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November 1, 2005

Ms. Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**RE: Joint Filing of the Large Generator Interconnection Agreement of the California Independent System Operator Corporation, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company -- Docket Nos. ER04-445-00\_, ER04-435-00\_, ER04-441-00\_, ER04-443-00\_.**

Dear Secretary Salas:

In compliance with the Federal Energy Regulatory Commission's ("Commission" or "FERC") July 1, 2005 "Order Accepting in Part and Rejecting in Part Order Nos. 2003, 2003-A, and 2003-B Compliance Filings," 112 FERC ¶ 61,009 (2005) ("July 1 Order"), and its August 26, 2005 "Order Granting Extension of Time and Motion for Clarification and Denying Request Rehearing," 112 FERC ¶ 61,231 (2005) ("August 26 Order"), the California Independent System Operator Corporation ("ISO"), Pacific Gas and Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), and Southern California Edison Company ("SCE") (collectively the "Filing Parties")<sup>1</sup> hereby submit six copies of a long-term Standard Large Generator Interconnection

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<sup>1</sup> Collectively, PG&E, SDG&E, and SCE are referred to herein as the "PTOs."

Agreement (“LGIA”) for Commission approval as a *pro forma* agreement.<sup>2</sup> This filing is made to conform the LGIA to the centralized Interconnection Study process which is reflected in the new long-term Standard Large Generator Interconnection Procedures (“LGIP”) filed by the ISO on this date. The Filing Parties are also tendering two copies to be time and date stamped and returned to our courier.

## I. BACKGROUND

### A. July 1 Order and Request for Extension

In the July 1 Order, the Commission addressed the ISO’s January 5, 2005 and February 18, 2005 LGIP compliance filings, as well as the joint ISO/PTO LGIA compliance filings made on those same dates, pursuant to Order Nos. 2003, 2003-A, and 2003-B. Therein, the Commission, reviewing the filings under the “independent entity variation” standard, approved most of the ISO and PTOs’ proposed modifications to the Commission’s *pro forma* LGIP and LGIA. The Commission also rejected certain changes, and required an additional compliance filing incorporating the July 1 Order. One of the elements of the LGIP and LGIA filings rejected by the Commission was the ISO and PTOs’ proposal to have the PTOs continue to separately conduct the various Interconnection Studies. In the July 1 Order, the Commission directed the ISO and the PTOs to adopt a centralized study process, under which the ISO conducts the Interconnection Studies in a manner that examines the effect of the interconnection and additional generation on the ISO Controlled Grid as a whole. The Commission explained that “[a] centralized study process ensures that the studies are coordinated to assess the impact of new generation beyond a single service territory, with the intent of maintaining or improving reliability levels and generally improving electric service.” *Id.* at P 55. The Commission directed the ISO to make a conforming compliance filing within 60 days of the date of the July 1 Order, including changes necessary to implement the centralized study process directed by the Commission.

The PTOs filed a joint request for rehearing and clarification of the July 1 Order (“PTO Rehearing”), arguing, among other things, that the Commission had an inadequate legal and evidentiary basis to mandate transfer of the Interconnection Study function from the PTOs to the ISO. The PTOs also requested several points of clarification regarding implementation of the centralized study function. The PTO Rehearing also included a motion to partially postpone the ISO’s compliance filing to allow the ISO “a minimum of six months to conduct a stakeholder process, and develop a detailed, consensus proposal for any further centralizing of the interconnection study function.” PTO Rehearing at 23. On August 10, 2005, the ISO filed an answer to the PTO Rehearing solely on the motion to extend the filing date, in which the ISO stated that it agreed with the PTOs that 60 days was not sufficient for developing a centralized study process, but concluded that an extension of approximately six weeks, up to

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<sup>2</sup> Capitalized terms that are not otherwise defined are defined in the LGIA.

October 14, 2005, rather than six months, would allow the ISO and stakeholders sufficient time to develop and file an LGIP that incorporated the centralized study process.

