

Attachment B – Blacklines

Location Constrained Resource Interconnection Amendment Filing

October 31, 2007

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24 TRANSMISSION EXPANSION.

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

24.1 Determination of Need.

A Participating TO or any other Market Participant may propose a transmission system addition or upgrade. The ISO will determine that a transmission addition or upgrade is needed where it will promote economic efficiency, or maintain System Reliability, or connect Location Constrained Resource Interconnection Generators (LCRIGs) to the ISO Controlled Grid, as set forth below.

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24.1.3. Location Constrained Resource Interconnection Facility Projects.

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

- (a) Information showing that the proposal meets the requirements of Section 24.1.3.1;

- (b) Transmission studies demonstrating that the proposed transmission addition satisfies the applicable ISO grid planning standards, including planning standards that are Applicable Reliability Requirements;
- (c) Identification of one or more alternative transmission additions that would accomplish the objective of the proposal;
- (d) Planning level cost estimate for the proposed transmission addition and all proposed alternatives;
- (e) A conceptual plan for future connection of further transmission additions that would convert the proposed transmission addition into a network transmission facility;
- (f) The estimated commercial operation date of the proposed transmission addition; and
- (g) A conceptual plan for connecting potential LCRIGs, if known, to the proposed transmission addition.

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

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

- (a) The transmission facility is to be constructed for the primary purpose of connecting two or more LCRIGs ~~Location Constrained Resource Interconnection Generators~~ in an Energy Resource Area to the ISO Controlled Grid.
- (b) The transmission facility will be a High Voltage Transmission Facility.
- (c) At the time it is initially energized ~~def its commercial operation~~, the transmission facility will not be a network facility and would not be eligible for inclusion in a Participating TO's TRR other than as an LCRIF.
- (d) The transmission facility meets applicable ISO grid planning standards, including standards that are Applicable Reliability Requirements.
- (e) The addition of the capital cost of the transmission facility to High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of

the portion of the investment costs of recovered from LCRIFs recovered through the TRBA) included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs in effect at the time of the CAISO's evaluation of the facility.

[WILL THE CAISO BE RESPONSIBLE FOR CALCULATING THE INITIAL INVESTMENT CAP AMOUNT, THE AMOUNT OF ANY AVAILABLE "CAP SPACE", AND THE TRACKING OF FLOWS IN AND OUT OF THE CAP? DOES THIS RESPONSIBILITY NEED TO BE OUTLINED IN THE TARIFF LANGUAGE?]

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

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 transmission facility in the following manner prior to the commencement of construction of the LCRIF:

- (a) the proponent's demonstration must include a showing that LCRIFs that would connect to the transmission facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the transmission facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and
- (b) to the extent the showing pursuant to Section 24.1.3.2(a) does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent's demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIFs have demonstrated interest in the LCRIF by either of the following methods:

- (i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or
- (ii) paying a deposit to the ISO equal to the sum of the minimum deposits required of an applicant for interconnection to the ISO Controlled Grid in connection with all required studies, reduced by the deposits actually paid by the LCRIG for such studies, which deposit shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies if the LCRIF is not approved or is withdrawn by the proponent. [THIS IS NOT WHAT STAKEHOLDERS AGREED TO IN THE PRINCIPLES, AND AS WRITTEN IS INCOMPREHENSIBLE]

24.1.3.3 Coordination With Transmission Additions Proposed by Non-Participating Transmission Owners.

In the event that a transmission addition proposed as an LCRIF would connect to LCRIGs in an Energy Resource Area that would also be connected by a transmission facility that is proposed to be constructed by a person that is not a Participating ~~TO~~ Transmission Owner and does not intend to place that facility under the Operational Control of the ISO, the ISO shall coordinate with the person 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 ISO 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 transmission facility ~~meets~~ exceeds applicable ISO grid planning standards, including standards that are Applicable Reliability Requirements.
- (b) Whether, and if so, the extent to which, the transmission facility has the capability and flexibility both to interconnect potential LCRIGs in the Energy Resource Area and to be converted in the future to a network transmission facility.

