



California Independent
System Operator Corporation

December 9, 2008

Via Electronic Filing

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Answer to Comments of the California Independent System Operator
Docket Nos. OA08-62-003 and OA08-62-004**

Dear Secretary Bose:

Attached please find the Answer to Comments of the California Independent System Operator Corporation for filing in the above-referenced docket.

Thank you for your attention to this matter.

Respectfully Submitted,

/s/ Judith B. Sanders

Judith B. Sanders
Senior Counsel
Counsel for the California Independent
System Operator Corporation

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator)
Corporation)

Docket No. OA08-62-003
Docket No. OA08-62-004

**ANSWER TO COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§385.213 (2006), the California Independent System Operator Corporation (CAISO) respectfully answers the comments¹ submitted in response to the CAISO's October 31, 2008, filing to comply with the Commission's June 19, 2008 Order on Compliance in this docket ("10/31 Submission").²

The CAISO appreciates that the comments are largely supportive of its 10/31 Submission.³ As discussed below, several parties have made constructive suggestions that the CAISO will incorporate into the Tariff or Business Practice Manual for Transmission Planning ("BPM"). However, other comments are apparently based on a misunderstanding of certain Tariff modifications, present issues not previously considered, or request further changes that go beyond the directives of the Compliance Order. Such recommendations should be rejected.

¹ Comments were filed by Modesto Irrigation District ("MID"), Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside ("the Six Cities"), Northern California Power Agency (NCPA), Bay Area Municipal Transmission Group ("BAMx"), Imperial Irrigation District ("IID"), M-S-R Public Power Agency ("MSR"), Transmission Agency of Northern California ("TANC") and the California Department of Water Resources State Water Project ("SWP"). There were no protests filed in response to the 10/31 Submission.

² *Cal. Ind. Sys. Operator Corp.*, 123 FERC ¶ 61,283 (2008) ("Compliance Order").

³ NCPA notes that a number of the goals identified in its initial filing have been achieved or at least "improved upon." A concern was raised about stakeholder participation in PTO local planning processes, but according to NCPA, the matter is not being further pursued. Accordingly, the CAISO has not included a specific response to the NCPA comments in this Answer.

I. ANSWER

A. The Additional Modification to Tariff §20.2 Proposed by TANC, MID and MSR is Unnecessary and Confusing.

TANC, MID and MSR have correctly pointed out a discrepancy between the changes made to the current Tariff and the version that will go into effect upon MRTU implementation (“MRTU Tariff”). Specifically, at §20.2(e), the CAISO had intended to replace the phrase “may be disclosed” with “shall be disclosed” in both versions of the Tariff, in compliance with the directives of the Compliance Order. Unfortunately, this modification was inadvertently omitted from §20.2(e) of the MRTU Tariff. The CAISO agrees to correct this oversight in a subsequent compliance submission.

These parties have also taken issue with the modification made to the first sentence of §20.2 in each version of the Tariff.⁴ As they note, the CAISO had agreed that, as originally drafted, the confidentiality of information appeared to be dependent upon the nature of the entity submitting the data rather than the nature of the information.⁵ This confusion was caused by the use of the descriptive phrase “by Scheduling Coordinators” to identify the confidential information provided to the CAISO, implying that the itemized list of information contained in §20.2 would be afforded confidential treatment only if submitted by a Scheduling Coordinator. In the 10/31 Submission, the CAISO deleted “by Scheduling Coordinators” from §20.2 so that the section now states that the non-

⁴ The original lead-in sentence of §20.2 stated:
“The following information provided to the CAISO by Scheduling Coordinators will be treated by the CAISO as confidential...”

⁵ See CAISO Answer in this docket, February 14, 2008 at 12-13.

inclusive list of information provided to the CAISO will be afforded confidential treatment.

