with the decision of the committee, the party may further appeal to the ISO Board.



### 3. Selection of Project Sponsor

#### a. Minimum Project and Project Sponsor Qualifications

The minimum criteria that a proposal to finance, construct, and own a transmission element must meet are set forth in proposed Section 24.5.2.1: (1) whether the proposed project is consistent with the needed transmission elements included in the comprehensive transmission plan; (2) whether the proposed project satisfies Applicable Reliability Criteria and ISO Planning Standards; and (3) whether the Project Sponsor is physically, technically, and financially capable of completing the project in a timely and competent manner and operating and maintaining the facilities consistent with Good Utility Practice and applicable reliability criteria. These straightforward criteria simply provide the ISO and market participants with some assurance that the need identified in the comprehensive transmission plan will be met by the project and the Project Sponsor.

Such criteria are typical of the criteria used to obtain a certificate of public convenience and necessity, and no stakeholders expressed opposition to them. One stakeholder questioned the meaning of the phrase “physically” capable.<sup>63</sup> That phrase is intended to ensure that a Project Sponsor has sufficient physical resources and capabilities, not just the technical capability, to construct in a timely and competent manner, maintain, and operate the transmission element in addition to all other transmission facilities that the Project Sponsor may be seeking to build. The ISO notes that one of the selection criteria of the Public Utility Commission of Texas is the current and expected capabilities of the potential transmission service provider to construct, operate, and maintain the line.<sup>64</sup> The Texas regulations require a discussion of the type of resources, including relevant capability and experience (in-house labor, contractors, other transmission service providers) contemplated for use by the proponent to construct the facility and other information designed to permit evaluation of the types of resources a proponent will use to operate and maintain the facility after it is placed into service, as well as the capability of proponent to undertake all operating and maintenance activities.<sup>65</sup> The ISO’s criterion of demonstrated physical capability to construct, operate and maintain a facility is both necessary and consistent with the criteria adopted by the Public Utility Commission of Texas. Whether a Project Sponsor has sufficient manpower (either through its employees or through contractors) to construct the facility in a timely and competent manner and then operate and maintain it in compliance with all applicable statutes, rules, and regulations, is a critical factor that must be taken into consideration in determining whether the Project Sponsor is qualified.

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<sup>63</sup> May 11, 2010 comments of Pattern Transmission LP.

<sup>64</sup> See Tex. Admin. Code, tit. 16, R. 25.216(e).

<sup>65</sup> See Tex. Admin. Code, tit. 16, R. 25.216(e)(1)(D-F).

### **b. Single Project Sponsor – New Facility**

Under proposed Section 24.5.2.2, if there is only one proposal for construction of a transmission element that meets the criteria of proposed Section 24.5.2.1, then the Project Sponsor submitting the proposal may proceed to obtain the necessary permits from the siting authority of its choice and then build the project. If there are multiple qualified proposals, proposed Section 24.5.2.3 sets forth the method for selecting the Approved Project Sponsor.

### **c. Multiple Project Sponsors – Collaboration**

If two or more Project Sponsors submit proposals to finance, construct, and own the same transmission plan element, and the ISO determines that the multiple proposals all meet the minimum project and Project Sponsor qualification criteria of Section 24.5.2.1, the ISO initially will provide an opportunity for the parties to collaborate on a modified joint proposal. Stakeholders have urged consideration of joint projects, and the ISO believes that encouraging and facilitating collaboration among Project Sponsors is the fairest and most efficient means for resolving competing proposals. One stakeholder, while supporting an attempt at collaboration, recommends establishing a time limit on deliberations.<sup>66</sup> The ISO believes a time limit would be appropriate to prevent undue delay of a needed transmission element, but that any time limit is best established through the BPM so that it can more easily be adjusted as experience reveals the time necessary and any other variables that might need to be considered. These are the types of matters that are likely to vary on a case-by-case, fact-specific basis, so the ISO does not want to “hardwire” a specified amount of time for such collaboration that would require a tariff amendment to change.<sup>67</sup> If the Project Sponsors cannot reach agreement on a joint project, the method for selecting the

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<sup>66</sup> May 11. 2010 comments of Pacific Gas & Electric Company.

<sup>67</sup> One stakeholder also suggested that the ISO should be required to include additional opportunities for collaboration on joint projects in its tariff. That is neither necessary nor appropriate. The ISO’s primary role is to “plan” the transmission system and identify transmission needs for which parties can propose projects to build; it is not the ISO’s role to “broker” deals among individual companies to build transmission. Ultimately the responsibility for pursuing joint projects is in the hands of the individual transmission providers, not the ISO. Opportunities for joint planning exist throughout all phases of the revised planning process; there is no need for additional specifically timed opportunities to be included in the tariff. Indeed one of the purposes behind CTPG was to identify opportunities for possible joint projects, and the party who suggested this revision is a member of CTPG. The ISO simply does not have resources to divert from planning activities in order to participate in collaborative efforts on joint projects. Potential project sponsors interested in joint projects should have every ability themselves to undertake such efforts without making such collaboration an ISO responsibility. Once the Phase 2 planning efforts are concluded, in instances where the parties have a genuine interest in collaborating, the ISO will be available to facilitate constructive collaboration on joint efforts to build and own the needed transmission elements identified by the ISO.

Approved Project Sponsor depends upon the proposed approach for obtaining siting approval for the proposals, as discussed below.

**d. Multiple Project Sponsors – New Facility**

In circumstances in which the proposal constitutes a new addition to the transmission system (rather than the upgrade of an existing facility or construction of new facilities on existing transmission owner facilities and property, such as substations), the selection of the Approved Project Sponsor depends upon the Project Sponsors' designations of the agency with authority to site their projects from which they will seek siting approval.

**i. Same siting authority**

The proposed tariff amendment provides that, if all Project Sponsors seeking to construct the same transmission element designate the same state (or federal) agency as the agency from which they will seek siting approval, then that agency will designate the Approved Project Sponsor through its certificate of public convenience and necessity process or other applicable process. This approach recognizes that it is ultimately state authorities (and in some instances federal authorities), not the ISO or the Commission, that determine which transmission facilities get sited and who constructs and owns them. California state agencies with siting authority, including the CPUC, have considerable experience in evaluating siting proposals, are well-attuned to state and local policy concerns, and are well equipped to decide, and have experience deciding among alternative proposals.

The ISO, on the other hand, has no greater stake in the selection of the Approved Project Sponsor other than assuring that the transmission element identified in the comprehensive transmission plan as meeting a policy-driven or economically driven need is constructed in a manner that is competent, timely, and does not negate the ISO's selection of cost-efficient solutions, and that the facility once placed in service is operated and maintained in a manner consistent with all applicable law, rules, regulations, reliability criteria, and tariff provisions. The ISO believes that the qualification procedure in proposed Section 24.5.2.1 fully addresses these concerns.

Where multiple competing projects are all subject to review by the same siting authority, the ISO sees no reason to interpose itself as an additional decisional layer that would only serve to slow down the overall process, result in some duplication of effort, and potentially delay the construction of needed transmission facilities. This is particularly appropriate because any decision the ISO may make would need to be revisited if the state siting authority rejects the project.

The ISO notes that deference to the state siting authority in an independent system operator's planning process is not novel. Under the New York Independent System Operator's ("NYISO") transmission planning process, the New York State Public Service Commission plays a key role in choosing among competing regulatory solutions

for needs identified in the transmission planning process as well as in resolving certain planning process disputes. Regarding the latter, the Commission observed:

Since the footprint of NYISO is contiguous with the State of New York, we believe the New York Commission is singularly suited to address certain disputes relating to the final conclusions or recommendations of the [Reliability Needs Assessment] or NYISO's final determination in the [Comprehensive Reliability Plan]. We also believe that this level of involvement will not jeopardize NYISO's independence and could potentially expedite the siting of new facilities.<sup>68</sup>

These observations are equally applicable in California, where the ISO, like the NYISO, is a single-state independent system operator.

## ii. Multiple siting authorities

The methodology for designating the Approved Project Sponsor when different Project Sponsors specify that they intend to go to different siting authorities to obtain the necessary approvals and authorizations for the same transmission element has been the subject of extensive discussion and controversy during the stakeholder process. There are a number of state agencies and governmental entities (including municipal entities) that have overlapping authority to site transmission projects in California. The ISO had initially proposed to defer all competing proposals to state siting authorities regardless of whether one or more siting authorities were considering proposals to address a particular transmission element in the Phase 2 plan. Stakeholders pointed out, however, that there is no state process for choosing between competing projects when the competing Project Sponsors are subject to different siting authorities. The proposed tariff amendments resolve this issue by assigning the responsibility to designate an Approved Project Sponsor in such circumstances to the ISO, to be exercised according to specified criteria and factors. This approach also helps ensure that Project Sponsors are not unduly advantaged or disadvantaged based on the regulatory authority from which they seek siting authorizations. It will also ensure that competing Project Sponsors are not duplicating efforts before different siting agencies and incurring significant expenses on projects that only one entity ultimately can build and own.

Although no stakeholders have objected to assignment of this decisional responsibility to the ISO, some asserted that the ISO's decisions regarding selection of the Approved Project Sponsor when there are competing proposals should be subject to review by an "independent" evaluator, and that such independent evaluator's report be made public and subject to comment.<sup>69</sup> The ISO does not believe such review is necessary. The ISO is itself an independent party, and it is the entity responsible for

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<sup>68</sup> *New York Independent System Operator, Inc.*, 109 FERC ¶ 61,372 at P 19 (2004)(footnote omitted).

<sup>69</sup> May 25, 2010, comments of Pattern Transmission LP.

transmission planning within its footprint, not some third person. The ISO has no financial ties to any of the entities that will be proposing transmission projects. The Commission has found that the ISO meets the independence requirements of Order No. 888.<sup>70</sup> Further, in Order No. 2000, the Commission affirmed that the regional transmission organization should have ultimate responsibility for both transmission planning and expansion within its region.<sup>71</sup> To the extent that a Project Sponsor believes that the ISO has acted in a discriminatory manner or violated its tariff, it can initiate proceedings under the dispute resolution provisions of the ISO tariff, including directly filing a complaint with the Commission. The Commission has determined that these procedures are an appropriate means for resolving disputes related to the transmission planning process.<sup>72</sup> Also, as noted above, state planning authorities such as the CPUC make the ultimate decision regarding whether to grant a Project Sponsor a certificate of public convenience and necessity and approve the siting for a particular transmission project. If a Project Sponsor feels that the ISO has made the incorrect decision, it would still have the ability to appear before the applicable local regulatory authority and argue its case.

Proposed Section 24.5.2.4 sets forth the manner in which the ISO will make the decision among competing Project Sponsors where the qualified Project Sponsors are seeking siting approval from different governmental authorities. First, the ISO will evaluate the proposals' relative qualifications under the criteria of proposed Section 24.5.2.1. Although proposed Section 24.5.2.1 sets forth minimum qualifications, it is possible that some proposals meet those criteria to a greater extent than others. For example, while all Project Sponsors may be physically, financially, and technically capable of completing, operating and maintaining the project in a competent manner, with respect to a particular project, one Project Sponsor may have greater capabilities than other Project Sponsors in a particular area.

In addition to the comparison based on Section 24.5.2.1, proposed Section 24.5.2.4 specifies the following non-discriminatory criteria that the ISO will consider in evaluating competing proposals.

- (a) the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the project;
- (b) the Project Sponsor's existing rights of way and substations that would contribute to the project in question;

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<sup>70</sup> *Cal. Indep. Sys. Operator Corp. et al.*, 112 FERC ¶¶ 61,010 at PP 1, 32 (2005) (in this order, the Commission also found that the ISO meets the independence requirements of Order No. 2000).

<sup>71</sup> *Regional Transmission Organizations*, Order No. 2000, FERC Stats. and Regs. ¶ 31,089 at 31,164 (2000).

<sup>72</sup> *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶¶ 61,283 at PP 123-27 (2008).

- (c) the experience of the Project Sponsor and its team in acquiring rights of way and the authority to acquire rights of way by eminent domain, if necessary, that would facilitate approval and construction;
- (d) the proposed schedule for development and completion of the project and demonstrated ability to meet that schedule of the Project Sponsor and its team;
- (e) the financial resources of the Project Sponsor and its team;
- (f) the technical and engineering qualifications and experience of the Project Sponsor and its team;
- (g) if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the ISO controlled grid of the Project Sponsor and its team;
- (h) demonstrated capability to adhere to standardized construction, maintenance, and operating practices;
- (i) demonstrated ability to assume liability for major losses resulting from failure of facilities; and
- (j) demonstrated cost containment capability and other advantages the Project Sponsor and its team may have to build the specific project, including any binding agreement to a cost cap that would preclude costs above the cap from being recovered through the ISO's Transmission Access Charge.

These criteria were drawn in large part from the criteria that the Public Utility Commission of Texas uses to select among competing transmission provider proposals to construct Competitive Renewable Energy Zone transmission facilities,<sup>73</sup> along with additional criteria identified by stakeholders that are relevant to an evaluation of competing projects to build needed transmission elements. In particular, the proposed tariff provisions give Project Sponsors an opportunity to show any specific advantages that they have vis-à-vis competitors to construct and own a specific transmission element.

One issue that was discussed during the stakeholder process was the need to keep costs in check, particularly in light of the significant amount of new transmission infrastructure that will need to be constructed. Certain stakeholders objected to prior versions of the ISO's selection criteria that did not explicitly address cost containment.

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<sup>73</sup> See Tex. Admin. Code, tit. 16, R. 25.216(e).

The ISO agrees that it is appropriate for the system operator to conduct its own operations in a cost-effective manner and to efficiently plan the grid. The revised planning process therefore explicitly adopts a comprehensive view of all transmission needs and considers, among other factors, the potential for stranded investment and the planning level cost estimates associated with particular transmission (and non-transmission) elements that meet an identified need. The ISO's proposed factors for evaluating policy-driven projects, as set forth in Section 24.4.6.6, are expressly designed to meet these goals. In determining needed Category 1 policy-driven transmission elements, the ISO will consider (1) the expected planning level costs of specific transmission elements compared to the planning level costs of other alternative transmission elements, and (2) the potential for stranded investment. As indicated above, the ISO will use a "least-regrets" approach to approve Category 1 policy-driven elements in order to minimize transmission cost levels and the risk of stranded investment. In addition, the ISO will provide planning level cost estimates for each of the transmission elements that it finds are needed and these estimates will be included in the comprehensive transmission plan. Stakeholders will then have the opportunity to comment on the potential costs to construct particular elements.

The ISO believes that this use of objective planning level cost estimates and other criteria is the most appropriate means to fulfill the ISO's responsibility to identify the most cost-effective transmission to meet the needs identified in the transmission planning process. However, in response to stakeholder input, the ISO added (and later revised based on further stakeholder input) a selection criterion whereby the ISO will consider "demonstrated cost containment capability and other advantages the Project Sponsor and its team may have to build the specific project, including any binding agreement to a cost cap that would preclude costs over the cap from being recovered through the ISO's Transmission Access Charge." This criterion gives Project Sponsors the opportunity, not only to identify any particular advantages they have to build the project, but also to demonstrate in a tangible and quantitative manner the specific mechanism they will adopt to contain costs or reduce the risk to ratepayers. The ISO stresses that any cost cap will be voluntary on the part of any Project Sponsor, but it must be binding to be meaningful; the ISO is not relying on or attempting to hold a Project Sponsor to a mere project cost estimate.<sup>74</sup>

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<sup>74</sup> There is no additional value in the ISO's evaluating cost estimates from Project Sponsors as a basis for selecting among competing proposals. As indicated above, the ISO will already have developed planning level cost estimates for the elements that it identifies as needed. Selecting an Approved Project Sponsor based on a cost estimate provided by such entity is problematic because cost estimates can be unreliable, and are easily manipulated. If a Project Sponsors' cost estimates were a selection criterion, Project Sponsors would have an incentive to underestimate or "low-ball" their costs in order to be selected as the Approved Project Sponsor. Unlike the Public Utility Commission of Texas, the ISO is not a regulatory agency or an enforcement agency and, as such, has no mechanism for enforcing an Approved Project Sponsor's adherence to any cost estimate. On the other hand, use of a quantitative, measurable and enforceable criterion like that which the ISO is including has real meaning and should be used instead of reliance on unreliable cost estimates. Rather than requiring the ISO to analyze unreliable cost estimates, the proposed criteria allow the ISO to consider a Project

Some stakeholders recommended specifying other cost criteria in the tariff such as a Project Sponsor's agreement to forego a hypothetical capital structure, incentive return on equity, or other rate incentives available to transmission developers. The ISO elected not to include these as express selection criteria. The Energy Policy Act of 2005 recognized the need to "promote reliable and economically efficient transmission" and directed the Commission to implement incentive-based rate treatments for transmission.<sup>75</sup> In Order No. 679, the Commission, in response to the Congressional directives, identified a host of rate incentives that would be available to transmission developers, including, *inter alia*, incentive returns on equity and hypothetical capital structure.<sup>76</sup> The ISO does not believe that it is appropriate or consistent with federal policy goals to have selection criteria that would penalize a Project Sponsor that is seeking a particular rate incentive that is consistent with Congress' goals, Order No. 679, and numerous Commission orders.

Similarly, the ISO does not believe that a Project Sponsor should be unduly disadvantaged in the selection process because its regulator imposes specific requirements on it. For example, the ISO understands that the CPUC generally requires CPUC-jurisdictional utilities to maintain a certain amount of equity in their capital structures. The ISO believes that with the exception of the cost containment criteria discussed above, it is not appropriate to expressly "single-out" any other specific cost criteria for evaluating competing projects in the tariff. The ISO believes it has appropriately addressed cost considerations by considering the extent to which Project Sponsors can identify any specific cost containment measures that they have implemented or benefits they provide in building the project.

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Sponsor's specific capabilities, track record, and demonstrated advantages the Project Sponsor and team may have to build the project, in particular a Project Sponsor's demonstrated cost containment capability. The ISO believes that such criteria are the most efficient means of ensuring cost-effective construction and maintenance of new facilities.

The ISO shares the concerns about project costs raised by many stakeholders, and believes that demonstrated cost-containment options can be appropriate if they can be implemented without involving the ISO in a detailed evaluation of cost estimates that the ISO cannot enforce and which are unreliable. That is why the ISO added a cost criterion recommended by NCPA, the Bay Area Municipal Transmission Group, and the California Municipal Utilities Association, among other stakeholders, allowing for Project Sponsors to agree to a binding cap on their costs.

Finally, the ISO notes that cost considerations regarding the financing and construction of transmission facilities can be addressed before the Commission when the Approved Project Sponsor files to recover its costs. Any ISO customer can challenge excess costs as imprudently incurred. Cost considerations can also be raised before the relevant state authority during procedures for obtaining siting approval.

<sup>75</sup> See 61 U.S.C. 824s (2009).

<sup>76</sup> *Promoting Transmission Investment through Pricing Reform*, Order No. 679, FERC Stats. & Regs. 31,222 (2006).



For the foregoing reasons, the ISO submits that its proposed selection criteria modeled after those used by the Public Utility Commission of Texas are just and reasonable.

**e. Multiple Project Sponsors – Elements that Require Construction/Ownership of Facilities on Existing Participating Transmission Owner Property or Facilities**

Proposed Section 24.5.2 provides that if a needed transmission element includes components that involve an upgrade of or addition on an existing participating transmission owner facility, the construction and ownership of new facilities within an existing participating transmission owner's right-of-way, or the construction and ownership of new facilities within an existing participating transmission owner's substation, the participating transmission owner shall have the right to construct and own such new upgrade or facilities, unless the participating transmission owner and the Approved Project Sponsor agree to a different arrangement. The ISO revised the proposed language during the tariff drafting stakeholder process to clarify that the participating transmission owner would only have the right to build those discrete components of the project that constitute upgrades to or additions on its existing facilities or new facilities constructed on its right of way or within its substations. This provision does not give the participating transmission owner the right to build the other components of the needed transmission element. The components of the transmission element that do not involve a participating transmission owner's existing facilities or rights-of-way will be subject to the open solicitation process, and any interested Project Sponsor will have the opportunity to propose to construct and own such facilities.

For example, if a needed Category 1 policy-driven transmission element involves the construction of a new 500 kV line between two existing substations, as well as upgrading or adding new facilities to the substations, the participating transmission owner would only have the right to construct and own the upgrades or new facilities in its substation under the proposed provision. The determination of who constructs and owns the 500 kV line would be made through the open solicitation process. Either the participating transmission owner or any other interested Project Sponsor would be able to propose to construct and own that line.

During a stakeholder call regarding the draft tariff language, one stakeholder argued that providing this limited right to the owner of the existing facilities was inconsistent with Commission policy as set forth in *Primary Power, LLC*.<sup>77</sup> That argument is misplaced. *Primary Power, LLC* sets forth no Commission policy on the right of third parties to construct Network Upgrades or additional facilities on the property, transmission lines or in the substations owned by an existing participating transmission owner when those upgrades or additional facilities are included in the transmission plan of an ISO or RTO. Rather, *Primary Power* merely interpreted a provision of the PJM tariff that allows PJM to designate an existing transmission owner

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<sup>77</sup> 131 FERC ¶ 61,015 (2010).

or some other entity to build needed projects identified in its transmission plan.<sup>78</sup> The Commission did note that PJM must administer the tariff provision in a nondiscriminatory manner,<sup>79</sup> but that is just the restatement of a fundamental requirement of the Federal Power Act. The ISO's compliance with a tariff provision providing participating transmission owners with the right to construct and own transmission upgrades of their facilities and new facilities within their rights-of-way and substations they own is not discriminatory tariff administration, nor is it a new concept. Indeed, in *Primary Power*, the Commission noted that Primary Power has already obtained or intended to obtain the rights-of-way or other property rights to build its transmission facilities and cited a prior PJM case holding that independent transmission developers (in that case, merchant developers) "have no right to build on transmission facilities owned by others."<sup>80</sup>

The ISO's treatment of upgrades involving a utility's existing assets or rights of way complies with the Federal Power Act's prohibition against undue discrimination. Undue discrimination is the unjustified dissimilar treatment of similarly situated entities.<sup>81</sup> A third party seeking to construct upgrades or additional facilities on transmission lines or in substations owned by a participating transmission owner is not similarly situated to the participating transmission owner: it does not own the facilities. This distinction is important. The participating transmission owner has acquired the rights of way for the facilities; it has constructed the fundamental structures, such as the towers or substation buildings; and it has maintained these facilities over the years. The third party has done none of this – it is merely seeking to build upon the previous investments and efforts of the participating transmission owner. While the third party can negotiate with the participating transmission owner, who can agree voluntarily to allow the third party to build on the existing facilities or rights of way, it is not appropriate for the ISO to act like the third party already has rights to the participating transmission owner's facilities or rights of way absent such agreement.

This tariff provision is consistent with Commission precedent and recognizes that the Commission does not have the authority to site and approve transmission projects (except for its backstop authority under the Energy Policy Act of 2005,<sup>82</sup> which is not

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<sup>78</sup> *Id.* at PP 63-64.

<sup>79</sup> *Id.* at P 65.

<sup>80</sup> *Id.* at n.57, citing *PJM Interconnection, LLC*, 102 FERC ¶ 61,277 at P 115 (2003). That order also recognized that the developer of a merchant Network Upgrade could acquire the necessary rights to build on an existing transmission owner's system by reaching an agreement with the transmission owner for the use of the pertinent facilities, but had no right to do so. As discussed above, the ISO's proposed tariff provision provides this opportunity and is fully consistent with Commission precedent.

<sup>81</sup> See, e.g., *El Paso Natural Gas Co.*, 104 FERC ¶ 61,045, at P 115 (2003).

<sup>82</sup> See 16 U.S.C. 824p (2009)

implicated here). As the Commission has recognized on numerous occasions, that authority rests with the states.

In an analogous situation, the Commission recognized in Order No. 2003-A that requiring a transmission provider to cede ownership of stand-alone Network Upgrades and the transmission provider's Interconnection Facilities under the LGIA was inconsistent with Commission precedent.<sup>83</sup> In rejecting arguments that Interconnection Customers should be able to own, operate and maintain stand-alone Network Upgrades and Transmission Provider Interconnection Facilities, the Commission recognized that "such a regime would fragment the Transmission System, thereby undermining reliability."<sup>84</sup> That same concern exists here if third parties were to construct and own upgrades on participating transmission owner facilities and sub-stations.

Consistent with Order No 2003, the ISO's and other transmission providers' existing LGIP and Large Generation Interconnection Agreement tariff provisions reflect the right of participating transmission owners to construct and own facilities and Network Upgrades on their transmission systems. In that regard, under the ISO's (and other transmission providers') LGIP/LGIA tariff provisions, the participating transmission owners are responsible for owning all Reliability Network Upgrades, Delivery Network Upgrades and participating transmission owner Interconnection Facilities, even in instances where the participating transmission owner grants an Interconnection Customer the opportunity to construct participating transmission owner Interconnection Facilities and Stand-Alone Upgrades.

Similarly, the Commission determined in the context of generator interconnections that the provision of the pro forma Large Generator Interconnection Agreement that allows interconnection customers reasonable access to the transmission providers' facilities when necessary to facilitate an interconnection does not "give either party *carte blanche* to use the lands of the other Party as its own."<sup>85</sup> A similar respect for the property rights of participating transmission owners is appropriate here, especially given the Commission's lack of siting authority. To the extent the Participating TO does not act in good faith to obtain the authorizations necessary to construct those portions of the needed transmission element that are on its system, the opportunity can then be made available to other potential Project Sponsors under the tariff.

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<sup>83</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003-A at P 230, FERC Stats. & Regs. ¶ 31,160 (2004). The Commission did note that the transmission owner *may* agree to permit the Interconnection customer to construct or own these facilities. The ISO's proposed tariff language expressly preserves this opportunity for the participating transmission owner and another Project Sponsor to agree that the Project Sponsor can build or own certain upgrades/facilities on the participating transmission owner's system, right-of-way, or substations.

<sup>84</sup> Order No. 2003-A at P 236.

<sup>85</sup> *Longview Power, LLC v. Monongahela Power Co.*, 112 FERC ¶ 61,022 at P 19 (2005).

The ISO's proposed tariff language is consistent with numerous other Commission decisions and supported by sound policy reasons. The Commission has correctly recognized that since existing transmission owners have the risk and responsibility for reliably operating their transmission systems, these owners should have sole responsibility to construct and own transmission provider interconnection facilities, upgrades to existing network facilities, and substation facilities.<sup>86</sup>

To find otherwise would not only raise reliability and liability issues as the Commission has previously recognized, it would impact the states' jurisdiction over siting and raise potential "constitutional taking" issues. The ISO's approach avoids these difficult issues and is limited in nature because only those discrete components of a project that involve construction and ownership of facilities/upgrades on participating transmission owner facilities, property and substations would be build by the participating transmission owner. All other components would be subject to the open solicitation process. Thus, the ISO's proposal constitutes a balanced and workable solution, provides opportunities for independent transmission providers and is consistent with Commission precedent.

#### **D. Other Tariff Provisions**

The ISO is also proposing certain targeted revisions to the Obligation to Construct provisions of its tariff in Section 24.6. Southern California Edison expressed concerns during the stakeholder process regarding the fact that a participating transmission owner with a service territory has a backstop obligation to build any needed facilities within its service territory (in the event there is no other Project Sponsor or the Project sponsor fails to obtain the necessary approvals to build the facilities), but does not have a reciprocal right of first refusal to build such policy-driven and economically driven facilities. Southern California Edison argued that this places an undue burden on the participating transmission owner and places it at an unfair disadvantage. The ISO has tried to mitigate this concern to the extent it can by adding tariff language which provides that, in instances where there is no Approved Project Sponsor or the Approved Project Sponsor is subsequently unable to or unwilling to build the project, the ISO will have the option to (1) undertake a new solicitation for prospective Project Sponsors to propose to build and own the project, or (2) direct the participating transmission owner(s) in whose service territory the transmission element is located to build and own the project. Thus, the applicable participating transmission owner(s) will not automatically be required to build the project if the Approved Project Sponsor backs out, as is the case under the existing tariff.

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<sup>86</sup> See *Arizona Pub. Serv. Co.*, 102 FERC ¶ 61,303 at P 11 (2003) (recognizing that transmission providers are not required to allow interconnecting customers to own network upgrades, but they may agree to provide that opportunity). Consistent with Commission decisions, the ISO's proposed tariff provision provides this opportunity but does not require it. See also, *Cambridge Elec. Light Co.*, 96 FERC ¶ 61,205 at 61,874 (2001); *Virginia Elec. Power Co.*, 93 FERC ¶ 61,307 at 62,054 (2000), *order on reh'g*, 94 FERC ¶ 61,164 at 61,589 (2001); *Carolina Power & Light Co.*, 93 FERC ¶ 61,032 at 61,072-73 (2000).

The ISO recognizes that this does not entirely resolve all of Southern California Edison's concerns. However, it is necessary that the ISO retain the obligation of participating transmission owners with service territories to serve as the default entity with the obligation to build transmission elements identified in the comprehensive transmission plan for which there is no other Approved Project Sponsor. Not only is this obligation to build already reflected in Section 24.2.4.2 of the current ISO tariff, but it is appropriate that the parties that have the responsibility to build certain facilities, such as reliability-driven projects, retain a reciprocal obligation to build all needed transmission facilities if there is no other qualified entity willing to do so to ensure the integrity and economic efficiency of the transmission system and to meet applicable policy requirements. This obligation ensures that the ISO will always have a backstop transmission provider it can designate to build projects and elements in the ISO's Board-approved comprehensive plan if other Project Sponsors are lacking. Absent this backstop mechanism, needed transmission elements may be unacceptably delayed or even go unbuilt. The participating transmission owners with service territories are the franchised electric service providers in their service territory, they have the obligation to provide the transmission facilities needed to serve load, they are the providers of last resort, and they are entities with which the ISO has a contractual relationship. Where no one else steps up to build needed transmission, the ISO must have the ability to require these participating transmission owners to build such facilities.

In evaluating the overall justness and reasonableness of the ISO's revised transmission planning process proposal, the Commission must remain mindful that only the participating transmission owners with service territories have to bear this backstop obligation to build (and the concomitant burden that it could have on their finances etc.); other potential transmission providers who are only seeking to build individual projects and who do not have load serving obligations do not bear this burden and are not providers of last resort. The ISO has crafted a delicately balanced proposal that takes these factors into account and urges the Commission not to make modifications to the proposal that undo the balance the ISO has struck between various parties' rights, obligations, burdens, responsibilities and opportunities, as reflected in this proposal.

One stakeholder suggested that the ISO should be required to hold a second solicitation before it relies on the participating transmission owner's obligation to build. Such a requirement is not appropriate. The ISO will already be conducting a solicitation for the Category 1 policy-driven and economically driven projects. If only one Project Sponsor submitted a proposal, and that Project Sponsor backs out shortly after being approved (or if no Project Sponsor submitted a proposal), it might not make sense for the ISO to conduct a second solicitation if the ISO had no reason to believe that additional proposals would be forthcoming. That would add unnecessary delay and work with little or no prospect that some other party would step up to propose to build and own the project. There may be other instances where it does not make sense to conduct a new solicitation, e.g., where the ability to get the needed line constructed in a timely manner is already in serious jeopardy as a result of problems the original Project Sponsor may have had, and holding a new solicitation will add additional delays to the process which could prevent the line being constructed in time, and potentially cause a failure to meet regulatory deadlines. Under these circumstances, it is appropriate for

the ISO to retain the discretion whether to conduct an additional solicitation or rely on its authority to designate a participating transmission owner to build the needed transmission project. The ISO is well aware of parties' concerns, but requiring the ISO to conduct a second solicitation in all instances is not appropriate.

Proposed Section 24.6 also provides that the Approved Project Sponsor may not sell, assign or otherwise transfer its rights to own, finance and construct the project, prior to energizing and turning it over the operational control of the ISO, without the ISO's consent. This language was modified during the stakeholder process in response to stakeholder concerns. The ISO originally proposed a blanket prohibition against transferring the rights to finance, own and construct a project, prior to completion, to discourage Approved Project Sponsors from creating an arbitrage situation where a "property interest" in the right to construct would be created and could be freely sold. Clearly such a situation could defeat the ISO's careful Project Sponsor solicitation, qualification and selection process, by handing over construction and ownership of a project to an entity that was not selected by the ISO to build the project (and which may not even have submitted a proposal to build the project). On the other hand, stakeholders pointed out that there could be legitimate circumstances under which it would be in the public interest to transfer the project to another entity who could complete it and transfer it to the ISO's operational control. Accordingly, the ISO will evaluate such transfer requests on an *ad hoc* basis and will consider allowing transfers under the appropriate circumstances. Once the project is completed and turned over to the ISO's operational control, the Transmission Control Agreement will govern the terms and conditions of facility transfers.

#### **IV. COMPLIANCE WITH ORDER NO. 890**

In Order No. 890, the Commission directed all transmission providers to develop a transmission planning process that satisfies nine principles and to clearly describe that process in their tariffs. During the initial compliance period for Order No. 890, Commission Staff issued a White Paper on the transmission planning process that set forth a "road map" of issues that transmission providers should address in their filings to demonstrate compliance with the nine principles. The ISO explained in its December 21, 2007, compliance filing how the ISO had complied with the Commission's requirements as outlined by the major issues identified in the White Paper. The Commission found that the ISO's tariff revisions included in that filing were sufficient to comply with Order No. 890, subject to certain conditions<sup>87</sup> with which the ISO has complied.<sup>88</sup>

Most of the elements of the transmission planning process discussed in the ISO's December 2007 compliance filing and approved by the Commission either remain unchanged or have not been modified substantively in this filing. One of the guiding

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<sup>87</sup> *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,283 (2008).

<sup>88</sup> *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172 (2009).

objectives of the ISO's revised transmission planning process was to ensure that the revised process complies with Order No. 890. The following discussion sets forth any differences in the manner in which the revised transmission planning process and tariff provisions comply with Order No. 890 compared to the manner in which the existing tariff complies.

### **A. Coordination**

In Order No. 890, the Commission stated that the transmission planning procedures must include “[t]he process for consulting with customers and neighboring transmission providers.” The following major issues identified by Commission Staff regarding the organization of committees and meetings remain relevant:

- Describe whether any committees or meeting structures (formal or informal) will be used to conduct planning activities.
- If groups or committees are used, describe how they will be formed, the responsibilities of each, and how decisions will be made within the group and/or committee.
- Describe what role the transmission provider will play in coordinating the activities of the planning committees or meetings, as relevant.
- Describe the frequency of meetings to be held and other planning-related communications.

Under the proposed tariff revisions, as under the existing tariff provisions, the ISO initiates and coordinates a minimum of three stakeholder meetings, and provides additional opportunities to comment, annually as part of its transmission planning process. The three meetings occur following the same milestones as in the existing process, but the stages of the process have been slightly revised. In addition, the ISO has added another stakeholder meeting. Under proposed Section 24.3.3, the first stakeholder meeting will occur in Phase 1, after the publication of the Draft Unified Planning Assumptions and Study Plan, and will facilitate finalization of the plan. The other required meetings occur in Phase 2 and address (1) the preliminary results of technical analyses; (2) updates on studies and evaluations; and (3) the draft comprehensive transmission plan. (Proposed Section 24.4.9.) Other stakeholder meetings may be conducted as necessary. In addition, the transmission planning process continues to require third parties directed by the ISO to perform components of technical studies to also hold stakeholder meetings that will be noticed under ISO procedures. Each of these meetings will be included in the calendar of events set forth in the final Study Plan, and large or complex transmission projects may also trigger additional stakeholder meetings to address project specific issues. These meetings may be noticed through media, such as newspapers, beyond ISO notice procedures and may be held in locations near the proposed project. (BPM for the Transmission Planning Process Section 9.1.)

The ISO will also continue to participate in regional and sub-regional planning committees and meetings. The structure of these committees and meetings are established by the relevant organization. This is consistent with the Commission recognition in Order No. 890 that it may be “appropriate in certain circumstances, such as a particular meeting of a subregional group, to limit participation to a relevant subset of these entities.”<sup>89</sup>

New to the revised transmission planning process is the specific requirement that the ISO work to develop a conceptual statewide plan. That conceptual plan, which will be an input into the ISO’s planning process, can be developed in coordination with other regional and sub-regional planning groups, including interconnected balancing authority areas. At this time, the ISO is working with the CTPG in that process. (Proposed Section 24.4.4.) As such, the ISO’s revised process enhances its compliance with the coordination principle of Order No. 890.

The process for issuing Market Notices is the same as in the existing tariff already found to comply with Order No. 890. As under the current tariff, under proposed Section 24.2.2, the Unified Planning Assumptions and Study Plan will include, for each planning cycle, the proposed schedule for all stakeholder meetings and means for notification of any changes thereto, location on the ISO Website of information relating to the technical studies performed in the transmission planning process cycle, and the name of a contact person for each technical study. Further, stakeholders will continue to be allowed to subscribe to any ISO transmission planning process e-mail service that will provide notice of transmission planning process activities, including the publication of draft and final Unified Planning Assumptions and Study Plans, technical study results, transmission plans, and other transmission planning reports. (BPM for the Transmission Planning Process, Section 9.1.)

The one revision relevant to the coordination principle is the elimination of the ISO’s Planning Standards Committee. The ISO’s experience was that this committee served no useful function in assisting the ISO’s compliance with NERC, WECC, and ISO reliability criteria, which govern reliability planning decisions. NERC and WECC already have substantial stakeholder input on the development of reliability criteria and they are the entities ultimately responsible for establishing reliability criteria. The opportunity for stakeholders to comment on the Unified Planning Assumptions and Study Plans provides stakeholders with an opportunity to comment on additional criteria used by the ISO in the planning process. This revision will have no adverse impact on the ISO’s coordination with stakeholders and regional and sub-regional bodies.

## **B. Openness**

In Order No. 890, the Commission stated that the transmission provider’s transmission planning procedures must include “[n]otice procedures and anticipated

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<sup>89</sup> Order No. 890 at P 460.



frequency of meetings or planning-related communications.” The major issues identified by Commission Staff that are relevant to this principle are the following:

- Describe who the participants will be in the planning process, including expected participants for any groups or committees used.
- Describe what data is confidential/CEII, the criteria to be used to identify such data, and the eligibility criteria and process for obtaining access.

The provisions concerning participants in the planning process, the treatment of data that is confidential or CEII, and the criteria to be used to identify such data are unchanged from the provisions that the Commission approved as compliant with Order No. 890. Importantly, the ISO’s planning process meetings are open to all interested persons, and the ISO will develop the transmission plan for its footprint in an open planning process.

### **C. Transparency**

In Order No. 890, the Commission stated that the transmission planning procedures must include “[a] written description of the methodology, criteria, and processes used to develop transmission plans” and “[t]he method of disclosure of transmission plans and related studies and the criteria, assumptions and data underlying those plans and studies.” Staff identified the following major issues for addressing this principle:

- Describe the transmission planning cycle and important milestones in the cycle – *e.g.*, timelines/dates for data exchange, studies, presentation of studies to transmission customers, *etc.*
- Describe the transmission planning methodology and protocols used to develop transmission plans.
- Describe how, and when, transmission plans and other planning information will be presented to customers and other stakeholders.
- Describe the procedure for communicating with customers and other stakeholders regarding the basic criteria, assumptions, and data that underlie the transmission provider’s system plan.
- Describe how, and when, transmission plans and other planning information will be presented to customers and other stakeholders.

- Describe the procedure for sharing information regarding the status of upgrades identified in the transmission plan.
- Describe the procedure for sharing information regarding the status of upgrades identified in the transmission plan.