#### **B. August 26 Order and Subsequent Filings**

On August 26, 2005, the Commission issued an order<sup>3</sup> granting a six-week extension of time for the ISO and PTOs to file an LGIP incorporating the centralized study process, thus making that compliance filing due on October 14, 2005. In the August 26 Order, the Commission also clarified several aspects of the July 1 Order's directive regarding the centralized study process. First, the Commission stated that the ISO should collaborate with interested stakeholders, including the PTOs, in developing its centralized Interconnection Study process proposal. With respect to the PTOs' role in the study process itself, the Commission clarified that the PTOs may participate in the Interconnection Studies under the centralized process, but that such participation should generally be limited to areas where either the PTOs have very specific and nontransferable expertise or data and it is determined that it is most efficient and cost effective for the PTOs rather than ISO to conduct those studies. The Commission also stated that the centralized study process must allow for appropriate expert review from sources available to the ISO "to ensure an independent review of the results of the studies conducted by the PTOs." *Id.* at P 21. The Commission found that if the ISO does physically conduct Interconnection Studies, the PTOs should have adequate review and recommendation rights under the centralized study process. The Commission, however, denied the request for rehearing insofar as it sought to retain a "consent right" on the part of the PTOs with respect to the study function. *Id.* at P 22. In addition, the Commission concluded that disputes under the centralized process may be resolved under the ISO's dispute resolution process.<sup>4</sup> Because the Commission had "grant[ed] the requested clarifications," the Commission declined to address the "alternative requests for rehearing," except as noted above.

On October 12, 2005, the ISO, with the support of the PTOs, filed a request to extend until November 1, 2005, the deadline for making the compliance filing reflecting the incorporation into the LGIP and LGIA of the centralized study process. The ISO explained that additional time was necessary to finalize an agreement that would govern the division of responsibilities between the ISO and the PTOs under the new centralized process, and to obtain review and approval of this agreement by their respective managements. The Commission granted this motion in an order issued on October 14, 2005.

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<sup>3</sup> 112 FERC ¶ 61,231 (2005) ("August 26 Order").

<sup>4</sup> August 26 Order at PP 20-22.

Thereafter, on October 18, 2005, PG&E timely filed a petition for judicial review of the Commission's orders. *Pacific Gas and Electric Company v. FERC*, U.S. Court of Appeals for the District of Columbia Circuit, Case No. 05-1401 (filed October 18, 2005).

## II. CONTENTS OF FILING

This filing comprises:

This Transmittal Letter

Attachment A	LGIA Tariff Language Blacklined Against LGIA filed on August 30, 2005
Attachment B	LGIA Tariff Sheets Clean

## III. COMMUNICATIONS

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#### **IV. DESCRIPTION OF THE FILING**

##### **A. Structure of the Filing**

As described above, the instant filing is submitted in compliance with the July 1 and August 26 Orders, which required the ISO to submit, by October 14, 2005, a compliance filing to implement a new centralized study process. Included with the instant filing is the long-term *pro forma* LGIA to be incorporated into the ISO Tariff, amended to take account of the new centralized study process, as set forth in the LGIP being filed by the ISO on today's date.

The Filing Parties have used the interim LGIA that they filed on August 30, 2005, as the baseline against which the changes proposed herein are reflected. Included as Attachment A are blackline sheets showing each proposed change from the LGIA filed on August 30, 2005.

##### **B. Changes to the LGIA to Reflect the Adoption of the Centralized Study Process**

The modifications that are required pursuant to the July 1 and August 26 Orders to adopt a centralized study process mainly affect the LGIP. Nevertheless, a few conforming changes are necessary to make the LGIA consistent with the new, long-

term LGIP. The enclosed long-term LGIA therefore includes the following modifications to account for the new centralized study process:

### **Definitions Section**

Several of the definitions in the LGIA relating to the various Interconnection Studies and Study Agreements have been revised to reflect the fact that under the long-term LGIP incorporating the centralized Interconnection Study process, the ISO will have the responsibility for completing the Interconnection Studies, in coordination with the PTOs, rather than the PTOs having the responsibility for completing the Studies themselves.

### **Section 5.5 – Equipment Procurement**

The Filing Parties propose to modify this section in order to reflect the fact that, under the new centralized Interconnection Study process, the ISO will complete the Interconnection Facilities Study, in coordination with the applicable PTO(s), instead of the PTO completing that Study.

