

## Applications for Participating Transmission Owner Status

Applications for Participating Transmission Owner (Participating TO) status with the California Independent System Operator (ISO) are in accordance with Section 2.2 of the Transmission Control Agreement (TCA). The TCA is executed by all Participating TOs and currently has four signatories, the ISO, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company. All amendments to the TCA are made either by (1) mutual agreement of all Parties, subject to Federal Energy Regulatory Commission (FERC) approval; (2) through the ISO ADR process; or (3) upon issuance of a FERC order. While the procedures and criteria in the TCA and the ISO Tariff are summarized in this document, this document does not amend, supplement or supplant the TCA or the ISO Tariff and the applicant is responsible with familiarizing itself with the terms of the TCA and of the ISO Tariff, including the ISO Protocols. The applicant should also be aware that the terms of the ISO Tariff are subject to change, upon application to and approval by the FERC. Nothing in this document will limit the applicability of amendments to the TCA or the ISO Tariff, even if the document is not revised to reflect such amendments.

### Notice of Intent

Section 3.1.1 of the ISO Tariff requires that any entity desiring to become a Participating TO must declare its intent in writing to the ISO by January 1 (if it desires to become a Participating TO on July 1 of that same year) or July 1 (if it desires to become a Participating TO on January 1 of the following year). The application process discussed below may follow the notice of intent.

### Application Procedures

All applications shall be accompanied by:

- (i) a description of the transmission lines and associated facilities that the applicant intends to place under the ISO's Operational Control and a one-line diagram of the facilities;
- (ii) in relation to any such transmission lines and associated facilities that the applicant does not own, a copy of each document setting out the applicant's Entitlements<sup>1</sup> to such lines and facilities and a summary matrix in the format provided in Appendix A;
- (iii) a statement of any Encumbrances<sup>2</sup> and a summary matrix in the

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<sup>1</sup> An Entitlement, as defined in the ISO Tariff, is a right of the Participating TO obtained through contract or other means to use another entity's transmission facilities for the transmission of Energy. Other capitalized terms used in this document are also defined in Appendix A of the ISO Tariff.

<sup>2</sup> An Encumbrance, as defined in the ISO Tariff, is a legal restriction or covenant binding on a Participating TO that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances include Existing Contracts and may include: (1) other legal restrictions or covenants meeting the definition of Encumbrance and

- format provided in Appendix B to which any of the transmission lines and associated facilities to be placed under the ISO's Operational Control are subject, together with any documents creating such Encumbrances and any dispatch protocols to give effect to them, as the ISO may require;
- (iv) a statement that the applicant intends to place under the ISO's Operational Control all of the transmission lines and associated facilities that it owns or, subject to the treatment of Existing Contracts under Sections 2.4.3 and 2.4.4 of the ISO Tariff, to which it has Entitlements and if such transmission lines and associated facilities do not include all of the lines and associated facilities owned by the applicant or to which it has Entitlements, the applicant's reasons for believing that certain lines and facilities do not form part of the applicant's transmission network;<sup>3</sup>
  - (v) a statement of any Local Reliability Criteria<sup>4</sup> to be included as part of the Applicable Reliability Criteria<sup>5</sup>;
  - (vi) a description of the applicant's current maintenance practices;
  - (vii) a list of any temporary waivers that the applicant wishes the ISO to grant because applicant does not meet the Applicable Reliability Criteria and the period for which it requires them;
  - (viii) a copy of the applicant's proposed Transmission Owner (TO) Tariff, if any;
  - (ix) a completed TRR Data Request form outlining the costs for the transmission lines and associated facilities applicant is proposing to turn over to the ISO (Additional information is provided in Attachment C) or notice that the applicant will be filing its TRR at FERC and such TRR will be included in the ISO's Access Charge

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arising under other arrangements entered into before the ISO Operations Date (March 31, 1998), if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the ISO Operations Date. Existing Contracts are defined as contracts which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as may be amended in accordance with their terms or by agreement between the parties thereto from time to time.

- <sup>3</sup> Transmission lines and associated facilities will be deemed not to form part of a Participating TO's transmission network if they meet any of the following descriptions:
- 1) they are directly assignable radial lines and associated facilities interconnecting generation to the grid (other than those facilities which may be identified from time to time interconnecting ISO Controlled Grid Critical Protective systems or Generators contracted to provide Black Start or Voltage Support) ("generation leads" or "generation tie lines");
  - 2) they are lines and associated facilities classified as "local distribution" facilities in accordance with FERC's applicable technical and functional test; or
  - 3) they are other facilities excluded consistent with FERC established criteria for determining facilities subject to ISO Operational Control.

<sup>4</sup> Reliability criteria established at the ISO Operations Date, unique to the transmission system of each Participating TO.

<sup>5</sup> The reliability standards established by NERC, WSCC, and Local Reliability Criteria as amended from time to time, including any requirements of the NRC.

- when it has been accepted by the Commission;
- (x) address and contact names to which notices may be sent;
- (xi) any other information that the ISO may reasonably require in order to evaluate the applicant's ability to comply with its obligations as a Participating TO;
- (xii) details of the applicant's Settlement Account;
- (xiii) MWh demand per month for the test period (1 year); and
- (xiv) instructions on how to implement Encumbrances and Entitlements, if available, if the instructions are not readily available then applicant will work with the ISO to provide the instructions prior to the effective date.

### **Notice of Application**

The ISO shall require the applicant to deliver to each existing Participating TO a copy of each application and each amendment of the application that may be made by the applicant, together with all supporting documentation and to provide the public with reasonable details of its application and each amendment through the ISO Home Page. The ISO shall not grant an application for Participating TO status until it has given each other Party and the public sixty (60) days to comment on the original application and thirty (30) days to comment on each amendment the applicant may make to its application.