As in the current tariff, proposed Section 24.2 directs that a transmission plan be prepared on an annual basis with a planning horizon of at least 10 years. The sequence of events, however, differs somewhat from the existing process. This sequence is discussed in the sections above addressing Phases 1, 2, and 3 of the revised planning process. During each phase, stakeholders have the opportunity to provide input, to review the input of others, and to review and comment on drafts of documents.

Thus, as in the current tariff, stakeholders are involved in the transmission planning process from the start. The ISO uses information provided by stakeholders to develop the Unified Planning Assumptions and Study Plan. The ISO will consider this information and include and publish such information in the draft Unified Planning Assumptions and Study Plan, except to the extent it is confidential, along with the additional details regarding data, assumptions, software, and methodology to be used in the development of the comprehensive transmission plan. The ISO will provide notice of all significant milestones and post the draft transmission plan. Generally, stakeholders may review confidential information by executing a non-disclosure statement, as described in Section 20.4 of the ISO tariff and Section 9.2 of the BPM for the Transmission Planning Process. The ISO will also make the preliminary study results and the draft transmission plan available to stakeholders for comment and will discuss these materials at a stakeholder conference. During this process, stakeholders may discuss or recommend alternatives to the projects that the ISO proposes to approve. The timeframes for the publication of drafts and for commenting remain consistent with those previously approved by the Commission.

Proposed Section 24.4.8 states that the ISO may include in the comprehensive transmission plan updates on the status of previously approved projects. Section 2.2 of the BPM for the Transmission Planning Process mandates this update. Under proposed Section 24.3.1, the development of the Unified Planning Assumptions and Study Plan provides another stakeholder opportunity to update other transmission-related information and data.

#### **D. Information Exchange**

In Order No. 890, the Commission stated that the transmission planning procedures must include “[t]he obligations of and methods for customers to submit data to the transmission provider.” Major issues identified by Staff major to address this principle include the following requirements:

- Describe the obligations and methods for customers to submit data to the transmission provider.
- Describe the schedule and procedures for submission of information by transmission customers.

The opportunities under the proposed tariff revisions for transmission customers to submit data to the ISO during the course of the transmission planning process are discussed in greater depth above. The opportunities are at least as numerous as in the current tariff and are described in proposed Sections 24.3.3, 24.4.1, 24.4.3, 24.4.4, and 24.4.9. In addition, Project Sponsors must submit certain information when proposing a project for ISO approval. The information needed to satisfy the submission requirements for Phase 3 proposals is set forth in Section 24.5.1. Participating transmission owners must also perform studies and provide the ISO with information pursuant to Sections 24.4.6.2 (reliability driven projects) and 24.4.6.4 (projects to maintain the feasibility of allocated CRRs). The BPM details the specifics of the information that must be provided in each case, with the exception of Phase 3 proposals, although the BPM will need to be updated to reflect the new tariff designations. As discussed above, the ISO intends to incorporate in the BPM information submission requirements for Phase 3 proposals that are comparable to those used by the Public Utility Commission of Texas. As noted above, the timeframes for the provision of information to the ISO remain consistent with those previously approved by the Commission.

### **E. Comparability**

Order No. 890 established the principle that a transmission provider's planning procedures must treat customers on a comparable basis. As described by Staff:

The comparability principle requires transmission providers, after considering the data and comments supplied by customers and other stakeholders, to develop a transmission system plan that meets the specific service requests of their transmission customers and otherwise treats similarly-situated customers (*e.g.*, network and retail native load) comparably in transmission system planning. Through the comparability principle, the Commission required that the interests of transmission providers and their similarly-situated customers be treated on a comparable basis during the planning process. The Commission also explained that demand resources should be considered on a comparable basis to the service provided by comparable generation resources where appropriate.

In Order No. 890-A, the Commission clarified that, as part of its planning process, each transmission provider is required to identify how it will treat resources on a comparable basis.

As the Commission has recognized on numerous occasions, under the ISO's specific service model, transmission customers do not make specific transmission service requests and there are no reservations of capacity. All customers take service on a daily basis, and the ISO operates its system and markets, and dispatches resources in the most efficient manner, to serve them. The ISO also has no native retail load. The ISO tariff does not distinguish between types of customers (e.g, point-to-point, network, firm, non-firm); everyone receives the same daily service.

As under the current ISO tariff, the proposed revised transmission planning process provides all market participants with certain opportunities, obligations, and responsibilities and strikes a balance among these interests. The ISO's revised planning process also provides for consideration of demand resources, generation and other non-transmission resources as alternatives to transmission solutions, where appropriate. (Proposed Section 24.4.3.)

#### **F. Dispute Resolution**

Order No. 890 states that the transmission planning procedures must include a dispute resolution procedure. Issues identified by Commission Staff for addressing this principle were the following:

- Describe the process(es) that will be used to resolve planning-related disputes.
- Describe the issues, procedural and substantive, that will be addressed through a particular dispute resolution process.

Section 13 of the current tariff provides a dispute resolution process applicable to all disputes under the ISO documents except where the decision of the ISO is stated in the tariff to be final. It therefore applies to disputes arising from the transmission planning process. Consistent with the existing dispute resolution, a party with concerns about the ISO's application of the revised transmission planning provisions is free to either pursue dispute resolution under the ISO tariff or to file a complaint directly with the Commission if it believes the ISO has violated its tariff requirements. The instant tariff filing does not modify these existing provisions, which the Commission has found to be compliant with Order No. 890.

#### **G. Regional Participation**

In Order No. 890, the Commission stated that the transmission planning procedures must include "[t]he process for consulting . . . neighboring transmission providers." Staff identified the following major issues for addressing compliance with this principle:

- Identify the entities with which the transmission provider engages in regional planning and the responsibilities of each entity in the planning process.
- Describe the interaction between local planning and regional planning activities.

- Describe any inter-regional planning activities in which the transmission provider or regional entity participates.
- Describe the process for reviewing and coordinating the results of sub-regional, regional, and inter-regional planning activities.
- Staff recognizes that the various regions are at different stages of development of sub-regional and regional planning process and that these processes can and should evolve over time. Staff therefore recommends that each transmission provider describe, as part of the transmittal letter to its compliance filing:
  - The forms of sub-regional or regional planning that occur today in the transmission provider's region;
  - The modifications or improvements to such processes that are being proposed as part of compliance with Order No. 890;
  - The reasons why a particular sub-region or region was chosen to address compliance with Principle No. 7;
  - The process by which the proposed sub-regional or regional planning processes can evolve over time as stakeholders gain experience with them (e.g., in undertaking additional studies as experience is gained with the initial studies; in formalizing stakeholder and state agency participation; in exchanging data, etc.).

The proposed tariff revisions do not amend the existing provisions for sub-regional and regional planning involvement that the Commission found to be compliant with Order No. 890. The ISO is further fulfilling the regional participation principle through proposed new Section 24.4.4, which involves the ISO's development of the conceptual statewide plan, which can be effectuated through coordination with regional and sub-regional planning entities and interconnected balancing authority areas. As such, the ISO's filing enhances its compliance with the regional participation principle of Order No. 890. The ISO's collaboration with the CTPG furthers the Commission's regional participation goal.

## **H. Economic Planning Studies**

Order No. 890 stated that the transmission planning procedures must include “[t]he transmission provider’s study procedures for economic upgrades to address congestion or the integration of new resources.” Staff listed the following major issues:

- Describe the scope of economic planning undertaken by the transmission provider on behalf of its native load and OATT customers.
- Describe the process by which economic planning studies can be requested and the procedures for publishing study-related information.

- Describe the mechanism for recovering costs incurred to perform economic planning studies.

The ISO's revised transmission planning tariff provisions provide the same substantive opportunity for all interested parties to request economic planning studies, the same process for selecting them, and the same mechanism for recovering the costs of these studies as does the current tariff already found to comply with Order No. 890. For the reasons discussed above in the Phase 2 discussion, under the proposed revised transmission planning process, the ISO is not accepting additional requests for economic planning studies for the current planning cycle (*i.e.*, the 2011/2012 planning cycle). The ISO is committed to doing extensive analysis in the current planning cycle in order to address the more than 30 projects proposed in the 2008 and 2009 request windows that remain pending. Proposed Section 24.3.3 provides that the opportunity to request economic planning studies will resume with the 2012/2013 planning cycle.

The only other change to the ISO's economic planning study procedures is the timing for making such study requests. Under proposed Section 24.3.3, parties may propose economic planning studies during the comment period for comments of the draft Unified Planning Assumptions and Study Plan rather than in a request window that precedes the publication of the draft Unified Planning Assumptions and Study Plan. This will have no substantive impact on stakeholders, because revised ISO planning procedures retain the same process for ISO selection of High Priority Economic Planning Studies.

## **I. Cost Allocation**

The Commission stated that the transmission planning procedures must include the relevant cost allocation procedures. Staff's major issues were the following:

- Describe the methodology for allocating costs associated with reliability and economic upgrades.
- Describe the roles and responsibilities of the transmission provider and stakeholders during the cost allocation process.
- Describe the methodology used to recover costs associated with planning for reliability needs.

Cost allocation of reliability and economic upgrades approved by the ISO, the roles of the transmission provider and stakeholders during the cost allocation process, and the recovery of costs associated with planning for reliability needs are unchanged from the current Order No. 890-compliant tariff. As discussed above, the ISO has added another category of transmission projects that can be considered in the ISO planning process – policy driven projects. To the extent policy driven projects are included in the approved comprehensive transmission plan, the costs of such projects will be allocated in the same manner as reliability-driven and economically driven upgrades.

## **V. EFFECTIVE DATE**

The ISO requests that the Commission approve the revised transmission planning process effective August 3, 2010. The ISO is expecting the CTPG to post a conceptual statewide plan in July that will be an important input into the ISO's proposed Phase 2 process. The ISO wants full stakeholder participation in the Phase 2 planning process wherein the ISO will assess the transmission elements needed to meet 33 percent RPS by 2020, as well as other potentially needed transmission elements. Stakeholders need to know at this time what their rights, obligations and opportunities to build and own projects will be so they will be fully engaged in the Phase 2 process, provide valuable comments on the draft statewide conceptual plan, and actively participate in the effort to determine the transmission elements that will best meet identified needs and policy objectives. The ISO cannot emphasize enough why the planning efforts to meet 33 percent RPS by 2020 need to commence immediately. Although 2020 seems a long way off, because of the length of time required to complete the siting and project approval process, obtain all necessary permits, and construct the unprecedented number of new high voltage transmission facilities that will be needed, the ISO must begin address these matters in the current planning cycle so that it can timely identify the initial set of "no-regrets" lines by March 2010, identify the Approved Project Sponsors, and then send those projects off to the authorized siting authorities to be permitted. Reaching 33 percent RPS will not be done overnight; rather, it will be achieved progressively over the next decade going from the current 20 percent RPS level to 33 percent RPS by 2020. Transmission will need to be built incrementally between now and 2020 to keep pace. That is why the planning process needs to begin now because a significant amount of new renewable resources will need to be accessed well before 2020. As the CPUC has recognized, achieving 33 percent RPS by 2020 is highly ambitious given the magnitude of the infrastructure build-out that is required.<sup>90</sup> Accordingly, the Commission should approve the ISO's filing by August 3, 2010 to give the ISO the planning tools it needs to support this ambitious effort and to provide interested parties with regulatory certainty as they move forward with this year's critical planning cycle.

## **VI. COMMUNICATIONS**

Correspondence and other communications regarding this filing should be directed to:

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<sup>90</sup> 33 percent RPS Implementation Analysis Preliminary Results at 1, CPUC (June 2009).

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## **VII. SERVICE**

The ISO has served copies of this filing on the CPUC, the CEC, and all parties with Scheduling Coordinator Agreements under the ISO tariff. In addition, the ISO has posted a copy of the filing on the ISO Website.



## VIII. CONTENTS OF THIS FILING

This filing comprises:

This Transmittal Letter

Attachment A: Clean Tariff Sheets

Attachment B: Blacklined Tariff Sheets showing changes from the existing Tariff

Attachment C: Memorandum of Understanding Between The CPUC (CPUC) and The California Independent system Operator (ISO) Regarding The Revised ISO Transmission Planning Process

Attachment D: Memorandum to the Board regarding the *Decision on Revised Transmission Planning Process* and Board Presentation entitled *Decision on Revised Transmission Planning Process*

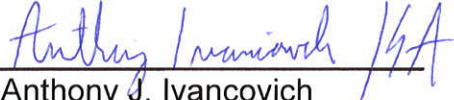
Attachment E: Transcript of the May 18, 2010 ISO Board meeting pertaining to consideration of the revised transmission planning process proposal

Attachment F: Timeline of revised transmission planning process


Attachment G: Draft list of the types of information Project Sponsors will be required to submit to enable the ISO to evaluate their applications

**IX. CONCLUSION**

The ISO respectfully requests that the proposed revised transmission planning process as reflected in the tariff sheets attached to this filing be approved, without modification, suspension, or hearing to go into effect on August 3, 2010.

  
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Respectfully submitted,

  
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Counsel for the  
California Independent System  
Operator Corporation

June 4, 2010

**Attachment A – Clean Sheets**  
**Revised Transmission Planning Process Amendment**  
**Fourth Replacement CAISO Tariff**  
**ER10-\_\_\_\_-000**  
**June 4, 2010**

## **24                    COMPREHENSIVE TRANSMISSION PLANNING PROCESS**

### **24.1                Overview**

The CAISO will develop a comprehensive Transmission Plan and approve transmission upgrades or additions using the Transmission Planning Process set forth in this Section 24. The CAISO will analyze the need for transmission upgrades and additions in accordance with the methodologies and criteria set forth in this Section 24, the Transmission Control Agreement, and the applicable Business Practice Manuals. The comprehensive Transmission Plan will identify transmission upgrade or addition projects associated with Approved Project Sponsors that are Merchant Transmission Facilities or are needed: (1) to maintain System Reliability; (2) to satisfy the requirements of a Location Constrained Resource Interconnection Facility; (3) to maintain the simultaneous feasibility of allocated Long-Term CRRs; and (4) as LGIP Network Upgrades identified pursuant to Section 24.4.6.5. The comprehensive Transmission Plan will identify transmission addition and upgrade elements with no approved Project Sponsors needed to (1) meet state and federal policy requirements and directives that are not inconsistent with the Federal Power Act, including renewable portfolio standards policies; and (2) reduce congestion costs, production supply costs, transmission losses, or other electric supply costs resulting from improved access to cost-effective resources. For purposes of this Section 24, the term “the year X/(X+1) planning cycle” will refer to the Transmission Planning Process initiated during year X to complete a comprehensive Transmission Plan in year X+1.

## **24.2 Nature of the Transmission Planning Process**

The CAISO will develop the annual comprehensive Transmission Plan and approve transmission upgrades or additions using a Transmission Planning Process with three (3) phases. In Phase 1, the CAISO will develop and complete the Unified Planning Assumptions and Study Plan and, in parallel, begin development of a conceptual statewide plan. In Phase 2, the CAISO will complete the comprehensive Transmission Plan. In Phase 3, the CAISO will evaluate proposals to construct and own specific transmission upgrade or addition elements specified in the comprehensive Transmission Plan.

The Transmission Planning Process shall, at a minimum:

- (a) Coordinate and consolidate in a single plan the transmission needs of the CAISO Balancing Authority Area for maintaining the reliability of the CAISO Controlled Grid in accordance with Applicable Reliability Criteria and CAISO Planning Standards, in a manner that promotes the economic efficiency of the CAISO Controlled Grid and considers federal and state environmental and other policies affecting the provision of Energy.
- (b) Reflect a planning horizon covering a minimum of ten (10) years that considers previously approved transmission upgrades and additions, Demand Forecasts, Demand-side management, capacity forecasts relating to generation technology type, additions and retirements, and such other factors as the CAISO determines are relevant.
- (c) Seek to avoid unnecessary duplication of facilities and ensure the simultaneous feasibility of the CAISO Transmission Plan and the transmission plans of interconnected Balancing Authority Areas, and otherwise coordinate with regional and sub-regional transmission planning processes and entities, including interconnected Balancing Authority Areas.

- (d) Identify existing and projected limitations of the CAISO Controlled Grid's physical, economic or operational capability or performance and identify transmission upgrades and additions, including alternatives thereto, deemed needed to address the existing and projected limitations.
- (e) Account for any effects on the CAISO Controlled Grid of the interconnection of Generating Units, including an assessment of the deliverability of such Generating Units in a manner consistent with CAISO interconnection procedures.

### **24.3 Transmission Planning Process Phase 1**

Phase 1 consists of two (2) parallel processes: (1) the development of the Unified Planning Assumptions and Study Plan; and, (2) initiation of the development of the statewide conceptual transmission plan, as discussed in Section 24.4.4.

#### **24.3.1 Inputs to the Unified Planning Assumptions and Study Plan**

The CAISO will develop Unified Planning Assumptions and a Study Plan using information and data from the approved Transmission Plan developed in the previous planning cycle. The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan:

- (a) WECC base cases, as may be modified for the relevant planning horizon;
- (b) Transmission upgrades and additions approved by the CAISO in past Transmission Planning Process cycles, including upgrades and additions which the CAISO has determined address transmission elements in comprehensive Transmission Plan developed in the previous planning cycle;
- (c) Category 2 policy-driven transmission upgrade and addition elements from a prior planning cycle as described in Section 24.4.6.6;
- (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3;

- (e) Network Upgrades identified pursuant to Section 25, Appendix U, Appendix V, Appendix Y or Appendix Z relating to the CAISO's Large Generator Interconnection Procedures and Appendices S and T relating to the CAISO's Small Generator Interconnection Procedures that were not otherwise included in the comprehensive Transmission Plan from the previous annual cycle;
- (f) Operational solutions validated by the CAISO in the Local Capacity Technical Study under Section 40.3.1;
- (g) Policy requirements and directives, as appropriate, including programs initiated by state and federal regulatory agencies;
- (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;
- (i) Demand response programs that are proposed for inclusion in the base case or assumptions for the comprehensive Transmission Plan;
- (j) Generation and other non-transmission projects that are proposed for inclusion in long-term planning studies as alternatives to transmission additions or upgrades;
- (k) Beginning with the 2011/2012 planning cycle, Economic Planning Study requests submitted in comments on the draft Unified Planning Assumptions and Study.
- (l) Planned facilities in interconnected Balancing Authority Areas.

**24.3.2 Contents of the Unified Planning Assumptions and Study Plan**

The Unified Planning Assumptions and Study Plan shall, at a minimum, provide:

- (a) The planning data and assumptions to be used in the Transmission Planning Process cycle, including, but not limited to, those related to Demand Forecasts and distribution, potential generation capacity additions and retirements, and transmission system modifications;
- (b) A description of the computer models, methodology and other criteria used in each technical study performed in the Transmission Planning Process cycle;
- (c) A list of each technical study to be performed in the Transmission Planning Process cycle and a summary of each technical study's objective or purpose;
- (d) A description of significant modifications to the planning data and assumptions as allowed by Section 24.3.1(a) and consistent with Section 24.3.2;
- (e) The identification of any entities directed to perform a particular technical study or portions of a technical study;



- (f) A proposed schedule for all stakeholder meetings to be held as part of the Transmission Planning Process cycle and the means for notification of any changes thereto, the location on the CAISO Website of information relating to the technical studies performed in the Transmission Planning Process cycle, and the name of a contact person at the CAISO for each technical study performed in the Transmission Planning Process cycle;
- (g) To the maximum extent practicable, and where applicable, appropriate sensitivity analyses, including project or solution alternatives, to be performed as part of technical studies;
- (h) Descriptions of the High Priority Economic Planning Studies as determined by the CAISO under section 24.3.5; and
- (i) Identification of state or federal requirements or directives that the CAISO will utilize, pursuant to Section 24.4.6.6, to identify policy-driven transmission elements.

**24.3.3 Stakeholder Input - Unified Planning Assumptions/Study Plan**

- (a) Beginning with the 2011/2012 planning cycle and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will provide a comment period during which Market Participants, electric utility regulatory agencies and all other interested parties may submit the following proposals for consideration in the development of the draft Unified Planning Assumptions and Study Plan:
- (i) Demand response programs for inclusion in the base case or assumptions; and
  - (ii) Generation and other non-transmission alternatives, consistent with Section 24.3.2(a) proposed as alternatives to transmission additions or upgrades.
- (b) Following review of relevant information, including stakeholder comments submitted pursuant to Section 24.3.3(a), the CAISO will prepare and post on the CAISO Website a draft of the Unified Planning Assumptions and Study Plan. The CAISO will issue a Market Notice announcing the availability of such draft, soliciting comments, and scheduling a public conference(s) as required by Section 24.3.3(c).
- (c) No less than one (1) week subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one (1) public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice.

- (d) Interested parties will be provided a minimum of two (2) weeks following the first public meeting to provide comments on the draft Unified Planning Assumptions and Study Plan. Such comments may include Economic Planning Study requests based on the comprehensive Transmission Plan from the prior cycle. All comments on the draft Unified Planning Assumptions and the Study Plan will be posted by the CAISO to the CAISO Website.
- (e) Following the public conference(s), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The CAISO will post the base cases to be used in the technical studies to its secured website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published.

#### **24.3.4 Economic Planning Studies**

##### **24.3.4.1 CAISO Assessment of Requests for Economic Planning Studies**

Following the submittal of a request for an Economic Planning Study, the CAISO will determine whether the request shall be designated as a High Priority Economic Planning Study for consideration in the development of the comprehensive Transmission Plan. In making the determination, the CAISO will consider:

- (a) Whether the requested Economic Planning Study seeks to assess Congestion not identified or identified and not mitigated by the CAISO in previous Transmission Planning Process cycles;

- (b) Whether the requested Economic Planning Study addresses delivery of Generation from Location Constrained Resource Interconnection Generators or network transmission facilities intended to access Generation from an Energy Resource Area or similar resource area assigned a high priority by the CPUC or CEC;
- (c) Whether the requested Economic Planning Study is intended to address Local Capacity Area Resource requirements;
- (d) Whether resource and Demand information indicates that Congestion described in the Economic Planning Study request is projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (e) Whether the Economic Planning Study is intended to encompass the upgrades necessary to integrate new generation resources or loads on an aggregated or regional basis.

#### **24.3.4.2 Selection of High Priority Economic Planning Studies**

In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will post to the CAISO Website the list of selected High Priority Economic Planning Studies to be included in the draft Unified Planning Assumptions and Study Plan. The CAISO may assess requests for Economic Planning Studies individually or in combination where such requests may have common or complementary effects on the CAISO Controlled Grid. As appropriate, the CAISO will perform requested High Priority Economic Planning Studies, up to five (5); however, the CAISO retains discretion to perform more than five (5) High Priority Economic Planning Studies should stakeholder requests or patterns of Congestion or anticipated Congestion so warrant. Market Participants may, consistent with Section 24.3.1 and 24.3.2, conduct Economic Planning Studies that have not been designated as High Priority Economic Planning Studies at their own expense and may submit such studies for consideration in the development of the comprehensive Transmission Plan.

**24.4 Transmission Planning Process Phase 2**

**24.4.1 Conducting Technical Studies**

- (a) In accordance with the Unified Planning Assumptions and Study Plan and with the procedures and deadlines in the Business Practice Manual, the CAISO will perform, or direct the performance by third parties of, technical studies and other assessments necessary to develop the comprehensive Transmission Plan, including such technical studies and other assessments as are necessary in order to determine whether and how to include elements from the conceptual statewide transmission plan or other alternative elements identified by the CAISO during the Phase 2 studies in the comprehensive Transmission Plan. According to the schedule set forth in the applicable Business Practice Manual, the CAISO will post the preliminary results of its technical studies and proposed mitigation solutions on the CAISO Website. The CAISO's technical study results and mitigation solutions shall be posted not less than one-hundred and twenty (120) days after the final Unified Planning Assumptions and Study Plan are published, along with the results of the technical studies conducted by Participating TOs or other third parties at the direction of the CAISO.

- (b) All technical studies, whether performed by the CAISO, the Participating TOs or other third parties under the direction of the CAISO, must utilize the Unified Planning Assumptions for the particular technical study to the maximum extent practical, and deviations from the Unified Planning Assumptions for the particular technical study must be documented in results of each technical study. The CAISO will measure the results of the studies against Applicable Reliability Criteria, the CAISO Planning Standards, and other criteria established by the Business Practice Manual. After consideration of the comments received on the preliminary results, the CAISO will complete, or direct the completion of, the technical studies and post the final study results on the CAISO Website.
- (c) The CAISO technical study results will identify needs and proposed solutions to meet Applicable Reliability Criteria, CAISO planning standards, and other applicable planning standards. The CAISO and Participating TOs shall coordinate their respective transmission planning responsibilities required for compliance with the NERC Reliability Standards and for the purposes of developing the annual Transmission Plan according to the requirements and time schedules set forth in the Business Practice Manual.

#### **24.4.2 Submission of Reliability Driven Projects**

Pursuant to the schedule described in the Business Practice Manual and based on the technical study results, the CAISO, CEC, CPUC, and other interested parties may propose any transmission upgrades or additions deemed necessary to ensure System Reliability consistent with Applicable Reliability Criteria and CAISO Planning Standards through the Phase 2 Request Window. Participating TOs will submit such project proposals through the Phase 2 Request Window within thirty (30) days after the CAISO posts its preliminary technical study results. The substantive description of reliability driven projects is set forth in Section 24.4.6.2.

#### **24.4.3 Phase 2 Request Window**

- (a) Following publication of the results of the technical studies, and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will open a Request Window during Phase 2 for the submission of proposals for reliability-driven projects, Location Constrained Resource Interconnection Facility projects, demand response or generation proposals proposed as alternatives to transmission additions or upgrades to meet reliability needs and proposals for Merchant Transmission Facility projects.

- (b) All facilities proposed during the Request Window must use the forms and satisfy the information and technical requirements set forth in the Business Practice Manual. Proposals for these transmission additions or upgrades must be within or connect to the CAISO Balancing Authority Area or CAISO Controlled Grid. The CAISO will determine whether each of these proposals will be considered in the development of the comprehensive Transmission Plan. In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will notify the party submitting the proposal of any deficiencies in the proposal and provide the party an opportunity to correct the deficiencies. A proposal can only be considered in the development of the comprehensive Transmission Plan if the CAISO determines that:
- (i) the proposal satisfies the information requirements for the particular type of project submitted as set forth in templates included in the Business Practice Manual;
  - (ii) the proposal is not functionally duplicative of transmission upgrades or additions that have previously been approved by the CAISO; and
  - (iii) the proposal, if a sub-regional or regional project that affects other interconnected Balancing Authority Areas has been reviewed by the appropriate sub-regional or regional planning entity, is not inconsistent with such sub-regional or regional planning entity's preferred solution or project, and has been determined to be appropriate for inclusion in the CAISO Study Plan, rather than, or in addition to, being included in or deferred to the planning process of the sub-regional or regional planning entity.
- (c) The duration of the Request Window will be set forth in the Business Practice Manual.



#### **24.4.4 Comment Period of Conceptual Statewide Plan**

Beginning in Phase 1, the CAISO will develop, or, in coordination with other regional or sub-regional transmission planning groups or entities, including interconnected Balancing Authority Areas, will participate in the development of, a conceptual statewide transmission plan that, among other things, may identify potential transmission upgrade or addition elements needed to meet state and federal policy requirements and directives. The conceptual statewide transmission plan will be an input into the CAISO's Transmission Planning Process. The CAISO will post the conceptual statewide transmission plan to the CAISO Website and will issue a Market Notice providing notice of the availability of such plan. In the month immediately following the publication of the conceptual statewide transmission plan, the CAISO will provide an opportunity for interested parties to submit comments and recommend modifications to the conceptual statewide transmission plan and alternative transmission elements, including potential interstate transmission lines and proposals for access to resources located in areas not identified in the conceptual statewide transmission plan, and non-transmission elements.

#### **24.4.5 Determination of Needed Transmission Projects and Elements**

To determine which projects and additional elements should be included in the comprehensive Transmission Plan, the CAISO will evaluate the conceptual transmission elements identified in the statewide conceptual transmission plan or other alternative elements identified by the CAISO during the Phase 2 studies, reliability project proposals, LCRIF projects proposals, project proposals required to maintain the feasibility of long term CRRs, proposed Network Upgrades pursuant to Section 24.4.6.5 and the results of Economic Planning Studies or other economic studies the CAISO has performed and will consider potential alternative transmission upgrade and addition elements and non-transmission or generation solutions proposed by interested parties.

#### **24.4.6 Categories of Transmission Projects**

##### **24.4.6.1 Merchant Transmission Project Proposals**

The CAISO may include a transmission addition or upgrade in the comprehensive Transmission Plan if a Project Sponsor proposes a Merchant Transmission Facility and demonstrates to the CAISO the financial capability to pay the full cost of construction and operation of the Merchant Transmission Facility. The Merchant Transmission Facility must mitigate all operational concerns identified by the CAISO to the satisfaction of the CAISO, in consultation with the Participating TO(s) in whose PTO Service Territory the Merchant Transmission Facility will be located, and ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms. To ensure that the Project Sponsor is financially able to pay the construction and operating costs of the Merchant Transmission Facility, and where the Participating TO is not the Project Sponsor and is to construct the Merchant Transmission Facility under Section 24.4.1, the CAISO in cooperation with the Participating TO may require (1) a demonstration of creditworthiness (e.g., an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the transmission addition or upgrade.

#### **24.4.6.2 Reliability Driven Projects**

The CAISO, in coordination with each Participating TO with a PTO Service Territory will, as part of the Transmission Planning Process and consistent with the procedures set forth in the Business Practice Manual, identify the need for any transmission additions or upgrades required to ensure System Reliability consistent with all Applicable Reliability Criteria and CAISO Planning Standards. In making this determination, the CAISO, in coordination with each Participating TO with a PTO Service Territory and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects, Demand-side management, Remedial Action Schemes, appropriate Generation, interruptible Loads or reactive support. The CAISO shall direct each Participating TO with a PTO Service Area, as a registered Transmission Planner with NERC, to perform the necessary studies, based on the Unified Planning Assumptions and Study Plan and any applicable Interconnection Study, and in accordance with the Business Practice Manual, to determine the facilities needed to meet all Applicable Reliability Criteria and CAISO Planning Standards. The Participating TO with a PTO Service Area shall provide the CAISO and other Market Participants with all information relating to the studies performed under this Section, subject to any limitation provided in Section 20.2 or the applicable LGIP. The Participating TO with a PTO Service Territory in which the transmission upgrade or addition deemed needed under this Section 24 will have the responsibility to construct, own and finance, and maintain such transmission upgrade or addition.

**24.4.6.3 LCRIF Projects**

**24.4.6.3.1 Proposals for LCRIFs**

The CAISO, CPUC, CEC, a Participating TO, or any other interested parties may propose a transmission addition as a Location Constrained Resource Interconnection Facility. A proposal shall include the following information, to the extent available:

- (a) Information showing that the proposal meets the requirements of Section 24.4.6.3.2; and
- (b) A description of the proposed facility, including the following information:
  - (1) Transmission studies demonstrating that the proposed facility satisfies Applicable Reliability Criteria and CAISO Planning Standards;
  - (2) Identification of the most feasible and cost-effective alternative transmission additions, which may include network upgrades, that would accomplish the objective of the proposal;
  - (3) A planning level cost estimate for the proposed facility and all proposed alternatives;
  - (4) An assessment of the potential for the future connection of further transmission additions that would convert the proposed facility into a network transmission facility, including conceptual plans;
  - (5) The estimated in-service date of the proposed facility; and
  - (6) A conceptual plan for connecting potential LCRIFs, if known, to the proposed facility.

**24.4.6.3.2 Criteria for Qualification as a LCRIF**

- (a) The CAISO shall conditionally approve a facility as a Location Constrained Resource Interconnection Facility if it determines that the facility is needed and all of the following requirements are met:
- (1) The facility is to be constructed for the primary purpose of connecting to the CAISO Controlled Grid two (2) or more Location Constrained Resource Interconnection Generators in an Energy Resource Area, and at least one of the Location Constrained Resource Interconnection Generators is to be owned by an entity(ies) that is not an Affiliate of the owner(s) of another Location Constrained Resource Interconnection Generator in that Energy Resource Area;
  - (2) The facility will be a High Voltage Transmission Facility;
  - (3) At the time of its in-service date, the 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; and
  - (4) The facility meets Applicable Reliability Criteria and CAISO Planning Standards.

- (b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.4.6.3.2(a) shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:
- (1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) included in the High Voltage TRRs of all Participating TOs to exceed fifteen (15) percent of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) in effect at the time of the CAISO's evaluation of the facility; and
  - (2) Existing or prospective owners of LCRIGs have demonstrated their interest in connecting LCRIGs to the facility consistent with the requirements of Section 24.4.6.3.4, which establishes the necessary demonstration of interest.

**24.4.6.3.3 Responsibilities of Participating Transmission Owner**

Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.4.6.3.2(b)(1).

**24.4.6.3.4 Demonstration of Interest in a LCRIF**

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

- (a) the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five (25) percent of the capacity of the facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and
- (b) to the extent the showing pursuant to Section 24.4.6.3.4(a) does not constitute sixty (60) percent 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:

- (1) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix Y, have obtained Site Exclusivity or paid the Site Exclusivity Deposit in lieu of Site Exclusivity, provided that any Site Exclusivity Deposit paid pursuant to Section 3.5 of the LGIP set forth in Appendix Y shall satisfy this requirement, or, in the case of Large Generating Facilities subject to the LGIP set forth in Appendix U and Small Generating Facilities, have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and
- (2) have demonstrated interest in the LCRIF by one of the following methods:
  - (i) executing a firm power sales agreement for the output of the LCRIF for a period of five (5) years or longer; or
  - (ii) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix Y, filing an Interconnection Request and paying the Interconnection Study Deposit required by Section 3.5 of the LGIP set forth in Appendix Y; or



- (iii) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix U and Small Generating Facilities, being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures (Appendix U) or Small Generator Interconnection Procedures (Appendix S), as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. The deposit shall be credited toward such study costs. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies;
- or
- (iv) paying a deposit to the CAISO equal to five (5) percent of the LCRIG's pro rata share of the capital costs of a proposed LCRIF. The deposit shall be credited toward costs of Interconnection Studies performed in connection with the Large Generator Interconnection Procedures (Appendix U or Appendix Y, as applicable) or Small Generator Interconnection Procedures (Appendix S), whichever is applicable. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds the costs incurred by the CAISO for such studies.

#### **24.4.6.3.5 Coordination With Non-Participating TOs**

In the event that a facility proposed as an LCRIF would connect to LCRIGs in an Energy Resource Area that would also be connected by a transmission facility that is in existence or is proposed to be constructed by an entity that is not a Participating TO and that does not intend to place that facility under the Operational Control of the CAISO, the CAISO shall coordinate with the entity owning or proposing that transmission facility through any regional planning process to avoid the unnecessary construction of duplicative transmission additions to connect the same LCRIGs to the CAISO Controlled Grid.

#### **24.4.6.3.6 Evaluation of LCRIFs**

In evaluating whether a proposed LCRIF that meets the requirements of Section 24.4.6.3.2 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 facility meets or exceeds applicable CAISO Planning Standards, including standards that are Applicable Reliability Criteria.
- (b) Whether, and if so, the extent to which, the 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 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 CAISO Transmission Planning Process, including alternatives that are not LCRIFs. In making this determination, the CAISO 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 CAISO's interconnection process for each Energy Resource Area;
- (3) The projected cost and in-service date of the facility in comparison with other transmission facilities that could connect LCRIGs to the CAISO Controlled Grid;
- (4) Whether, and if so, the extent to which, the facility would provide additional reliability or economic benefits to the CAISO Controlled Grid;  
and
- (5) Whether, and if so, the extent to which, the facility would create a risk of stranded costs.

#### **24.4.6.4 Projects to Maintain the Feasibility of Long Term CRRs**

The CAISO is obligated to ensure the continuing feasibility of Long Term CRRs that are allocated by the CAISO over the length of their terms. In furtherance of this requirement the CAISO shall, as part of its annual Transmission Planning Process cycle, test and evaluate the simultaneous feasibility of allocated Long Term CRRs, including, but not limited to, when acting on the following types of projects: (a) planned or proposed transmission projects; (b) Generating Unit or transmission retirements; (c) Generating Unit interconnections; and (d) the interconnection of new Load. Pursuant to such evaluations, the CAISO shall identify the need for any transmission additions or upgrades required to ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms and shall publish Congestion Data Summary along with the results of the CAISO technical studies. In assessing the need for transmission additions or upgrades to maintain the feasibility of allocated Long Term CRRs, the CAISO, in coordination with the Participating TOs and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects; Demand-side management; Remedial Action Schemes; constrained-on Generation; interruptible Loads; reactive support; or in cases where the infeasible Long Term CRRs involve a small magnitude of megawatts, ensuring against the risk of any potential revenue shortfall using the CRR Balancing Account and uplift mechanism in Section 11.2.4. As part of the CAISO's Transmission Planning Process, the Participating TOs and Market Participants shall provide the necessary assistance and information to the CAISO to allow it to assess and identify transmission additions or upgrades that may be necessary under Section 24.4.6.4. To the extent a transmission upgrade or addition is deemed needed to maintain the feasibility of allocated Long Term CRRs in accordance with this Section and included in the CAISO's annual Transmission Plan, the CAISO will designate the Participating TO(s) with a PTO Service Territory in which the transmission upgrade or addition is to be located as the Project Sponsor(s), responsible to construct, own and finance, and maintain such transmission upgrade or addition.

**24.4.6.5 LGIP Network Upgrades**

Beginning with the 2011/2012 planning cycle, Network Upgrades originally identified during the Phase II Interconnection Study or Interconnection Facilities Study Process of the Large Generation Interconnection Process as set forth in Section 7 of Appendix Y may be assessed as part of the comprehensive Transmission Plan if these Network Upgrades satisfy the following criteria:

- (a) The Network Upgrades consist of new transmission lines 200 kV or above, and have capital costs of \$100 million or greater;
- (b) The Network Upgrade is a new 500 kV substation that has capital costs of \$100 million or greater; or,
- (c) The Network Upgrades have a capital cost of \$200 million or more.

The CAISO will post a list of the Network Upgrades eligible for assessment in the Transmission Planning Process in accordance with the schedule set forth in the applicable Business Practice Manual. Network Upgrades included in the comprehensive Transmission Plan may include additional components not included in the Network Upgrades originally identified during the Phase II Interconnection Study or may be expansions of the Network Upgrades originally identified during the Phase II Interconnection Study if the CAISO determines during the Transmission Planning Process that such components or expansions are needed as additional elements under section 24.1. Network Upgrades identified in the LGIP Phase II studies but not assessed in the Transmission Planning Process will be included in Large Generator Interconnection Agreements, as appropriate. Network Upgrades assessed in the Transmission Planning Process but not modified or replaced will be included in Large Generator Interconnection Agreements, as appropriate. Construction and ownership of Network Upgrades specified in the comprehensive Transmission Plan under this section, including any needed additional components or expansions, will be the responsibility of the Participating TO if the original Network Upgrade would have been included in a Large Generator Interconnection Agreement for Interconnection Customers as a result of the Phase II Interconnection Study or Interconnection Facilities Study Process if built under the Large Generator Interconnection Process. If, through the comprehensive Transmission Planning Process, the CAISO identifies any additional components or expansions of Network Upgrades that result in the need for other upgrades or additions, the responsibility to build and own such additions or upgrades will be determined by this Section 24, according to the category of those upgrades or additions. Any decision in the Transmission Planning Process to modify Network Upgrades identified in the Large Generator Interconnection Process will not increase the cost responsibility of the Interconnection Customer as described in Appendix Y, Section 7.