## **V. EFFECTIVE DATE**

The ISO is in the process of developing, in coordination with the PTOs, the accounting systems, procedures and associated controls required to implement a centralized Interconnection Study process as described in this compliance filing. The ISO anticipates that it will be ready to implement the centralized Interconnection Study process and provide a single point of contact for the processing of Interconnection Customer payments for Interconnection Studies on March 1, 2006. Therefore, the ISO requests that this compliance filing be effective on the date assigned by the Commission, but in any event, no sooner than March 1, 2006.

## **VI. CONCLUSION**

For the reasons set forth above, the Filing Parties respectfully request that the Commission accept their *pro forma* LGIA, as revised in order to reflect the new centralized Interconnection Study process required by the Commission's July 1 and August 26 Orders.

Respectfully submitted,

Ms. Magalie Roman Salas

November 1, 2005

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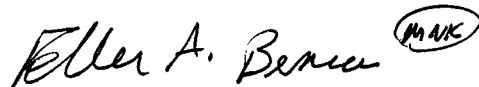
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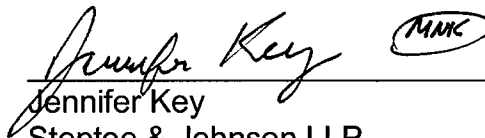
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# **ATTACHMENT A**



**ISO TARIFF APPENDIX V**  
**STANDARD LARGE GENERATOR INTERCONNECTION AGREEMENT**

STANDARD LARGE GENERATOR INTERCONNECTION AGREEMENT (LGIA)

[INTERCONNECTION CUSTOMER]

[PARTICIPATING TO]

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

ARTICLE 1. DEFINITIONS

\* \* \*

**Interconnection Facilities Study** shall mean the study conducted or caused to be performed by the ~~Participating TO,~~ the ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer to determine a list of facilities (including the Participating TO's Interconnection Facilities, Network Upgrades, and Distribution Upgrades), the cost of those facilities, and the time required to interconnect the Generating Facility with the Participating TO's Transmission System.

**Interconnection Facilities Study Agreement** shall mean the agreement between the Interconnection Customer and the ~~Participating TO~~ or the ISO for conducting the Interconnection Facilities Study.

**Interconnection Feasibility Study** shall mean the preliminary evaluation conducted or caused to be performed by the ~~Participating TO,~~ ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer of the system impact and cost of interconnecting the Generating Facility to the Participating TO's Transmission System, and, if reasonably practicable, an informational assessment, as needed, of other affected owners' portions of the ISO Controlled Grid.

\* \* \*

**Interconnection Study** shall mean any of the following studies: the Interconnection Feasibility Study, the Interconnection System Impact Study, and the Interconnection Facilities Study conducted or caused to be performed by the ~~Participating TO,~~ the ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer pursuant to the Standard Large Generator Interconnection Procedures.

**Interconnection System Impact Study** shall mean the engineering study conducted or caused to be performed by the ~~Participating TO,~~ ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer that evaluates the impact of the proposed interconnection on the safety and reliability of the Participating TO's Transmission System and, if applicable, an Affected System. The study shall identify and detail the system impacts that would result if the Generating Facility were interconnected without project modifications or system modifications, focusing on the Adverse System Impacts identified in the Interconnection Feasibility Study, or to study potential impacts, including but not limited to those identified in the Scoping Meeting as described in the Standard Large Generator Interconnection Procedures.

\* \* \*

**ARTICLE 5. INTERCONNECTION FACILITIES ENGINEERING, PROCUREMENT, AND CONSTRUCTION**

\* \* \*

- 5.5 Equipment Procurement.** If responsibility for construction of the Participating TO's Interconnection Facilities or Network Upgrades is to be borne by the Participating TO, then the Participating TO shall commence design of the Participating TO's Interconnection Facilities or Network Upgrades and procure necessary equipment as soon as practicable after all of the following conditions are satisfied, unless the Parties otherwise agree in writing:
- 5.5.1** The ISO, in coordination with the applicable Participating TO(s), has completed the Interconnection Facilities Study pursuant to the Interconnection Facilities Study Agreement;
  - 5.5.2** The Participating TO has received written authorization to proceed with design and procurement from the Interconnection Customer by the date specified in Appendix B, Milestones; and
  - 5.5.3** The Interconnection Customer has provided security to the Participating TO in accordance with Article 11.5 by the dates specified in Appendix B, Milestones.