Although appreciative of this revision, TANC, MID and MSR would have the CAISO go a step further and add the phrase “regardless of the type of Market Participant or third-party entity that submits the information” following the word “confidential” in the same sentence of §20.2. This additional phrase is simply unnecessary. The proposed sentence lists *all* the information provided to the CAISO that will be treated as confidential—no matter who provides it. Thus, as written, such confidential information can be provided by the entire universe of potential entities that may be submitting data. There is no apparent reason to add the categories “type of Market Participant” and “third-party entity” back into the sentence. The CAISO removed the language that caused the confusion in the first place, which is exactly what was agreed to in the February 14 Answer and directed by the Compliance Order. Additional language is unnecessary and could potentially re-infuse the confusion that the CAISO sought to eliminate.

B. The Tariff Revisions Suggested by the Six Cities Are Well-Taken.

The CAISO appreciates the Six Cities’ careful reading of both versions of the Tariff and the BPM. The typographical errors set forth in their comments will be corrected in a subsequent compliance filing. In addition, the CAISO agrees that the language of §24.2.3 creates ambiguity as to whether Participating TOs are among the entities required to submit transmission upgrades, additions or requests for Economic Planning Studies through the Request Window.

Accordingly, the CAISO agrees to add “Participating TO” to the list, as suggested by the Six Cities.⁶

C. The Modifications Proposed by BAMx to the Stakeholder Participation Dates and Milestones Described in the BPM can be Addressed Through Changes to the BPM

The CAISO made several changes to the public participation process in response to suggestions offered by BAMx both in the initial round of comments and during the stakeholder process leading up to the 10/31 Submission. Indeed, as correctly noted in BAMx’s current comments, the CAISO extended the Transmission Planning Process (“TPP”) to provide additional time for interested parties to evaluate the Study Plan, study results, the Transmission Plan and other materials presented in preparation for stakeholder meetings. Nonetheless, BAMx has expressed concern that without the receipt of certain information, and sufficient time to review the data, the CAISO’s modified process could provide less, rather than greater, transparency for participants.

The presentation of the 2008 Transmission Plan and the recent November 20 stakeholder meeting were cited by BAMx as examples of compressed timeframes for public review and comment on study results and other materials.⁷ Additionally, BAMx suggests that BPM Sections 4.1.1 (“Input into the Study Plan”) and 4.1.3 (“Output”) do not contain enough information for stakeholders to be able to meaningfully participate in the process, and that data such as base

⁶ The Six Cities correctly note that “Market Participant” and “Project Sponsor” include Participating TO. However, Participating TOs are specifically listed, along with other entities, in §§24.1, 24.1.1 and other provisions addressing the submission of reliability and economic projects. For the sake of consistency, “Participating TO” should be added to §24.2.3 as well.

⁷ BAMx comments at 4, 7.

case changes and level C and D contingency development should be included and provided prior to Stakeholder meeting #1.⁸

The CAISO does not necessarily object to adding detail to the BPM regarding the data that will be provided at each milestone in the TPP. However, rather than making a few specified changes in the context of this docket and then adding other related changes incrementally, the CAISO suggests that it would be more efficient (and would allow the CAISO to address these changes in a more comprehensive manner) to modify the BPM through the CAISO's specified BPM change management procedures after some experience with the TPP has been gathered. This would allow the CAISO to address this issue in a comprehensive manner by making all appropriate changes to the BPM at one time -- based on actual experience under the TPP -- rather than making a few changes now and then a few changes later (and so on). In any event, there is sufficient flexibility in the BPM for the CAISO to post additional information requested by the parties to its secure website location in time for review and comment at the public meetings, even if the specific information is not listed in the BPM.

For example, at §2.1.2.2, the BPM describes the process for development of the Study Plan that will be posted prior to Stakeholder meeting No. 1. During this time period, the CAISO solicits information and comments from third party participants, as well as Participating TOs, neighboring Balancing Authority Areas and sub-regional planning groups. Specific requests for data posting, such as those provided in the BAMx comments, could be given to the CAISO.

⁸ BAMx Comments at 8-9.