#### **24.4.6.6 Policy-Driven Elements**

Once the CAISO has identified projects needed to maintain reliability, LCRIF projects eligible for conditional or final approval, projects needed to maintain long-term CRR feasibility, qualified Merchant Transmission Facility projects, and needed LGIP Network Upgrades as described in Section 24.4.6.5, the CAISO may evaluate transmission upgrade and addition elements needed to meet state or federal policy requirements or directives as specified in the Study Plan pursuant to Section 24.3.2(i). Policy-driven transmission upgrade or addition elements will be either Category 1 or Category 2. Category 1 are those elements which under the criteria of this section are found to be needed elements and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle. Category 2 are those elements that could be needed to achieve state or federal policy requirements or directives but have not been found to be needed in the current planning cycle based on the criteria set forth in this section. Elements identified in this section and not identified in Section 24.4.6.5 as the responsibility of the Participating TO to build will be open for Project Sponsor solicitation during Phase 3. To determine the need for, and identify such policy-driven transmission upgrade or addition elements that efficiently and effectively meet applicable policies under alternative resource location and integration assumptions and scenarios, while mitigating the risk of stranded investment, the CAISO may consider, but is not limited to, the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission elements as evidenced by signed and approved power purchase agreements and interconnection agreements;

- (b) the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission element as compared to the potential planning level costs of other alternative transmission elements;
- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission elements themselves; the extent to which the transmission element will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the ISO grid;
- (f) potential future connections to other resource areas and transmission elements;
- (g) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
- (h) the potential for a particular transmission element to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
- (i) the effect of uncertainty associated with the above criteria, and any other considerations, that could affect the risk of stranded investment; and
- (j) the effects of other additions or upgrades being considered for approval during the planning process.



**24.4.6.7 Economic Studies and Mitigation Solutions**

Once the CAISO has identified projects needed to maintain reliability, LCRIF projects eligible for conditional or final approval, qualified merchant transmission projects and policy driven elements, the CAISO will conduct the High Priority Economic Planning Studies selected under Section 24.4.4 and any other studies that the CAISO concludes are necessary to determine whether additional transmission upgrades and additions, or modifications to identified transmission projects or elements, are necessary to address:

- (a) Congestion identified by the CAISO in the Congestion Data Summary published for the applicable Transmission Planning Process cycle and the magnitude, duration, and frequency of that Congestion;
- (b) Local Capacity Area Resource requirements;
- (c) Congestion projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (d) Integration of new generation resources or loads on an aggregated or regional basis.

In determining whether to additional elements are needed, the CAISO shall consider the degree to which, if any, the benefits of the solutions outweigh the costs, in accordance with the procedures set forth in the Business Practice Manual. The benefits of the mitigation solutions may include a calculation of any reduction in production costs, Congestion costs, Transmission Losses, capacity or other electric supply costs resulting from improved access to cost-efficient resources. The cost of the mitigation solution must consider any estimated costs identified under Section 24.4.6.4 to maintain the simultaneous feasibility of allocated Long Term CRRs for the length of their term. The CAISO, in determining whether a particular solution is needed, shall also consider the comparative costs and benefits of viable alternatives to the particular transmission element, including: (1) other potential transmission upgrades or additions, including those being considered or proposed during the Transmission Planning Process; (2) acceleration or expansion of any transmission upgrade or addition already approved by the CAISO Governing Board or included in any CAISO annual Transmission Plan, and (3) non-transmission alternatives, including demand-side management. Transmission upgrades and addition elements that are identified under this Section 24.4.6.7, other than reliability-driven projects, LCRIF projects eligible for conditional or final approval and qualified Merchant Transmission Facility projects, will be open for bid and Project Sponsor solicitation in Phase 3.

#### **24.4.6.8 Projects Submitted in Prior Request Windows**

During Phase 2 of the 2010/2011 Transmission Planning Cycle, the CAISO will evaluate the specific project proposals submitted during the 2008 and 2009 request windows. If any of these 2008 or 2009 request window proposals is found by the CAISO to be needed, using the criteria for approval of transmission elements under sections 24.4.6.6 or 24.4.6.7, the project will be included in the comprehensive 2010/2011 Transmission Plan. Upon Board approval of the Transmission Plan, the Project Sponsor that submitted the proposal will be approved to finance, own and construct the approved additions and upgrades provided that Project Sponsor meets the criterion specified in Section 24.5.2.1(c). If competing projects have been submitted by multiple Project Sponsors in the 2008 and 2009 request windows for the same elements in the 2010/2011 comprehensive Transmission Plan, the CAISO will approve one of those Project Sponsors to build and own the project based on the criteria specified in Section 24.5.2.3.

#### **24.4.7 Description of Transmission Elements**

The transmission elements identified in the draft and final comprehensive Transmission Plan will provide sufficient engineering detail to permit Project Sponsors to submit complete proposals, under section 24.5.1 to build certain transmission elements. As further described in the Business Practice Manual, such details may include, but are not limited to:

- (a) Minimum Conductor Ampacity;
- (b) Approximate Line impedance required;
- (c) Approximate Series compensation levels;
- (d) Substation bus and breaker configuration;
- (e) Breaker clearing times;
- (f) Transformer characteristics (capacity, impedance, tap range);

- (g) Minimum Shunt capacitor and reactor sizes;
- (h) Minimum FACTS device specifications;
- (i) SPS requirements;
- (j) Planning level cost estimates;
- (k) Projected in-service date.

#### **24.4.8 Additional Contents of Comprehensive Transmission Plan**

In addition to the detailed descriptions of specific needed addition and upgrade projects and elements, the draft and final comprehensive Transmission Plan may include: (1) the results of technical studies performed under the Study Plan; (2) determinations and recommendations regarding the need for identified transmission upgrade and addition projects and elements; (3) assessments of transmission upgrades and additions submitted as alternatives to the potential solutions to transmission needs identified by the CAISO and studied during the Transmission Planning Process cycle; (4) results of Economic Planning Studies (except for the 2010/2011 cycle); (5) an update on the status of transmission upgrades or additions previously approved by the CAISO, including identification of mitigation plans, if necessary, to address any potential delay in the anticipated completion of an approved transmission upgrade or addition; and (6) a description of transmission addition and upgrade projects with an estimated capital investment of \$50 million or more submitted through the Request Window and for which additional studies are required before being presented to the CAISO Governing Board for approval following completion of the studies; and (7) a description of Category 2 transmission upgrade or addition elements recommended for consideration in future planning cycles.

**24.4.9 Phase 2 Stakeholder Process**

- (a) According to the schedule and procedures set forth in the Business Practice Manual, the CAISO will schedule one (1) public meeting after the CAISO technical study results have been posted and Participating TOs have submitted (i) the results of technical studies conducted at the direction of the CAISO (if applicable); and (ii) reliability-driven projects and mitigation solutions. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice. Interested parties will be provided a minimum two (2) week period to provide written comments regarding the technical study results and the proposals submitted by the Participating TOs.
- (b) The CAISO will schedule at least one (1) other public meeting before the draft comprehensive Transmission Plan is posted to provide information about any policy-driven element evaluations or economic planning studies that have been completed since the prior public meeting was held, as well as updated information about any studies or evaluations that are still in progress. Notice of such meeting, web conference or teleconference will be provided to stakeholders via Market Notice.

- (c) In accordance with the schedule and procedures in the Business Practice Manual, but not less than one-hundred and twenty (120) days after the results of the CAISO's technical studies are posted and not less than six (6) weeks after the Request Window closes, the CAISO will post a draft comprehensive Transmission Plan. The CAISO will subsequently conduct a public conference regarding the draft comprehensive Transmission Plan and solicit comments, consistent with the timelines and procedures set forth in the Business Practice Manual. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice and such notice shall be posted to the CAISO Website. After consideration of comments, the CAISO will post the revised draft comprehensive Transmission Plan to the CAISO Website.

#### **24.4.10 Transmission Plan Approval Process**

The revised draft comprehensive Transmission Plan, along with the stakeholder comments, will be presented to the CAISO Governing Board for consideration and approval. Upon approval of the plan, all needed transmission addition and upgrade projects and elements will be deemed approved by the CAISO Governing Board. Transmission upgrade and addition projects with capital costs of \$50 million or less can be approved by CAISO management and may proceed to permitting and construction prior to Governing Board approval of the plan. Following Governing Board approval, the CAISO will post the final comprehensive Transmission Plan to the CAISO website.

## **24.5 Transmission Planning Process Phase 3**

### **24.5.1 Project Submissions**

According to the schedule set forth in the Business Practice Manual, in the month following CAISO Governing Board approval of the comprehensive Transmission Plan, the CAISO will initiate a period of at least two (2) months that will provide an opportunity for Project Sponsors to submit specific transmission project proposals to finance, own, and construct the transmission elements identified in the comprehensive Transmission Plan. Such project proposals must include plan of service details and supporting information as set forth in the Business Practice Manual sufficient to enable the CAISO to determine whether the proposal meets the criteria specified in section 24.5.2.1 and 24.5.2.4. The project proposal will identify the authorized governmental body from which the Project Sponsor will seek siting approval for the project.

### **24.5.2 Project Selection**

At the end of the project submission period, the CAISO will post a list of proposed projects and Project Sponsors to its Website, subject to the confidentiality provisions set forth in Tariff section 20 and as further described in the Business Practice Manual, and will select projects and Approved Project Sponsors pursuant to this section 24.5.2. If the selected project involves an upgrade to or addition on an existing Participating TO facility, the construction or ownership of facilities on a Participating TO's right-of-way, or the construction or ownership of facilities within an existing Participating TO substation, the Participating TO will construct and own such upgrade or addition facilities unless the Project Sponsor and the Participating TO agree to a different arrangement.

#### **24.5.2.1 Project Sponsor Qualification**

The CAISO will evaluate the proposals to finance, own and construct policy-driven transmission elements or transmission elements that are included in the comprehensive Transmission Plan based on the results of Economic Planning Studies or other economic studies conducted by the CAISO under section 24.4.6.7 to determine:

- (a) whether the proposed project is consistent with needed transmission elements identified in the comprehensive Transmission Plan;

- (b) whether the proposed project satisfies Applicable Reliability Criteria and CAISO Planning Standards; and
- (c) whether the Project Sponsor is physically, technically, and financially capable of
  - (i) completing the project in a timely and competent manner; and (ii) operating and maintaining the facilities consistent with Good Utility Practice and applicable reliability criteria for the life of the project.

On the CAISO's request, the Project Sponsor will provide additional information that the CAISO reasonably determines is necessary to conduct its evaluation.

#### **24.5.2.2 Single Project Sponsor**

If only one Project Sponsor submits a proposal to finance, own, and construct transmission elements under section 24.5.1, and the CAISO determines that the Project Sponsor is qualified to own and construct the project under the criteria set forth in section 24.5.2.1, the Project Sponsor must seek siting approval, and any other necessary approvals, from the appropriate authority or authorities within sixty (60) days of CAISO approval.

#### **24.5.2.3 Multiple Project Sponsors**

- (a) If two (2) or more Project Sponsors submit proposals to own and construct the same transmission element or elements under section 24.5.1 and the CAISO determines that the two (2) or more Project Sponsors are qualified to own and construct the project under the criteria set forth in section 24.5.2.1, the CAISO will, upon request, facilitate an opportunity for the Project Sponsors to collaborate with each other to propose a single project to meet such need. If joint projects are proposed following the collaboration period, the CAISO will revise the list of potential renewable transmission upgrades or additions eligible for selection.



- (b) If the qualified Project Sponsors are unable to collaborate on a joint project and are applying to the same authorized governmental body to approve the project siting, the qualified Project Sponsors must seek siting approval within sixty (60) days and the CAISO will accept the Project Sponsor determination by that authorized governmental authority.
- (c) If the qualified Project Sponsors are unable to collaborate on a joint project and are applying to different authorized governmental bodies for project siting approval, the CAISO will select one approved Project Sponsor based on a comparative analysis of the degree to which each Project Sponsor meets the criteria set forth in sections 24.5.2.1 and a consideration of the factors set forth in 24.5.2.4. Thereafter, the approved Project Sponsor must seek siting approval, and any other necessary approvals, from the appropriate authority or authorities within sixty (60) days of CAISO approval.

**24.5.2.4 Project Sponsor Selection Factors**

In selecting an approved Project Sponsor from among multiple project sponsors, as described in section 24.5.2.3(c), the CAISO shall consider the following criteria, in addition to the criteria set forth in section 24.5.2:

- (a) the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the project;
- (b) the Project Sponsor's existing rights of way and substations that would contribute to the project in question;
- (c) the experience of the Project Sponsor and its team in acquiring rights of way, and the authority to acquire rights of way by eminent domain, if necessary, that would facilitate approval and construction;
- (d) the proposed schedule for development and completion of the project and demonstrated ability to meet that schedule of the Project Sponsor and its team;
- (e) the financial resources of the Project Sponsor and its team;

- (f) the technical and engineering qualifications and experience of the Project Sponsor and its team;
- (g) if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO Controlled Grid of the Project Sponsor and its team;
- (h) demonstrated capability to adhere to standardized construction, maintenance and operating practices ;
- (i) demonstrated ability to assume liability for major losses resulting from failure of facilities;
- (j) demonstrated cost containment capability and other advantages the Project Sponsor and its team may have to build the specific project, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude project costs above the cap from being recovered through the CAISO's Transmission Access Charge.

The information that Project Sponsors must submit to enable the CAISO to conduct its evaluation of these criteria shall be specified in the Business Practice Manual.

### **24.5.3 Notice to Project Sponsors**

The CAISO will notify Project Sponsors as to results of the project evaluation process in accordance with the schedule and procedures set forth in the Business Practice Manual.

#### **24.6 Obligation to Construct Transmission Projects**

A Participating TO that has a PTO Service Territory in which either terminus of the element or elements being upgraded or added is located shall be obligated to construct all transmission additions and upgrade elements or elements included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor or for which the Project Sponsor is unable to secure all necessary approvals. In cases where the Approved Project Sponsor is subsequently unable or unwilling to build the project, the CAISO may, at its discretion, direct the Participating TO with a PTO Service Territory in which either terminus of the facility being upgraded or added is located to build the element or elements, or open a new solicitation of Project Sponsors to finance, construct and own the element or elements. The Approved Project Sponsor shall not sell, assign or otherwise transfer its rights to finance, construct and own the project before the project has been energized and turned over to the CAISO's Operational Control unless the CAISO has approved such proposed transfer. 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 a TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

#### **24.7 Documentation of Compliance with NERC Reliability Standards**

The Transmission Plan and underlying studies, assessments, information and analysis developed during the Transmission Planning Process, regardless of whether performed by CAISO or by Participating TOs or other third parties at the direction of CAISO, shall be used by the CAISO as part of its documentation of compliance with NERC Reliability Standards.

## **24.8 Additional Planning Information**

### **24.8.1 Information Provided by Participating TOs**

In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, Participating TOs shall provide the CAISO on an annual or periodic basis in accordance with the schedule and procedures and in the form required by the Business Practice Manual any information and data reasonably required by the CAISO to perform the Transmission Planning Process, including, but not limited to: (1) modeling data for power flow, including reactive power, short-circuit and stability analysis; (2) a description of the total Demand to be served from each substation, including a description of any Energy efficiency programs reflected in the total Demand; (3) the amount of any interruptible Loads included in the total Demand (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (4), a description of Generating Units to be interconnected to the Distribution System of the Participating TO, including generation type and anticipated Commercial Operation Date; (5) detailed power system models of their transmission systems that reflect transmission system changes, including equipment replacement not requiring approval by the CAISO; (6) Distribution System modifications; (7) transmission network information, including line ratings, line length, conductor sizes and lengths, substation equipment ratings, circuits on common towers and with common rights-of-ways and cross-overs, special protection schemes, and protection setting information; and (8) Contingency lists.

### **24.8.2 Information Provided by Participating Generators**

In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, Participating Generators shall provide the CAISO on an annual or periodic basis in accordance with the schedule, procedures and in the form required by the Business Practice Manual any information and data reasonably required by the CAISO to perform the Transmission Planning Process, including, but not limited to: (1) modeling data for short-circuit and stability analysis and (2) data, such as term, and status of any environmental or land use permits or agreements the expiration of which may affect that the operation of the Generating Unit.

### **24.8.3 Information Requested from Load Serving Entities**

In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, the CAISO shall solicit from Load Serving Entities through their Scheduling Coordinators information required by, or anticipated to be useful to, the CAISO in its performance of the Transmission Planning Process, including, but not limited to: (1) long-term resource plans; (2) existing long-term contracts for resources and transmission service outside the CAISO Balancing Authority Area; and (3) Demand Forecasts, including forecasted effect of Energy efficiency and Demand response programs.

### **24.8.4 Information from Planning Groups, BAAs and Regulators**

In accordance with Section 24.8 , the CAISO shall obtain or solicit from interconnected Balancing Authority Areas, regional and sub-regional planning groups within the WECC, the CPUC, the CEC, and Local Regulatory Authorities information required by, or anticipated to be useful to, the CAISO in its performance of the Transmission Planning Process, including, but not limited to: (1) long-term transmission system plans; (2) long-term resource plans; (3) generation interconnection process information; (4) Demand Forecasts; and (5) any other data necessary for the development of power flow, short-circuit, and stability cases over the planning horizon of the CAISO Transmission Planning Process.

### **24.8.5 Obligation to Provide Updated Information**

If material changes to the information provided under Sections 24.8 occur during the annual Transmission Planning Process, the providers of the information must provide notice to the CAISO of the changes.

### **24.9 Participating TO Study Obligation**

The Participating TO constructing or expanding facilities will be directed by the CAISO to coordinate with the Project Sponsor or Participating TO(s) with PTO Service Territories in which the transmission upgrade or addition will be located, neighboring Balancing Authority Areas, as appropriate, and other Market Participants to perform any study or studies necessary, including a Facility Study, to determine the appropriate facilities to be constructed in accordance with the CAISO Transmission Planning Process and the terms set forth in the TO Tariff.

## **24.10 Operational Review**

The CAISO will perform an operational review of all facilities studied as part of the CAISO Transmission Planning Process that are proposed to be connected to, or made part of, the CAISO Controlled Grid to ensure that the proposed facilities provide for acceptable Operational Flexibility and meet all its requirements for proper integration with the CAISO Controlled Grid. If the CAISO finds that such facilities do not provide for acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid, the CAISO shall coordinate with the Project Sponsor and, if different, the Participating TO with the PTO Service Territory, or the operators of neighboring Balancing Authority Areas, if applicable, in which the facilities will be located to reassess and redesign the facilities required to be constructed. Transmission upgrades or additions that do not provide acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid cannot be included in the CAISO Transmission Plan or approved by CAISO management or the CAISO Governing Board, as applicable.

## **24.11 State and Local Approval and Property Rights**

### **24.11.1 PTO Requirement to Seek Necessary Approvals and Rights**

The Participating TO obligated to construct facilities under this Section 24 must make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of the required transmission additions or upgrades. This obligation includes the Participating TO's use of eminent domain authority, where provided by state law.

#### **24.11.2 Consequences of PTO Inability to Obtain Approvals and Rights**

If the Participating TO cannot secure any such necessary approvals or property rights and consequently is unable to construct a transmission addition or upgrade found to be needed, it shall promptly notify the CAISO and shall comply with its obligations under the TO Tariff to convene a technical meeting to evaluate alternative proposals. The CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO and other affected Market Participants, to facilitate the development and evaluation of alternative proposals including, where possible, conferring on a third party the right to build the transmission addition or upgrade.

#### **24.11.3 Conferral of Right to Build Facilities on Third Party**

Where the conditions of Section 24.11.2 have been satisfied and it is possible for a third party to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of transmission additions or upgrades required to be constructed in accordance with this CAISO Tariff (including the use of eminent domain authority, where provided by state law), the CAISO may confer on a third party the right to build the transmission addition or upgrade, which third party shall enter into the Transmission Control Agreement in relation to such transmission addition or upgrade.

#### **24.12 WECC and Regional Coordination**

The Project Sponsor will have responsibility for completing any applicable WECC requirements and rating study requirements to ensure that a proposed transmission addition or upgrade meets regional planning requirements. The Project Sponsor may request the Participating TO to perform this coordination on behalf of the Project Sponsor at the Project Sponsor's expense.

#### **24.13 Regional and Sub-Regional Planning Process**

The CAISO will be a member of the WECC and other applicable regional or sub-regional organizations and participate in WECC's operation and planning committees, and in other applicable regional and sub-regional coordinated planning processes.

**24.13.1 Scope of Regional or Sub-Regional Planning Participation**

The CAISO will collaborate with adjacent transmission providers and existing sub-regional planning organizations through existing processes. This collaboration involves a reciprocal exchange of information, to the maximum extent possible and subject to applicable confidentiality restrictions, in order to ensure the simultaneous feasibility of respective Transmission Plans, the identification of potential areas for increased efficiency, and the consistent use of common assumptions whenever possible. The details of the CAISO's participation in regional and sub-regional planning processes are set forth in the Business Practice Manual. At a minimum, the CAISO shall be required to:

- (a) solicit the participation, whether through sub-regional planning groups or individually, of all interconnected Balancing Authority Areas in the development of the Unified Planning Assumptions and Study Plan and in reviewing the results of technical studies performed as part of the CAISO's Transmission Planning Process in order to:
  - (i) coordinate, to the maximum extent practicable, planning assumptions, data and methodologies utilized by the CAISO, regional and sub-regional planning groups or interconnected Balancing Authority Areas;
  - (ii) ensure transmission expansion plans of the CAISO, regional and sub-regional planning groups or interconnected Balancing Authority Areas are simultaneously feasible and seek to avoid duplication of facilities.
- (b) coordinate with regional and sub-regional planning groups regarding the entity to perform requests for Economic Planning Studies or other Congestion related studies;
- (c) transmit to applicable regional and sub-regional planning groups or interconnected Balancing Authority Areas information on technical studies performed as part of the CAISO Transmission Planning Process;
- (d) post on the CAISO Website links to the planning activities of applicable regional and sub-regional planning groups or interconnected Balancing Authority Areas.



**24.13.2            Limitation on Regional Activities**

Neither the CAISO nor any Participating TO nor any Market Participant shall take any position before the WECC or a regional organization that is inconsistent with a binding decision reached through an arbitration proceeding pursuant to Section 13, in which the Participating TO or Market Participant voluntarily participated.

**24.14 Cost Responsibility for Transmission Additions or Upgrades**

Cost responsibility for transmission additions or upgrades constructed pursuant to this Section 24 (including the responsibility for any costs incurred under Section 24.11) shall be determined as follows:

**24.14.1 Project Sponsor Commitment to Pay Full Cost**

Where a Project Sponsor commits to pay the full cost of a transmission addition or upgrade as set forth in subsection (2) of Section 24.4.6.1, the full costs shall be borne by the Project Sponsor.

**24.14.2 Cost of Needed Addition or Upgrade to be Borne by PTO**

Where the need for a transmission addition or upgrade is determined by the CAISO, the cost of the transmission addition or upgrade shall be borne by the Participating TO that will be the owner of the transmission addition or upgrade and shall be reflected in its Transmission Revenue Requirement.

**24.14.3 CRR Entitlement for Project Sponsors Not Recovering Costs**

Provided that the CAISO has Operational Control of the Merchant Transmission Facility, a Project Sponsor that does not recover the investment cost under a FERC-approved rate through the Access Charge or a reimbursement or direct payment from a Participating TO shall be entitled to receive Merchant CRRs as provided in Section 36.11. The full amount of capacity added to the system by such transmission upgrades or additions will be as determined through the regional reliability council process of the Western Electricity Coordinating Council or its successor.

**24.14.3.1 Western Path 15**

Pursuant to its Project Sponsor status as specified in Section 4.3.1.3, consistent with FERC's findings in Docket Nos. EL04-133-001, ER04-1198-000, and ER04-1198-001, issued on May 16, 2006 (115 FERC ¶ 61,178), Western Path 15 shall receive compensation associated with transmission usage rights modeled for Western Path 15. In the event that Western Path 15 has an approved rate schedule that returns excess revenue from any compensation obtained from the CAISO associated with the transmission usage rights for Western Path 15, such revenue shall be returned to the CAISO through a procedure established by the CAISO and the Western Area Power Administration for that purpose.

**24.14.3.2 FPL Energy, LLC**

Pursuant to its Project Sponsor status, consistent with FERC's findings in Docket No. ER03-407, issued on June 15, 2006 (115 FERC ¶ 61, 329), FPL Energy, LLC shall receive Merchant CRRs associated with transmission usage rights modeled for the Blythe Path 59 upgrade, such Merchant CRRs to be in effect for a period of thirty (30) years, or the pre-specified intended life of the Merchant Transmission Facility, whichever is less, from the date of Blythe Path 59 was energized. For the purpose of allocating Merchant CRRs to FPL Energy, LLC over the Path 59 upgrade the allocation of Option CRRs in the import (east to west, from the Blythe Scheduling Point to the 230 kV side of the 161 kV to 230 kV transformer at the Eagle Mountain substation) as well as of Option CRRs in the export (west to east) direction will be based on 57.1 percent of the total upgrade (96 MWs out of the 168 MWs), which is FPL Energy, LLC's share of the total upgrade as approved by FERC in the Letter Order issued by FERC on June 15, 2006 in Docket No. ER03-407 (115 FERC ¶ 61,329).

**24.14.4 Treatment of New High Voltage Facilities Costs in HVAC**

Once a New Participating TO has executed the Transmission Control Agreement and it has become effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the CAISO Grid-wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F, unless and with respect to Western Path 15 only, cost recovery is provided in Section 24.14.3. The Participating TO who is supporting the cost of the New High Voltage Facility shall include such costs in its High Voltage Transmission Revenue Requirement, regardless of which TAC Area the facility is geographically located.

**24.15 Ownership of and Charges for Expansion Facilities**

**24.15.1 Transmission Additions and Upgrades under TCA**

All transmission additions and upgrades constructed in accordance with this Section 24 shall form part of the CAISO Controlled Grid and shall be operated and maintained by a Participating TO in accordance with the Transmission Control Agreement.

**24.15.2 Access and Charges for Transmission Additions and Upgrades**

Each Participating TO that owns or operates transmission additions and upgrades constructed in accordance with this Section 24 shall provide access to them and charge for their use in accordance with this CAISO Tariff and its TO Tariff.

**24.16 Expansion by Local Furnishing Participating TOs**

Notwithstanding any other provision of this CAISO Tariff, a Local Furnishing Participating TO shall not be obligated to construct or expand facilities, (including interconnection facilities as described in Section 8 of the TO Tariff) unless the CAISO or Project Sponsor has tendered an application under FPA Section 211 that requests FERC to issue an order directing the Local Furnishing Participating TO to construct such facilities pursuant to Section 24. The Local Furnishing Participating TO shall, within ten (10) days of receiving a copy of the Section 211 application, waive its right to a request for service under FPA Section 213(a) and to the issuance of a proposed order under FPA Section 212(c). Upon receipt of a final order from FERC that is no longer subject to rehearing or appeal, such Local Furnishing Participating TO shall construct such facilities in accordance with this Section 24.

<b>Ancillary Service Provider</b>	A Participating Generator, System Resource operator, or Participating Load that is certified to provide an Ancillary Service.
<b>Ancillary Service Region or AS Region</b>	The System Region, the Expanded System Region, or any Sub-Region identified by the CAISO for procurement of Ancillary Services.
<b>Ancillary Service Regional Limit</b>	A maximum or a minimum, or both a maximum and a minimum, amount of (or boundary of) Ancillary Services to be obtained within an AS Region. Limits can be expressed as either megawatt amounts or percentages.
<b>Ancillary Services (AS)</b>	Regulation, Spinning Reserve, Non-Spinning Reserve, Voltage Support and Black Start together with such other interconnected operation services as the CAISO may develop in cooperation with Market Participants to support the transmission of Energy from Generation resources to Loads while maintaining reliable operation of the CAISO Controlled Grid in accordance with WECC standards and Good Utility Practice.
<b>Ancillary Service Schedule or AS Schedule</b>	The notification by the CAISO indicating that a Submission to Self-Provide an Ancillary Service has been selected to provide such service in the DAM, HASP, or RTM.
<b>Annual Peak Demand Forecast</b>	A Demand Forecast of the highest Hourly Demand in a calendar year, in MW.
<b>Applicable Reliability Criteria</b>	The Reliability Standards and reliability criteria established by NERC and WECC and Local Reliability Criteria, as amended from time to time, including any requirements of the NRC.
<b>Approved Load Profile</b>	Local Regulatory Authority approved Load profiles applied to cumulative End-Use Meter Data in order to allocate consumption of Energy to Settlement Periods.
<b>Approved Maintenance Outage</b>	A Maintenance Outage which has been approved by the CAISO through the CAISO Outage Coordination Office.
<b>Approved Project Sponsor</b>	The person or entity designated under the CAISO Tariff to construct, finance and own transmission additions or upgrades.

**Attachment B - Blacklines**  
**Revised Transmission Planning Process Amendment**  
**Fourth Replacement CAISO Tariff**  
**ER10-\_\_\_\_-000**  
**June 4, 2010**

**24. COMPREHENSIVE TRANSMISSION PLANNING PROCESS TRANSMISSION EXPANSION.**

**24.1 Overview Determination of Need for Proposed Transmission Projects.**

The CAISO will develop a comprehensive Transmission Plan and approve transmission upgrades or additions using the Transmission Planning Process set forth in this Section 24. The CAISO will analyze the need for transmission upgrades and additions in accordance with the methodologies and criteria set forth in this Section 24, the Transmission Control Agreement, and the applicable Business Practice Manuals. The comprehensive Transmission Plan will identify transmission upgrade or addition projects associated with Approved Project Sponsors that are Merchant Transmission Facilities or are needed: (1) to maintain System Reliability; (2) to satisfy the requirements of a Location Constrained Resource Interconnection Facility; (3) to maintain the simultaneous feasibility of allocated Long-Term CRRs; and (4) as LGIP Network Upgrades identified pursuant to Section 24.4.6.5. The comprehensive Transmission Plan will identify transmission addition and upgrade elements with no approved Project Sponsors needed to (1) meet state and federal policy requirements and directives that are not inconsistent with the Federal Power Act, including renewable portfolio standards policies; and (2) reduce congestion costs, production supply costs, transmission losses, or other electric supply costs resulting from improved access to cost-effective resources. For purposes of this Section 24, the term “the year X/(X+1) planning cycle” will refer to the Transmission Planning Process initiated during year X to complete a comprehensive Transmission Plan in year X+1. A Participating TO, Project Sponsor, Market Participant, the CAISO, the CPUC, or CEC may propose a transmission system addition or upgrade, and the CAISO will determine, in accordance with this Section 24.1, whether the transmission addition or upgrade is needed, where it will (1) promote economic efficiency, (2) maintain System Reliability, (3) satisfy the requirements of a Location Constrained Resource Interconnection Facility, or (4) maintain the simultaneous feasibility of allocated Long-Term CRRs. CAISO management can determine the need for transmission additions or upgrades with an estimated capital investment of less than \$50 million without CAISO Governing Board approval. The determination of need by CAISO management for transmission additions or upgrades with an estimated capital cost of \$50 million or more must be approved by the CAISO Governing Board.

**24.1.1 Economically Driven Projects.**



~~The determination that a transmission addition or upgrade is needed to promote economic efficiency shall be made in accordance with this Section 24 and the Business Practice Manual in any of the following ways:~~

- ~~(a) — Where a Project Sponsor proposes a Merchant Transmission Facility and demonstrates to the CAISO the financial capability to pay the full cost of construction and operation of the Merchant Transmission Facility. The Merchant Transmission Facility must mitigate all operational concerns identified under Section 24.5 to the satisfaction of the CAISO, in consultation with the Participating TO(s) in whose PTO Service Territory the Merchant Transmission Facility will be located, and ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms. To ensure that the Project Sponsor is financially able to pay the construction and operating costs of the Merchant Transmission Facility, and where the Participating TO is not the Project Sponsor and is to construct the Merchant Transmission Facility under Section 24.1, the CAISO in cooperation with the Participating TO may require (1) a demonstration of creditworthiness (e.g., an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the transmission addition or upgrade.~~
- ~~(b) — Where a Participating TO, Market Participant, Project Sponsor, the CPUC, or GEC proposes a transmission addition or upgrade during the Request Window and the project is approved by the CAISO Governing Board or by CAISO management if the proposed transmission addition or upgrade has a capital cost of less than \$50 million in accordance with the Study Plan and the project is included in the CAISO annual Transmission Plan. In determining whether to approve the project, the CAISO Governing Board or CAISO management, as applicable, shall consider the degree to which, if any, the benefits of the project outweigh the costs, in accordance with the procedures and using the technical~~

~~studies set forth in the Business Practice Manual. The benefits of the project may include, but need not be limited to, a calculation of any reduction in production costs, Congestion costs, Transmission Losses, capacity or other electric supply costs resulting from improved access to cost-efficient resources, and environmental costs. The cost of the project must consider any estimated costs identified under Section 24.1.4 to maintain the simultaneous feasibility of allocated Long Term CRRs for the length of their term. The CAISO management or CAISO Governing Board, as appropriate, in determining whether to approve or recommend the project, shall also consider the comparative costs and benefits of viable alternatives to the proposed transmission upgrade or addition, including (1) other transmission additions or upgrades, or the effects of other transmission additions or upgrades proposed under Section 24.2 during the Transmission Planning Process cycle, (2) Demand-side management, (3) acceleration or expansion of any transmission upgrade or addition already approved by the CAISO Governing Board or included in any CAISO annual Transmission Plan, or (4) Generation.~~

~~(c) Where the CAISO proposes a transmission addition or upgrade during the CAISO's Transmission Planning Process and the project is approved by the CAISO Governing Board or included in the CAISO annual Transmission Plan and approved by CAISO management, as appropriate. In determining whether to approve the CAISO proposed transmission addition or upgrade, the CAISO Governing Board and CAISO management shall apply the same factors set forth in Section 24.1.1(b). If approved by the CAISO Governing Board or CAISO management, as appropriate, the CAISO will designate one or more of the Participating TOs with PTO Service Territories in which the terminus of the transmission addition or upgrade will be located to act as Project Sponsor. Where two or more Participating TOs are designated as Project Sponsors, such CAISO designation will include the proportionate responsibility between or~~

~~among Participating TOs to own, construct, and finance the transmission addition or upgrade. If a Participating TO refuses to act as a Project Sponsor under this Section 24.1.1(c), the CAISO will first request other designated Participating TO(s) to assume the remainder or greater proportionate responsibility, and if no other Participating TO had been designated or is willing to increase its proportionate responsibility, the CAISO may solicit bids to finance, own, and construct the transmission addition or upgrade.~~

#### ~~24.1.1.1 Information Requirements for Economic Transmission Projects.~~

~~The Project Sponsor, Market Participant or relevant Participating TOs shall provide any necessary assistance and information to the CAISO to enable the CAISO to determine that a transmission upgrade or addition is needed to promote economic efficiency, and will perform all studies required by the adopted Study Plan in a manner consistent with the Business Practice Manual. A Project Sponsor of an economically driven transmission upgrade or addition to promote economic efficiency under Section 4.1.1 shall also provide in its proposal a statement whether the proposed upgrade or addition will be a Merchant Transmission Facility.~~

#### ~~24.1.2 Reliability Driven Projects.~~

~~The CAISO, in coordination with each Participating TO with a PTO Service Territory will, as part of the Transmission Planning Process and consistent with the procedures set forth in the Business Practice Manual, identify the need for any transmission additions or upgrades required to ensure System Reliability consistent with all Applicable Reliability Criteria and CAISO Planning Standards. In making this determination, the CAISO, in coordination with each Participating TO with a PTO Service Territory and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects, Demand-side management, Remedial Action Schemes, appropriate Generation, interruptible Loads or reactive support. The CAISO shall direct each Participating TO with a PTO Service Area, as a registered Transmission Planner with NERC, to perform the necessary studies, based on the Unified Planning Assumptions and Study Plan as set forth in Section 24.2.3, any applicable Interconnection Study, and in accordance with the Business~~

~~Practice Manual, to determine the facilities needed to meet all Applicable Reliability Criteria and CAISO Planning Standards. The Participating TO with a PTO Service Area shall provide the CAISO and other Market Participants with all information relating to the studies performed under this Section, subject to any limitation provided in Section 20.2 or the applicable LGIP. Based on the study results, and as part of the Transmission Planning Process described in the Business Practice Manual, the CAISO, CEC, CPUC, Project Sponsors and other Market Participants shall be free to propose any transmission upgrades or additions deemed necessary to ensure System Reliability consistent with Applicable Reliability Criteria and CAISO Planning Standards. The Participating TO with a PTO Service Territory in which the transmission upgrade or addition deemed needed under this Section 24.1.2 is to be located shall be the Project Sponsor, with the responsibility to construct, own and finance, and maintain such transmission upgrade or addition.~~

#### ~~24.1.3~~ ~~Location Constrained Resource Interconnection Facility Projects.~~

~~The CAISO, CPUC, CEC, 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, to the extent available:~~

- ~~(a) Information showing that the proposal meets the requirements of Section 24.1.3.1; and~~
- ~~(b) A description of the proposed facility, including the following information:
  - ~~(1) Transmission studies demonstrating that the proposed facility satisfies Applicable Reliability Criteria and CAISO Planning Standards;~~
  - ~~(2) Identification of the most feasible and cost-effective alternative transmission additions, which may include network upgrades, that would accomplish the objective of the proposal;~~
  - ~~(3) A planning level cost estimate for the proposed facility and all proposed alternatives;~~~~

- ~~(4) An assessment of the potential for the future connection of further transmission additions that would convert the proposed facility into a network transmission facility, including conceptual plans;~~
- ~~(5) The estimated in-service date of the proposed facility; and~~
- ~~(6) A conceptual plan for connecting potential LCRIGs, if known, to the proposed facility.~~

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

- ~~(a) The CAISO shall conditionally approve a facility as a Location Constrained Resource Interconnection Facility if it determines that the facility is needed and all of the following requirements are met:
  - ~~(1) The facility is to be constructed for the primary purpose of connecting to the CAISO Controlled Grid two or more Location Constrained Resource Interconnection Generators in an Energy Resource Area, and at least one of the Location Constrained Resource Interconnection Generators is to be owned by an entity(ies) that is not an Affiliate of the owner(s) of another Location Constrained Resource Interconnection Generator in that Energy Resource Area;~~
  - ~~(2) The facility will be a High Voltage Transmission Facility;~~
  - ~~(3) At the time of its in-service date, the 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; and~~
  - ~~(4) The facility meets Applicable Reliability Criteria and CAISO Planning Standards.~~~~
- ~~(b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.1.3.1(a) shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify~~

~~as a Location-Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:~~

~~(1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) 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 (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) in effect at the time of the CAISO's evaluation of the facility; and~~

~~(2) Existing or prospective owners of LCRIGs have demonstrated their interest in connecting LCRIGs to the facility consistent with the requirements of Section 24.1.3.2, which establishes the necessary demonstration of interest.~~

~~(c) Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.1.3.1(b)(1).~~

~~**24.1.3.2 Demonstration of Interest in a Location-Constrained Resource 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 facility in the following manner:~~

- ~~(a) — the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the 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:~~
- ~~(1) — in the case of Large Generating Facilities subject to the LGIP set forth in Appendix Y, have obtained Site Exclusivity or paid the Site Exclusivity Deposit in lieu of Site Exclusivity, provided that any Site Exclusivity Deposit paid pursuant to Section 3.5 of the LGIP set forth in Appendix Y shall satisfy this requirement, or, in the case of Large Generating Facilities subject to the LGIP set forth in Appendix U and Small Generating Facilities, have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and~~
- ~~(2) — have demonstrated interest in the LCRIF by one 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) — in the case of Large Generating Facilities subject to the LGIP set forth in Appendix Y, filing an Interconnection Request and paying the Interconnection Study Deposit required by Section 3.5 of the LGIP set forth in Appendix Y; or~~

~~(iii) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix U and Small Generating Facilities, being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures (Appendix U) or Small Generator Interconnection Procedures (Appendix S), as applicable to the LCRIF, less the amount of any deposits actually paid by the LCRIF for such studies. The deposit shall be credited toward such study costs. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies;~~

~~or~~

~~(iv) paying a deposit to the CAISO equal to five percent (5%) of the LCRIF's pro rata share of the capital costs of a proposed LCRIF. The deposit shall be credited toward costs of Interconnection Studies performed in connection with the Large Generator Interconnection Procedures (Appendix U or Appendix Y, as applicable) or Small Generator Interconnection Procedures (Appendix S), whichever is applicable. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds the costs incurred by the CAISO for such studies.~~

#### ~~24.1.3.3 Coordination With Transmission Additions Proposed by Non-Participating TOs.~~

~~In the event that a facility proposed as an LCRIF would connect to LCRIFs in an Energy Resource Area that would also be connected by a transmission facility that is in existence or is proposed to be constructed by an entity that is not a Participating TO and that does not intend to place that facility under the Operational Control of the CAISO, the CAISO shall coordinate with the entity owning or proposing that~~



~~transmission facility through any regional planning process to avoid the unnecessary construction of duplicative transmission additions to connect the same LCRIGs to the CAISO Controlled Grid.~~

#### ~~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 facility meets or exceeds applicable CAISO Planning Standards, including standards that are Applicable Reliability Criteria.~~
- ~~(b) Whether, and if so, the extent to which, the 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 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 CAISO Transmission Planning Process, including alternatives that are not LCRIFs. In making this determination, the CAISO 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 CAISO's interconnection process for each Energy Resource Area;~~
  - ~~(3) The projected cost and in-service date of the facility in comparison with other transmission facilities that could connect LCRIGs to the CAISO Controlled Grid;~~
  - ~~(4) Whether, and if so, the extent to which, the facility would provide additional reliability or economic benefits to the CAISO Controlled Grid;~~and~~

~~(5) Whether, and if so, the extent to which, the facility would create a risk of stranded costs.~~

#### ~~24.1.4 Maintaining the Feasibility of Allocated Long Term CRRs.~~

~~The CAISO is obligated to ensure the continuing feasibility of Long Term CRRs that are allocated by the CAISO over the length of their terms. In furtherance of this requirement the CAISO shall, as part of its annual Transmission Planning Process cycle, test and evaluate the simultaneous feasibility of allocated Long Term CRRs, including, but not limited to, when acting on the following types of projects: (a) planned or proposed transmission projects; (b) Generating Unit or transmission retirements; (c) Generating Unit interconnections; and (d) the interconnection of new Load. Pursuant to such evaluations, the CAISO shall identify the need for any transmission additions or upgrades required to ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms and shall publish Congestion Data Summary along with the results of the CAISO technical studies. In assessing the need for transmission additions or upgrades to maintain the feasibility of allocated Long Term CRRs, the CAISO, in coordination with the Participating TOs and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects; Demand-side management; Remedial Action Schemes; constrained on Generation; interruptible Loads; reactive support; or in cases where the infeasible Long Term CRRs involve a small magnitude of megawatts, ensuring against the risk of any potential revenue shortfall using the CRR Balancing Account and uplift mechanism in Section 11.2.4. As part of the CAISO's Transmission Planning Process, the Participating TOs and Market Participants shall provide the necessary assistance and information to the CAISO to allow it to assess and identify transmission additions or upgrades that may be necessary under Section 24.1.4. To the extent a transmission upgrade or addition is deemed needed to maintain the feasibility of allocated Long Term CRRs in accordance with this Section and included in the CAISO's annual Transmission Plan, the CAISO will designate the Participating TO(s) with a PTO Service Territory in which the transmission upgrade or addition is to be located as the Project Sponsor(s), responsible to construct, own and finance, and maintain such transmission upgrade or addition.~~

#### ~~24.2 Nature of the Transmission Planning Process and Coordination of Technical Studies.~~

The CAISO ~~will develop the annual comprehensive Transmission Plan and approve transmission upgrades or additions using a shall perform the CAISO's~~ Transmission Planning Process ~~with three (3) phases. In Phase 1, the CAISO will develop and complete the Unified Planning Assumptions and Study Plan and, in parallel, begin development of a conceptual statewide plan. In Phase 2, the CAISO will complete the comprehensive Transmission Plan. In Phase 3, the CAISO will evaluate proposals to construct and own specific transmission upgrade or addition elements specified in the comprehensive Transmission Plan.~~ ~~on an annual cycle in accordance with the terms of this CAISO Tariff, the Transmission Control Agreement, and the Business Practice Manual.~~ The Transmission Planning Process shall, at a minimum:

- (a) Coordinate and consolidate ~~in a single plan~~ the transmission needs of the CAISO Balancing Authority Area ~~for into a single plan, which will be assessed on the basis of~~ maintaining the reliability of the CAISO Controlled Grid in accordance with Applicable Reliability Criteria and CAISO Planning Standards, in a manner that promotes the economic efficiency of the CAISO Controlled Grid and considers federal and state environmental and other policies affecting the provision of Energy.
- (b) Reflect a planning horizon covering a minimum of ten (10) years that considers ~~previously approved transmission upgrades and addition~~ ~~transmission enhancements and expansions~~, Demand Forecasts, Demand-side management, ~~and~~ capacity forecasts relating to generation technology type, additions and retirements, and such other factors as the CAISO determines are relevant.
- (c) Seek to avoid unnecessary duplication of facilities and ensure the simultaneous feasibility of the CAISO Transmission Plan and the transmission plans of interconnected Balancing Authority Areas, and otherwise coordinate with regional and sub-regional transmission planning processes and entities, ~~including interconnected Balancing Authority Areas.~~ ~~in accordance with Section 24.8.~~
- (d) Identify existing and projected limitations of the CAISO Controlled Grid's physical, economic or operational capability or performance and identify

transmission upgrades and additions, including alternatives thereto, deemed needed ~~in accordance with Section 24.1~~ to address the existing and projected limitations.