# **ATTACHMENT B**

**Good Utility Practice** shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be any one of a number of the optimum practices, methods, or acts to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

**Governmental Authority** shall mean any federal, state, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, or other governmental authority having jurisdiction over the Parties, their respective facilities, or the respective services they provide, and exercising or entitled to exercise any administrative, executive, police, or taxing authority or power; provided, however, that such term does not include the Interconnection Customer, ISO, Participating TO, or any Affiliate thereof.

**Hazardous Substances** shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "radioactive substances," "contaminants," "pollutants," "toxic pollutants" or words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

**Initial Synchronization Date** shall mean the date upon which an Electric Generating Unit is initially synchronized and upon which Trial Operation begins.

**In-Service Date** shall mean the date upon which the Interconnection Customer reasonably expects it will be ready to begin use of the Participating TO's Interconnection Facilities to obtain back feed power.

**Interconnection Customer's Interconnection Facilities** shall mean all facilities and equipment, as identified in Appendix A of this LGIA, that are located between the Generating Facility and the Point of Change of Ownership, including any modification, addition, or upgrades to such facilities and equipment necessary to physically and electrically interconnect the Generating Facility to the Participating TO's Transmission System. Interconnection Customer's Interconnection Facilities are sole use facilities.

**Interconnection Facilities** shall mean the Participating TO's Interconnection Facilities and the Interconnection Customer's Interconnection Facilities. Collectively, Interconnection Facilities include all facilities and equipment between the Generating Facility and the Point of Interconnection, including any modification, additions or upgrades that are necessary to physically and electrically interconnect the Generating Facility to the Participating TO's Transmission System. Interconnection Facilities are sole use facilities and shall not include Distribution Upgrades, Stand Alone Network Upgrades or Network Upgrades.

**Interconnection Facilities Study** shall mean the study conducted or caused to be performed by the ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer to determine a list of facilities (including the Participating TO's Interconnection Facilities, Network Upgrades, and Distribution Upgrades), the cost of those facilities, and the time required to interconnect the Generating Facility with the Participating TO's Transmission System.

**Interconnection Facilities Study Agreement** shall mean the agreement between the Interconnection Customer and the ISO for conducting the Interconnection Facilities Study.

**Interconnection Feasibility Study** shall mean the preliminary evaluation conducted or caused to be performed by the ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer of the system impact and cost of interconnecting the Generating Facility to the Participating TO's Transmission System, and, if reasonably practicable, an informational assessment, as needed, of other affected owners' portions of the ISO Controlled Grid.

**Interconnection Handbook** shall mean a handbook, developed by the Participating TO and posted on the Participating TO's web site or otherwise made available by the Participating TO, describing technical and operational requirements for wholesale generators and loads connected to the Participating TO's portion of the ISO Controlled Grid, as such handbook may be modified or superseded from time to time. Participating TO's standards contained in the Interconnection Handbook shall be deemed consistent with Good Utility Practice and Applicable Reliability Standards. In the event of a conflict between the terms of this LGIA and the terms of the Participating TO's Interconnection Handbook, the terms in this LGIA shall apply.

**Interconnection Request** shall mean a request, in the form of Appendix 1 to the Standard Large Generator Interconnection Procedures, in accordance with the ISO Tariff.

**Interconnection Service** shall mean the service provided by the Participating TO and ISO associated with interconnecting the Interconnection Customer's Generating Facility to the Participating TO's Transmission System and enabling the ISO Controlled Grid to receive electric energy and capacity from the Generating Facility at the Point of Interconnection, pursuant to the terms of this LGIA, the Participating TO's Transmission Owner Tariff, and the ISO Tariff.

**Interconnection Study** shall mean any of the following studies: the Interconnection Feasibility Study, the Interconnection System Impact Study, and the Interconnection Facilities Study conducted or caused to be performed by the ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer pursuant to the Standard Large Generator Interconnection Procedures.

**Interconnection System Impact Study** shall mean the engineering study conducted or caused to be performed by the ISO, in coordination with the applicable Participating TO(s), or a third party consultant for the Interconnection Customer that evaluates the impact of the proposed interconnection on the safety and reliability of the Participating TO's Transmission System and, if applicable, an Affected System. The study shall identify and detail the system impacts that would result if the Generating Facility were interconnected without project modifications or system modifications, focusing on the Adverse System Impacts identified in the Interconnection Feasibility Study, or to study potential impacts, including but not limited to those identified in the Scoping Meeting as described in the Standard Large Generator Interconnection Procedures.