(c) Whether the projected cost of the transmission facility is reasonable in light of its projected benefits, in comparison to the costs and benefits of other alternatives for connecting Generating Units or otherwise meeting a need identified in the ISO planning process, including alternatives that are not LCRIFs. In making this determination, the ISO shall take into account, among other factors, the following:

- (1) The potential capacity of LCRIGs and the potential Energy that could be produced by LCRIGs in each Energy Resource Area;
- (2) The capacity of LCRIGs in the ISO's interconnection queue for each Energy Resource Area;
- (3) Whether, and if so, the extent to which, LCRIGs in the Energy Resource Area to which the transmission facility would connect would contribute to fuel diversity;
(DOES FUEL DIVERSITY NEED TO BE DEFINED? IS THERE A CAISO GOAL OR OBJECTIVE IN REGARDS TO DIVERSITY THAT NEEDS TO BE OUTLINED? THE RPS REQUIREMENTS DO NOT MENTION DIVERSITY OF TECHNOLOGY, ONLY METER SPIN.)
- (4) The transmission route ~~distance~~ between the Energy Resource Area and the nearest networked High Voltage Transmission Facility and the viability of a transmission facility traversing that distance; (THE ROUTE IS LIKELY TO BE THE IMPORTANT FACTOR, DISTANCE IS ONLY ONE FACTOR CONTRIBUTING TO THE ROUTE)
- (5) The projected cost and in-service date ~~schedule~~ of the transmission facility in comparison with other transmission facilities that could connect LCRIGs to the ISO Controlled Grid;
- (6) Whether, and if so, the extent to which the transmission facility would provide additional reliability or economic benefits to the ISO Controlled Grid; and
- (7) Whether, and if so, the extent to which the transmission facility would create a risk of stranded costs.

(d) Notwithstanding the criteria outlined in (a) through (c) of this section, as well as the eligibility requirements outlined in Section 24.1.3.1 above, given that the Tehachapi Renewable Transmission Project has already been approved by the CAISO Board of Governors to interconnect location constrained resources in an Energy Resource Area, such Project shall be deemed to be qualified as an LCRIF.

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26 TRANSMISSION RATES AND CHARGES.

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26.6 Location Constrained Resource Interconnection Facilities.

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

26.6.1 Location Constrained Resource Interconnection Facilities that Become Network Facilities.

If the construction of a new transmission facility or upgrade causes an existing LCRIF to meet FERC's criteria for become a network facility, then beginning on the date that such facility meets FERC's network criteria, the LCRIGs connected to the LCRIF shall not be required to pay going forward the charges described in Section 26.6. upon the effective date of the inclusion of the costs of such new transmission facility or upgrade in the Participating Transmission Owner's Transmission Revenue Requirement. The

LCRIG shall remain responsible for all applicable charges incurred prior to the date the LCRIF meets FERC's criteria for a network facility.

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ISO TARIFF APPENDIX A
Master Definitions Supplement

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

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High Voltage
Transmission Facility

A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or

~~more specific customers, provided that the High Voltage Transmission Facilities of a Participating TO shall include any Location Constrained Resource Interconnection Facility of that Participating TO that has been turned over to the ISO's Operational Control.~~

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Location Constrained Resource Interconnection Facility (LCRIF)

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

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Location Constrained Resource Interconnection Generator (LCRIG)

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

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[NOTE THAT CURRENTLY EFFECTIVE TRANSMISSION REVENUE CREDIT DEFINITION WOULD BE LEFT UNCHANGED GIVEN THAT THE LANGUAGE ON FLOW THROUGH OF GENERATOR REVENUES IN THE TRBAA IS BEING DELETED.]

Transmission Revenue Credit

~~For an Original Participating TO, the proceeds received from the ISO for Wheeling service, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from (a) the proceeds received from any cost differences between Transmission Losses and Ancillary Service requirements associated LCRIG with Existing Rights and the ISO's rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non Load Serving Participating TO pursuant to Section 26.1 and~~

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

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