- (e) Account for any effects on the CAISO Controlled Grid of the interconnection of Generating Units ~~on the Distribution System under the Wholesale Distribution Access Tariffs of the Participating TOs~~, including an assessment of the deliverability of such Generating Units in a manner consistent with CAISO interconnection procedures. ~~on a basis comparable to the Deliverability Assessment performed under Appendix U or Appendix Y, as applicable~~
- ~~(f) Provide a minimum of one week between posting the draft Unified Assumptions and Study Plan, the results of technical assessments conducted by the CAISO and the draft Transmission Plan and each public meeting at which these documents are discussed.~~
- ~~(g) Provide a minimum of two weeks for interested parties to provide comments on the draft Unified Assumptions and Study Plan, technical study results and the draft Transmission Plan following each public meeting at which these documents are discussed.~~

#### ~~24.2.1 Unified Planning Assumptions and Study Plan.~~

##### ~~24.2.1.1 Additional Projects and Data for Development of the Unified Planning Assumptions and Study Plan.~~

~~The CAISO will develop Unified Planning Assumptions and Study Plan using information and data received during the Request Window in the previous planning cycle and under Section 24.2.3. The CAISO will also use the following in the development of the Unified Planning Assumptions and Study Plan:~~

- ~~(1) WECC base cases for the relevant planning horizon;~~
- ~~(2) Transmission upgrades and additions approved by the CAISO in past Transmission Planning Process cycles and scheduled to be energized within the planning horizon;~~

- ~~(3) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.1.3.1(a);~~
- ~~(4) Network Upgrades identified pursuant to Section 25, Appendix U, Appendix GG, or Appendix W relating to the CAISO's Large Generator Interconnection Procedures and Appendix AA relating to the CAISO's Small Generator Interconnection Procedures;~~
- ~~(5) Operational solutions validated by the CAISO to address Local Capacity Area Resource requirements;~~
- ~~(6) Regulatory initiatives, as appropriate, including state regulatory agency initiated programs;~~
- ~~(7) Energy Resource Areas or similar resource areas identified as high priority by the CPUC or CEC; and~~
- ~~(7) Results and analyses from Economic Planning Studies or other assessments that may have identified potentially needed transmission upgrades or additions performed in past CAISO Transmission Planning Process cycles.~~

~~**24.2.1.2 General Scope of Unified Planning Assumptions and Study Plan.**~~

~~The Unified Planning Assumptions and Study Plan shall, at a minimum, describe:~~

- ~~(a) The planning data and assumptions to be used, to the maximum extent possible, as a base case for each technical study to be performed in the Transmission Planning Process cycle, including, but not limited to, those related to Demand Forecasts and distribution, generation capacity additions and retirements, and transmission system modifications;~~
- ~~(b) A list of each technical study to be performed in the Transmission Planning Process cycle and a summary of the technical study's objective or purpose;~~
- ~~(c) A description of any modifications to the planning data and assumptions developed as the general base case in Section 24.2.1.2(a) made in each technical study performed in the Transmission Planning Process cycle;~~

- ~~(d) — A description of the software tools, methodology and other criteria used in each technical study performed in the Transmission Planning Process cycle;~~
- ~~(e) — The identification of any entities directed to perform a particular technical study or portions of a technical study;~~
- ~~(f) — A proposed schedule for all stakeholder meetings to be held as part of the Transmission Planning Process cycle, and means for notification of any changes thereto, the location on the CAISO Website of information relating to the technical studies performed in the Transmission Planning Process cycle, and the name of a contact person at the CAISO for each technical study performed in the Transmission Planning Process cycle;~~
- ~~(g) — A list and description of each Economic Planning Study studied by the CAISO as a High Priority Economic Planning Study under Section 24.9 identified in the past Transmission Planning Process; and~~
- ~~(h) — To the maximum extent practicable, and where applicable, appropriate sensitivity analyses, including project or solution alternatives, to be performed as part of technical studies.~~

~~**24.2.1.3 — Preparation of Draft and Final Unified Planning Assumptions and Study Plan.**~~

- ~~(a) — Following review of relevant information, the CAISO will prepare and post on the CAISO Website a draft Unified Planning Assumptions and Study Plan. The CAISO will issue a Market Notice announcing the availability of such draft, soliciting comments, and scheduling a public conference(s) as required by Section 24.2.1.3(c).~~
- ~~(b) — All comments on the draft Unified Planning Assumptions and Study Plan will be posted by the CAISO to the CAISO Website.~~
- ~~(c) — Subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to~~

~~review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice and such notice shall be posted to the CAISO Website.~~

- ~~(d) Following the public conference(s) required by Section 24.2.1.3(c), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The CAISO will post the base cases to be used in the technical studies to its secured website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published.~~

## ~~24.2.2 Technical Studies.~~

### ~~24.2.2.1 Performance of Technical Studies~~

- ~~(a) In accordance with the Unified Planning Assumptions and Study Plan, and the procedures and deadlines in the Business Practice Manual, the CAISO will perform, or direct the performance by third parties of, technical studies necessary for the Transmission Plan and Transmission Planning Process. The CAISO technical studies will include a Congestion Data Summary, as further described in the Business Practice Manual. According to the detailed schedule set forth in the Business Practice Manual, the CAISO will post the preliminary results of its technical studies and proposed mitigation solutions on the CAISO Website. The CAISO's technical study results and mitigation solutions shall be posted not less than 120 days after the final Unified Planning Assumptions and Study Plan are published. Within one month after the posting of these results, Participating TOs or other third parties will submit the results of the technical studies conducted at the direction of the CAISO to be posted to the CAISO Website, as well as proposed reliability projects and mitigation solutions. Subsequently, the CAISO~~

~~will conduct a minimum of one public conference that provides an opportunity for comments on the preliminary results and mitigation proposals. Additional public meetings, web conferences, or teleconferences may be scheduled as needed. All meetings, web conferences, or teleconferences shall be noticed by Market Notice and shall be posted to the CAISO Website.~~

~~(b) All technical studies, whether performed by the CAISO, the Participating TOs or other third parties under the direction of the CAISO, must utilize the Unified Planning Assumptions for the particular technical study to the maximum extent practical, and deviations from the Unified Planning Assumptions for the particular technical study must be documented in the preliminary and final results of each technical study. The CAISO will measure the results of the studies against NERC planning standards, WECC planning standards, and the CAISO Planning Standards, and other criteria established by the Business Practice Manual. After consideration of the comments received on the preliminary results, the CAISO will complete, or direct the completion of, the technical studies and post the final study results on the CAISO Website.~~

~~(c) The CAISO technical study results will identify needs and proposed solutions to meet applicable WECC planning standards, NERC planning standards and other applicable planning standards. Pursuant to the schedule described in the Business Practice Manual, Participating TOs will submit transmission projects and alternative solutions through the Request Window in response to needs and proposed solutions identified by CAISO, as well as projects and solutions to reliability needs identified by the Participating TOs.~~

~~(d) The CAISO and Participating TOs shall coordinate their respective transmission planning responsibilities required for compliance with the NERC Reliability Standards and for the purposes of developing the annual Transmission Plan according to the requirements and time schedules set forth in the Business Practice Manual.~~



### ~~24.2.3 Request Window.~~

~~All requests for Economic Planning Studies and transmission upgrades or additions must be submitted by Participating TOs, Market Participants, CPUC, CEC, or Project Sponsors through the Request Window, in accordance with Section 24 and the Business Practice Manual, to be considered for inclusion in the annual Transmission Plan. The Request Window will occur in the year prior to the year in which the Transmission Plan is prepared. The duration of the Request Window will be set forth in the Business Practice Manual; provided, however, that the Request Window will not close earlier than six weeks after participating TOs have submitted reliability projects and mitigation solutions that respond to the CAISO technical studies or technical studies conducted at the direction of the CAISO. All proposals submitted through the Request Window must use the forms and satisfy the information and technical requirements set forth in the Business Practice Manual. Proposals for transmission additions or upgrades must be within or connect to the CAISO Balancing Authority Area or CAISO Controlled Grid and proposals for Economic Planning Studies must be intended to promote competition or economic efficiency of serving Load within the CAISO Balancing Authority Area, but may relate to Congestion relief or transmission capacity expansion outside the CAISO Balancing Authority Area. The following proposals will only be considered for inclusion in the Transmission Plan if proposed during the Request Window:~~

- ~~(a) Economic transmission upgrades or additions proposed under Section 24.1.1;~~
- ~~(b) Location Constrained Resource Interconnection Facilities under Section 24.1.3 not identified by the CAISO as part of Interconnection Studies performed under the LGIP set forth in Appendix U or Appendix Y;~~
- ~~(c) Demand response programs that are proposed for inclusion in the base case or assumptions for the Transmission Plan or as alternatives to transmission additions or upgrades;~~
- ~~(d) Generation projects that are proposed as solutions to Congestion identified in previously published Economic Planning Studies, for inclusion in long-term planning studies, or as alternatives to transmission additions or upgrades; and~~
- ~~(e) Requests for Economic Planning Studies; and~~

~~(f) Reliability-driven projects described in Section 24.1.2.~~

#### ~~24.2.3.1 CAISO Assessment of Request Window Proposals.~~

~~Following the submittal of a proposal for a transmission addition or upgrade, Demand response program, or generation project during the Request Window in accordance with Section 24.2.3, the CAISO will determine whether the proposal will be included in the Unified Planning Assumptions or Study Plan as appropriate. A proposal can only be included in the Unified Planning Assumptions or Study Plan upon the determination by the CAISO that:~~

- ~~(a) the proposal satisfies the information requirements for the particular type of project submitted as set forth in templates included in the Business Practice Manual;~~
- ~~(b) the proposal is not functionally duplicative of transmission upgrades or additions that have previously been approved by the CAISO; and~~
- ~~(c) the proposal, if a sub-regional or regional project that affects other interconnected Balancing Authority Areas has been reviewed by the appropriate sub-regional or regional planning entity, is not inconsistent with such sub-regional or regional planning entity's preferred solution or project, and has been determined to be appropriate for inclusion in the CAISO Study Plan, rather than, or in addition to, being included in or deferred to the planning process of the sub-regional or regional planning entity.~~

~~In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will notify the Participating TO, Market Participant, Project Sponsor, the CEC or CPUC submitting the proposal of any deficiencies in the proposal and provide the Market Participant an opportunity to correct the deficiencies. The failure to correct the deficiency precludes the proposal from inclusion in the Study Plan. The CAISO will notify the party submitting the proposal whether or not the proposal will be included in the Study Plan.~~

#### ~~24.2.3.2 CAISO Assessment of Requests for Economic Planning Studies Received During the Request Window.~~

~~Following the submittal of a request for an Economic Planning Study during the Request Window in accordance with Section 24.2.3, the CAISO will determine whether the request shall be designated as a High Priority Economic Planning Study for inclusion in the Unified Planning Assumptions and Study Plan.~~

~~In making the determination, the CAISO will consider:~~

- ~~(a) Whether the requested Economic Planning Study seeks to address Congestion identified by the CAISO in the Congestion Data Summary published for the applicable Transmission Planning Process cycle and the magnitude, duration, and frequency of that Congestion;~~
- ~~(b) Whether the requested Economic Planning Study addresses delivery of Generation from Location Constrained Resource Interconnection Generators or network transmission facilities intended to access Generation from an Energy Resource Area (ERA) or similar resource area assigned a high priority by the GPUC or CEC;~~
- ~~(c) Whether the requested Economic Planning Study is intended to address Local Capacity Area Resource requirements; or~~
- ~~(d) Whether resource and Demand information indicates that Congestion described in the Economic Planning Study request is projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion.~~
- ~~(e) Whether the Economic Planning Study is intended to encompass the upgrades necessary to integrate new generation resources or loads on an aggregated or regional basis.~~

#### ~~24.2.3.3 High Priority Economic Planning Studies~~

- ~~(a) In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will post to the CAISO Website the list of selected High Priority Economic Planning Studies to be included in the draft Unified Planning Assumptions and Study Plan. The CAISO may assess requests for~~

~~Economic Planning Studies individually or in combination where such requests may have common or complementary effects on the CAISO Controlled Grid. The CAISO will perform a maximum of five High Priority Economic Planning Studies; however, the CAISO retains discretion to perform greater than five High Priority Economic Planning Studies should stakeholder requests or patterns of Congestion or anticipated Congestion so warrant. In performing High Priority Economic Planning Studies, the CAISO will batch or cluster proposed Economic Planning Studies where (1) such studies will address the same patterns of Congestion or anticipated Congestion; (2) such studies will address patterns of Congestion or anticipated Congestion that are in related locations; or (3) such studies seek to integrate new generation resources or loads that impact the same facilities.~~

- ~~(b) High Priority Economic Planning Studies shall be performed in accordance with the standards and procedures established in the Business Planning Manual. Market Participants may conduct Economic Planning Studies that have not been designated as High Priority Economic Planning Studies at their own expense and may submit such studies for consideration in the development of the Transmission Plan when the CAISO provides notice of the public meeting regarding technical study results pursuant to Section 24.2.2.1.(a).~~

#### ~~24.2.4 Development and Approval of Transmission Plan.~~

- ~~(a) In accordance with the schedule and procedures in the Business Practice Manual, but not less than 120 days after the results of the CAISO's technical studies are posted and not less than six weeks after the Request window closes, the CAISO will post a draft Transmission Plan. The CAISO will subsequently conduct a public conference regarding the draft Transmission Plan and solicit comments, consistent with the timelines and procedures set forth in the Business Practice Manual. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or~~

~~teleconferences shall be noticed by Market Notice and such notice shall be posted to the CAISO Website. After consideration of comments, the CAISO will post a final Transmission Plan to the CAISO Website.~~

- ~~(b) The draft and final Transmission Plan may include, but is not limited to: (1) the results of technical studies performed under the Study Plan; (2) determinations, recommendations, and justifications for the need, according to Section 24.1, for identified transmission upgrades and additions; (3) assessments of transmission upgrades and additions submitted as alternatives to the potential solutions to transmission needs identified by the CAISO and studied during the Transmission Planning Process cycle; (4) results of Economic Planning Studies performed during the Transmission Planning Process cycle; (5) an update on the status of transmission upgrades or additions previously approved by the CAISO, including identification of mitigation plans, if necessary, to address any potential delay in the anticipated completion of an approved transmission upgrade or addition; and (6) to the extent available, the results of Interconnection Studies.~~
- ~~(c) Transmission upgrades or additions that are Large Projects will be subject to a separate study and public participation process. The study and public participation process for Large Projects may encompass more than one Transmission Planning Process cycle. Large Projects will be identified in the Transmission Plan for each cycle but will be presented to the CAISO Governing Board for approval in accordance with the study and public participation schedule established for that project.~~
- ~~(d) Transmission upgrades or additions with capital costs of less than \$50 million that do not require approval by the CAISO Governing Board will be identified in the Transmission Plan but will be separately approved by CAISO management according to the procedures in the Business Practice Manual.~~
- ~~(e) Other projects requiring CAISO Governing Board approval will be identified in the Transmission Plan but will be submitted for approval in accordance with the~~

project timeline in accordance with the procedures in the Business Practice Manual.

#### **~~24.2.4.1 Presentation to the CAISO Governing Board.~~**

~~The CAISO will present the Transmission Plan to the CAISO Governing Board in accordance with the schedule set forth in the Business Practice Manual. The Transmission Plan will be considered final once it has been presented to the CAISO Governing Board and will be posted on the CAISO Website.~~

#### **~~24.2.4.2 Obligation to Construct Transmission Projects Included in Transmission Plan.~~**

~~A Participating TO that has a PTO Service Territory shall be obligated to construct all transmission additions and upgrades that are determined by the CAISO Governing Board or management, as applicable, to be needed in accordance with the requirements of Section 24, not including conditional approvals and determinations of need under Section 24.1.3.1(a), and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless (a) it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory or (b) it does not own the facility being upgraded or added and the Project Sponsor is a Participating TO that elects to construct the transmission upgrade; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the CAISO 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 24.10 of the CAISO Tariff. 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 a TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.~~

#### **~~24.2.4.3 Documentation of Compliance with NERC Reliability Standards~~**

~~The Transmission Plan and underlying studies, assessments, information and analysis developed during the Transmission Planning Process, regardless of whether performed by CAISO or by Participating TOs~~

~~or other third parties at the direction of CAISO, shall be used by the CAISO as part of its documentation of compliance with NERC Reliability Standards.~~

**24.3 Transmission Planning Process Phase 1 Additional Planning Information.**

Phase 1 consists of two (2) parallel processes: (1) the development of the Unified Planning Assumptions and Study Plan; and, (2) initiation of the development of the statewide conceptual transmission plan, as discussed in Section 24.4.4.

**24.3.1 Inputs to the Unified Planning Assumptions and Study Plan Information Provided by Participating TOs.**

The CAISO will develop Unified Planning Assumptions and a Study Plan using information and data from the approved Transmission Plan developed in the previous planning cycle. The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan:

- (a) WECC base cases, as may be modified for the relevant planning horizon;
- (b) Transmission upgrades and additions approved by the CAISO in past Transmission Planning Process cycles, including upgrades and additions which the CAISO has determined address transmission elements in comprehensive Transmission Plan developed in the previous planning cycle;
- (c) Category 2 policy-driven transmission upgrade and addition elements from a prior planning cycle as described in Section 24.4.6.6;
- (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3;
- (e) Network Upgrades identified pursuant to Section 25, Appendix U, Appendix V, Appendix Y or Appendix Z relating to the CAISO's Large Generator Interconnection Procedures and Appendices S and T relating to the CAISO's Small Generator Interconnection Procedures that were not otherwise included in the comprehensive Transmission Plan from the previous annual cycle;
- (f) Operational solutions validated by the CAISO in the Local Capacity Technical Study under Section 40.3.1;

- (g) Policy requirements and directives, as appropriate, including programs initiated by state and federal regulatory agencies;
- (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;
- (i) Demand response programs that are proposed for inclusion in the base case or assumptions for the comprehensive Transmission Plan;
- (j) Generation and other non-transmission projects that are proposed for inclusion in long-term planning studies as alternatives to transmission additions or upgrades;
- (k) Beginning with the 2011/2012 planning cycle, Economic Planning Study requests submitted in comments on the draft Unified Planning Assumptions and Study.
- (l) Planned facilities in interconnected Balancing Authority Areas.

~~In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, Participating TOs shall provide the CAISO on an annual or periodic basis in accordance with the schedule and procedures and in the form required by the Business Practice Manual any information and data reasonably required by the CAISO to perform the Transmission Planning Process, including, but not limited to: (1) modeling data for power flow, including reactive power, short-circuit and stability analysis; (2) a description of the total Demand to be served from each substation, including a description of any Energy efficiency programs reflected in the total Demand; (3) the amount of any interruptible Loads included in the total Demand (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (4), a description of Generating Units to be interconnected to the Distribution System of the Participating TO, including generation type and anticipated Commercial Operation Date; (5) detailed power system models of their transmission systems that reflect transmission system changes, including equipment replacement not requiring approval by the CAISO; (6) Distribution System modifications; (7) transmission network information, including line ratings, line length, conductor sizes and lengths, substation equipment ratings, circuits on common towers and with common rights-of-ways and cross-overs, special protection schemes, and protection setting information; and (8) Contingency lists.~~



**24.3.2 Contents of the Unified Planning Assumptions and Study Plan**

The Unified Planning Assumptions and Study Plan shall, at a minimum, provide:

- (a) The planning data and assumptions to be used in the Transmission Planning Process cycle, including, but not limited to, those related to Demand Forecasts and distribution, potential generation capacity additions and retirements, and transmission system modifications;
- (b) A description of the computer models, methodology and other criteria used in each technical study performed in the Transmission Planning Process cycle;
- (c) A list of each technical study to be performed in the Transmission Planning Process cycle and a summary of each technical study's objective or purpose;
- (d) A description of significant modifications to the planning data and assumptions as allowed by Section 24.3.1(a) and consistent with Section 24.3.2;
- (e) The identification of any entities directed to perform a particular technical study or portions of a technical study;
- (f) A proposed schedule for all stakeholder meetings to be held as part of the Transmission Planning Process cycle and the means for notification of any changes thereto, the location on the CAISO Website of information relating to the technical studies performed in the Transmission Planning Process cycle, and the name of a contact person at the CAISO for each technical study performed in the Transmission Planning Process cycle;
- (g) To the maximum extent practicable, and where applicable, appropriate sensitivity analyses, including project or solution alternatives, to be performed as part of technical studies;
- (h) Descriptions of the High Priority Economic Planning Studies as determined by the CAISO under section 24.3.5; and

- (i) Identification of state or federal requirements or directives that the CAISO will utilize, pursuant to Section 24.4.6.6, to identify policy-driven transmission elements.

**Information Provided by Participating Generators.**

~~In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, Participating Generators shall provide the CAISO on an annual or periodic basis in accordance with the schedule, procedures and in the form required by the Business Practice Manual any information and data reasonably required by the CAISO to perform the Transmission Planning Process, including, but not limited to (1) modeling data for short-circuit and stability analysis and (2) data, such as term, and status of any environmental or land use permits or agreements the expiration of which may affect that the operation of the Generating Unit.~~

**24.3.3 Stakeholder Input - Unified Planning Assumptions/Study Plan**

- (a) Beginning with the 2011/2012 planning cycle and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will provide a comment period during which Market Participants, electric utility regulatory agencies and all other interested parties may submit the following proposals for consideration in the development of the draft Unified Planning Assumptions and Study Plan:
  - (i) Demand response programs for inclusion in the base case or assumptions; and
  - (ii) Generation and other non-transmission alternatives, consistent with Section 24.3.2(a) proposed as alternatives to transmission additions or upgrades.
- (b) Following review of relevant information, including stakeholder comments submitted pursuant to Section 24.3.3(a), the CAISO will prepare and post on the CAISO Website a draft of the Unified Planning Assumptions and Study Plan. The CAISO will issue a Market Notice announcing the availability of such draft,

soliciting comments, and scheduling a public conference(s) as required by Section 24.3.3(c).

- (c) No less than one (1) week subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one (1) public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice.
- (d) Interested parties will be provided a minimum of two (2) weeks following the first public meeting to provide comments on the draft Unified Planning Assumptions and Study Plan. Such comments may include Economic Planning Study requests based on the comprehensive Transmission Plan from the prior cycle. All comments on the draft Unified Planning Assumptions and the Study Plan will be posted by the CAISO to the CAISO Website.
- (e) Following the public conference(s), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The CAISO will post the base cases to be used in the technical studies to its secured website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published.

**~~Information Requested from Load Serving Entities.~~**

~~In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, the CAISO shall solicit from Load Serving Entities through their Scheduling Coordinators information required by, or anticipated to be useful to, the CAISO in its performance of the Transmission Planning Process, including, but not limited to (1) long-term resource plans; (2) existing long-term contracts for~~

~~resources and transmission service outside the CAISO Balancing Authority Area; and (3) Demand Forecasts, including forecasted effect of Energy efficiency and Demand response programs.~~

#### **24.3.4 Economic Planning Studies**

##### **24.3.4.1 CAISO Assessment of Requests for Economic Planning Studies**

Following the submittal of a request for an Economic Planning Study, the CAISO will determine whether the request shall be designated as a High Priority Economic Planning Study for consideration in the development of the comprehensive Transmission Plan. In making the determination, the CAISO will consider:

- (a) Whether the requested Economic Planning Study seeks to assess Congestion not identified or identified and not mitigated by the CAISO in previous Transmission Planning Process cycles;
- (b) Whether the requested Economic Planning Study addresses delivery of Generation from Location Constrained Resource Interconnection Generators or network transmission facilities intended to access Generation from an Energy Resource Area or similar resource area assigned a high priority by the CPUC or CEC;
- (c) Whether the requested Economic Planning Study is intended to address Local Capacity Area Resource requirements;
- (d) Whether resource and Demand information indicates that Congestion described in the Economic Planning Study request is projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (e) Whether the Economic Planning Study is intended to encompass the upgrades necessary to integrate new generation resources or loads on an aggregated or regional basis.

##### **24.3.4.2 Selection of High Priority Economic Planning Studies**

In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will post to the CAISO Website the list of selected High Priority Economic Planning Studies to be included in the draft Unified Planning Assumptions and Study Plan. The CAISO may assess requests for Economic Planning Studies individually or in combination where such requests may have common or complementary effects on the CAISO Controlled Grid. As appropriate, the CAISO will perform requested High Priority Economic Planning Studies, up to five (5); however, the CAISO retains discretion to perform more than five (5) High Priority Economic Planning Studies should stakeholder requests or patterns of Congestion or anticipated Congestion so warrant. Market Participants may, consistent with Section 24.3.1 and 24.3.2, conduct Economic Planning Studies that have not been designated as High Priority Economic Planning Studies at their own expense and may submit such studies for consideration in the development of the comprehensive Transmission Plan.

**Information Requested from Interconnected Balancing Authority Areas, Sub-Regional Planning Groups and Electric Utility Regulatory Agencies.**

In accordance with Section 24.8, the CAISO shall obtain or solicit from interconnected Balancing Authority Areas, regional and sub-regional planning groups within the WECC, the CPUC, the CEC, and Local Regulatory Authorities information required by, or anticipated to be useful to, the CAISO in its performance of the Transmission Planning Process, including, but not limited to (1) long-term transmission system plans; (2) long-term resource plans; (3) generation interconnection process information; (4) Demand Forecasts; and (5) any other data necessary for the development of power flow, short-circuit, and stability cases over the planning horizon of the CAISO Transmission Planning Process.

**24.3.5—Obligation to Provide Updated Information.**

If material changes to the information provided under Sections 24.2.3.1 and 24.2.3.2 occur during the annual Transmission Planning Process, the providers of the information must provide notice to the CAISO of the changes.

**24.4 Transmission Planning Process Phase 2 Participating TO Study Obligation.**

The Participating TO constructing or expanding facilities in accordance with Section 24.2.4, will be directed by the CAISO to coordinate with the Project Sponsor or Participating TO(s) with PTO Service Territories in which the transmission upgrade or addition will be located, neighboring Balancing Authority Areas, as appropriate, and other Market Participants to perform any study or studies necessary, including a Facility Study, to determine the appropriate facilities to be constructed in accordance with the CAISO Transmission Planning Process and the terms set forth in the TO Tariff.

#### 24.4.1 Conducting Technical Studies

- (a) In accordance with the Unified Planning Assumptions and Study Plan and with the procedures and deadlines in the Business Practice Manual, the CAISO will perform, or direct the performance by third parties of, technical studies and other assessments necessary to develop the comprehensive Transmission Plan, including such technical studies and other assessments as are necessary in order to determine whether and how to include elements from the conceptual statewide transmission plan or other alternative elements identified by the CAISO during the Phase 2 studies in the comprehensive Transmission Plan. According to the schedule set forth in the applicable Business Practice Manual, the CAISO will post the preliminary results of its technical studies and proposed mitigation solutions on the CAISO Website. The CAISO's technical study results and mitigation solutions shall be posted not less than one-hundred and twenty (120) days after the final Unified Planning Assumptions and Study Plan are published, along with the results of the technical studies conducted by Participating TOs or other third parties at the direction of the CAISO.
- (b) All technical studies, whether performed by the CAISO, the Participating TOs or other third parties under the direction of the CAISO, must utilize the Unified Planning Assumptions for the particular technical study to the maximum extent practical, and deviations from the Unified Planning Assumptions for the particular technical study must be documented in results of each technical study. The CAISO will measure the results of the studies against Applicable Reliability Criteria, the CAISO Planning Standards, and other criteria established by the Business Practice Manual. After consideration of the comments received on the preliminary results, the CAISO will complete, or direct the completion of, the technical studies and post the final study results on the CAISO Website.
- (c) The CAISO technical study results will identify needs and proposed solutions to meet Applicable Reliability Criteria, CAISO planning standards, and other

applicable planning standards. The CAISO and Participating TOs shall coordinate their respective transmission planning responsibilities required for compliance with the NERC Reliability Standards and for the purposes of developing the annual Transmission Plan according to the requirements and time schedules set forth in the Business Practice Manual.

#### **24.4.2 Submission of Reliability Driven Projects**

Pursuant to the schedule described in the Business Practice Manual and based on the technical study results, the CAISO, CEC, CPUC, and other interested parties may propose any transmission upgrades or additions deemed necessary to ensure System Reliability consistent with Applicable Reliability Criteria and CAISO Planning Standards through the Phase 2 Request Window. Participating TOs will submit such project proposals through the Phase 2 Request Window within thirty (30) days after the CAISO posts its preliminary technical study results. The substantive description of reliability driven projects is set forth in Section 24.4.6.2.

#### **24.4.3 Phase 2 Request Window**

- (a) Following publication of the results of the technical studies, and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will open a Request Window during Phase 2 for the submission of proposals for reliability-driven projects, Location Constrained Resource Interconnection Facility projects, demand response or generation proposals proposed as alternatives to transmission additions or upgrades to meet reliability needs and proposals for Merchant Transmission Facility projects.
- (b) All facilities proposed during the Request Window must use the forms and satisfy the information and technical requirements set forth in the Business Practice Manual. Proposals for these transmission additions or upgrades must be within or connect to the CAISO Balancing Authority Area or CAISO Controlled Grid. The CAISO will determine whether each of these proposals will be considered in the development of the comprehensive Transmission Plan. In accordance with the schedule and procedures set forth in the Business Practice Manual, the

CAISO will notify the party submitting the proposal of any deficiencies in the proposal and provide the party an opportunity to correct the deficiencies. A proposal can only be considered in the development of the comprehensive Transmission Plan if the CAISO determines that:

(i) the proposal satisfies the information requirements for the particular type of project submitted as set forth in templates included in the Business Practice Manual;

(ii) the proposal is not functionally duplicative of transmission upgrades or additions that have previously been approved by the CAISO; and

(iii) the proposal, if a sub-regional or regional project that affects other interconnected Balancing Authority Areas, has been reviewed by the appropriate sub-regional or regional planning entity, is not inconsistent with such sub-regional or regional planning entity's preferred solution or project, and has been determined to be appropriate for inclusion in the CAISO Study Plan, rather than, or in addition to, being included in or deferred to the planning process of the sub-regional or regional planning entity.

(c) The duration of the Request Window will be set forth in the Business Practice Manual.

#### **24.4.4 Comment Period of Conceptual Statewide Plan**

Beginning in Phase 1, the CAISO will develop, or, in coordination with other regional or sub-regional transmission planning groups or entities, including interconnected Balancing Authority Areas, will participate in the development of a conceptual statewide transmission plan that, among other things, may identify potential transmission upgrade or addition elements needed to meet state and federal policy requirements and directives. The conceptual statewide transmission plan will be an input into the CAISO's Transmission Planning Process. The CAISO will post the conceptual statewide transmission plan to the CAISO Website and will issue a Market Notice providing notice of the availability of such plan. In the month immediately following the publication of the conceptual statewide transmission plan, the



CAISO will provide an opportunity for interested parties to submit comments and recommend modifications to the conceptual statewide transmission plan and alternative transmission elements, including potential interstate transmission lines and proposals for access to resources located in areas not identified in the conceptual statewide transmission plan, and non-transmission elements.

#### **24.4.5 Determination of Needed Transmission Projects and Elements**

To determine which projects and additional elements should be included in the comprehensive Transmission Plan, the CAISO will evaluate the conceptual transmission elements identified in the statewide conceptual transmission plan or other alternative elements identified by the CAISO during the Phase 2 studies, reliability project proposals, LCRIF projects proposals, project proposals required to maintain the feasibility of long term CRRs, proposed Network Upgrades pursuant to Section 24.4.6.5 and the results of Economic Planning Studies or other economic studies the CAISO has performed and will consider potential alternative transmission upgrade and addition elements and non-transmission or generation solutions proposed by interested parties.

#### **24.4.6 Categories of Transmission Projects**

##### **24.4.6.1 Merchant Transmission Project Proposals**

The CAISO may include a transmission addition or upgrade in the comprehensive Transmission Plan if a Project Sponsor proposes a Merchant Transmission Facility and demonstrates to the CAISO the financial capability to pay the full cost of construction and operation of the Merchant Transmission Facility. The Merchant Transmission Facility must mitigate all operational concerns identified by the CAISO to the satisfaction of the CAISO, in consultation with the Participating TO(s) in whose PTO Service Territory the Merchant Transmission Facility will be located, and ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms. To ensure that the Project Sponsor is financially able to pay the construction and operating costs of the Merchant Transmission Facility, and where the Participating TO is not the Project Sponsor and is to construct the Merchant Transmission Facility under Section 24.4.1, the CAISO in cooperation with the Participating TO may require (1) a demonstration of creditworthiness (e.g., an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the transmission addition or upgrade.

#### **24.4.6.2 Reliability Driven Projects**

The CAISO, in coordination with each Participating TO with a PTO Service Territory will, as part of the Transmission Planning Process and consistent with the procedures set forth in the Business Practice Manual, identify the need for any transmission additions or upgrades required to ensure System Reliability consistent with all Applicable Reliability Criteria and CAISO Planning Standards. In making this determination, the CAISO, in coordination with each Participating TO with a PTO Service Territory and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects, Demand-side management, Remedial Action Schemes, appropriate Generation, interruptible Loads or reactive support. The CAISO shall direct each Participating TO with a PTO Service Area, as a registered Transmission Planner with NERC, to perform the necessary studies, based on the Unified Planning Assumptions and Study Plan and any applicable Interconnection Study, and in accordance with the Business Practice Manual, to determine the facilities needed to meet all Applicable Reliability Criteria and CAISO Planning Standards. The Participating TO with a PTO Service Area shall provide the CAISO and other Market Participants with all information relating to the studies performed under this Section, subject to any limitation provided in Section 20.2 or the applicable LGIP. The Participating TO with a PTO Service Territory in which the transmission upgrade or addition deemed needed under this Section 24 will have the responsibility to construct, own and finance, and maintain such transmission upgrade or addition.