**IRS** shall mean the Internal Revenue Service.

**ISO Controlled Grid** shall mean the system of transmission lines and associated facilities of the parties to the Transmission Control Agreement that have been placed under the ISO's Operational Control.

**ISO Tariff** shall mean the ISO's tariff, as filed with FERC, and as amended or supplemented from time to time, or any successor tariff.

**Large Generating Facility** shall mean a Generating Facility having a Generating Facility Capacity of more than 20 MW.

**Loss** shall mean any and all damages, losses, and claims, including claims and actions relating to injury to or death of any person or damage to property, demand, suits, recoveries, costs and expenses, court costs, attorney fees, and all other obligations by or to third parties.

No liquidated damages shall be paid to the Interconnection Customer if: (1) the Interconnection Customer is not ready to commence use of the Participating TO's Interconnection Facilities or Network Upgrades to take the delivery of power for the Electric Generating Unit's Trial Operation or to export power from the Electric Generating Unit on the specified dates, unless the Interconnection Customer would have been able to commence use of the Participating TO's Interconnection Facilities or Network Upgrades to take the delivery of power for Electric Generating Unit's Trial Operation or to export power from the Electric Generating Unit, but for the Participating TO's delay; (2) the Participating TO's failure to meet the specified dates is the result of the action or inaction of the Interconnection Customer or any other interconnection customer who has entered into an interconnection agreement with the ISO and/or Participating TO, action or inaction by the ISO, or any cause beyond the Participating TO's reasonable control or reasonable ability to cure; (3) the Interconnection Customer has assumed responsibility for the design, procurement and construction of the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades; or (4) the Parties have otherwise agreed.

In no event shall the ISO have any responsibility or liability to the Interconnection Customer for liquidated damages pursuant to the provisions of this Article 5.3.

**5.4 Power System Stabilizers.** The Interconnection Customer shall procure, install, maintain and operate Power System Stabilizers in accordance with the guidelines and procedures established by the Applicable Reliability Council and in accordance with the provisions of Section 5.4.1 of the ISO Tariff. The ISO reserves the right to establish reasonable minimum acceptable settings for any installed Power System Stabilizers, subject to the design and operating limitations of the Large Generating Facility. If the Large Generating Facility's Power System Stabilizers are removed from service or not capable of automatic operation, the Interconnection Customer shall immediately notify the ISO and the Participating TO and restore the Power System Stabilizers to operation as soon as possible and in accordance with the Reliability Management System Agreement in Appendix G. The ISO shall have the right to order the reduction in output or disconnection of the Large Generating Facility if the reliability of the ISO Controlled Grid would be adversely affected as a result of improperly tuned Power System Stabilizers. The requirements of this Article 5.4 shall not apply to wind generators of the induction type.

**5.5 Equipment Procurement.** If responsibility for construction of the Participating TO's Interconnection Facilities or Network Upgrades is to be borne by the Participating TO, then the Participating TO shall commence design of the Participating TO's Interconnection Facilities or Network Upgrades and procure necessary equipment as soon as practicable after all of the following conditions are satisfied, unless the Parties otherwise agree in writing:

**5.5.1** The ISO, in coordination with the applicable Participating TO(s), has completed the Interconnection Facilities Study pursuant to the Interconnection Facilities Study Agreement;

**5.5.2** The Participating TO has received written authorization to proceed with design and procurement from the Interconnection Customer by the date specified in Appendix B, Milestones; and

**5.5.3** The Interconnection Customer has provided security to the Participating TO in accordance with Article 11.5 by the dates specified in Appendix B, Milestones.

**5.6 Construction Commencement.** The Participating TO shall commence construction of the Participating TO's Interconnection Facilities and Network Upgrades for which it is responsible as soon as practicable after the following additional conditions are satisfied:

**5.6.1** Approval of the appropriate Governmental Authority has been obtained for any facilities requiring regulatory approval;

## Certificate of Service

I hereby certify that I have this day served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated this 1<sup>st</sup> day of November, 2005 at Folsom in the State of California.

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