### **Designation of Transmission Facilities**

Except for facilities described above, all transmission facilities that a applicant either owns or to which it has an Entitlement that is represented by a Converted Right shall be included in the application and placed under the Operational Control of the ISO. Subject to some conditions, the cost of all such facilities shall be recovered in the ISO's Access Charge. Each applicant must designate its transmission facilities, and provide supporting documentation for such designation, in the TCA.

#### I. Criteria for Distinguishing Transmission and Distribution Facilities

As stated in Section 3.1 of the ISO Tariff, the general framework specified in FERC's 7-point test, as set forth in Order 888, shall be used to distinguish a Participating TO's Distribution System from its transmission facilities. A Participating TO may use additional criteria as long as such criteria are consistent with the FERC's 7-point test and are fully explained and documented. The ISO reserves the right to supplement the FERC's 7-point test, on a case-by-case basis.

The FERC's 7-point test to distinguish local distribution facilities from transmission facilities applies the following criteria to identify local distribution facilities:

- 1) Local distribution facilities are normally in close proximity to retail customers.
- 2) Local distribution facilities are primarily radial in character.

- 3) Power flows into local distribution systems; it rarely, if ever, flows out.
- 4) When power enters a local distribution system, it is not reconsigned or transported on to some other market.
- 5) Power entering a local distribution system is consumed in a comparatively restricted geographical area.
- 6) Meters are based at the transmission/local distribution interface to measure flows into the local distribution system.
- 7) Local distribution systems will be of reduced voltage.

## II. Criteria for Distinguishing Transmission and Generation Facilities

An applicant shall identify all of its Generation-Tie Lines. The costs associated with such facilities shall be excluded from the portion of a Participating TO's TRR that is recovered through the Access Charge.<sup>6</sup> Generation-Tie Lines are facilities that are primarily radial in character and used exclusively for the purpose of transporting energy from a power plant to the point of interconnection with the transmission network.

Generation-Tie Lines include:

- 1) the lead line from the generator to the point of interconnection with the ISO Controlled Grid;
- 2) station equipment used as Generation Step-Up Transformers (GSUs), which convert generation to transmission-level voltage;
- 3) other interconnection facilities properly assigned to a specific generator under the FERC's transmission pricing policy; and
- 4) Entitlements to Generation tie lines owned by others.

Generation-Tie Lines also include tie lines to third-party generators, and Generation lead lines and GSUs that a Participating TO retains ownership of or an Entitlement to after the divestiture of one or more of its generating plants.

### **Determination of Eligibility**

Subject to challenges to eligibility discussed below, the ISO shall permit an applicant who has submitted an application to become a Participating TO if, after considering all comments received from other Parties and third parties, the ISO determines that:

- i. the applicant's transmission lines and associated facilities that are to be placed under the ISO's Operational Control can be incorporated into the ISO Controlled Grid without any material adverse impact on its reliability;

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<sup>6</sup> Excluding the costs of Generation-Tie Line facilities from the Access Charge is consistent with federal policy. Under the FERC's long established ratemaking practices, the costs of interconnection facilities are assigned directly to those customers who benefit from such facilities. For example, in its Opinion No. 432 issued in Docket No. ER95-854 (85 FERC 61,274) the FERC ruled that the costs of GSU transformers should be assigned directly to the generator to which it is connected.

- ii. incorporating such transmission lines and associated facilities into the ISO Controlled Grid will not put the ISO in breach of Applicable Reliability Criteria and its obligations as a member of WSCC;
- iii. objections by the ISO shall have been withdrawn or determined by the ISO Governing Board to be invalid;
- iv. all applicable regulatory approvals of the applicant's TO Tariff have been obtained; and
- v. the applicant is capable of performing its obligations under the TCA.

Objections relating solely to a portion of an applicant's Facilities shall not prevent the applicant from becoming a Participating TO while the objections are being resolved.

### **Challenges to Eligibility**

The ISO shall permit an applicant to become a Participating TO pending the outcome of ISO ADR Procedures challenging whether or not the applicant satisfies the criteria discussed in Determination of Eligibility if the ISO determines that the applicant satisfies those criteria unless otherwise ordered by FERC.

### **Becoming a Participating TO**

An applicant whose application has been accepted shall become a Participating TO with effect from the date when the later of: (i) its TO Tariff takes effect, if applicable, either as a result of acceptance by FERC or by action of a Local Regulatory Authority, whichever is appropriate; or (ii) the TCA takes effect. The TO Tariff of each Participating TO shall be posted on the ISO Home Page.

### **Procedures and Charges**

The ISO shall adopt fair and non-discriminatory procedures for processing applications. The ISO shall publish its procedures for processing applications on the ISO Home Page and shall furnish a copy of such procedures to FERC. Applicants shall pay all costs incurred by the ISO in processing their applications. The ISO will furnish applicants, upon request, an itemized bill for the costs of processing their application.

### **ISO Grid Planning Criteria**

The ISO Governing Board has adopted specific planning criteria for the ISO Controlled Grid that is available upon request.

### **Additional Information Required Prior to Operation**

Once an applicant has become a Participating TO, and prior to the effective date, the ISO need the following additional information:

- i. all relevant operating procedures, agreements and instructions;
- ii. a General Electric compatible load flow database;
- iii. a database to populate the ISO's Transmission Register, a spreadsheet will be provided;

- iv. a listing of all ISO Controlled Grid critical protective systems;
- v. a written set of maintenance practices that adequately describe the process for inspection, maintenance and record keeping of transmission facilities;
- vi. a set of outage data on all lines under the ISO Operational Control for the last 10 years;
- vii. other documents necessary for system operations (i.e. fire maps, etc.); and
- viii. the appropriate phone numbers and personnel roster for the operations single point of contact with the ISO.