#### **24.4.6.3 LCRIF Projects**

##### **24.4.6.3.1 Proposals for LCRIFs**

The CAISO, CPUC, CEC, a Participating TO, or any other interested parties may propose a transmission addition as a Location Constrained Resource Interconnection Facility. A proposal shall include the following information, to the extent available:

- (a) Information showing that the proposal meets the requirements of Section 24.4.6.3.2; and
- (b) A description of the proposed facility, including the following information:

- (1) Transmission studies demonstrating that the proposed facility satisfies Applicable Reliability Criteria and CAISO Planning Standards;
- (2) Identification of the most feasible and cost-effective alternative transmission additions, which may include network upgrades, that would accomplish the objective of the proposal;
- (3) A planning level cost estimate for the proposed facility and all proposed alternatives;
- (4) An assessment of the potential for the future connection of further transmission additions that would convert the proposed facility into a network transmission facility, including conceptual plans;
- (5) The estimated in-service date of the proposed facility; and
- (6) A conceptual plan for connecting potential LCRIGs, if known, to the proposed facility.

#### **24.4.6.3.2 Criteria for Qualification as a LCRIF**

- (a) The CAISO shall conditionally approve a facility as a Location Constrained Resource Interconnection Facility if it determines that the facility is needed and all of the following requirements are met:
  - (1) The facility is to be constructed for the primary purpose of connecting to the CAISO Controlled Grid two (2) or more Location Constrained Resource Interconnection Generators in an Energy Resource Area, and at least one of the Location Constrained Resource Interconnection Generators is to be owned by an entity(ies) that is not an Affiliate of the owner(s) of another Location Constrained Resource Interconnection Generator in that Energy Resource Area;
  - (2) The facility will be a High Voltage Transmission Facility;

(3) At the time of its in-service date, the 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; and

(4) The facility meets Applicable Reliability Criteria and CAISO Planning Standards.

(b) The proponent of a facility that has been determined by the CAISO to meet the requirements of Section 24.4.6.3.2(a) shall provide the CAISO with information concerning the requirements of this subsection not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the CAISO determines that both of the following requirements are met:

(1) The addition of the capital cost of the facility to the High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) included in the High Voltage TRRs of all Participating TOs to exceed fifteen (15) percent of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6) in effect at the time of the CAISO's evaluation of the facility; and

(2) Existing or prospective owners of LCRIGs have demonstrated their interest in connecting LCRIGs to the facility consistent with the requirements of Section 24.4.6.3.4, which establishes the necessary demonstration of interest.

### **24.4.6.3.3 Responsibilities of Participating Transmission Owner**

Each Participating TO shall report annually to the CAISO the amount of its net investment in LCRIFs (net

of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR (net of the amount of the capital costs of LCRIFs to be recovered from LCRIGs pursuant to Section 26.6), to enable the CAISO to make the determination required under Section 24.4.6.3.2(b)(1).

#### **24.4.6.3.4 Demonstration of Interest in a LCRIF**

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

- (a) the proponent's demonstration must include a showing that LCRIGs that would connect to the facility and would have a combined capacity equal to at least twenty-five (25) percent of the capacity of the facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and
- (b) to the extent the showing pursuant to Section 24.4.6.3.4(a) does not constitute sixty (60) percent 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:
  - (1) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix Y, have obtained Site Exclusivity or paid the Site Exclusivity Deposit in lieu of Site Exclusivity, provided that any Site Exclusivity Deposit paid pursuant to Section 3.5 of the LGIP set forth in Appendix Y shall satisfy this requirement, or, in the case of Large Generating Facilities subject to the LGIP set forth in Appendix U and Small Generating Facilities, have obtained control over their site or paid a deposit to the CAISO in the amount of \$250,000, which deposit shall be refundable if the LCRIF is not approved or is withdrawn by the proponent; and
  - (2) have demonstrated interest in the LCRIF by one of the following methods:

- (i) executing a firm power sales agreement for the output of the LCRIG for a period of five (5) years or longer; or
- (ii) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix Y, filing an Interconnection Request and paying the Interconnection Study Deposit required by Section 3.5 of the LGIP set forth in Appendix Y; or
- (iii) in the case of Large Generating Facilities subject to the LGIP set forth in Appendix U and Small Generating Facilities, being in the CAISO's interconnection queue and paying a deposit to the CAISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures (Appendix U) or Small Generator Interconnection Procedures (Appendix S), as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. The deposit shall be credited toward such study costs. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies;  
or
- (iv) paying a deposit to the CAISO equal to five (5) percent of the LCRIG's pro rata share of the capital costs of a proposed LCRIF. The deposit shall be credited toward costs of Interconnection Studies performed in connection with the Large Generator Interconnection Procedures (Appendix U or Appendix Y, as applicable) or Small Generator Interconnection Procedures (Appendix S), whichever is applicable. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid

under this provision shall be refundable to the extent it exceeds the costs incurred by the CAISO for such studies.

#### **24.4.6.3.5 Coordination With Non-Participating TOs**

In the event that a facility proposed as an LCRIF would connect to LCRIGs in an Energy Resource Area that would also be connected by a transmission facility that is in existence or is proposed to be constructed by an entity that is not a Participating TO and that does not intend to place that facility under the Operational Control of the CAISO, the CAISO shall coordinate with the entity owning or proposing that transmission facility through any regional planning process to avoid the unnecessary construction of duplicative transmission additions to connect the same LCRIGs to the CAISO Controlled Grid.

#### **24.4.6.3.6 Evaluation of LCRIFs**

In evaluating whether a proposed LCRIF that meets the requirements of Section 24.4.6.3.2 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 facility meets or exceeds applicable CAISO Planning Standards, including standards that are Applicable Reliability Criteria.
- (b) Whether, and if so, the extent to which, the 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 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 CAISO Transmission Planning Process, including alternatives that are not LCRIFs. In making this determination, the CAISO 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 CAISO's interconnection process for each Energy Resource Area;
- (3) The projected cost and in-service date of the facility in comparison with other transmission facilities that could connect LCRIGs to the CAISO Controlled Grid;
- (4) Whether, and if so, the extent to which, the facility would provide additional reliability or economic benefits to the CAISO Controlled Grid;  
and
- (5) Whether, and if so, the extent to which, the facility would create a risk of stranded costs.

#### **24.4.6.4 Projects to Maintain the Feasibility of Long Term CRRs**

The CAISO is obligated to ensure the continuing feasibility of Long Term CRRs that are allocated by the CAISO over the length of their terms. In furtherance of this requirement the CAISO shall, as part of its annual Transmission Planning Process cycle, test and evaluate the simultaneous feasibility of allocated Long Term CRRs, including, but not limited to, when acting on the following types of projects: (a) planned or proposed transmission projects; (b) Generating Unit or transmission retirements; (c) Generating Unit interconnections; and (d) the interconnection of new Load. Pursuant to such evaluations, the CAISO shall identify the need for any transmission additions or upgrades required to ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms and shall publish Congestion Data Summary along with the results of the CAISO technical studies. In assessing the need for transmission additions or upgrades to maintain the feasibility of allocated Long Term CRRs, the CAISO, in coordination with the Participating TOs and other Market Participants, shall consider lower cost alternatives to the construction of transmission additions or upgrades, such as acceleration or expansion of existing projects; Demand-side management; Remedial Action Schemes; constrained-on Generation; interruptible Loads; reactive support; or in cases where the infeasible Long Term CRRs involve a small magnitude of megawatts, ensuring against the risk of any potential revenue shortfall using the CRR Balancing Account and uplift mechanism in Section 11.2.4. As part of the CAISO's Transmission Planning Process, the Participating TOs and Market Participants shall provide the necessary assistance and information to the



CAISO to allow it to assess and identify transmission additions or upgrades that may be necessary under Section 24.4.6.4. To the extent a transmission upgrade or addition is deemed needed to maintain the feasibility of allocated Long Term CRRs in accordance with this Section and included in the CAISO's annual Transmission Plan, the CAISO will designate the Participating TO(s) with a PTO Service Territory in which the transmission upgrade or addition is to be located as the Project Sponsor(s), responsible to construct, own and finance, and maintain such transmission upgrade or addition.

#### **24.4.6.5 LGIP Network Upgrades**

Beginning with the 2011/2012 planning cycle, Network Upgrades originally identified during the Phase II Interconnection Study or Interconnection Facilities Study Process of the Large Generation Interconnection Process as set forth in Section 7 of Appendix Y may be assessed as part of the comprehensive Transmission Plan if these Network Upgrades satisfy the following criteria:

- (a) The Network Upgrades consist of new transmission lines 200 kV or above, and have capital costs of \$100 million or greater;
- (b) The Network Upgrade is a new 500 kV substation that has capital costs of \$100 million or greater; or,
- (c) The Network Upgrades have a capital cost of \$200 million or more.

The CAISO will post a list of the Network Upgrades eligible for assessment in the Transmission Planning Process in accordance with the schedule set forth in the applicable Business Practice Manual. Network Upgrades included in the comprehensive Transmission Plan may include additional components not included in the Network Upgrades originally identified during the Phase II Interconnection Study or may be expansions of the Network Upgrades originally identified during the Phase II Interconnection Study if the CAISO determines during the Transmission Planning Process that such components or expansions are needed as additional elements under section 24.1. Network Upgrades identified in the LGIP Phase II studies but not assessed in the Transmission Planning Process will be included in Large Generator Interconnection Agreements, as appropriate. Network Upgrades assessed in the Transmission Planning Process but not modified or replaced will be included in Large Generator Interconnection Agreements, as appropriate. Construction and ownership of Network Upgrades specified in the comprehensive Transmission Plan under this section, including any needed additional components or expansions, will be

the responsibility of the Participating TO if the original Network Upgrade would have been included in a Large Generator Interconnection Agreement for Interconnection Customers as a result of the Phase II Interconnection Study or Interconnection Facilities Study Process if built under the Large Generator Interconnection Process. If, through the Transmission Planning Process, the CAISO identifies any additional components or expansions of Network Upgrades that result in the need for other upgrades or additions, the responsibility to build and own such additions or upgrades will be determined by this Section 24, according to the category of those other upgrades or additions. Any decision in the Transmission Planning Process to modify Network Upgrades identified in the Large Generator Interconnection Process will not increase the cost responsibility of the Interconnection Customer as described in Appendix Y, Section 7.

#### **24.4.6.6 Policy-Driven Elements**

Once the CAISO has identified projects needed to maintain reliability, LCRIF projects eligible for conditional or final approval, projects needed to maintain long-term CRR feasibility, qualified Merchant Transmission Facility projects, and needed LGIP Network Upgrades as described in Section 24.4.6.5, the CAISO may evaluate transmission upgrade and addition elements needed to meet state or federal policy requirements or directives as specified in the Study Plan pursuant to Section 24.3.2(i). Policy-driven transmission upgrade or addition elements will be either Category 1 or Category 2. Category 1 are those elements which under the criteria of this section are found to be needed elements and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle. Category 2 are those elements that could be needed to achieve state or federal policy requirements or directives but have not been found to be needed in the current planning cycle based on the criteria set forth in this section. Elements identified in this section and not identified in Section 24.4.6.5 as the responsibility of the Participating TO to build will be open for Project Sponsor solicitation during Phase 3. To determine the need for, and identify such policy-driven transmission upgrade or addition elements that efficiently and effectively meet applicable policies under alternative resource location and integration assumptions and scenarios, while mitigating the risk of stranded investment, the CAISO may consider, but is not limited to, the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission elements as evidenced by signed and approved power purchase agreements and interconnection agreements;
- (b) the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission element as compared to the potential planning level costs of other alternative transmission elements;
- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission elements themselves; the extent to which the transmission element will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the ISO grid;
- (f) potential future connections to other resource areas and transmission elements;
- (g) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
- (h) the potential for a particular transmission element to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
- (i) the effect of uncertainty associated with the above criteria, and any other considerations, that could affect the risk of stranded investment; and
- (j) the effects of other additions or upgrades being considered for approval during the planning process.

**24.4.6.7 Economic Studies and Mitigation Solutions**

Once the CAISO has identified projects needed to maintain reliability, LCRIF projects eligible for conditional or final approval, qualified merchant transmission projects and policy driven elements, the CAISO will conduct the High Priority Economic Planning Studies selected under Section 24.4.4 and any other studies that the CAISO concludes are necessary to determine whether additional transmission upgrades and additions, or modifications to identified transmission projects or elements, are necessary to address:

- (a) Congestion identified by the CAISO in the Congestion Data Summary published for the applicable Transmission Planning Process cycle and the magnitude, duration, and frequency of that Congestion;
- (b) Local Capacity Area Resource requirements;
- (c) Congestion projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (d) Integration of new generation resources or loads on an aggregated or regional basis.

In determining whether additional elements are needed, the CAISO shall consider the degree to which, if any, the benefits of the solutions outweigh the costs, in accordance with the procedures set forth in the Business Practice Manual. The benefits of the mitigation solutions may include a calculation of any reduction in production costs, Congestion costs, Transmission Losses, capacity or other electric supply costs resulting from improved access to cost-efficient resources. The cost of the mitigation solution must consider any estimated costs identified under Section 24.4.6.4 to maintain the simultaneous feasibility of allocated Long Term CRRs for the length of their term. The CAISO, in determining whether a particular solution is needed, shall also consider the comparative costs and benefits of viable alternatives to the particular transmission element, including: (1) other potential transmission upgrades or additions, including those being considered or proposed during the Transmission Planning Process; (2) acceleration or expansion of any transmission upgrade or addition already approved by the CAISO Governing Board or included in any CAISO annual Transmission Plan, and (3) non-transmission alternatives, including demand-side management. Transmission upgrades and addition elements that are identified under this Section 24.4.6.7, other than reliability-driven projects, LCRIF projects eligible for conditional or final

approval and qualified Merchant Transmission Facility projects, will be open for bid and Project Sponsor solicitation in Phase 3.

#### **24.4.6.8 Projects Submitted in Prior Request Windows**

During Phase 2 of the 2010/2011 Transmission Planning Cycle, the CAISO will evaluate the specific project proposals submitted during the 2008 and 2009 request windows. If any of these 2008 or 2009 request window proposals is found by the CAISO to be needed, using the criteria for approval of transmission elements under sections 24.4.6.6 or 24.4.6.7, the project will be included in the comprehensive 2010/2011 Transmission Plan. Upon Board approval of the Transmission Plan, the Project Sponsor that submitted the proposal will be approved to finance, own and construct the approved additions and upgrades provided that Project Sponsor meets the criterion specified in Section 24.5.2.1(c). If competing projects have been submitted by multiple Project Sponsors in the 2008 and 2009 request windows for the same elements in the 2010/2011 comprehensive Transmission Plan, the CAISO will approve one of those Project Sponsors to build and own the project based on the criteria specified in Section 24.5.2.3.

#### **24.4.7 Description of Transmission Elements**

The transmission elements identified in the draft and final comprehensive Transmission Plan will provide sufficient engineering detail to permit Project Sponsors to submit complete proposals, under section 24.5.1 to build certain transmission elements. As further described in the Business Practice Manual, such details may include, but are not limited to:

- (a) Minimum Conductor Ampacity;
- (b) Approximate Line impedance required;
- (c) Approximate Series compensation levels;
- (d) Substation bus and breaker configuration;
- (e) Breaker clearing times;
- (f) Transformer characteristics (capacity, impedance, tap range);
- (g) Minimum Shunt capacitor and reactor sizes;
- (h) Minimum FACTS device specifications;
- (i) SPS requirements;

(j) Planning level cost estimates;

(k) Projected in-service date.

#### **24.4.8 Additional Contents of Comprehensive Transmission Plan**

In addition to the detailed descriptions of specific needed addition and upgrade projects and elements, the draft and final comprehensive Transmission Plan may include: (1) the results of technical studies performed under the Study Plan; (2) determinations and recommendations regarding the need for identified transmission upgrade and addition projects and elements; (3) assessments of transmission upgrades and additions submitted as alternatives to the potential solutions to transmission needs identified by the CAISO and studied during the Transmission Planning Process cycle; (4) results of Economic Planning Studies (except for the 2010/2011 cycle); (5) an update on the status of transmission upgrades or additions previously approved by the CAISO, including identification of mitigation plans, if necessary, to address any potential delay in the anticipated completion of an approved transmission upgrade or addition; and (6) a description of transmission addition and upgrade projects with an estimated capital investment of \$50 million or more submitted through the Request Window and for which additional studies are required before being presented to the CAISO Governing Board for approval following completion of the studies; and (7) a description of Category 2 transmission upgrade or addition elements recommended for consideration in future planning cycles.

#### **24.4.9 Phase 2 Stakeholder Process**

(a) According to the schedule and procedures set forth in the Business Practice Manual, the CAISO will schedule one (1) public meeting after the CAISO technical study results have been posted and Participating TOs have submitted (i) the results of technical studies conducted at the direction of the CAISO (if applicable); and (ii) reliability-driven projects and mitigation solutions. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice. Interested parties will be provided a minimum two (2) week period to provide written comments regarding the technical study results and the proposals submitted by the Participating TOs.

(b) The CAISO will schedule at least one (1) other public meeting before the draft

comprehensive Transmission Plan is posted to provide information about any policy-driven element evaluations or economic planning studies that have been completed since the prior public meeting was held, as well as updated information about any studies or evaluations that are still in progress. Notice of such meeting, web conference or teleconference will be provided to stakeholders via Market Notice.

(c) In accordance with the schedule and procedures in the Business Practice Manual, but not less than one-hundred and twenty (120) days after the results of the CAISO's technical studies are posted and not less than six (6) weeks after the Request Window closes, the CAISO will post a draft comprehensive Transmission Plan. The CAISO will subsequently conduct a public conference regarding the draft comprehensive Transmission Plan and solicit comments, consistent with the timelines and procedures set forth in the Business Practice Manual. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice and such notice shall be posted to the CAISO Website. After consideration of comments, the CAISO will post the revised draft comprehensive Transmission Plan to the CAISO Website.

#### **24.4.10 Transmission Plan Approval Process**

The revised draft comprehensive Transmission Plan, along with the stakeholder comments, will be presented to the CAISO Governing Board for consideration and approval. Upon approval of the plan, all needed transmission addition and upgrade projects and elements will be deemed approved by the CAISO Governing Board. Transmission upgrade and addition projects with capital costs of \$50 million or less can be approved by CAISO management and may proceed to permitting and construction prior to Governing Board approval of the plan. Following Governing Board approval, the CAISO will post the final comprehensive Transmission Plan to the CAISO website.

#### **24.5 Transmission Planning Process Phase 3**

##### **24.5.1 Project Submissions**

According to the schedule set forth in the Business Practice Manual, in the month following CAISO Governing Board approval of the comprehensive Transmission Plan, the CAISO will initiate a period of at least two (2) months that will provide an opportunity for Project Sponsors to submit specific transmission project proposals to finance, own, and construct the transmission elements identified in the comprehensive Transmission Plan. Such project proposals must include plan of service details and supporting information as set forth in the Business Practice Manual sufficient to enable the CAISO to determine whether the proposal meets the criteria specified in section 24.5.2.1 and 24.5.2.4. The project proposal will identify the authorized governmental body from which the Project Sponsor will seek siting approval for the project.

#### **24.5.2 Project Selection**

At the end of the project submission period, the CAISO will post a list of proposed projects and Project Sponsors to its Website, subject to the confidentiality provisions set forth in Tariff section 20 and as further described in the Business Practice Manual, and will select projects and Approved Project Sponsors pursuant to this section 24.5.2. If the selected project involves an upgrade to or addition on an existing Participating TO facility, the construction or ownership of facilities on a Participating TO's right-of-way, or the construction or ownership of facilities within an existing Participating TO substation, the Participating TO will construct and own such upgrade or addition facilities unless the Project Sponsor and the Participating TO agree to a different arrangement.

#### **24.5.2.1 Project Sponsor Qualification**

The CAISO will evaluate the proposals to finance, own and construct policy-driven transmission elements or transmission elements that are included in the comprehensive Transmission Plan based on the results of Economic Planning Studies or other economic studies conducted by the CAISO under section 24.4.6.7 to determine:

- (a) whether the proposed project is consistent with needed transmission elements identified in the comprehensive Transmission Plan;
- (b) whether the proposed project satisfies Applicable Reliability Criteria and CAISO Planning Standards; and



- (c) whether the Project Sponsor is physically, technically, and financially capable of  
(i) completing the project in a timely and competent manner; and (ii) operating  
and maintaining the facilities consistent with Good Utility Practice and applicable  
reliability criteria for the life of the project.

On the CAISO's request, the Project Sponsor will provide additional information that the CAISO  
reasonably determines is necessary to conduct its evaluation.

#### **24.5.2.2 Single Project Sponsor**

If only one (1) Project Sponsor submits a proposal to finance, own, and construct transmission elements  
under section 24.5.1, and the CAISO determines that the Project Sponsor is qualified to own and  
construct the project under the criteria set forth in section 24.5.2.1, the Project Sponsor must seek siting  
approval, and any other necessary approvals, from the appropriate authority or authorities within sixty  
(60) days of CAISO approval.

#### **24.5.2.3 Multiple Project Sponsors**

- (a) If two (2) or more Project Sponsors submit proposals to own and construct the  
same transmission element or elements under section 24.5.1 and the CAISO  
determines that the two (2) or more Project Sponsors are qualified to own and  
construct the project under the criteria set forth in section 24.5.2.1, the CAISO  
will, upon request, facilitate an opportunity for the Project Sponsors to collaborate  
with each other to propose a single project to meet such need. If joint projects  
are proposed following the collaboration period, the CAISO will revise the list of  
potential renewable transmission upgrades or additions eligible for selection.
- (b) If the qualified Project Sponsors are unable to collaborate on a joint project and  
are applying to the same authorized governmental body to approve the project  
siting, the qualified Project Sponsors must seek siting approval within sixty (60)  
days and the CAISO will accept the Project Sponsor determination by that  
authorized governmental authority.
- (c) If the qualified Project Sponsors are unable to collaborate on a joint project and  
are applying to different authorized governmental bodies for project siting

approval, the CAISO will select one approved Project Sponsor based on a comparative analysis of the degree to which each Project Sponsor meets the criteria set forth in sections 24.5.2.1 and a consideration of the factors set forth in 24.5.2.4. Thereafter, the approved Project Sponsor must seek siting approval, and any other necessary approvals, from the appropriate authority or authorities within sixty (60) days of CAISO approval.

#### **24.5.2.4 Project Sponsor Selection Factors**

In selecting an approved Project Sponsor from among multiple project sponsors, as described in section 24.5.2.3(c), the CAISO shall consider the following criteria, in addition to the criteria set forth in section 24.5.2:

- (a) the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the project;
- (b) the Project Sponsor's existing rights of way and substations that would contribute to the project in question;
- (c) the experience of the Project Sponsor and its team in acquiring rights of way, and the authority to acquire rights of way by eminent domain, if necessary, that would facilitate approval and construction;
- (d) the proposed schedule for development and completion of the project and demonstrated ability to meet that schedule of the Project Sponsor and its team;
- (e) the financial resources of the Project Sponsor and its team;
- (f) the technical and engineering qualifications and experience of the Project Sponsor and its team;
- (g) if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO Controlled Grid of the Project Sponsor and its team;
- (h) demonstrated capability to adhere to standardized construction, maintenance and operating practices;

- (i) demonstrated ability to assume liability for major losses resulting from failure of facilities;
- (j) demonstrated cost containment capability and other advantages the Project Sponsor and its team may have to build the specific project, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude project costs above the cap from being recovered through the CAISO's Transmission Access Charge.

The information that Project Sponsors must submit to enable the CAISO to conduct its evaluation of these criteria shall be specified in the Business Practice Manual.

#### **24.5.3 Notice to Project Sponsors**

The CAISO will notify Project Sponsors as to results of the project evaluation process in accordance with the schedule and procedures set forth in the Business Practice Manual.

#### **24.6 Obligation to Construct Transmission Projects**

A Participating TO that has a PTO Service Territory in which either terminus of the element or elements being upgraded or added is located shall be obligated to construct all transmission additions and upgrade elements or elements included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor or for which the Project Sponsor is unable to secure all necessary approvals. In cases where the Approved Project Sponsor is subsequently unable or unwilling to build the project, the CAISO may, at its discretion, direct the Participating TO with a PTO Service Territory in which either terminus of the facility being upgraded or added is located to build the element or elements, or open a new solicitation of Project Sponsors to finance, construct and own the element or elements. The Approved Project Sponsor shall not sell, assign or otherwise transfer its rights to finance, construct and own the project before the project has been energized and turned over to the CAISO's Operational Control unless the CAISO has approved such proposed transfer. 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 a TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

## **24.7 Documentation of Compliance with NERC Reliability Standards**

The Transmission Plan and underlying studies, assessments, information and analysis developed during the Transmission Planning Process, regardless of whether performed by CAISO or by Participating TOs or other third parties at the direction of CAISO, shall be used by the CAISO as part of its documentation of compliance with NERC Reliability Standards.

## **24.8 Additional Planning Information**

### **24.8.1 Information Provided by Participating TOs**

In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, Participating TOs shall provide the CAISO on an annual or periodic basis in accordance with the schedule and procedures and in the form required by the Business Practice Manual any information and data reasonably required by the CAISO to perform the Transmission Planning Process, including, but not limited to: (1) modeling data for power flow, including reactive power, short-circuit and stability analysis; (2) a description of the total Demand to be served from each substation, including a description of any Energy efficiency programs reflected in the total Demand; (3) the amount of any interruptible Loads included in the total Demand (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (4), a description of Generating Units to be interconnected to the Distribution System of the Participating TO, including generation type and anticipated Commercial Operation Date; (5) detailed power system models of their transmission systems that reflect transmission system changes, including equipment replacement not requiring approval by the CAISO; (6) Distribution System modifications; (7) transmission network information, including line ratings, line length, conductor sizes and lengths, substation equipment ratings, circuits on common towers and with common rights-of-ways and cross-overs, special protection schemes, and protection setting information; and (8) Contingency lists.

### **24.8.2 Information Provided by Participating Generators**

In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, Participating Generators shall provide the CAISO on an annual or periodic basis in accordance with the schedule, procedures and in the form required by the Business Practice Manual any information and data reasonably required by the CAISO to perform the Transmission Planning Process, including, but not

limited to: (1) modeling data for short-circuit and stability analysis and (2) data, such as term, and status of any environmental or land use permits or agreements the expiration of which may affect that the operation of the Generating Unit.

#### **24.8.3 Information Requested from Load Serving Entities**

In addition to any information that must be provided to the CAISO under the NERC Reliability Standards, the CAISO shall solicit from Load Serving Entities through their Scheduling Coordinators information required by, or anticipated to be useful to, the CAISO in its performance of the Transmission Planning Process, including, but not limited to: (1) long-term resource plans; (2) existing long-term contracts for resources and transmission service outside the CAISO Balancing Authority Area; and (3) Demand Forecasts, including forecasted effect of Energy efficiency and Demand response programs.

#### **24.8.4 Information from Planning Groups, BAAs and Regulators**

In accordance with Section 24.8 , the CAISO shall obtain or solicit from interconnected Balancing Authority Areas, regional and sub-regional planning groups within the WECC, the CPUC, the CEC, and Local Regulatory Authorities information required by, or anticipated to be useful to, the CAISO in its performance of the Transmission Planning Process, including, but not limited to: (1) long-term transmission system plans; (2) long-term resource plans; (3) generation interconnection process information; (4) Demand Forecasts; and (5) any other data necessary for the development of power flow, short-circuit, and stability cases over the planning horizon of the CAISO Transmission Planning Process.

#### **24.8.5 Obligation to Provide Updated Information**

If material changes to the information provided under Sections 24.8 occur during the annual Transmission Planning Process, the providers of the information must provide notice to the CAISO of the changes.

#### **24.9 Participating TO Study Obligation**

The Participating TO constructing or expanding facilities will be directed by the CAISO to coordinate with the Project Sponsor or Participating TO(s) with PTO Service Territories in which the transmission upgrade or addition will be located, neighboring Balancing Authority Areas, as appropriate, and other Market Participants to perform any study or studies necessary, including a Facility Study, to determine the appropriate facilities to be constructed in accordance with the CAISO Transmission Planning Process and the terms set forth in the TO Tariff.

## **24.105 Operational Review.**

The CAISO will perform an operational review of all facilities studied as part of the CAISO Transmission Planning Process that are proposed to be connected to, or made part of, the CAISO Controlled Grid to ensure that the proposed facilities provide for acceptable Operational Flexibility and meet all its requirements for proper integration with the CAISO Controlled Grid. If the CAISO finds that such facilities do not provide for acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid, the CAISO shall coordinate with the Project Sponsor and, if different, the Participating TO with the PTO Service Territory, or the operators of neighboring Balancing Authority Areas, if applicable, in which the facilities will be located to reassess and redesign the facilities required to be constructed. Transmission upgrades or additions that do not provide acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid cannot be included in the CAISO Transmission Plan or approved by CAISO management or the CAISO Governing Board, as applicable.

## **24.116 State and Local Approval and Property Rights.**

### **24.116.1 PTO Requirement to Seek Necessary Approvals And Rights**

The Participating TO obligated to construct facilities under this Section 24 must make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of the required transmission additions or upgrades. This obligation includes the Participating TO's use of eminent domain authority, where provided by state law.

### **24.116.2 Consequences Of PTO Inability To Obtain Approvals And Rights**

If the Participating TO cannot secure any such necessary approvals or property rights and consequently is unable to construct a transmission addition or upgrade found to be needed ~~in accordance with Section 24.4~~, it shall promptly notify the CAISO ~~and the Project Sponsor, if any~~, and shall comply with its obligations under the TO Tariff to convene a technical meeting to evaluate alternative proposals. The CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO, ~~the Project Sponsor, if any~~, and other affected Market Participants, to facilitate the development and evaluation of alternative proposals including, where possible, conferring on a third party the right to build the transmission addition or upgrade ~~as set forth in Section 24.6.3~~.

**24.116.3**      **Conferral Of Right To Build Facilities On Third Party**

Where the conditions of Section 24.116.2 have been satisfied and it is possible for a third party to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of transmission additions or upgrades required to be constructed in accordance with this CAISO Tariff (including the use of eminent domain authority, where provided by state law), the CAISO may confer on a third party the right to build the transmission addition or upgrade, which third party shall enter into the Transmission Control Agreement in relation to such transmission addition or upgrade.

**24.127**      **~~WECC and Regional Coordination.~~**

The Project Sponsor will have responsibility for completing any applicable WECC requirements and rating study requirements to ensure that a proposed transmission addition or upgrade meets regional planning requirements. The Project Sponsor may request the Participating TO to perform this coordination on behalf of the Project Sponsor at the Project Sponsor's expense.

**24.138**      **~~Regional and Sub-Regional Planning Process.~~**

The CAISO will be a member of the WECC and other applicable regional or sub-regional organizations and participate in WECC's operation and planning committees, and in other applicable regional and sub-regional coordinated planning processes.

**24.138.1**      **~~Scope of Regional or Sub-Regional Planning Participation.~~**

The CAISO will collaborate with adjacent transmission providers and existing sub-regional planning organizations through existing processes. This collaboration involves a reciprocal exchange of information, to the maximum extent possible and subject to applicable confidentiality restrictions, in order to ensure the simultaneous feasibility of respective Transmission Plans, the identification of potential areas for increased efficiency, and the consistent use of common assumptions whenever possible. The details of the CAISO's participation in regional and sub-regional planning processes are set forth in the Business Practice Manual. At a minimum, the CAISO shall be required to:

- (a) solicit the participation, whether through sub-regional planning groups or individually, of all interconnected Balancing Authority Areas in the development

of the Unified Planning Assumptions and Study Plan and in reviewing the results of technical studies performed as part of the CAISO's Transmission Planning Process in order to:

- (1i) coordinate, to the maximum extent practicable, planning assumptions, data and methodologies utilized by the CAISO, regional and sub-regional planning groups or interconnected Balancing Authority Areas;
  - (2ii) ensure transmission expansion plans of the CAISO, regional and sub-regional planning groups or interconnected Balancing Authority Areas are simultaneously feasible and seek to avoid duplication of facilities.
- (b) coordinate with regional and sub-regional planning groups regarding the entity to perform requests for Economic Planning Studies or other Congestion related studies;
  - (c) transmit to applicable regional and sub-regional planning groups or interconnected Balancing Authority Areas information on technical studies performed as part of the CAISO Transmission Planning Process;
  - (d) post on the CAISO Website links to the planning activities of applicable regional and sub-regional planning groups or interconnected Balancing Authority Areas.

#### **24.138.2 Limitation on Regional Activities.**

Neither the CAISO nor any Participating TO nor any Market Participant shall take any position before the WECC or a regional organization that is inconsistent with a binding decision reached through an arbitration proceeding pursuant to Section 13, in which the Participating TO or Market Participant voluntarily participated.

#### ~~24.9 CAISO Planning Standards Committee.~~

~~The CAISO shall maintain a Planning Standards Committee, which shall be open to participation by all Market Participants, electric utility regulatory agencies within California, and other interested parties, to review, provide advice on, and propose modifications to CAISO Planning Standards for consideration by CAISO management and the CAISO Governing Board. The Planning Standards Committee shall meet,~~



~~at a minimum, on an annual basis prior to publication of the draft Unified Planning Assumptions and Study Plan under Section 24.2.1.3; however, additional meetings, web conferences, or teleconferences may be scheduled as needed. Meetings of the Planning Standards Committee shall be noticed by Market Notice and such notice shall be posted to the CAISO Website. Teleconference capability will be made available for all meetings of the Planning Standards Committee. The CAISO Vice President of Market and Infrastructure Development or his or her designee shall serve as chair of the Planning Standards Committee. All materials addressed at or relating to such meetings, including agendas, presentations, background papers, party comments, and minutes shall be posted to the CAISO Website. The chair of the Planning Standards Committee shall seek approval by the CAISO Governing Board of any modifications to the CAISO Planning Standards, as those CAISO Planning Standards exist as of the effective date of Section 24.2, and must include in the report to the CAISO Governing Board a summary of the positions of parties with respect to the proposed modifications to the CAISO Planning Standards and the ground(s) for rejecting modifications, if any, proposed by Market Participants or other interested parties.~~

**24.140 Cost Responsibility for Transmission Additions or Upgrades.**

Cost responsibility for transmission additions or upgrades constructed pursuant to this Section 24 (including the responsibility for any costs incurred under Section 24.116) shall be determined as follows:

**24.140.1 Project Sponsor Commitment to Pay Full Cost**

Where a Project Sponsor commits to pay the full cost of a transmission addition or upgrade as set forth in subsection (2) of Section 24.44.6.1, the full costs shall be borne by the Project Sponsor.

**24.140.2 Cost of Needed Addition or Upgrade to be Borne by PTO**

Where the need for a transmission addition or upgrade is determined by the CAISO ~~or as a result of the CAISO ADR Procedure as set forth in subsection (3) of Section 24.1.4~~, the cost of the transmission addition or upgrade shall be borne by the Participating TO that will be the owner of the transmission addition or upgrade and shall be reflected in its Transmission Revenue Requirement.

**24.140.3 CRR Entitlement for Project Sponsors Not Recovering Costs**

Provided that the CAISO has Operational Control of the Merchant Transmission Facility, a Project Sponsor that does not recover the investment cost under a FERC-approved rate through the Access Charge or a reimbursement or direct payment from a Participating TO shall be entitled to receive Merchant CRRs as provided in Section 36.11. The full amount of capacity added to the system by such transmission upgrades or additions will be as determined through the regional reliability council process of the Western Electricity Coordinating Council or its successor.

**24.140.3.1 Western Path 15**

Pursuant to its Project Sponsor status as specified in Section 4.3.1.3, consistent with FERC's findings in Docket Nos. EL04-133-001, ER04-1198-000, and ER04-1198-001, issued on May 16, 2006 (115 FERC ¶ 61,178), Western Path 15 shall receive compensation associated with transmission usage rights modeled for Western Path 15. In the event that Western Path 15 has an approved rate schedule that returns excess revenue from any compensation obtained from the CAISO associated with the transmission usage rights for Western Path 15, such revenue shall be returned to the CAISO through a procedure established by the CAISO and the Western Area Power Administration for that purpose.

**24.140.3.2 FPL Energy, LLC**

Pursuant to its Project Sponsor status, consistent with FERC's findings in Docket No. ER03-407, issued on June 15, 2006 (115 FERC ¶ 61, 329), FPL Energy, LLC shall receive Merchant CRRs associated with transmission usage rights modeled for the Blythe Path 59 upgrade, such Merchant CRRs to be in effect for a period of thirty (30) years, or the pre-specified intended life of the Merchant Transmission Facility, whichever is less, from the date of Blythe Path 59 was energized. For the purpose of allocating Merchant CRRs to FPL Energy, LLC over the Path 59 upgrade the allocation of Option CRRs in the import (east to west, from the Blythe Scheduling Point to the 230 kV side of the 161 kV to 230 kV transformer at the Eagle Mountain substation) as well as of Option CRRs in the export (west to east) direction will be based on 57.1 percent of the total upgrade (96 MWs out of the 168 MWs), which is FPL Energy, LLC's share of the total upgrade as approved by FERC in the Letter Order issued by FERC on June 15, 2006 in Docket No. ER03-407 (115 FERC ¶ 61,329).

**24.14.410.4 Treatment Of New High Voltage Facilities Costs In HVAC**

Once a New Participating TO has executed the Transmission Control Agreement and it has become

effective, the cost for New High Voltage Facilities for all Participating TOs shall be included in the CAISO Grid-wide component of the High Voltage Access Charge in accordance with Schedule 3 of Appendix F, unless and with respect to Western Path 15 only, cost recovery is provided in Section 24.~~1410~~.3. The Participating TO who is supporting the cost of the New High Voltage Facility shall include such costs in its High Voltage Transmission Revenue Requirement, regardless of which TAC Area the facility is geographically located.

**24.~~1511~~      Ownership of and Charges for Expansion Facilities.**

**24.~~15.141.4~~      Transmission Additions and Upgrades under TCA**

All transmission additions and upgrades constructed in accordance with this Section 24 shall form part of the CAISO Controlled Grid and shall be operated and maintained by a Participating TO in accordance with the Transmission Control Agreement.

**24.~~15.241.2~~      Access and Charges for Transmission Additions and Upgrades**

Each Participating TO that owns or operates transmission additions and upgrades constructed in accordance with this Section 24 shall provide access to them and charge for their use in accordance with this CAISO Tariff and its TO Tariff.

**24.~~1612~~      Expansion by Local Furnishing Participating TOs.**

Notwithstanding any other provision of this CAISO Tariff, a Local Furnishing Participating TO shall not be obligated to construct or expand facilities, (including interconnection facilities as described in Section 8 of the TO Tariff), unless the CAISO or Project Sponsor has tendered an application under FPA Section 211 that requests FERC to issue an order directing the Local Furnishing Participating TO to construct such facilities pursuant to Section 24. The Local Furnishing Participating TO shall, within ten (10) days of receiving a copy of the Section 211 application, waive its right to a request for service under FPA Section 213(a) and to the issuance of a proposed order under FPA Section 212(c). Upon receipt of a final order from FERC that is no longer subject to rehearing or appeal, such Local Furnishing Participating TO shall construct such facilities in accordance with this Section 24.

CAISO Tariff Appendix A

Master Definitions Supplement

\* \* \*

Approved Project  
Sponsor

The person or entity designated under the CAISO Tariff to construct,  
finance and own transmission additions or upgrades.

## **Attachment C**

Revised Transmission Planning Process Amendment  
Fourth Replacement CAISO Tariff  
ER10-\_\_\_\_-000  
June 4, 2010

**Memorandum of Understanding**  
**Between**  
**The California Public Utilities Commission (CPUC)**  
**And**  
**The California Independent System Operator (ISO)**  
**Regarding**  
**The Revised ISO Transmission Planning Process**

The ISO has proposed revisions to its transmission planning process to enable the ISO to identify the transmission infrastructure needed to achieve certain state policy targets including, but not limited to, 33 percent renewable generation procurement by load serving entities by 2020.

The CPUC develops renewable generation portfolio scenarios as part of its Long Term Procurement Plan process that will assist the ISO in identifying transmission projects needed under various renewable generation location assumptions and developing a comprehensive transmission plan.

The CPUC and the ISO desire to work together to coordinate the ISO's revised transmission planning process and identification of needed transmission infrastructure with the CPUC's subsequent siting/permitting processes.

The revised ISO transmission planning process will provide opportunities for the ISO and the CPUC to coordinate the ISO's scenarios analysis and development of the ISO's comprehensive transmission plan with the CPUC's siting/permitting processes.

Accordingly, the CPUC and the ISO agree to the following:

1. The California Transmission Planning Group process, which is a major part of Phase 1 of the ISO transmission planning process, will develop an annual statewide conceptual transmission plan that will become the starting point for further review and analysis in Phase 2 of the ISO transmission planning process. The ISO and the CPUC will participate in the California Transmission Planning Group process to incorporate, to the extent practical, alternative planning scenarios that will enable that effort to identify an initial set of needed "least regrets" transmission facilities for consideration in TPP Phase 2.
2. In Phase 2 of the 2010-2011 cycle of the ISO transmission planning process, the ISO will consider and incorporate into its plan scenarios from the CPUC Long Term Procurement Plan process, to the maximum extent practical given the goal of identifying needed renewable access elements of the Phase 2 plan by December 2010. The CPUC will provide notice that Phase 2 of ISO transmission planning process will consider and incorporate these scenarios, and the subsequent CPUC siting/permitting process will then give substantial weight to project applications that are consistent with the ISO's final Phase 2 plan.
3. The CPUC and the ISO will review the results of the California Transmission Planning Group modeling phases and evaluate their implications for the transmission needs of the CPUC's Long Term Procurement Plan renewable resource scenarios. The ISO will subsequently seek, within the time and human resource constraints of Phase 2 of the

- transmission planning process, to provide the CPUC and other stakeholders with a formal assessment of the transmission planning needs within the ISO balancing authority area for the Long Term Procurement Plan renewable resource scenarios.
4. CPUC and ISO will determine a process for subsequent cycles of the ISO transmission planning process, by which the ISO will formally assess scenarios provided by the CPUC. Provided the CPUC meets parameters agreed to by both parties with regards to the number, timing, and format of the scenarios, the ISO will provide CPUC and other stakeholders with a formal assessment of the transmission planning needs within the ISO balancing authority area for the CPUC-provided renewable resource scenarios.
  5. For Phase 2 of the transmission planning process, the ISO will conduct a stakeholder process that complies with Order 890 of the Federal Energy Regulatory Commission (FERC) and allows meaningful public participation to ensure that appropriate study assumptions and scenarios are identified to support development of the final Phase 2 plan. Stakeholders will have opportunities to comment on published drafts of the Phase 2 plan, as well as on the final Phase 2 plan that will be submitted for approval to the ISO Board of Governors. The final Phase 2 plan for the ISO balancing authority area will reflect the ISO's consideration of all stakeholder comments and recommendations received during the planning process.
  6. The final Phase 2 plan will identify specific needed transmission facilities, and will distinguish between Category 1 facilities which merit unconditional approval based on the concept of "least regrets," versus Category 2 facilities which may be needed depending on the course of future generation development.
  7. The facility specifications in the final Phase 2 plan will provide sufficient detail to enable eligible parties to develop and submit, in Phase 3, proposals to build the Category 1 facilities, including construction schedules and detailed cost estimates. During the next annual cycle of the California Transmission Planning Group and ISO transmission planning processes, parties may suggest alternatives to the Category 2 facilities, and the ISO will re-evaluate these facilities and consider any submitted alternatives in developing the next annual transmission plan.
  8. ISO participating transmission owners and other parties will have opportunities to build elements of the final Phase 2 plan that are not covered under transmission categories assigned to participating transmission owners to build under the ISO tariff. Parties may propose to build specific Category 1 facilities identified in the Phase 2 plan, or, for Category 2 facilities, may propose alternative elements to meet the same functional needs.
  9. Proposals to build specific Category 1 transmission facilities that are identified in the final Phase 2 plan would proceed directly to the CPUC and/or other siting authorities for Certificate of Public Convenience and Necessity, California Environmental Quality Act and other siting/permitting requirements.
  10. In cases where two or more proposals are submitted and found by the ISO to be technically acceptable for constructing the same Category 1 facility, the CPUC will choose, as needed, between two or more CPUC-jurisdictional proposals. In cases where two or more duplicative project proposals are all being considered by the same siting authority, the ISO will defer to the siting authority to choose between the projects. In cases where two or more duplicative project proposals are being considered by different siting authorities, the ISO will choose among the proposals based on objective criteria to be established.
  11. The CPUC and ISO recognize that this Memorandum of Understanding is being

completed based on the ISO's revised transmission planning process proposal, which will be submitted to FERC in the near future, and which the subsequent FERC order could modify. If any FERC-ordered modifications substantively affect the terms of this Memorandum of Understanding, the CPUC and ISO will collaborate to develop appropriate revisions to the Memorandum of Understanding.

The CPUC and the ISO understand and agree to the terms of this Memorandum.

California Public Utilities Commission

By: Michael A. Peevey  
Name: Michael Peevey  
Title: Commission President

Date: 5-13-10

By: Paul Clanon  
Name: Paul Clanon  
Title: Executive Director

Date: 5-13-10

California Independent System Operator Corporation

By: Y. Mansour  
Name: Yakout Mansour  
Title: President and CEO

Date: 5-13/10



## **Attachment D**

Revised Transmission Planning Process Amendment  
Fourth Replacement CAISO Tariff  
ER10-\_\_\_\_-000  
June 4, 2010

# Memorandum

To: ISO Board of Governors  
From: Keith Casey, Vice President, Market & Infrastructure Development  
Date: May 10, 2010  
Re: *Decision on Revised Transmission Planning Process*

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*This memorandum requires Board action.*

## EXECUTIVE SUMMARY

A primary function of the ISO is to plan for and promote the enhancement and expansion of transmission capability within its footprint to meet the evolving needs of the system. In considering how best to plan transmission to achieve California's ambitious goal of meeting the state's electricity demand with 33 percent renewable energy by the year 2020, Management recognized the need to revise the current transmission planning process. The changes proposed to the existing process were driven by the following factors:

- The need for an unprecedented amount of new transmission over the next decade to deliver energy from new renewable resources;
- The need to adopt a statewide perspective and take a comprehensive, whole-system approach to transmission planning and approval, rather than the current project by project approach;
- The need for a new tariff-based criterion for approving transmission projects that address state energy policy goals requiring access to renewable energy supply resources; and
- The need to address the new challenges while continuing to fulfill the ISO's ongoing responsibilities as planning authority for its balancing authority area and the requirements of FERC Order 890.

With the proposal presented here, Management addresses these needs through carefully targeted enhancements to the existing transmission planning and generation interconnection processes. This enhanced transmission planning process was referred to throughout the stakeholder process as the "Renewable Energy Transmission Planning Process" (RETPP). But as the proposal has evolved Management now recognizes that it is more appropriate to refer to it as a revision of the ISO's current transmission planning process, reflecting the fact that the transmission needs driven by environmental

or other state policy goals must be integrated with the existing transmission planning requirements and processes so as to provide a single, comprehensive, annual transmission plan. The revised process will:

1. Develop a statewide conceptual transmission plan through collaboration among all transmission providers in California, through the structure of the California Transmission Planning Group (CTPG);
2. Finalize that plan for the ISO balancing authority area with sufficient detail both to support formal findings of need and to elicit specific proposals to build the needed renewable access transmission;
3. Establish, in the ISO tariff, transmission infrastructure needed to meet state energy policy goals (such as access to renewable supply resources) as a formal criterion for assessing need for specific transmission upgrades and approving their cost recovery through regulated rates;
4. Incorporate into a single planning process key activities and milestones of the ISO's existing transmission planning and generation interconnection processes in a practical way;
5. Enable transmission infrastructure development to move forward expeditiously and efficiently to support the state's environmental goals;
6. Provide meaningful opportunities for stakeholder participation and input to the process;
7. Provide opportunities for qualified independent transmission developers to build and own elements of the ISO plan that are not covered under the tariff transmission categories that assign the projects to the participating transmission owners (PTOs) to build; and
8. Maintain full compliance with the FERC's Order 890.

The stakeholder process to develop the revisions to the ISO's transmission planning process began in September 2009 with the release of an initial ISO straw proposal. Since that time the ISO team posted two revised straw proposals, a draft final proposal, a revised draft final proposal on April 2 and a supplement to that proposal on April 28. The team held numerous stakeholder meetings and conference calls and received written stakeholder comments following each proposal. The most recent stakeholder comments were received on April 15 and May 6 in response to the April 2 and April 28 proposals, respectively, and are summarized in a separate document accompanying this memorandum. In addition, by the time of the Board meeting, staff will have completed the first of two rounds of stakeholder discussion of draft tariff changes to implement the revised transmission planning process. With Board approval Management plans to file the required tariff changes at FERC by June 1.

Management notes that there are some controversial elements of the proposal, and in the course of the stakeholder process the ISO has considered alternative ways to address stakeholder concerns. Management now believes that the proposal presented here for Board approval strikes an optimal balance among the various interests and concerns of the stakeholders. The revised transmission planning process offers an approach that maximizes California's ability to realize the transmission expansion needed to achieve the 33 percent renewable energy policy goal in a timely and cost effective manner, while maintaining all the requirements of a comprehensive, Order 890-compliant annual transmission planning process.

Management now requests that the Board approve the following motion:

***Moved, that the ISO Board of Governors approves the proposal to revise the transmission planning process, as detailed in the memorandum dated May 10, 2010; 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.***

## **SUMMARY OF THE PROPOSAL**

The proposed transmission planning process is structured in three phases.

### ***Phase 1 – Collaborative statewide planning and development of the ISO study plan***

In Phase 1, the ISO and other participants in the California Transmission Planning Group (CTPG), building on the work of the Renewable Energy Transmission Initiative (RETI), begin the collaborative process to produce a statewide conceptual transmission plan for access to renewable resources to achieve the 33 percent RPS target. The work of the CTPG actually began in 2009 and will result in a conceptual statewide transmission plan by early July which will be a key input to the ISO's Phase 2 process described below. It is important to note that the CTPG is not a decision making body, so the ISO and the other California planning authorities participating in CTPG will follow their own rules and processes for approving and funding transmission projects.

Also in Phase 1, in parallel to the CTPG effort, the ISO's planning department will conduct its annual stakeholder process to develop the unified planning assumptions and study plan for the ISO balancing authority. For this year, this activity has already been completed. Starting with the 2011/2012 annual cycle, the Phase 1 stakeholder process will also provide the opportunity for participants to submit economic planning study requests, which help to focus the ISO planners' efforts on areas of the grid where transmission upgrades may yield significant economic benefits. The results of this track of Phase 1 – the study plan – provide the basis for the ISO's planning studies that mark the beginning of Phase 2.

## ***Phase 2 – Development of a comprehensive transmission plan for the ISO footprint***

Phase 2 begins as the ISO planners start to perform the studies specified in the study plan. At the same time, the work of the CTPG continues with ISO staff participation to complete the conceptual statewide plan. The goal of Phase 2 is to develop a final comprehensive transmission plan for the ISO balancing authority area that includes the transmission additions and upgrades Management has concluded are needed to support renewable access and to meet the other infrastructure needs of the grid. To arrive at the final Phase 2 plan ISO staff will refine the portion of the statewide conceptual plan that applies to the ISO balancing authority area to identify the most cost-effective transmission additions and upgrades needed to achieve 33 percent renewable energy.

Phase 2 will provide opportunities for stakeholders to submit comments on the CTPG conceptual plan, which ISO staff will consider in developing the final Phase 2 plan. During this period, ISO staff will also accept, and integrate into the final Phase 2 plan, proposals by participating transmission owners (PTOs) to build reliability projects to meet needs identified in the ISO's reliability studies, as well as merchant transmission projects (for which the developer is not seeking cost recovery through the transmission access charge), upgrades needed to maintain the feasibility of long-term congestion revenue rights, and interconnection projects identified through the large generator interconnection process (LGIP) or proposed under the location constrained resource interconnection facilities tariff provisions. Phase 2 concludes with Management's presentation of the final comprehensive transmission plan for Board approval in March of each year, fifteen months after the start of Phase 1.

A crucial component of the ISO's infrastructure development process is the LGIP. For large network upgrades identified in the interconnection studies performed under the LGIP, the proposal contains a provision that allows further evaluation of these upgrades within the Phase 2 transmission study process. This approach ensures a more comprehensive assessment of whether these identified upgrades are the best solution or whether there are better alternatives. For 2010, however, in recognition of the urgency surrounding certain generation projects that are in the current LGIP study process (such as projects eligible for stimulus funding under the American Recovery and Reinvestment Act, the ISO will have the discretion to exempt the identified network upgrades for these projects from assessment in the transmission planning process so that the project developers can complete their interconnection agreements in a timely manner.

The revised process also provides that the ISO will conduct economic planning studies in Phase 2 and use these to identify transmission elements that provide cost-effective economic benefits such as congestion cost reduction to be included in the final Phase 2 plan. For the 2010 cycle, the ISO will use these studies as the basis for evaluating the economic project proposals that were submitted in the 2008 and 2009 transmission planning request windows. The parties who submitted those projects that Management finds to be needed based on an economic assessment will be allowed to build and own the approved facilities, subject to the following conditions:

1. The ISO finds the project is needed as a Category 1 element (see definition below);
2. The party meets certain minimum qualifications;<sup>1</sup>
3. Only one party submitted a proposal for the project (if more than one party have submitted proposals to build the same transmission elements, the ISO will apply the Phase 3 procedure for deciding between competing proposals, described below in the Phase 3 discussion); and
4. The elements of the project are not under existing tariff transmission categories that assign the project to another party (i.e., PTO) to build.

At the end of Phase 2, the ISO will produce a final comprehensive transmission plan for the ISO balancing authority area that includes the transmission additions and upgrades Management has concluded are needed to support renewable access as well as the other infrastructure needs of the grid. Each of the specific elements of the transmission plan will be designated as either a Category 1 or Category 2 element. Category 1 transmission elements are those elements the ISO has a high level of confidence are needed for renewable access, based on sufficient commercial interest from new generation to ensure that the new transmission capacity will be efficiently utilized, or that are found to be economically justified based on the economic assessment. The ISO will seek Board approval of Category 1 transmission elements. Category 2 elements are those elements that will potentially be needed, but whose approval must await further evidence of commercial interest to minimize the risk of under-utilized transmission capacity. Category 2 elements will not be submitted to the Board for approval but will be included in the final Phase 2 plan to identify them for consideration in the next annual cycle of the planning process.

### ***Phase 3 – Receive proposals to build the Category 1 elements identified in the transmission plan***

In Phase 3 the ISO will receive proposals to build the Category 1 elements of the Phase 2 plan. Non-PTOs will be able to submit proposals to build those Category 1 elements that are not covered under existing tariff categories that assign the projects to the PTOs to build. The elements open to non-PTO proposals will be those renewable-access transmission facilities that are not identified in completed interconnection cluster studies for generation projects in the ISO's current interconnection queue, and any economically justifiable elements identified by the ISO.<sup>2</sup> ISO staff will evaluate the submitted proposals for technical completeness and consistency with the requirements of the final Phase 2 plan

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<sup>1</sup> Such minimum qualifications will be identified in the ISO tariff and will include determination that (1) the project proposal satisfies applicable reliability criteria and ISO planning standards, (2) the sponsor is financially, technically and physically capable of completing the project in a timely manner, (3) the sponsor has a track record of successfully completing projects of comparable magnitude and scope, and (4) the sponsor is capable of operating and maintaining the facilities consistent with good utility practice and applicable reliability criteria for the life of the project.

<sup>2</sup> For the 2010/2011 cycle, the sponsor of an economic project submitted to the 2008 or 2009 request window and approved by the ISO will be entitled to build the project, as discussed under Phase 2.

and, upon finding them acceptable, will refer the proposals to the state siting authorities for their approval processes. In situations where multiple parties submit proposals to build the same element of the final Phase 2 plan and they are subject to different siting authorities, the ISO will decide based on clear criteria which one to approve for cost recovery through the transmission access charge. There will be a period of at least 90 days for parties to submit such proposals to the ISO, after which, if any of the needed elements in the final Phase 2 plan do not have acceptable proposals, the ISO may require one of the PTOs to build.

One critical goal of this first cycle of the revised process is to complete the Phase 2 transmission plan for the ISO balancing authority area in time for presentation to the Board in March 2011, so that initial project approvals to build the Category 1 elements of the plan can be granted expeditiously. To accomplish this goal the ISO team is already engaged in the critical-path activities of the revised process. The ISO team is currently working with other California planning authorities and transmission owners through the CTPG to develop the statewide conceptual plan by July 2010. In addition ISO planners have completed the unified planning assumptions and the study plan for the ISO balancing authority area and are in the process of performing the study plan studies. This will ensure that needed reliability projects identified in that process can be folded into the final Phase 2 plan. Such activities are consistent with existing ISO tariff provisions and have not required Board or FERC approval to proceed.

## **STAKEHOLDER VIEWS AND MANAGEMENT RESPONSES**

In general stakeholders are supportive of the fundamental design features being proposed; specifically they support:

- The development of a conceptual statewide plan for planning and building new transmission to achieve state renewable energy goals;
- The three-phase structure of the revised transmission planning process;
- The incorporation of key activities and processes of the current transmission planning process and generation interconnection process into the revised process, so that the ISO will have one integrated planning process resulting in an annual comprehensive plan for the ISO balancing authority area;
- The establishment in the tariff of a new criterion, based on access to resources needed to achieve state policy goals, for approving transmission infrastructure projects and recovering their costs through the transmission access charge;
- The opportunity for parties other than PTOs to submit proposals in Phase 3 to build elements of the ISO's comprehensive plan.

There are some highly controversial features of the proposal, however, as summarized below. Additional details on these issues and Management's responses are provided in the stakeholder summary document accompanying this memo.

- First, independent transmission companies argued that opportunities for them to build needed transmission would be extremely limited. They were concerned that most if not all renewable access elements in the ISO's comprehensive plan would be related to generation in the interconnection queue and as such would automatically be given to PTOs to build. In addition, they objected to the provision in an earlier ISO proposal that any of the economic project proposals that were submitted to the ISO in the 2008 or 2009 request windows and found by the ISO to be needed would be open to all qualified parties to propose to build. They argued that under current tariff provisions the party that proposed the project would have the right to build it.

To address these concerns Management has modified the proposal in two ways. First, the proposal now clarifies that transmission elements needed for renewable access will be reserved for PTOs to build only in cases where the elements result from completed ISO interconnection studies for generation in the current queue cluster. Renewable access Category 1 transmission elements that are not driven by the current or prior LGIP interconnection studies would be open to both non-PTOs and PTOs to build. Second with regard to economic project proposals submitted in the 2008 and 2009 request windows and found by the ISO to be needed, the proposal now states that the party that submitted the proposal would be entitled to build it under the conditions discussed above in Phase 2. Management believes these changes should address the concerns raised in an effective and fair manner.

- Second, many parties were concerned that the proposal did not provide a process for deciding between competing proposals when more than one party proposes in Phase 3 to build the same element of the ISO's comprehensive plan. They argued that the ISO should make such decisions, instead of deferring to the state siting authorities. Deferring such decisions to the state siting processes would, they argued, (1) cause all of the project sponsors to incur substantial costs in preparing their applications, which would be a complete loss to all but the winning project sponsor and would therefore be an impediment to participation by otherwise capable entities, and (2) defer some projects indefinitely because currently there is no state process for making such decisions when the competing project sponsors are subject to different siting authorities.

To address this concern, Management agreed to augment the proposal with provisions whereby the ISO would evaluate and decide between competing proposals to build the same



element of the final plan when different state siting authorities are involved. For instances where multiple project proponents would all be seeking siting approval from the same siting authority, the ISO would still defer to that authority to make the decision.

Third, many parties have asked for additional details about how the generator interconnection process will work during 2010. They expressed concern that by integrating LGIP related upgrades into the revised transmission planning process it would delay the ability for generation project sponsors to sign their large generator interconnection agreements (LGIAs), and as a result cause some of these projects to be disqualified from receiving federal stimulus funding under the American Recovery and Reinvestment Act.<sup>3</sup>

In response, Management proposes to allow these projects to continue with their LGIA negotiation and signing without having to wait for the final Phase 2 plan to be completed. Any transmission projects that are specified in such LGIAs would then become input assumptions to the formulation of the Phase 2 plan.

Please refer to the stakeholder summary document attached to this memorandum for additional details about stakeholder views on various aspects of the proposal and Management's responses.

## **MANAGEMENT RECOMMENDATION**

With the noted modifications discussed above, Management now believes that the proposal presented for Board approval strikes an optimal balance among the various interests and concerns of the stakeholders. The revised transmission planning process offers an approach that maximizes California's ability to realize the transmission expansion needed to achieve the 33 percent renewable energy policy goal in a timely and cost effective manner, while maintaining all the requirements of a comprehensive, Order 890-compliant annual transmission planning process. Management recommends the Board approve the proposed modifications to the ISO transmission planning process described herein and authorize Management to make all necessary and appropriate filings with FERC to implement this policy.

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<sup>3</sup> The American Recovery and Reinvestment Act requires certain milestones to be achieved by eligible renewable generation projects no later than December 31, 2010. These milestones depend on the project receiving from its lenders and expending certain of its project funds through specific activities, which in turn depend on its having a completed LGIA.

# Decision on Revised Transmission Planning Process

Lorenzo Kristov  
Principal, Market and Infrastructure Policy

Board of Governors Meeting  
General Session  
May 17-18, 2010

# Transmission planning process must be revised to achieve 33% renewable energy.

- Statewide planning approach
  - Collaboration among California transmission providers
- Whole-system instead of single-project approach
  - Consolidates all ISO planning activities
- New criterion for “policy-driven” transmission
  - Needed to support policy goals
  - Supplements existing reliability and economic criteria
- Maintains FERC Order 890 compliance

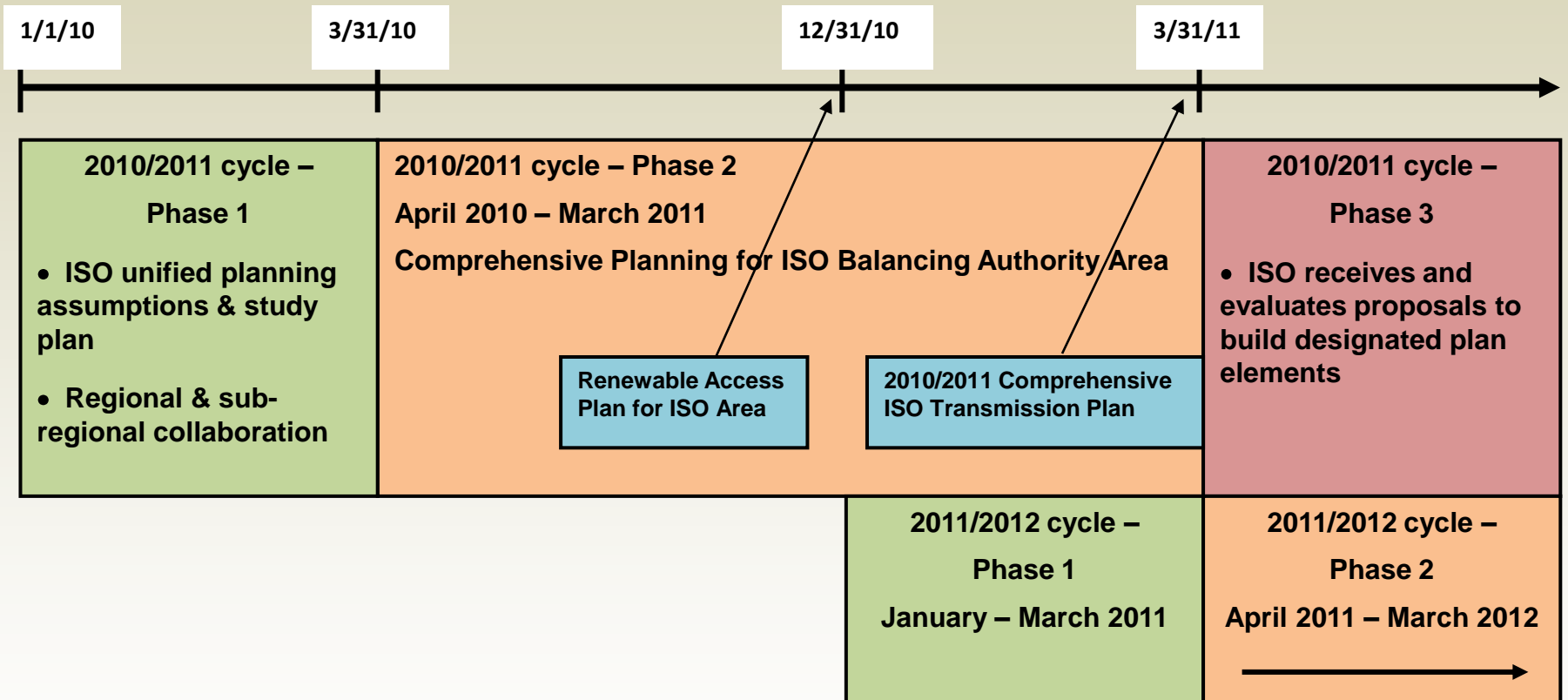
# Proposal was developed through an eight month stakeholder process.

- Series of seven ISO papers
- Multiple in-person meetings and conference calls
- Six rounds of stakeholder written comments

# Final proposal addresses the most contentious stakeholder issues.

- Opportunities for independents to build transmission
  - Policy-driven and economic upgrades
  - 2008-09 request window projects
- Deciding between competing proposals
  - ISO decides when proposals apply to different siting authorities
- Expedient processing of interconnection agreements
  - Proposal supports stimulus funding deadlines

# Proposal will create annual three-phase process.



# Proposal coordinates ISO infrastructure planning into one annual process.

- Comprehensive ISO transmission plan will include:
  - Projects for reliability, long-term congestion revenue rights feasibility, merchant, location-constrained resources
  - Interconnection-driven upgrades
  - Category 1 policy-driven and economic elements
  - Category 2 potentially needed – for future re-assessment

# Staff is reviewing draft tariff language with stakeholders for FERC filing.

- First draft of language posted May 5
  - Stakeholder conference call held May 12
- Second draft to be posted May 19
  - Stakeholder conference call May 26
- FERC filing planned for June 1



# Approval of proposal will enable transmission development for 33% renewable energy.

- Supports timely and efficient infrastructure decisions
  - Builds upon statewide conceptual plan and regional coordination
- Creates new “policy-driven” criterion for planning and approving transmission
- Integrates all ISO infrastructure planning activities into a single process and annual comprehensive plan

## **Attachment E**

Revised Transmission Planning Process Amendment  
Fourth Replacement CAISO Tariff

ER10-\_\_\_\_-000

June 4, 2010

1 California ISO, Board of Governors  
2 May 17-18, 2010. Decision on Revised Transmission  
3 Planning Process.

4  
5 KEITH CASEY: Yes. It's nice to move on to  
6 something easier. So and it's actually quite  
7 appropriate that this item follow the previous item on  
8 the interconnection requirements because this too is  
9 really about being proactive in making policy changes  
10 today to better enable achievement of the state's RPS  
11 goals. So for this item, we are proposing some major  
12 modifications to our transmission planning process to  
13 provide a more comprehensive and streamlined approach  
14 to planning the transmission system, particularly for  
15 accommodating the renewable generation resources that  
16 will be required to achieve a 33 percent RPS goal.

17 And as you know, this stakeholder process has  
18 been a very challenging eight-month ordeal in  
19 developing this proposal. And along the way we made  
20 numerous modifications and clarifications to the  
21 proposal in response to stakeholder feedback. And we  
22 also twice deferred taking this proposal to the board  
23 this year so as to allow more time to resolve

1 stakeholder concerns. We now feel this proposal is  
2 ready for your consideration and approval.

3       The proposal before you today reflects a delicate  
4 balance among competing stakeholder concerns. No one  
5 stakeholder's interests were met entirely by this  
6 proposal, so everyone will have something here not to  
7 like. But overall, we think the final design  
8 addresses to a reasonable degree all of the major  
9 concerns we heard along the way. Most notably, we  
10 think the proposal strikes the right balance of  
11 providing meaningful opportunities for third-party  
12 transmission developers as well as maintaining  
13 existing obligations and right the bill for the  
14 incumbant participating transmission owners.

15       It also strikes the right balance of addressing  
16 concerns we heard early on, on the ISO's involvement  
17 in the California transmission planning group in  
18 developing a state-wide conceptual transmission plan.  
19 The concern raised there is our stakeholders did not  
20 want to see that process supplant the ISO's 890  
21 transmission planning process. So our final proposal  
22 makes clear that the CTPG's study results will be an  
23 important input to our process, but it does not  
24 supplant our process in that we will continue to

1 conduct our own 890 planning process, which will be  
2 very rigorous and open to all to develop a final plan  
3 for our footprint.

4 And importantly, through this process we worked  
5 very closely with the CPUC to address their concerns  
6 and to make sure the proposal was well-coordinated  
7 with their processes as well. And as you heard from  
8 Yakout yesterday in his CEO report, that coordination  
9 effort culminated in a Memorandum of Understanding  
10 between the PUC and the ISO on how we'll interact  
11 through the transmission planning process. And I know  
12 we have a representative from the PUC that will offer  
13 some comment today.

14 So lastly, I always make a point of acknowledging  
15 staff's contributions to decisional items brought  
16 before you. I want to especially recognize the core  
17 team behind this proposal, specifically, Lorenzo  
18 Kristov, who will be presenting it today, Lee Hellman,  
19 Cynthia Hinman, Judy Sanders, Gary Deshazo, and  
20 Anthony Vancovich. I'm really just in awe of the  
21 incredible effort and commitment this team put forward  
22 over the past eight months in bringing this proposal  
23 before you today.

1           So without further adieu, I will turn it over to  
2 Lorenzo Kristov, our principle market infrastructure  
3 policy to walk through the final proposal.

4           LORENZO KRISTOV: Thank you, Keith.

5           Good morning, Chairman Willrich and other members  
6 of the board. I notice that two of the board members  
7 are out of the room at the moment. Should I wait a  
8 minute for them to return or should I launch right  
9 into the presentation?

10          MASON WILLRICH: I think you ought to go because  
11 we are under a real time constraint here.

12          LORENZO KRISTOV: Okay. So I'm here this morning  
13 to present to you management's proposal for changes to  
14 the transmission planning process that have been  
15 underway, as Keith mentioned, for quite a number of  
16 months. And the changes to the transmission process,  
17 planning process at this time are especially necessary  
18 and timely because state policy initiatives,  
19 specifically, 33 percent renewable energy as a target  
20 for 2020 or any expansion, equivalent expansion of the  
21 presence of renewable generation and the need to  
22 interconnect new facilities requires us to think about  
23 transmission planning a little bit differently than

1 the way our existing process is set up to approach the  
2 problem.

3 And really, the existing methods, the existing  
4 approaches tend to look at a project-by-project basis,  
5 location-by-location basis, what's needed here, what's  
6 needed in another part of the grid for different  
7 identified needs. And what we find is that under the  
8 requirement of meeting the 33 percent renewable energy  
9 target, first of all, we need to take a statewide look  
10 at the transmission grid, not just the ISO footprint,  
11 because all of the state is under this 33 percent  
12 requirement and it will drive transmission investment  
13 decisions by the major non-ISO planning authorities as  
14 well as by the ISO. So taking a statewide look is a  
15 piece of what we're doing.

16 But then even when you get to the ISO footprint,  
17 instead of the single project-by-project, area-by-  
18 area, let's look at all the activities that the ISO  
19 does and all the different types of needs that drive  
20 specific projects, specific approvals, and specific  
21 infrastructure decisions, look at them comprehensively  
22 and bring you a comprehensive plan that addresses the  
23 33 percent in conjunction with the other reliability

1 economic LCRAF and things which I'll talk about in a  
2 moment.

3         And then the last major reason for changing the  
4 process is to add a new criterion because we have  
5 existing explicit criterion to approve projects on the  
6 basis of reliability needs and on the basis of  
7 economic benefits where they provide a cost-benefit  
8 tradeoff that addresses transmission congestion, for  
9 example, but beyond that, this 33 percent renewable is  
10 likely to identify transmission that doesn't  
11 necessarily meet each of those two more traditional  
12 criteria. So we're adding something new which says  
13 here's a state policy requirement or initiative that's  
14 now going to be driving transmission. Let us formally  
15 adopt that as a criterion to be able to do planning  
16 and to be able to approve projects.

17         So that's -- those are the three main ingredients  
18 that said we need to revise the existing planning  
19 process. At the same time, we live under FERC Order  
20 890 that says certain things about how transmission  
21 planning should be done. And we don't want to  
22 compromise at all on those 890 requirements. So we  
23 will still have the ISO conducting a fully Order 890-  
24 compliant process.



1           Now, the stakeholder process we went through,  
2    which started last September, had over the intervening  
3    months a series of seven papers -- the first one came  
4    out in mid-September, the last one came out about a  
5    week and a half ago -- that put all the pieces  
6    together. We've had multiple in-person meetings with  
7    stakeholders in conference calls. Typically between  
8    each paper that we come out with there's a round of  
9    stakeholder discussion and a round of stakeholder  
10   written comments.

11           So all of those things have taken place already.  
12    I'll get to the tariff language discussion a little  
13    bit later, but there's that process also going on,  
14    which we're currently in progress and involved  
15    stakeholder participation.

16           When we got to our final proposal, which is  
17    summarized in the board memo and was also summarized  
18    for stakeholders in the comprehensive plan that we put  
19    out a summary that we put out about a week and a half  
20    ago, it addressed what were the major contentious  
21    issues that stakeholders have been raising. And the  
22    first of those was opportunities for independent  
23    transmission companies to participate in building and  
24    owning new transmission facilities.

1           The proposal we have before you today provides  
2 those opportunities in a few different ways. First of  
3 all, this new category of policy-driven transmission  
4 upgrades are ones that will be in the process that  
5 I'll describe in a moment will be open to proposals to  
6 build from both independents and participating  
7 transmission owners as well as, in future cycles, as  
8 ISO identifies economic transmission upgrades. That  
9 will also be a category that both PTOs and non-PTOs  
10 may propose to build.

11           And then, finally, we're recognizing the request  
12 window projects that were submitted previously. Our  
13 existing transmission planning process includes an  
14 event -- a window of opportunity, which we call a  
15 request window, that we held during the 2008 time  
16 frame and in the 2009 time frame, during which parties  
17 could submit economic project proposals. And if --  
18 and while we have not yet evaluated them, we are going  
19 to be evaluating them over the coming year through the  
20 first cycle of the revise process. But if we  
21 determine that one of those is needed based on the  
22 criteria we're laying out, then the party that  
23 submitted that project to the request window would  
24 have the first opportunity to build it, recognizing

1 that it was submitted under the previous rules before  
2 we changed them. So those really define the scope  
3 for where there could be competition.

4 The next major issue that was a difficulty and  
5 controversial was what happens when we allow PTOs and  
6 non-PTOs to submit proposals to build an owner  
7 facility and we get two different parties who want to  
8 build and own the same facility. How do we make  
9 decisions about that? And in earlier proposals, ISO  
10 had wanted to simply defer to the State siting  
11 authorities because every project proposal has to go  
12 through another round of State siting, either at the  
13 Public Utilities Commission or at another regulatory  
14 authority, to get their final permitting.

15 But what we found and what we heard from  
16 stakeholders and ultimately had to recognize is that  
17 the State siting authorities may be perfectly capable  
18 of making such decisions in cases where the two  
19 competing proposals are submitting to the same siting  
20 authority. They can put them side by side. They have  
21 the capability of making those decisions. But in  
22 California, it's quite possible that one party could  
23 be going to the Public Utilities Commission for its  
24 siting and permitting. Another party could be going

1 to another siting authority, typically a municipality,  
2 for siting and permitting authority. And there really  
3 isn't a process for deciding in those cases how do you  
4 get those different entities to get together. While  
5 they might do so, there isn't any certainty as to how  
6 long that might take and what exactly would be the  
7 process of resolution.

8       So we agreed, then, to add into the proposal that  
9 in those cases we would propose a process and criteria  
10 by which the ISO would make the decision as to which  
11 of these proposals best meets our criteria in terms of  
12 a proposal that should receive cost recovery through  
13 the ISO's transmission access charge, should be  
14 allowed to connect to the ISO grid, and ultimately the  
15 builder/owner of that project would become a  
16 participating transmission owner to own and maintain  
17 that facility over its life span. So that ISO  
18 decision piece of it was added in around the last  
19 month and a half of the process as we made final  
20 improvements.

21       And then, finally, something you've heard about  
22 in the earlier discussion about interconnection  
23 agreements and the potential to receive stimulus  
24 funding under the Federal American Recovery and

1 Reinvestment Act. There is, as we have been told, a  
2 deadline by the end of this calendar year, whereby the  
3 renewable generation projects that are eligible for  
4 the stimulus funding need to complete certain things  
5 which require getting their LGIA signed so that then  
6 they can complete their project financing so that they  
7 can then expend some of that money in specific  
8 construction-related or equipment-related activities  
9 and get that done by the end of this year.

10       So for subsequent years in this revised process  
11 that I'll describe to you in a moment, we will have  
12 greater integration between the generator  
13 interconnection process and the transmission planning  
14 process. But for this year, we felt it was  
15 appropriate to not fully integrate them because  
16 waiting for the conclusion of the transmission  
17 planning process would conflict with this objective of  
18 allowing the interconnection agreements to go forward  
19 expeditiously for these projects.

20       So the next slide here now gives you a kind of  
21 schematic of what the new process looks like. I've  
22 got a little time line at the top, which, as you see,  
23 starts on January 1st, 2010, in the past, and then  
24 takes you up through March 31st, 2011, and then an

1 additional three-month period at the end of that. So  
2 if you look at the three colored boxes in the top  
3 major row, that represents the first cycle of the  
4 revise process.

5       Then drop down and I've color-coordinated them.  
6 The second cycle of the process starts on January 1st  
7 of 2011 and essentially repeats the same thing running  
8 into the following year. So those bottom boxes I  
9 think we can ignore for the moment and focus on the  
10 top line and the three phases.

11       Our process will be repeated annually, but as  
12 noted, it takes a little bit longer than a year. It  
13 takes at least 15 months, to March 31st, 2011, to  
14 deliver the final comprehensive plan. And then it has  
15 that additional phase at the end whereby alternative  
16 project proponents can submit their proposals. So it  
17 starts annually, but then the cycles overlap.

18       The first phase is really two pieces. One is the  
19 traditional activity that the ISO has always done year  
20 to year. We create what are called unified planning  
21 assumptions and a study plan primarily to address the  
22 reliability needs of the ISO grid. That's a  
23 stakeholder process. It starts up in January. We put  
24 out a draft. We have stakeholder review and comment

1 on that draft. We get to final unified planning  
2 assumptions and study plan. And those are posted in  
3 towards the end of March. And that has already been  
4 done for this year.

5 The second component of Phase 1 is this regional  
6 and subregional collaboration, which for this year is  
7 proceeding under the organization known as the  
8 California Transmission Planning Group, or CTPG. That  
9 actually started up last year and has gone through a  
10 number of phases of its own and is now on target to  
11 deliver its statewide conceptual plan in July. So  
12 that regional collaboration process gets started in  
13 Phase 1, but it actually takes a little bit longer and  
14 it runs into Phase 2 and becomes then an input into  
15 Phase 2.

16 Now, Phase 2 of the ISO process is really the  
17 substantive, the most substantive planning piece of  
18 the ISO process, which delivers, after 12 months that  
19 is, starting on around April 1st of 2010 going to  
20 March 31st of 2011, it comes up with this  
21 comprehensive transmission plan for the ISO control  
22 area. That's the deliverable represented by the -- I  
23 don't know which one to point out. I guess for you to  
24 see it's this second blue box right here, the

1 Comprehensive Transmission Plan, which is the result  
2 of that project, that process. And that will have a  
3 number of ingredients in it, which I'll get to in the  
4 next slide.

5 The important thing is, and what's a change from  
6 current procedure, is that that plan will be presented  
7 to the board for approval of the comprehensive plan.  
8 In the past you've been presented with an annual plan,  
9 mainly for information purposes, and then submitted  
10 for approval to you specific projects. What we're  
11 looking at now is, by the very nature of the  
12 comprehensive exercise we're doing, that we want to  
13 ask you to approve the comprehensive plan itself.

14 That will encompass the projects that have  
15 traditionally been part of the ISO planning process,  
16 reliability projects, projects to ensure the long-term  
17 feasibility of CRRs, et cetera. But it will also have  
18 some components in it that are called -- that we call  
19 elements that are not quite projects in the sense that  
20 the builder/owner is not identified yet.

21 So plan elements are those specific pieces of  
22 infrastructure -- equipment, lines, substation  
23 upgrades -- that roll into Phase 3 where multiple  
24 parties can submit proposals to build; and what you're



1 approving in looking at the final plan is the need for  
2 those elements.

3         The -- another milestone in the course of Phase 2  
4 is that we are building off of the CTPG work, taking  
5 what they come up with in July as a statewide  
6 conceptual plan. We're calling it statewide for the  
7 obvious reason, that all of the state entities who  
8 have responsibility to plan transmission are engaged  
9 in it, but conceptual in the sense that it doesn't  
10 determine the outcome of what goes into the ISO plan.

11         It provides an input based on this collaborative  
12 effort, based on considerable studies that are being  
13 done, and based on stakeholder process conducted by  
14 CTPG. But it's not definitive for what the ISO is  
15 going to ask its board to approve because CTPG is not  
16 a decision-making body in that sense. It's a study  
17 body. It's a collaborative body. It comes up with  
18 recommendations but not final decisions.

19         So in July our Phase 2 process takes that input,  
20 incorporates it into our stakeholder and continuing  
21 study process. Then we are aiming to create at least  
22 a plan for renewable access by the end of this year.  
23 That won't yet be the comprehensive plan, but it will  
24 address the state policy issues by identifying what

1 are the facilities that we need to get to 33 percent  
2 renewable and to distinguish among those which are the  
3 ones that we have very high confidence in will be  
4 needed because the generation is already highly  
5 probable. And we're calling those Category 1, where  
6 you would be asked to approve the need based on very  
7 high probability that we're not building any stranded  
8 capacity. This is all needed because the generators  
9 have demonstrated through PPAs, through being in our  
10 interconnection cue, et cetera, that they will  
11 materialize.

12 That renewable access plan isn't quite yet the  
13 comprehensive plan though, and that's why we go beyond  
14 December 31st where we do the economic analysis for  
15 the ISO grid. That's where we're looking for  
16 opportunities to find additional upgrades that may  
17 relieve congestion, that may reduce transmission  
18 losses. The more traditional, economic, cost-benefit  
19 types of needs. That's also the point at which we  
20 will evaluate the '08 and '09 request window projects  
21 to see which of those may offer economic benefits.

22 So the additional piece then between the  
23 renewable access plan at the end of December, which is  
24 not yet final yet, and the final comprehensive plan is

1 this phase of, this activity of doing the economic  
2 analysis, evaluating the '08 and '09 request window  
3 projects. And then finally after the plan is approved  
4 at the end of March, then at that point those  
5 components of the plan which we called elements, which  
6 are needed facilities, without yet identifying the  
7 builder/owner, that becomes the subject of Phase 3,  
8 where multiple parties now can submit proposals to  
9 build. So that's the schematic of what the process  
10 looks like.

11 Now, just to kind of summarize this comprehensive  
12 ISO transmission plan, the pieces that go into it, the  
13 first sub-bullet there are really the traditional  
14 things that you're used to seeing before, projects to  
15 address reliability needs, projects to ensure the  
16 long-term feasibility of congestion revenue rights.  
17 We have a requirement in our tariff because we do  
18 offer ten-year congestion revenue rights, financial  
19 hedging instruments, and we have a requirement to make  
20 sure that those rights all remain feasible over their  
21 ten-year life span.

22 We can have merchant projects coming in. These  
23 would be recommended during our Phase 2 process in the  
24 summer. Merchant projects are one for which the party

1 who proposes it is not seeking cost recovery through  
2 the access charge, simply is being evaluated for the  
3 reliability issues related to its interconnection with  
4 the grid, and -- but the builder/owner will continue  
5 to -- will absorb the cost of its own capital  
6 investment rather than receiving them paid back  
7 through the regulatory tack mechanism.

8       And location constrained resource facilities, we  
9 also have provisions in our tariff to create large and  
10 expensive generator interconnection facilities when  
11 you have remote resources that would have a very  
12 expensive interconnection process, we have a funding  
13 mechanism which enables those projects to go forward  
14 and be built by relying on tack funding for a short  
15 period of time before all of the generators who will  
16 utilize it necessarily come online. So that first  
17 bullet is really things that exist today that we're  
18 not changing with this proposal but will be folded  
19 into the comprehensive plan.

20       The second are the interconnection driven  
21 upgrades that come through the large generator  
22 interconnection process. And as I mentioned earlier,  
23 when we go into subsequent phases starting with the  
24 2011/2012 cycle, this interconnection assessment of

1 what upgrades are needed will be much further  
2 integrated with the transmission planning process,  
3 such that anything big and significant that is driven  
4 by interconnection, we'll re-evaluate it from the  
5 comprehensive planning approach to see if maybe  
6 there's a basis on commercial interest to build  
7 something that's a little bit bigger or a little bit  
8 different than what actually comes out of the  
9 interconnection study. But for this year, we're not  
10 going to fully integrate them. Again, going back to  
11 the need for these projects seeking federal funding to  
12 move ahead before we'll get done with the  
13 comprehensive plan.

14       And then the last two bullets finally are things  
15 that I referred to as elements, and these are  
16 facilities where the ISO planning process has  
17 identified very specifically the facilities that we  
18 want but are not yet assigned to a specific  
19 owner/builder. And the Category 1 are ones that we'll  
20 ask you to approve as needed, some under the policy-  
21 driven criterion, that is, to meet 33 percent  
22 renewable, or however that goal may evolve in the  
23 future, and also economic elements that we identify

1 where the facility needs cost-benefit criteria,  
2 typically in relieving congestion.

3       Then we'll add one more piece for information,  
4 not necessarily -- not for approval, but we'll look at  
5 potentially needed facilities. As we look at 33  
6 percent renewables, we're trying to balance in this  
7 the tension between making sure enough transmission  
8 gets built that we can connect all the generation  
9 needed to meet 33 percent versus building too much  
10 transmission and having under-utilized capacity, how  
11 do you maintain that balance when there's some  
12 uncertainty about the generation that's going to be  
13 interconnecting when and where.

14       So for that purpose we devised this Category 2  
15 notion and we said, Well, we want a pretty high  
16 standard for what goes into Category 1. We want to be  
17 sure that it meets the concept of something like least  
18 regrets, very highly likelihood that it's going to be  
19 fully utilized. And so what we ask you to approve  
20 will be just these facilities that meet that criteria  
21 of least regrets. But when you apply a strict  
22 criterion like that, maybe you don't get enough  
23 transmission to fully meet 33 percent. So we might  
24 find some other lines that look like good candidates

1 but we don't have enough information yet about the  
2 generation that's coming on to use them to say  
3 unequivocally these merit your approval right now.

4       So we'll identify them as Category 2. They're  
5 potentially needed, but we need to re-assess them in  
6 the next cycle just to see how generation development  
7 unfolds, what new things come into the cue where  
8 there's multiple areas that are potentially going to  
9 be utilized what happens in one of or more of those  
10 areas, does it achieve its critical mass of commercial  
11 interest. So Category 2, for information for further  
12 consideration but not part of what you'll be asked to  
13 approve.

14       The final piece of the stakeholder process now,  
15 we're reviewing draft tariff language we're preparing  
16 for our FERC filing on the 1st of June. We've already  
17 done one cycle with stakeholders. We've put out a  
18 draft of tariff language on May 5th. We received a  
19 lot of comments. We had a conference call on May 12th  
20 and went through all those comments. We're now in the  
21 process of creating our second draft of the tariff  
22 language, and that's due to be posted tomorrow with a  
23 follow-up stakeholder call a week later. So that will

1 wrap up the tariff review process and put us on track  
2 for FERC filing on June 1st.

3       So in conclusion, we'd like you to approve this  
4 proposal based on the facts that it is -- it addresses  
5 the needs for changes to the transmission planning  
6 process that react to the new goal of transmission,  
7 that is, building to meet a state policy objective to  
8 achieve renewable energy and does so though in a way  
9 that preserves Order 890 and doesn't disrupt a lot of  
10 the existing transmission planning activities.

11       It will support timely and efficient  
12 infrastructure decisions. Efficient because it's  
13 taking a comprehensive view and because it takes a  
14 statewide look at what's needed. It creates this new  
15 policy-driven criterion for planning and approving  
16 transmission and it integrates all of the ISO  
17 infrastructure planning activities into a single  
18 process, which will be fully realized in the second  
19 cycle starting next year.

20       And that concludes my presentation. Thank you.

21       MASON WILLRICH: Thank you, Lorenzo. Well, we've  
22 got 11 speakers. Just for your reference here, I  
23 think in view of the -- we're supposed to adjourn by  
24 1:00, and the -- I'm going to cut us down to three



1 minutes. And 11 times three is 33, then that provides  
2 back and forth for a sufficient amount of time. We  
3 also have a process issue at the governor level.

4 We're going to lose Governor Foster shortly --

5 ROBERT FOSTER: Only temporarily.

6 MASON WILLRICH: -- and I want to give him an  
7 opportunity -- are you going to be able to stay  
8 patched in on the phone or are you --

9 ROBERT FOSTER: I may, but please go ahead. I'm  
10 just going to listen to the discussion.

11 MASON WILLRICH: Well, and well, give us a shout  
12 before you leave.

13 ROBERT FOSTER: I'm going to listen. I want to  
14 hear the discussion. I may do that prior to leaving,  
15 but I apologize. I have a commitment I have to get  
16 back for. It's unusual.

17 MASON WILLRICH: Yeah. We have the Mayor of Long  
18 Beach with us here, so everybody should be really -- a  
19 substantial public official.

20 Okay. Then what I've got here is Collette  
21 Kirstin, CPUC; then Jim Avery, San Diego Gas and  
22 Electric; David Mead, Southern California Electric;  
23 Tony Brawn, California Munis; Jenny Muhler, Startrans;  
24 Garrett Evans, Pittsburgh Power Company; Christian

1 Hackett, Pattern Energy; Dorias Shermahomody, the Wind  
2 Association; Susan Schneider, Eagle Crest Energy; Hank  
3 Pylegde, Division of Rate Payer Advocates; and P.J.  
4 Martinez from PG&E. And what I'll do is to, Collette,  
5 you're up, and then Jim Avery follows, and then I'll  
6 try to articulate who the next person is so you can be  
7 right in line and ready to go and efficient as  
8 possible.

9 Collette.

10 COLLETTE KIRSTIN: Good afternoon.

11 UNKNOWN MALE: Not quite.

12 COLLETTE KIRSTIN: On the PC, it's noon. So  
13 again, good afternoon, chair, members of the board of  
14 governors, ladies and gentlemen. My name is Collette  
15 Kirstin. I'm here on behalf of the California Public  
16 Utilities Commission and energy division staff. Thank  
17 you very much for the opportunity to express CPUC  
18 staff support for the proposed transmission planning  
19 process changes.

20 These proposed changes to the ISO's tariff have  
21 resulted from a stakeholder process that has been  
22 energetic, creative, sometimes contentious, and almost  
23 certainly longer and more complicated than  
24 anticipated. However, the resulting product provides

1 a good foundation for moving ahead. Some details will  
2 need to be refined through the tariff, obviously, but  
3 considering both the complexity and urgency of the  
4 challenges and the timeliness of the issues at FERC,  
5 it's really time to move ahead.

6 I would like to summarize our overall support for  
7 the fundamental objectives which Lorenzo alluded to  
8 and which are summarized in the board documents,  
9 explain how these reforms compliment and assist the  
10 CPUC role, and how we believe the key issues or  
11 challenges and tradeoffs were sufficiently addressed  
12 to allow us to move ahead.

13 The CPUC support the fundamental objectives of  
14 making state energy policy objectives, particularly  
15 renewable policy goals an explicit basis for approving  
16 transmission projects. We also support the emphasis  
17 on a more big picture, single process, comprehensive,  
18 proactive approach to planning and improving  
19 transmission for such purposes integrated with other  
20 purposes such as maintaining reliability, and reducing  
21 congestion where this is economic.

22 INAUDIBLE uncertainties of future renewable  
23 generation locations, the central focus, is  
24 appropriately on identifying least regrets, robustly

1 needed transmission across a suitable range of  
2 possible scenarios. We are really pleased with the  
3 integration of the Ready processes, long-term  
4 procurement planning processes, and to the overall  
5 effort on an earlier rather than on -- on an earlier  
6 basis. It's not totally in sync right away, but we  
7 think the anomalies with the process will be worked  
8 out in time. The process integration is moving  
9 forward, as alluded to. They have worked out the  
10 issues that the transmission projects that were  
11 submitted in 2008 and 2009, and there's been some  
12 accommodation for the Era projects.

13 Certainly the right of first refusal is an issue  
14 that's close, near and dear to the commissioners'  
15 hearts and we are glad to hear that some  
16 accommodations have been made at certain phases of the  
17 process and that the right balance has been struck. I  
18 won't go into some of the other aspects, multiple  
19 completing objectives; but they have been worked out,  
20 as Lorenzo has alluded to, and I think that some  
21 issues with the CTPG have been addressed in terms of  
22 openness and transparency.

23 With that, I have run out of time, but I wanted  
24 to say that I've been -- I'm very pleased to present

1 on behalf of the Commission, and in the spirit of  
2 cooperation and collaboration, I have this signed  
3 document Memorandum of Understanding signed by both  
4 President Peevey and Executive Director Paul Clanon.  
5 I'd like to present that to Yakout Mansour right now,  
6 and we look forward to working out and hashing out all  
7 of the details.

8 Thank you very much.

9 MASON WILLRICH: Thank you, Collette.

10 Jim Avery, and then following that David Mead.

11 JIM AVERY: Good afternoon. Hi. My name is Jim  
12 Avery. I'm the Senior Vice President of power supply  
13 for San Diego Gas and Electric, and I'm also the  
14 chairman of the California Transmission Planning  
15 Group.

16 My first comment is with respect to the  
17 Transmission Planning Group. I would like to say or  
18 maybe share with you one of the thoughts that are  
19 shared at every one of our meetings, and that is: In  
20 order to do the work that we need to do to satisfy the  
21 needs of our customers, we should have started years  
22 ago.

23 So the one thing we can do to ensure that we can  
24 actually meet the objectives and the goals for the

1 State of California is to do as best we can to create  
2 certainty in a regulatory environment. And so the  
3 work that you're putting forth here is a certain level  
4 of certainty that will help us meet those goals. So  
5 with that, we thank you.

6 On behalf of San Diego Gas and Electric, what I'd  
7 like to say is that we do support the work that the  
8 ISO has been doing with respect to the transmission  
9 planning process. But one of the things I would like  
10 to caution is that the devil is in the details. The  
11 implementation of the tariff changes that are put  
12 before you are going to be paramount for the success  
13 of our efforts.

14 First, I'd like to touch on reliability.  
15 Standards and standardization of what PTOs do in order  
16 to satisfy the needs and objectives of our customers  
17 is critically important, and that was no more evident  
18 than what we saw in the recent earthquake that hit us  
19 just south of the border just a few weeks ago.

20 In that case, the earthquake took out a critical  
21 substation that serves the San Diego region and the  
22 transmission link as well. The southwest paralink was  
23 taken out of service for a couple of days. We were  
24 able to reenergize that quickly and we were able to

1 return the substation to service relatively quickly,  
2 but only because of the standardization and the  
3 standards and the practices that San Diego Gas and  
4 Electric adheres to. Because of that, we were able to  
5 share critical pieces of infrastructure and equipment  
6 with our neighboring utilities and a lot of equipment  
7 was available to us throughout the network of supply.  
8 We need to ensure that if anyone else builds  
9 infrastructure that we depend on, that they follow  
10 those same standards and the standardization.

11 On the liability side, utilities have liability  
12 to their customers. We have to assure that anyone who  
13 builds infrastructure on our system maintains that  
14 same level of liability assurance and the same, again,  
15 standards that we adhere to.

16 And last and perhaps the most important is cost  
17 containment. For those people who look for  
18 opportunities to circumvent the regulatory process  
19 that we adhere to, they find ways not just to  
20 circumvent and perhaps give themselves a competitive  
21 advantage, but they put our customers at risk.

22 Independent developers look at the opportunity to  
23 leverage their assets, to leverage the investments,  
24 and not put the same level of equity into the

1 investments that they make. That puts our customers  
2 at risk. It puts the PTOs, the existing PTOs at risk  
3 because whether we like it or not, we are going to be  
4 the backstop supplier, and if there's a failure on the  
5 system, we're going to have to step up and cure that  
6 failure quickly. And if the individual companies that  
7 do build on our system do not maintain that same level  
8 of investment, then they do not have the capability to  
9 do that.

10 So with that, I would like to point out one thing  
11 that has worked. We do have actually an independent  
12 that is participating in the Sunrise power link, and  
13 we found a compromise that works for us, that works  
14 for our customers, and ultimately will work for the  
15 State of California.

16 Thank you.

17 MASON WILLRICH: Thank you.

18 David Mead, and thereafter Tony Brawn.

19 DAVID MEAD: Three minutes, huh? I'll run  
20 through this very quick.

21 Good afternoon, Chairman Willrich and Governors.  
22 I'm David Mead, Vice President of Engineering and  
23 Technical Services, Southern California Edison



1 Company. Thank you for allowing me to offer comments  
2 to this proposal.

3       Since the inception of this stakeholder  
4 initiative, SCE has supported the Cal. ISO objective  
5 of establishing a new tariff category for renewable  
6 transmission projects. This proposal achieves that  
7 objective and SCE commends the Cal. ISO for seeking to  
8 enhance this transmission planning process to promote  
9 the development of transmission infrastructure needed  
10 to achieve California's renewable goals.

11       The Cal. ISO proposal before you today clearly  
12 demonstrates the Cal. ISO efforts to a robust  
13 stakeholder process to listen to different points of  
14 view and attempt to balance the various competing  
15 interests involved. SCE believes that the Cal. ISO  
16 has found a way to strike the balance while preserving  
17 many elements of the current tariff. This includes,  
18 for example, the PTO role in building reliability  
19 elements and all LGIP-related transmission upgrades.  
20 In other words, the Cal. ISO has found a way to  
21 enhance the existing transmission planning process  
22 without having to make drastic and potentially  
23 disruptive changes to the current tariff.

1 I would point out that all of the stakeholders  
2 have had to make compromises. I think Keith put it  
3 right, there's something for everybody to dislike in  
4 this, including SCE and other PTOs. For example, in  
5 the current tariff, the PTOs have a right of first  
6 refusal and economic upgrades identified by the Cal.  
7 ISO. That's in the tariff. Whereas in the draft  
8 tariff proposal, the Cal. ISO has proposed to  
9 eliminate this.

10 I can discuss many of the positive developments  
11 contained in this proposal, but in the interest of  
12 time, I'd like to highlight just two. First is the  
13 concept of comprehensive planning. The Cal. ISO  
14 proposal places heavy emphasis on comprehensive  
15 planning, and SCE supports this. SCE strongly  
16 supports the production of a statewide conceptual  
17 transmission plan by the Cal. ISO in Phase 1, building  
18 on the work of Ready and with additional stakeholder  
19 input submitted through the California transmission  
20 planning group's stakeholder process, this  
21 collaborative effort provides a strong foundation for  
22 the Cal. ISO to more specifically address its  
23 transmission needs in Phase 2.

1           Second are the opportunities for investment  
2 proposed by this proposal. SCE believes that the  
3 proposal provides significant opportunities for  
4 independent transmission developers, renewable access  
5 elements, and economically beneficial elements in the  
6 final Phase 2 plan are open to proposals from PTOs and  
7 non-PTOs alike. This is in addition to the merchant  
8 transmission projects which are also open to all  
9 parties. It's important to point out here that Cal.  
10 ISO has found a means to provide these investment  
11 opportunities for the independents while still  
12 preserving the tariff transmission category assigning  
13 certain projects for the PTOs to build.

14           Although SCE is generally supportive of the Cal.  
15 ISO proposal, I do have to go on record and reiterate  
16 that SCE continues to have one significant concern.  
17 It's regarding the concept of backstop obligation to  
18 build. In cases where there is no approved project  
19 sponsor or where the approved project sponsor is  
20 unable or unwilling to build the project, the Cal. ISO  
21 is proposing that the PTO have backstop obligation to  
22 build.

23           SCE has consistently maintained throughout the  
24 initiative that it is opposed to a backstop obligation

1 without a corresponding right of first refusal.  
2 Despite our support for the many other elements of the  
3 proposal before you today, this is an element that SCE  
4 must continue to oppose. We will work with Cal. ISO  
5 in its tariff language modification stakeholder  
6 process to ensure that this issue is adequately  
7 addressed.

8 Thank you.

9 MASON WILLRICH: Thank you very much.

10 Next is Tony Brawn, and thereafter, Jenny Muhler.

11 TONY BRAWN: Mr. Chairman, Board of Governors,  
12 thank you. I'm here representing the California  
13 Municipal Utilities Association. I think I'll scrap  
14 all prepared remarks and get down to the basic  
15 elements. I cannot emphasize, and I think the board  
16 needs to look at this in the context of what has  
17 happened with transmission planning over the last 24  
18 months. Significant progress has been made.

19 Since I've been here, there hasn't been a lot of  
20 communication amongst the various transmission  
21 planners and transmission builders in California.  
22 That has changed. That has been turned around 180  
23 degrees. Right now through the CTPG and even before  
24 that through the Ready process facilitated by the CEC

1 and others, the transmission planners from all the  
2 utilities have been working together trying to put  
3 together a comprehensive plan to not only meet the  
4 traditional needs of the system but also the need to  
5 deliver renewable energy.

6 And you have to look at this proposal within that  
7 context, that this is a ground-breaking policy  
8 achievement of this unprecedented coordination which  
9 is just necessitated by not only the goals of  
10 delivering renewables, but also the difficulties in  
11 siting which just won't allow the bifurcated go-it-  
12 alone type of approach of transmission development  
13 that perhaps we had over the course of the last  
14 decade.

15 The other issue I think the board needs to be  
16 cognizant of and it won't be solved today is cost.  
17 The numbers are staggering. Roughly, the high voltage  
18 system right now is I think a three-billion-dollar  
19 system in rank base. The official numbers that I've  
20 seen are an additional 5 to \$8 billion dollars on top  
21 of that. Governor Foster, one of your ex-employees,  
22 John Balance, did a study for the CEC that put the  
23 number at \$25 billion. And the reason for that was  
24 because he was looking at actually what it was going

1 to take to deliver in all this in-base and upgrades  
2 and things like that to serve load. Whereas, the  
3 numbers on the 5 to 8 don't take those things into  
4 account.

5 So the numbers are staggering. And we have to do  
6 two things to manage that cost risk. It needs to be a  
7 least regrets policy, given how fluid everything is  
8 and what we're going to invest in, and we need to  
9 build each and every element of that plan in the  
10 lowest cost possible.

11 We don't have mechanisms in there to do that yet.  
12 We're still working on them. But I think that's the  
13 context in which the board needs to consider this  
14 proposal and how to move forward. We're going to be  
15 back here discussing this issue again, I'm fairly  
16 confident of that.

17 Thank you.

18 MASON WILLRICH: Thank you, Tony.

19 Governor Foster.

20 ROBERT FOSTER: Yeah, if I may, Mr. Chairman. I  
21 apologize. I am going to have to leave, and it's an  
22 unusual event, but I did want to express my gratitude  
23 to the staff and particularly Yakout and to the  
24 cooperation from the PUC and all the -- all of you

1 involved in the transmission. Both this and the  
2 previous issue are critical to meeting the 33 percent  
3 goal.

4 And I also agree with the last speaker relative  
5 to cost. I think that that's something that tends to  
6 get overlooked and we have to really concentrate on,  
7 like it or not, all of this costs a lot of money. I  
8 would argue that not doing it costs even more money.  
9 But to get to the 33 percent, it's critical that not  
10 only we have a transmission system that operates and  
11 operates effectively, but that we have cooperation.  
12 And looking at, you know, potentially new ways of  
13 doing it, particularly with independents coming in, I  
14 think the proposal allows for that.

15 I know there's some disagreement out there, but  
16 I'm supportive and I want to thank the staff and all  
17 the agencies involved in this. I thank you for the  
18 time. And I apologize. This is unusual that I do  
19 need to leave.

20 Thank you, Mr. Chairman.

21 MASON WILLRICH: Okay. Safe trip.

22 Next is Jenny Muhler.

1           JENNY MUHLER: Mr. Chairman and members of the  
2 ISO Board, my name is Jenny Muhler, and I am here  
3 representing Startrans.

4           Startrans is a participating transmission owner  
5 in the California ISO and owns a portion of the Mead-  
6 Phoenix and Mead-Adalanto transmission projects. We  
7 are also one of the sponsors of the very successful  
8 Neptune regional transmission undersea cable that  
9 links New Jersey to Long Island.

10          We are actively developing new transmission  
11 projects to help the ISO achieve its reliability,  
12 economic, and RPS objectives. We submitted several  
13 projects to the ISO in the 2009 request window, and we  
14 have been an active stakeholder in the process to  
15 revise the transmission planning process over the last  
16 few months.

17          Our comments today have two purposes. First, we  
18 wish to thank the ISO staff for making significant  
19 changes to the proposed transmission planning process.  
20 Second, we would like to ask, as members of the board,  
21 to direct the staff to make the ISO's policies  
22 relating to transmission planning truly uniform,  
23 transparent, and evenhanded. We would like to help  
24 craft a process that assures the transmission projects



1 needed to meet the state's RPS goals are built. The  
2 first draft proposal for the renewable energy  
3 transmission planning process granted the right of  
4 first refusal to incumbent utility PTOs to construct  
5 any transmission project linked to renewable  
6 development.

7 This proposal, and the fact that the ISO had not  
8 evaluated the more than 40 proposals submitted by  
9 independent transmission companies in the 2008 and  
10 2009 request windows, suggested to us that the ideas,  
11 energy, financial resources, and managerial expertise  
12 of independent transmission owners were not welcome.  
13 And not only that, we were also very concerned that  
14 the utility PTOs had effectively received a monopoly  
15 over the new transmission development.

16 As you would have expected, as the broader,  
17 independent transmission community raised strong  
18 concerns over the right of first refusal, but more  
19 tellingly, the CPUC and Energy Commission also oppose  
20 the right of first refusal on the grounds that it was  
21 not in the rate payer's best interests.

22 The next proposal for the renewable energy  
23 transmission process no longer contained the explicit  
24 right of first refusal, but it did indicate that

1 transmission projects, even those proposed by  
2 companies like ours, would be assigned to relevant  
3 utility PTOs. This was the right of first refusal by  
4 another name and equally unfair.

5 The final transmission planning proposal, the  
6 staff made significant changes. A consolidated  
7 renewable planning process with a larger transmission  
8 planning process, which was a welcome simplification.  
9 It also explained how projects would be evaluated and  
10 proposed rules on how to decide between competing  
11 projects.

12 These rules still need more debate and  
13 clarification, but we believe they are a step in the  
14 right direction and overall the transmission planning  
15 process has been more open and fair. However, there's  
16 one big issue left. The last transmission planning  
17 process proposal the ISO states the ISO now proposes  
18 to allow a party who submitted in the 2008 or 2009  
19 request window project, the right to build and own its  
20 proposed project provided the ISO -- the transmission  
21 facilities comprising the project are approved and as  
22 needed, and the ISO's received transmission planning  
23 process and do not fall under the tariff transmission  
24 categories to be built by the PTOs.

1           You will pardon us, we hope, for wondering if  
2 this exception is really a right of first refusal in  
3 disguise. We are concerned that the utility PTOs  
4 recharacterized a large number of transmission  
5 projects as network upgrades or LGIP projects and in a  
6 round-about way have an exclusive right to build the  
7 vast majority of new transmission projects.

8           We have raised these issues with the ISO staff  
9 and asked you to do two things. First, please clarify  
10 that the LGIP process will not be used to circumvent  
11 the policies that are being asked to be approved  
12 today. And second, please clarify how LGIP fits into  
13 the broader transmission planning process. After all  
14 the changes to the transmission planning process  
15 proposed here, aim to consolidate and simplify the  
16 transmission planning. Having a parallel and opaque  
17 LGIP defeats the purpose of these changes.

18           Finally, we believe that the transmission  
19 planning process would benefit from having an  
20 independent third-party evaluator. That independent  
21 evaluator would assure that the projects being  
22 selected provide the greatest economic reliability  
23 benefits. Startrans looks forward to continuing to  
24 work with the ISO and help meet the renewable needs.

1 Thank you for the opportunity to comment.

2 MASON WILLRICH: Thank you. Thank you very much.

3 Next is Garrett Evans of Pittsburg Power, and  
4 following that, Christian Hackett from Pattern Energy.

5 GARRETT EVANS: Thank you, Mr. Chairman, members  
6 of the board. My name is Garrett Evans, and I'm the  
7 Director of the Pittsburg Power Company.

8 Since 1997, the Pittsburg Power Company has  
9 facilitated nearly \$2 billion worth of electrical  
10 utility infrastructure, including 1500 megawatts of  
11 new power generation in the nearly completed 400-  
12 megawatt Trans Bay Cable Project. A number of these  
13 projects were done as public/private partnerships with  
14 the private sector.

15 Our community's commitment to improving the power  
16 infrastructure in California continues as we evaluate  
17 future generation transmission infrastructure projects  
18 both independently and with public/private  
19 partnerships with firms such as Pattern Energy, which  
20 we submitted previously, all in order to help our  
21 utility and others reach the state's 33 percent RPS by  
22 2010.

23 I'd like to express my appreciation to the ISO  
24 staff for working closely with stakeholders and being

1 receptive to our input. The transmission planning  
2 process in California is extremely complex, and  
3 herding us calves with our different agendas, it is  
4 surely no small task.

5       Creating a fair and level playing field where the  
6 criterion for planning and approving transmission  
7 additions and upgrades is certainly needed. The  
8 transmission planning process as proposed is  
9 comprehensive and tries to balance those expectations  
10 of the stakeholders. Pittsburgh Power Company  
11 believes that there is a role for all participants in  
12 this process. The objective evaluation of project  
13 sponsors and participants is crucial in promoting a  
14 fair, balanced, and competitive pricing for the  
15 state's transmission needs.

16       We support the ISO's effort to be in charge of  
17 the transmission grid planning process, and in our  
18 conversations with Mr. Mansour and staff, it is very  
19 apparent that the intent behind the process includes  
20 not only building the necessary infrastructure for  
21 California to meet its renewable goals, but also to  
22 minimize the cost to the rate payers. As a municipal  
23 utility, we appreciate that holistic approach.

1           Finally, to reiterate, the Pittsburg Power  
2 Company is pleased to be part of this process as  
3 proposed and would like to thank the ISO staff for  
4 their openness and commitment to producing a safe and  
5 reliable transmission system for California. We look  
6 forward to continued work with the ISO staff and  
7 respectfully request that the board approves the  
8 staff's motion today.

9           Thank you.

10          MASON WILLRICH: Thank you.

11          Next, Christian Hackett. And are you a partner  
12 of Pittsburg, and if so -- is that right?

13          CHRISTIAN HACKETT: We have a proposal into the  
14 2008 request window, the Central Valley transmission  
15 line; and yes, we are in that project a public/private  
16 project arrangement.

17          MASON WILLRICH: So you're -- if you can be  
18 really brief, please. We just heard from your  
19 partner. Unless there's a conflict with your partner.

20          CHRISTIAN HACKETT: Well, Governors, staff, and  
21 stakeholders, my name is Christian Hackett from  
22 Pattern Energy, and we appreciate the opportunity to  
23 comment.

1           Pattern Energy is a spinoff of Babcock and  
2 Brown's North American Energy Group. We are a  
3 renewable energy company with both wind and  
4 transmission backed by Riverstone, an energy private  
5 equity firm with over \$17 billion in assets under  
6 management. Our team is experienced in the energy  
7 sector, development, and public/private partnerships,  
8 including in California and, as you've heard, we have  
9 previous history of partnering with Pittsburg and will  
10 do so in the future.

11           Pattern expects that much of the considerable  
12 amount of investment required to upgrade California's  
13 transmission grid will come from the IOUs, but we also  
14 believe that much should come from qualified  
15 independent developers such as Pattern. In order for  
16 independent transmission developers to be able to  
17 invest in California, the CAISO needs to have and to  
18 implement tariff rules that do not unfairly  
19 discriminate against them.

20           The document you are considering today, as we've  
21 heard, is the outcome of a stakeholder process  
22 commenced last year. It's changed considerably over  
23 time, we believe substantially for the better. For  
24 example, as we heard earlier drafts granted

1 UNINTELLIGIBLE to the IOUs, even of the projects such  
2 as the five submitted by Pattern in the 2008 and 2009  
3 request window. Those projects were submitted at  
4 considerable cost and in reliance on the currently  
5 existing tariff under which no such UNINTELLIGIBLE  
6 exists. So we appreciate the movement.

7 Likewise, we are pleased that the selection  
8 process has been clarified so that when there are  
9 competing project proponents subject to different  
10 jurisdictions, the CAISO will select between project  
11 sponsors. We appreciate that.

12 The CAISO staff should be commended with the way  
13 it has undertaken the process. They have taken  
14 comments from their members, from the CPUC,  
15 independent transmission and generation developers,  
16 munis, environmental groups, the whole range of  
17 stakeholders. And so this document, as we've heard,  
18 will not please everybody. And we will continue to be  
19 active in the stakeholder process to seek appropriate  
20 changes to the draft tariff amendments.

21 For example, there's ambiguity in some areas, and  
22 we believe that the selection criteria for competing  
23 projects and sponsors must be unambiguous, rigorous,  
24 unbiased, and implemented transparently. And we



1 believe that the CAISO board should appoint an  
2 individual law firm as its independent advisor to  
3 assist with the selection of projects and project  
4 sponsors. Consequently, we have suggested some  
5 amendments to tariff language.

6 But time is short. There is much to do. And  
7 there are many steps to be taken and opportunities for  
8 input before the final tariff amendment goes into  
9 force. So we approve -- sorry, we support the  
10 approval of the RTPP document.

11 Thank you very much for your time.

12 MASON WILLRICH: Thank you.

13 Dorias Shermahomody.

14 DORIAS SHERMAHOMODY: Thank you, Mr. Sherman. I  
15 would like to thank you for --

16 MASON WILLRICH: Susan Schneider is next.

17 DORIAS SHERMAHOMODY: I forgot to thank you last  
18 time for pronouncing my name so well, but I guess --

19 MASON WILLRICH: Well, I --

20 DORIAS SHERMAHOMODY: -- you made up for it this  
21 time.

22 We, three years ago, when we collaborated closely  
23 with Cal. ISO, the wind industry collaborated with  
24 California ISO in implementing the LGIP reform, we

1 strongly advocated for an integrated transmission  
2 planning, but all the processes that go into  
3 transmission planning should be integrated to be one,  
4 and we are very glad to see that that goal was  
5 eventually achieved and we appreciate -- I mean we  
6 congratulate Cal. ISO in that regard.

7 We also are very happy that Cal. ISO is working  
8 with CTPG and CTPG is playing the role of, basically,  
9 technical level role of developing the conceptual  
10 transmission plan that will feed into Cal. ISO  
11 processes.

12 With that said, I must say that we are very -- at  
13 the same time, we are concerned that the tariff that  
14 has been proposed by Cal. ISO in the -- with regard to  
15 this new transmission planning process is very scant  
16 in details, very broad, and most importantly misses  
17 the most important component of the solution we all  
18 agreed both at RTPP and CTPG process. And we heard  
19 that word being said here several times, and that was  
20 the least regrets planning. There is very scant  
21 reference to it, and we think that the way it's being  
22 talked about is incorrect and it doesn't correspond to  
23 the discussions we have had as part the of the  
24 stakeholder process.

1           On top of that, we are concerned that the CTPG  
2 approach for developing transmission, conceptual  
3 transmission plan, is not -- does not work with CTPG  
4 with least regret planning principles. Two more quick  
5 items. The tariff should be very clear. Although we  
6 have heard that verbally, clear about the up-front  
7 funding of all the transmission projects that come out  
8 of RTPP, we'd like that to be made clear.

9           And the last one item that I have is related to  
10 LTRAF. A major achievement by California ISO in that  
11 regard is failing for probably a multitude of reasons  
12 we can talk about for long, but one of the areas we  
13 think that LTRAF should be reformed, and that will be  
14 to allow new PTOs to develop LTRAF facilities. It's  
15 very critical and I think if you allow that to happen,  
16 we will have a reliable LTRA process.

17           Thank you.

18           MASON WILLRICH: Thank you, Dr. Shermahomody.

19           Susan. Sorry, you have -- you have two cards,  
20 but --

21           SUSAN SCHNEIDER: They're very distinct, and I  
22 did consolidate the second one to make it very quick.

23           MASON WILLRICH: You've got to be really, really  
24 quick.

1           SUSAN SCHNEIDER: Okay. As you can see, they'll  
2 be very brief INAUDIBLE.

3           MASON WILLRICH: Thank you.

4           SUSAN SCHNEIDER: Okay. The first one has to do  
5 with the Eagle Crest Energy, and Eagle Crest Energy is  
6 a 1400-megawatts pump storage project being developed  
7 east of Blythe -- excuse me, west of Blythe along  
8 Highway 10, and it is now in the Phase 1  
9 interconnection process. So we are in the ISO  
10 interconnection cue. And if you can imagine, with a  
11 1400-megawatt project, we're expecting to trigger one  
12 or two transmission upgrades potentially. So I just  
13 have two things to say.

14           One is that we would ask the ISO to work with the  
15 CTPG to develop an integrated approach to what they've  
16 called integration resources, which has our resources  
17 the ISO needs to manage renewables. The CTPG seems to  
18 interpret it as mandate only to include renewables but  
19 not to include integration resources in Phase 1 of the  
20 ISO process; whereas, Phase 2 of the ISO process with  
21 its own plan will include integration resources. So  
22 it doesn't make much sense for the ISO every year to -  
23 - or for the CTPG every year to take out those end  
24 resources and then have the ISO put them back in. So

1 we hope the ISO will work with the CTPG to have a  
2 consistent process between the two.

3       The second is with respect to Phase 2 of the ISO.  
4 Since we're only in Phase I and haven't put in deposit  
5 money and won't have done that by the time this  
6 process ends for this cycle, we would not be  
7 considered in the ISO planning process until the next  
8 cycle which will end around the middle of the 2012.  
9 Since the COD is 2016, we're afraid that this will  
10 either not allow enough time to put transmission  
11 upgrades in place to accommodate such a large project,  
12 or if we came online without those, you could imagine  
13 the congestion impacts of a 1400-megawatt project. So  
14 we hope that the ISO this year in this cycle will run  
15 a couple of sensitivity cases at least with this  
16 project and make some preparations with respect to the  
17 projects proceeding forward in the future. So that's  
18 it for Eagle Crest.

19       Okay. With respect -- for the large scale solar  
20 association, Eagle Crest also has some concerns in  
21 this area. I want to talk about the LGIP, and I think  
22 Starwood had mentioned this. We are very concerned  
23 about the fact that there's a bit of a right hand --

1 I'm actually on to the next one if you want to start  
2 over again. I've finished that one.

3 Thank you.

4 MASON WILLRICH: You were supposed to compact,  
5 but go ahead.

6 SUSAN SCHNEIDER: Well, there is actually -- they  
7 are two different clients, and I know that I'm only  
8 one person, but I hope you all --

9 MASON WILLRICH: Okay. Keep going.

10 SUSAN SCHNEIDER: -- won't penalize them for it.  
11 Thank you. It is a different issue.

12 There's a bit of the -- the ISO has a right  
13 hand/left hand problem with respect to the LGIP, which  
14 has been a bit of a poor stepchild with respect to the  
15 transmission planning process.

16 We appreciate the fact that the ISO's accelerated  
17 the transmission plan -- or the interconnection  
18 studies for the Era generation projects this year and  
19 has exempted their transmission, they just needed to  
20 serve them from these additional review that would  
21 take place in the new TPT; however, what we don't know  
22 is which clusters for this time will actually be  
23 subject to the expedited treatment, whereas, our  
24 understanding that the Era projects are scattered

1 throughout, but we don't know which projects will get  
2 the expedited treatment; we don't know what will  
3 happen to the projects that don't get the expedited  
4 treatment. For the ones that do get it and have  
5 upgrades in their LGIAs, that then later -- and later  
6 those upgrades are part of a project that is  
7 identified through a separate sponsor, they should be  
8 taken out of the LGIAs with the suppliers not required  
9 to provide funding. But we don't have clarification  
10 on that.

11 We also don't have clarification for people who  
12 are in later clusters as to how this will affect their  
13 time line, their schedule. The people need to know  
14 these kind of details, and they shouldn't be relegated  
15 to serve an afterthought with these processes.

16 So we ask the ISO to take a little time to focus  
17 on the LGIP. The right hand/left hand issue has to do  
18 with some discussions underway with respect to the  
19 FGIP reform where the ISO is looking at shortening the  
20 LGIP, which we think is completely in the right  
21 direction. At the same time, they're looking at  
22 lengthening the LGIP through this process.

23 So, again, it's -- people are very confused.  
24 They don't know what to expect. And we really need

1 some focus on this issue to lay out definitive  
2 schedules for people at different stages of the  
3 process so that they can make their own planning and  
4 get their development going.

5 Thank you.

6 MASON WILLRICH: Thank you.

7 Next is Hank Pylegde, Division of Rate Payer  
8 Advocates, and then P.J. Martinez from PGAE.

9 HANK PYLEGDE: Hello once again. Sorry I'm late  
10 up here, but I didn't get a pre-notice.

11 A couple of issues that, of course, have  
12 concerned the Division of Rate Payer Advocates being  
13 the ones that are supposed to advocate for the rate  
14 payers who are really stakeholders of this whole  
15 process is the matter of cost. Now, we've heard some  
16 cost numbers here today which are just absolutely  
17 astounding, but they've been around. We don't have  
18 anything firm, but anywhere from 5 billion to 25  
19 billion will have to be picked up ultimately, I guess,  
20 through the rate payers.

21 So the thing that we've been looking for in this  
22 process all along is a, I'll call it cost-  
23 consciousness, some provisions that would require that  
24 cost be looked at in order that there will be wise



1 choices made based on cost. So far in the plan that  
2 has really not gotten in there, and I think we owe it  
3 to the people that are going to pay for it that we do  
4 this. Yes, it takes a little more time, a little more  
5 intelligent look at projects sometimes to do it right,  
6 but I think we owe it to the rate payers. So that's  
7 one major issue.

8 The other is the draft tariff. It's overly  
9 broad. I think that's a danger. The tariff should be  
10 very concise and state exactly what the requirements  
11 are going to be. When you have terms like state and  
12 federal policies, they may or may not be a matter of  
13 law, and if they're not a matter of law, then they  
14 really don't need to be implemented particularly.  
15 They may be or they may not. It's a choice. So the  
16 tariff needs to be typed up, I believe.

17 But the main issue is cost control. This is a  
18 huge effort being made by everybody. We really have  
19 to be careful and protect the rate payers from an  
20 unburdensome amount of expenditure.

21 Thank you.

22 MASON WILLRICH: Thank you.

23 P.J. Martinez, PGAE.

1 P.J. MARTINEZ: Thank you. I think I'm last or  
2 close to last; right?

3 MASON WILLRICH: You are last.

4 P.J. MARTINEZ: Okay. Thank you.

5 MASON WILLRICH: You stand between us and  
6 deliberation.

7 P.J. MARTINEZ: Okay. I'll be -- believe me,  
8 I'll be brief.

9 Thank you, Mr. Chairman and board members. In  
10 being brief, I just want to mention, first of all, I'm  
11 the Vice President of Engineering for PG&E, and as  
12 such, I'm responsible for transmission planning  
13 activities at PG&E.

14 PG&E supports the ISO's revised transmission  
15 planning process and this proposal. We think it's a  
16 fair proposal. We know there are many sides to it,  
17 but we believe at the end of the day it is a fair  
18 proposal. We also commend CTPG work that's been done  
19 in terms of the contributions by the ISO. They've  
20 been a key player in the CTPG process. Also, we want  
21 to commend the ISO for stepping up as the entity to  
22 select among competing proposals when multiple  
23 permitting agencies would be involved. We think that  
24 is the right step, or a right step in the process.

1           And we think that the ISO has proposed a  
2 reasonable set of criteria based on the inputs of  
3 multiple stakeholders. At the end of the day though,  
4 we believe that the transmission process, for it to be  
5 successful, we need to make timely decisions. And  
6 that's one of the keys that I think you, the board,  
7 will be looking at today. We -- and some people's  
8 views, we're behind the eight ball already, or we're  
9 behind in terms of trying to meet our goals for 2010,  
10 for 2020 also. So we believe it's time to act, and  
11 that is PGAE's recommendation at this point.

12           We also want to thank the ISO staff and the  
13 executive team for all their hard work in this  
14 initiative and want to recognize what they've done.  
15 It's a very difficult initiative to get through, but  
16 we want to thank them for that.

17           That's it. Thank you.

18           MASON WILLRICH: Appreciate that. Okay. So I  
19 don't have anymore speakers listed here. And so now,  
20 Keith, maybe you ought to pick up on some of the  
21 comments and comment back. And particularly, one on  
22 my agenda would be the thought about cost.

23           KEITH CASEY: Sure.

24           MASON WILLRICH: And I understand how that works.

1 KEITH CASEY: Um-hum.

2 MASON WILLRICH: And then this which hand has the  
3 ball, right hand or left hand, and that issue.

4 KEITH CASEY: Okay. Well, first off --

5 KRISTINE HAFNER: I just wanted to make sure  
6 that -- I recognized two letters that we did get in to  
7 the board, because I didn't do so at the beginning.  
8 The first was from the California Municipal Utilities  
9 Association, and second is from three cities: Palo  
10 Alto, Alameda and the City of Santa Clara. And those  
11 letters have been distributed to the board.

12 Thank you.

13 KEITH CASEY: First, I wanted to -- there's been  
14 a lot of acknowledgments about the ISO staff, but I  
15 wanted to commend our stakeholders and get through  
16 this process as well. It's been a long road for  
17 everyone, and, you know, in the end, I think the  
18 comments you heard today reflect the recognition that  
19 to get this forward, compromises had to be made. And  
20 I appreciate the willingness of our stakeholders to  
21 recognize and accept some of those compromises.

22 Cost. We've heard that. It's kind of a common  
23 theme in a lot of the comments we heard. I really  
24 wanted to emphasize that concern over cost was one of

1 the prime drivers for these reforms. We recognize,  
2 given the magnitude of what's potentially needed in  
3 the way of transmission to meet these RPS goals, it  
4 had to be done smartly, and that meant doing it  
5 comprehensively, looking at the complete picture, not  
6 looking at projects on a one-off individual basis, but  
7 looking at through collaboration of all the entities  
8 in the state that have planning responsibilities what  
9 is the most cost-effective, comprehensive solution for  
10 achieving 33 percent. So, you know, I just wanted to  
11 emphasize that that was a strong consideration.

12 The other benefit of this statewide collaborative  
13 effort up front is it avoids concerns that Tony Brawn  
14 raised about potential duplicative projects where, you  
15 know, a non-ISO entity is proposing transmission  
16 meeting the same needs that something we're looking  
17 at. So, again, the benefit of that collaboration is  
18 we avoid those kinds of duplications.

19 And the way we're treating the projects that came  
20 through the '08/'09 request windows is really with  
21 cost in mind. But again, to really effectively  
22 evaluate the benefits-to-cost of those projects, we  
23 have to have the context of what's needed  
24 comprehensively to address the RPS goals.

1           And then with regard to Category 1, Category 2,  
2 and again, it's the least regrets notion that we  
3 didn't want to just get blanket approval to all the  
4 transmission given the uncertainty that's out there  
5 where all of the renewable generation is going to come  
6 from. So by having this Category 1, Category 2, with  
7 Category 2 projects, we can subject them to further  
8 review and mitigate the risk that we approve something  
9 that ends up not being needed down the road and  
10 creates stranded costs. So we're very sensitive to  
11 cost.

12           With regard to our criteria for considering among  
13 alternatives when -- or I should say considering  
14 competing projects that are going through different  
15 jurisdictions, while we haven't had cost as explicit  
16 criteria, we have a criteria that speaks to cost  
17 advantages that a participant or project sponsor could  
18 bring. And that could be things like having existing  
19 right-of-ways or having certain capital structures.  
20 So it's really an opportunity for project sponsors to  
21 highlight areas where they think they have a cost  
22 advantage to the project that will get considered.

23           Fundamentally, we didn't want to consider cost as  
24 an explicit criteria because at that stage of the

1 process we're in no position to evaluate the overall  
2 cost proposal that somebody submits with the project,  
3 and you run the risk that somebody could put in a very  
4 low cost estimate to get favorable consideration and  
5 then a year later when they go to FERC for  
6 transmission revenue requirements come -- have  
7 something that's twice or three times that. So  
8 fundamentally, at that stage in the process, we -- a  
9 project sponsor's proposal on the overall cost doesn't  
10 have a lot of meaning. So I just wanted to highlight  
11 those issues on cost.

12 With regard to left hand/right hand, I think  
13 there's -- they are actually reconcilable, which is  
14 that the goal is to accelerate interconnection  
15 projects so long as they don't entail major network  
16 upgrades. And, again, this is where cost comes in,  
17 that if an interconnection project requires major  
18 transmission network upgrades that are in the hundreds  
19 of millions of dollars, we think it's important to  
20 give that upgrade a second look through our  
21 comprehensive transmission planning process to make  
22 sure that's the right upgrade in looking at the big  
23 picture as opposed to just agreeing to it through an

1 isolated interconnection study. So that is the driver  
2 there.

3 To the extent projects don't involve major  
4 network upgrades, the discussions you've heard through  
5 our SGIP stakeholder processes, maybe we can compress  
6 and accelerate that and get those projects out the  
7 door and underway. So it's a balance really of being  
8 sensitive to cost and wanting to make sure we have the  
9 right network solution for major upgrades but at the  
10 same time not wanting to hold up projects that don't  
11 require that level of network upgrade and get them  
12 through more expeditiously.

13 So I'll stop there and leave it to you.

14 MASON WILLRICH: Okay. So we've really had a  
15 good workout with the -- all the comments that came  
16 through as well. And I'd like to ask my colleagues  
17 for reactions or questions and further questions.  
18 Who wants to go? Yeah, Tom.

19 TOM HABASHI: The question to Keith, please, if  
20 you could address the concern that Southern California  
21 Edison brought up, which is: Why should I provide the  
22 backstop if I don't have a first right of refusal?

23 KEITH CASEY: You wanted to start with an easy  
24 question, huh?



1           TOM HABASHI:  Might as well get that out of the  
2 way.

3           KEITH CASEY:  Yes.  No, I understand their  
4 principal position on this.  And, you know,  
5 fundamentally this was about striking a balance and  
6 recognizing that third-party independent transmission  
7 providers, you know, have something to offer here in  
8 this process and to give them an opportunity, a  
9 meaningful opportunity, to participate and actually  
10 build projects if they turn out to be the most viable  
11 entity for doing that.

12           But at the same time, the concern was if no one  
13 steps up, what do we do.  And they're consistent  
14 with -- other areas of the tariff we've put forward  
15 the proposal that if no one steps up, we'll either put  
16 it out again for people to propose on or we'll direct  
17 the incumbant PTO to build the project.  And so, you  
18 know, fundamentally, the -- and I should note that  
19 there's nothing precluding the incumbant PTO from  
20 proposing to build it.

21           So part of the concern was, well, you know, if we  
22 have a backstop role to play, we should have an  
23 opportunity to build it.  Well, you do.  But you'll  
24 have to compete potentially against a third party that

1 might want to build it as well. So it's not not like  
2 we're precluding them from building these projects  
3 that we're opening up to non-PTOs as well, but we're  
4 not giving them a right of first refusal.

5         So I think, Governor Habashi, it's really about  
6 trying to strike that balance and provide a meaningful  
7 opportunity for third parties but recognize if no one  
8 steps up, we, you know, we have an obligation to meet  
9 these environmental policy objectives and we would ask  
10 the PTO to do that. And I completely respect Edison's  
11 position on this issue, and ultimately that will be  
12 something that will be at FERC to resolve.

13         TOM HABASHI: Can you tell me, are you fairly  
14 comfortable that the process that we put in place will  
15 help us build transmission in a timely fashion, than  
16 what we have today?

17         KEITH CASEY: Necessary but not sufficient comes  
18 to mind as my response. Getting the planning studies  
19 done and identifying what's needed and getting it  
20 through our process at the board as expeditiously as  
21 possible is necessary and critical, and as you've  
22 heard today, you know, we should have been done last  
23 year with this planning effort.

1           But ultimately, whether we get steel on the  
2 ground to meet the State's objectives depends on how  
3 smoothly, in the first instance, the approval process,  
4 the state siting entities, particularly the PUC goes.  
5 And then, of course, beyond that, just in terms of,  
6 you know, the issues with permitting and legal  
7 challenges on siting. So there's a lot of risk out  
8 that there that's beyond the scope of what we do here.

9           But we have tried to structure this in a way, at  
10 least with the PUC, that we're well-coordinated and  
11 we're getting their input into our process so that  
12 when these projects do end up in their process,  
13 they're not having to put it back to us because we  
14 didn't consider this or consider that. So, you know,  
15 I think through our collaboration with the PUC, as  
16 reflected in the MOU, we're mitigating that risk. But  
17 once it gets beyond the siting and gets into the  
18 actual land acquisition, permitting, and construction,  
19 that it goes beyond our scope of control at that  
20 point.

21           And I think Yakout might have something on that.

22           YAKOUT MANSOUR: Yeah. I think I touched on that  
23 yesterday, but when you say is it better than what we  
24 have today, well, what do we have today. Well, what

1 we have today is transmission that is well ahead of  
2 the need now. Look at Tehachapi. It is 4500  
3 megawatts, on Tehachapi. Sunrise, capacity is 1500  
4 megawatts. And it's supposed to access resources in  
5 the Imperial Valley, both of geothermal and solar.  
6 The California portion of Palo Verde-Devers, which is  
7 again access to another over a thousand or so.

8       So if you look at what it is today, I mean, the  
9 fact that people kind of, you know, want to leave  
10 those areas where transmission has already been  
11 approved and they just want to kind of do whatever  
12 else, whatever else, that's a very costly, you know,  
13 approach to fulfilling 33 percent.

14       The reason these projects were approved by both  
15 the PUC and FERC and this board is in anticipation,  
16 largely in anticipation. And we had a criteria for  
17 that. We said even the INAUDIBLE will finance at the  
18 front end of those projects if need to, to kind of  
19 build, and the other half will come. So exactly the  
20 way the PUC have approached those things in terms of  
21 the process that we have, that is at INAUDIBLE, the  
22 rest of it proceeds the same way, which I don't have  
23 any doubt that it would, at worst, if not even better,  
24 what we have today is a lot better than it was. And

1 what we have today, as I said, a project that has  
2 passed the approval process is over 9,000 megawatts  
3 and they're in collectively, they were well ahead of  
4 the actual need.

5 So with the collaboration between, you know, the  
6 builders, the utilities, the private sectors who came  
7 in and when, as much as possible, they added value,  
8 the agencies in the state, the ISO, it is not that  
9 bad. So that's really my point. And I hope that, you  
10 know, look at that -- actually, each one of them, if  
11 you look at each one of them, is actually the process  
12 is better than the one before. If you look at  
13 Tehachapi compared to Sunrise, significantly improved  
14 process at the INAUDIBLE commission, you know, site.

15 So it's just a matter of defining what we need  
16 with a reasonable level of certainty, not just to tell  
17 you hundred percent and the INAUDIBLE commissioner  
18 with zero (inaudible) and FERC was very receptive of  
19 that too, then I have every confidence that we can  
20 meet that time line.

21 MASON WILLRICH: Okay.

22 Yes, Kris.

23 KRISTINE HAFNER: Two questions. One is the  
24 criteria that will be used when the ISO has to decide

1 between projects. It says in the memo that the  
2 minimum qualifications will be included in the tariff  
3 language, and there are some examples here. I'm just  
4 wondering, are these examples reflective of what the  
5 criteria will be in the tariff or is there more work  
6 to be done in that area?

7         KEITH CASEY: With that, maybe I could ask  
8 Lorenzo, or we have also our legal staff here that's  
9 been assisting on this, to maybe clarify within the  
10 current draft tariff language in the way of minimum  
11 requirements versus what we indicated in the memo.

12         While he's looking at that, what's your second  
13 question?

14         KRISTINE HAFNER: The second question is simply,  
15 you know, as you've thought about this new process,  
16 what do you see as a time frame for, you know,  
17 building in some kind of reflective cycle which would  
18 say, you know, how is this working and how do we tweak  
19 and tune the process over time?

20         KEITH CASEY: Yeah. No, that's a great question.  
21 I think the one thing we've learned with these  
22 infrastructure processes is they're evergreen. You  
23 know, the interconnection process itself has been  
24 substantially modified a couple of years ago, and we

1 continue to make tweaks and refinements to it. So I  
2 anticipate we would do the same here.

3 As we get actual experience with it and get  
4 feedback from those that are engaged in the process,  
5 we'll look to find opportunities to refine and improve  
6 it. And I think, you know, the area of selection  
7 criteria for competing projects is one area that, you  
8 know, we may start with an initial set of criteria but  
9 that's something that as we get more experience with  
10 actually considering projects, we can evolve over time  
11 to get a better criteria. And I know there's interest  
12 in seeing that happen.

13 KRISTINE HAFNER: I also want to thank you for  
14 your leadership in this process, which is really  
15 actually very impressive. Thank you.

16 KEITH CASEY: Thank you very much. It's, you  
17 know -- I can't say enough about the team working on  
18 this. It's just inspiring to see the dedication this  
19 group has shown under what was an incredibly tough  
20 issue, as you know. So thank you.

21 LORENZO KRISTOV: Governor Hafner, I think you  
22 were looking at the footnote -- right? -- on page 5  
23 there where it lists things. Currently the tariff  
24 language is fairly similar to what's actually in that

1 footnote. In terms of actually trying to set  
2 thresholds of what will be acceptable, we think that's  
3 going to take a little bit more work and would play  
4 out in a business practice manual. Okay?

5 And what we are looking at as a model is what was  
6 implemented in Texas. They did a very similar kind of  
7 process where the ISO came up with the transmission  
8 plan and then had a competitive bidding process. Not  
9 that their process is exactly what we do here, but the  
10 criteria, I think, are pretty standard from an  
11 industry and due diligence kind of perspective. But  
12 actually getting more detailed in this we think is  
13 going to take more time and is below the level of  
14 tariff.

15 KEITH CASEY: Yeah.

16 MASON WILLRICH: Did you have a question,  
17 Governor?

18 KRISTINE HAFNER: Well, comments, I guess. Let's  
19 see, first of all, I really like the new policy  
20 category and think that this signals possibly a really  
21 innovative approach, not only here but perhaps in  
22 other regulatory arenas as well where, you know, the  
23 regulatory system just hasn't been able to keep up, I  
24 think, with some of the legislative things. So I



1 think this is going to be yet another important model  
2 maybe that hopefully can spread from California.

3       Really appreciated Tony Brawn's comments about  
4 how far -- how much progress has been made. And I  
5 consider this absolutely a core planning issue for  
6 this organization -- right? -- and so finally we are,  
7 or at this point, we are really so well-positioned to  
8 do it right, I hope, going forward. And I think all  
9 of the right intentions are there. Still not sure how  
10 we deal with the -- least regrets sounds so good, and  
11 yet, you know, what does that mean as we go forward.  
12 But I'm confident we'll keep looking at it.

13       But the cost issue troubles, continues to  
14 trouble. And, Keith, I think I heard you say, you  
15 know, we just really can't be in a position of  
16 evaluating the cost very effectively. And I  
17 understand that, and I'm sure there are days that even  
18 the PUC feels like it can't really predict those  
19 things.

20       But I -- just taking a glance at what I think the  
21 tariff looks like right now, I mean, there's a little  
22 bit of some cost language that I see, you know, the  
23 projected cost of the facilities, reasonable in light  
24 of the projected benefits in one category. And I know

1 that more work is going to be done on this before we  
2 file it. And I'm also mindful that we want to hold  
3 some things to the business practice manual and keep  
4 the tariff more general. With all that said, I just  
5 would urge us to -- I think intent is important in the  
6 tariff and that there may be an opportunity, which I'm  
7 confident you will find, if appropriate, to add some  
8 more cost intention language in the tariff or in some  
9 way that makes it clear going forward because  
10 stakeholders obviously, all stakeholders -- and I  
11 realize that rate payers are the ultimate stakeholders  
12 here -- I think expect to see that, even though it's  
13 complicated for us.

14 So I think we ought to try to get something in  
15 there. And I liked the cost consciousness phrase that  
16 we heard from DRA because I believe that is the epoch  
17 and the principle here, but maybe it could be  
18 reflected a little bit more. And I want to applaud  
19 the work that the CTPG has done, really, because I  
20 think that was -- that was kind of a leap of faith as  
21 people started on that process, and it's coming  
22 through.

23 And then last but not least, I really have to  
24 applaud this MOU between the ISO and the PUC. This is

1 a very concrete example of something I know both  
2 organizations are struggling to keep moving forward  
3 on, and I know it's just an MOU, there's no money  
4 attached to it, but there are principles and I really  
5 believe in the good faith of everybody who signed  
6 this, including my good friend Paul Clanon. So I'm --  
7 I think this is significant.

8 YAKOUT MANSOUR: Just for your information, it  
9 was Mr. Peevey's idea, and he pushed for it and had  
10 the expectations that we should be able to do  
11 something like this, and we all delivered. So --  
12 although I'm sure Collette will take that to Mr.  
13 Peevey.

14 MASON WILLRICH: Okay. I have a question about  
15 Era qualifying projects. And what -- I think I asked  
16 this or -- what does it take to actually pull down an  
17 Era commitment in terms of turning over a shovel, to  
18 get the money?

19 KEITH CASEY: Well, our understanding is that the  
20 critical chain is to get the signed LGIA, which  
21 commits the ISO and the participating transmission  
22 owner who's building the transmission to commit to a  
23 date certain by which the interconnection would be in  
24 service such that the generating facility would be

1 able to deliver power to the grid and start earning  
2 revenue for power deliveries.

3         So the first step, the LGIA which then enables  
4 the project financing to go forward which then enables  
5 the generation developer to start spending some of  
6 that money, and I don't know exactly how they have to  
7 spend it but there are certain requirements to spend a  
8 certain amount by the end of this year. But that's  
9 the chain of dependence.

10         MASON WILLRICH: Okay. So you can start spending  
11 money even though you haven't got, say, the siting  
12 squared away with the PUC, that sort of thing?

13         KEITH CASEY: Well, they would have to -- I mean  
14 if they're turning over dirt in construction, they  
15 have to have the site on which they're actually doing  
16 the construction.

17         MASON WILLRICH: But you're -- because after you  
18 get this thing through this process, then you have to  
19 go over, and the PUC is not going to complete -- that  
20 thing about Sunrise, for example. It's not that  
21 defined. But I think you're right that you can spend  
22 against. And project development money is going out  
23 the door. But I just wanted to make sure that we're  
24 in this -- that we are going to not have a bunch of

1 disappointed Era projects because of where we are and  
2 then something else falls out and they don't get their  
3 money.

4 KEITH CASEY: Right. Well, if I could just  
5 clarify. What we're talking about in terms of turning  
6 dirt is the generation project itself to get some  
7 construction activities at the end of this year. The  
8 network upgrades needed to make that generation  
9 deliverable to load, you're absolutely right. They  
10 still have to go through the state process of getting  
11 their approvals there. And to the extent they don't,  
12 it does put that project at risk. But the immediate  
13 hurdle, if you will, for these Era projects is to get  
14 those executed LGIAs and start spending some of their  
15 project costs this year and turning some dirt before  
16 the end of this year.

17 MASON WILLRICH: Okay. And then that flips it  
18 around, Yakout, in terms of the fact that it's really  
19 important that that infrastructure is constructed and  
20 not hung up because we haven't -- I don't think  
21 Sunrise has gone into construction yet, has it? So I  
22 mean -- well, you stand back from this and  
23 historically it's -- to bring on the transmission,  
24 there's a longer lead time item than there is for

1 bringing on a generation. And so that gap still is  
2 something that the state as a whole, and the nation as  
3 a whole, is going to have to wrestle with in terms of  
4 the getting the job done with renewables or any kind  
5 of innovation, is to be able to actually have a  
6 transmission process that yields infrastructure and  
7 not getting hung up on having stuff without having  
8 infrastructure in place to deliver the power.

9       And I'm absolutely in favor of the item. It's  
10 just that we can't be complacent about how it's being  
11 implemented. It's going to take a huge effort and  
12 more outreach in terms of getting, for example, a  
13 single point of permitting going on where it's really  
14 coordinated for things.

15       YAKOUT MANSOUR: I think your point is well  
16 taken, Mr. Chairman. And the, you know, whether it's  
17 the state and nation -- it's actually the nation that  
18 I want to underline. The state process have come a  
19 long way, all sides of the state process. And the  
20 great thing about it is that after the state INAUDIBLE  
21 process, we all as a state, the commission, the ISO,  
22 the developers, everybody, go and kind of lobby on the  
23 national side as one voice. It's the national side  
24 that hasn't come quite along yet. But I know that the

1 Governor has taken -- Governor and Governor's office  
2 has even taken a role in trying to get the, you know,  
3 the national or the INAUDIBLE approval that our  
4 process is streamlined. It's one of those things that  
5 is kind of taken very seriously now. But from a state  
6 perspective, it is in a great shape right now, put it  
7 this way.

8 MASON WILLRICH: Yeah. And I mean I raised this  
9 because at a national level we're not getting very far  
10 at this point. And, in fact, the -- kind of a camel  
11 that is potentially being produced is I just don't  
12 have a lot of confidence. And all I would like to  
13 urge everybody doing is to going to Washington and  
14 really getting some legislative heft that's going to  
15 address these transmission issues in a really  
16 meaningful way for the country. That said --

17 KRISTINE HAFNER: Okay. Let's go.

18 MASON WILLRICH: Off the soap box. And anymore  
19 comments, questions from the board?

20 Yes.

21 TOM HABASHI: Just a couple of comments before  
22 either I or somebody else makes the motion. I do want  
23 to compliment Yakout and Keith. This is -- what you  
24 guys have done is absolutely heroic effort to have to

1 sit here and listen to 11 folks stand up and  
2 compliment you for the work that you've done, all with  
3 various interests, is something that that's definitely  
4 beyond belief as far as I'm concerned.

5 The other thing that I wanted to mention is the  
6 CTPG process, I think this is something that you ought  
7 to continue and give it more prominence in the  
8 planning process. I think it's very important that  
9 the transmission builders and owners and throughout  
10 the entire state work together on planning for  
11 transmission, whether it's for renewables or  
12 otherwise. So again, more compliments to you and your  
13 staff.

14 KEITH CASEY: Thank you very much, Governor  
15 Habashi. And, you know, I think what CTPG is one of  
16 those, like a lot of things huge, you crawl before you  
17 walk and walk before you run. And, you know, the  
18 comments about wanting to see CTPG expand their  
19 consideration to things like operational requirements  
20 and the like are well taken and that's something we  
21 can take back to the group to, you know, further  
22 mature the study process going on there.

23 But -- and your comments to Yakout and I, again,  
24 I -- it's the staff that does this work and we just



1 try to stay out of their way and give them what they  
2 need, but they've just been incredible through this  
3 whole process. So I appreciate that.

4 MASON WILLRICH: Okay. Is there a motion?

5 TOM HABASHI: I'll make the motion.

6 MASON WILLRICH: Governor Habashi.

7 KRISTINE HAFNER: I'll second.

8 MASON WILLRICH: Governor Hafner seconds.

9 All in favor?

10 (ALL AYES).

11 MASON WILLRICH: Good. And I guess we have --

12 Well, Governor Foster is not on the phone, but I sense  
13 that he would approve along with us. But we'll just  
14 record him as absent. Is that all right? Okay.

15 That said, yesterday we covered the briefing on  
16 summer loads.

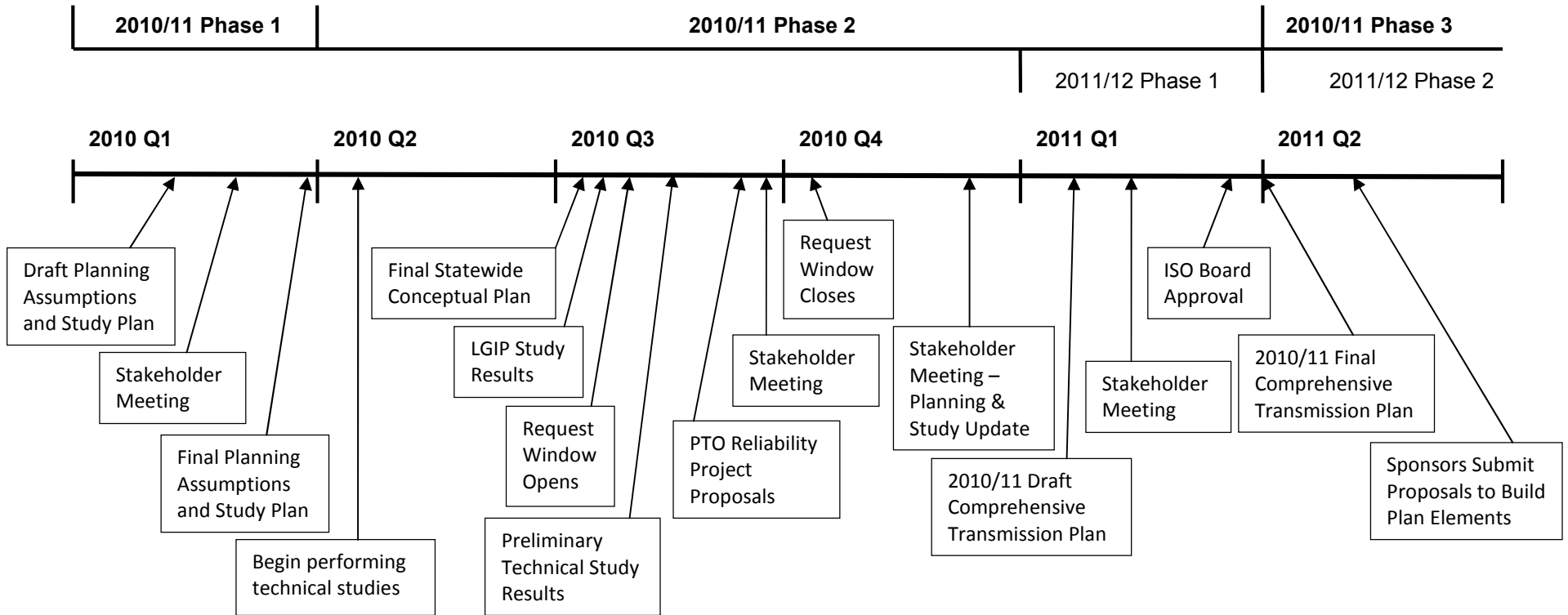
17 (Recording continues but not transcribed.)

## **Attachment F**

Revised Transmission Planning Process Amendment  
Fourth Replacement CAISO Tariff  
ER10-\_\_\_\_-000  
June 4, 2010

# Attachment F

## Revised Transmission Planning Process – Timeline and Milestones



## **Attachment G**

Revised Transmission Planning Process Amendment  
Fourth Replacement CAISO Tariff  
ER10-\_\_\_\_-000  
June 4, 2010

**PRELIMINARY LIST OF THE TYPES OF INFORMATION THE ISO WILL  
CONSIDER REQUIRING PARTIES SEEKING TO CONSTRUCT AND OWN  
POLICY DRIVEN AND ECONOMICALLY DRIVEN PROJECTS TO SUBMIT  
IN THE PROJECT SPONSOR SELECTION PROCESS**

The Project Sponsor shall provide the following information for each project proposal to finance, own, construct and maintain a transmission element identified in the comprehensive Transmission Plan. For each question, if the Project Sponsor is proposing to construct, own and operate multiple transmission elements, the Project Sponsor should also indicate how its response would be impacted if it were approved to construct additional transmission elements.

- 1) Identification of the authorized governmental bodies that will review the Project Sponsor's applications for siting approval for the project and site the project, as well as a description of the process that the Project Sponsor will use for the preparation of any required application for siting approval.
- 2) For each project, a general description of the proposed structure types (lattice, monopole, etc.) and composition (wood, steel, concrete, hybrid, etc.), conductor size and type, and right-of-way (ROW) width.
- 3) The projected in-service date of each project.
- 4) A description of the Project Sponsor's proposed engineering, construction, maintenance, and management teams and a discussion of the type of resources, including relevant capability and experience (in-house labor, contractors, other transmission providers, etc.) contemplated for use by the Project Sponsor for the licensing, design, engineering, material and equipment procurement, ROW and land acquisition, construction, and project management related to the construction of each project.
- 5) A discussion of the type of resources contemplated by the Project Sponsor for operating and maintaining each project after it is placed in-service.
- 6) A discussion of the Project Sponsor's previous record regarding construction, operation, and maintenance of transmission facilities, including facilities outside of the ISO controlled grid.
- 7) A discussion of the capability and experience of the Project Sponsor that would enable it to comply with all on-going scheduling, operating, and maintenance activities required for each project, including those required by the tariff, business practice manuals, policies, rules, guidelines, and procedures established by the *California Independent System Operator Corporation* or other transmission operator, if applicable.

- 8) Resumes for key management personnel that will be involved in obtaining siting approval and other required regulatory approvals and for constructing, operating, and maintaining each project.
- 9) A discussion of the Project Sponsor's business practices that demonstrate that its business practices are consistent with good utility practices for proper licensing, designing, ROW acquisition, constructing, operating and maintaining transmission facilities that will become part of the ISO controlled grid. The Project Sponsor shall also provide the following information for the current calendar year and the five calendar years immediately preceding its filing under subsection (d)(1) of this section.
  - (i) A summary of law violations by the Project Sponsor found by federal or state courts, federal regulatory agencies, state public utility commissions, other regulatory agencies, or attorneys general.
  - (ii) A summary of any instances in which the Project Sponsor is currently under investigation or is a defendant in a proceeding involving an attorney general or any state or federal regulatory agency, for violation of any laws, including regulatory requirements.
- 10) The Project Sponsor's preexisting procedures and historical practices for acquiring ROW and land and managing ROW and land acquisition for transmission facilities. If the Project Sponsor does not have such preexisting procedures, it shall provide a detailed description of its plan for acquiring ROW and land and managing ROW and land acquisition.
- 11) Whether the Project Sponsor has any existing ROW or sub-stations on which all or a portion of the project can be built.
- 12) The Project Sponsor's preexisting procedures and historical practices for mitigating the impact of transmission facilities on affected landowners and for addressing public concerns regarding transmission facilities. If the Project Sponsor does not have such preexisting procedures, it shall provide a detailed description of its plan for mitigating the impacts on affected landowners and addressing public concerns regarding the transmission element that it is seeking to build.
- 13) A proposed financial plan demonstrating that:
  - (i) adequate capital resources are available to the Project Sponsor to allow the Project Sponsor to finance the transmission element, and
  - (ii) no significant negative impact on the creditworthiness or financial condition of the Project Sponsor, as demonstrated in its submission, will occur as a result of the Project Sponsor's construction, operation, and maintenance of the proposed project.

- 14) An affidavit by an officer of the Project Sponsor stating that the information in the submission is true and that the Project Sponsor will comply with the applicable requirements in this manual and with the requirements in the ISO tariff for building a transmission facility that will become part of the ISO controlled grid.
- 15) Other evidence the Project Sponsor elects to provide which supports its selection as an Approved Project Sponsor.
- 16) The Project Sponsor or its parent company or controlling shareholder or another company providing a bond guaranty or corporate commitment to the Project Sponsor must provide its credit rating from Moody's Investor Services and Standard & Poors. If the rating agency changes the credit rating, the Project Sponsor shall provide the new credit rating and update the financial information it provided to demonstrate that it has the financial capability to build the transmission element.
- 17) The Project Sponsor must provide the following financial information:
  - (i) assets less any goodwill but including regulatory assets in excess of liabilities as a percentage of the projected total cost of the project on its most recent audited financial statements; and
  - (ii) the following financial ratios, adjusted to exclude transition bonds of subsidiaries, obtained from the Project Sponsor's most recent audited financial statements should be provided:
    - (I) funds from operations-to-interest coverage
    - (II) funds from operation-to-total debt;
    - (III) total debt-to-total capital; and
    - (IV) what levels of the above will the Project Sponsor maintain following construction of the transmission element.
- 18) To the extent a Project Sponsor is an electric utility and relies on an affiliated transmission and distribution utility for credit, investment, or other financing arrangements, it shall demonstrate that any such arrangement complies with applicable legal and regulatory requirements and restrictions related to affiliated entities.
- 19) The Project Sponsor shall provide a summary of any history of bankruptcy, dissolution, merger, or acquisition of the Project Sponsor or any predecessors in interest for the current calendar year and the five calendar years immediately preceding its submission of information under this section of the manual.
- 20) The Project Sponsor shall provide any information showing the Project Sponsor's cost containment capabilities and/or specific demonstrable advantages or benefits that the Project Sponsor provides with respect to building the transmission element. To the extent the Project Sponsor is committing to agree to a binding cap on the costs of the project that it can recover through the ISO's transmission access charge, it should specify its agreement to a specified cap level.

- 21) The Project Sponsor shall provide any information showing the Project Sponsor's ability to assume liability for major losses resulting from failure of or damage to facilities.
- 22) The Project Sponsor should demonstrate how it will comply with standardized maintenance and operation practices.
- 23) The Project Sponsor should provide a plan setting forth how it intends to comply with all applicable reliability standards.
- 24) The Project Sponsor shall provide any additional information the ISO may reasonably request to evaluate the Project Sponsor's qualifications.