Furthermore, the BPM contains detailed information as to the data that will be made available to interested parties:

The Study Plan lists all the studies to be conducted, describes basic planning assumptions and inputs, sources for those assumptions and inputs, how assumptions and inputs will be applied, methodology, tools used, study criteria (WECC Planning Standards), expected study outputs and assignments for performing specific analyses to PTOs and third parties as determined by the CAISO...

* * *

...the information contained in the Study Plan is intended to allow replication of the studies performed during the CAISO's TPP by competent transmission engineers.⁹

BPM Attachment 1 contains additional details about the Study Plan template, and Attachment 2 provides specific information about the NERC Reliability Assessment studies, including the Category C and D contingency details discussed in the BAMx comments.

As discussed above, to the extent that certain information or explanations, such as changes to the base cases or contingency selection information, would assist third party transmission engineers with their assessment of the CAISO or CAISO-directed studies, such requests can be provided to the CAISO during the comment period following the first stakeholder meeting and included in the Study Plan. These suggestions can then be considered for addition to the BPM at a later time where they can be incorporated with other related changes in that section of the BPM.

⁹ BPM §2.1.2.2.

With regard to the elapsed time between data postings and stakeholder meetings, the CAISO added the following language to BPM §2.1.3 specifically in response to concerns raised by BAMx during the 10/31 Submission stakeholder process:

Should the issuance of the draft Study Plan, the CAISO preliminary study results, the PTO study submissions, or the draft Transmission Plan be delayed beyond the approximate dates set forth above, the public meetings shall be accordingly adjusted.

The CAISO is making every effort to effectively manage the transition to its revised TPP and will use the flexibility in the BPM to ensure that participants have enough time for review and comment. Nonetheless, timing of the 10/31 Submission makes it impossible for participants to have 75 days between the posting of study results and the closing of the Request Window for the 2009 Transmission Plan. Once the CAISO and its stakeholders have worked through this transition period, there may be additional BPM modifications that should be considered. The BAMx concerns, along with other stakeholder input, can be addressed at that time.

D. The Proposed Definition of Large Projects Is Reasonable and Should Not Be Modified as Proposed by BAMx.

The tariff and BPM modifications contained in the 10/31 Submission include a Tariff definition of “Large Projects” and additional clarity as to the approval process for various transmission projects according to capital cost and voltage level.¹⁰ Large Project is now defined as follows:

¹⁰ See 10/31 Transmittal Letter at 15-16.

A transmission upgrade or addition that exceeds \$200 million in capital costs and consists of a proposed transmission line or substation facilities capable of operating at voltage levels greater than 200 kV. Location Constrained Resource Interconnection Facilities are not included in this definition, regardless of the capital cost or voltage level of the transmission upgrade or addition. A Large Project may also be a project that does not meet the dollar or voltage level requirement, but that the CAISO determines raises significant policy issues warranting a separate planning process.

The project approval process is described at BPM §4.3. Projects with capital costs of less than \$50 million do not require Governing Board approval and will be presented to the CAISO Executive Leadership Team for approval. Projects with capital costs greater than or equal to \$50 million but not categorized as Large Projects will be studied as part of the TPP and presented to the Governing Board in accordance with the schedule developed for each project. Finally, Large Projects will be evaluated through a separate stakeholder process that would qualify the CAISO economic studies for a rebuttable presumption of reasonableness if presented to the California Public Utilities Commission during the Certificate of Public Convenience and Necessity approval process.¹¹

BAMx takes issue with the definition of Large Project, arguing that all projects with capital costs over \$50 million should be subject to a separate stakeholder process, regardless of the voltage level.¹² The CAISO opposes this modification for several reasons. First, the definition of Large Project provides

¹¹ See CPUC decision D.06-11-018, issued on November 9, 2006 in *Order Instituting Investigation On the Commission's Own Motion into Methodology for Economic Assessment of Transmission Projects* Docket I.05-06-041, in which the CPUC outlined the public participation process that the CAISO must follow if its economic evaluations of the need for a transmission project are to be eligible for a rebuttable presumption of reasonableness in a CPCN proceeding.

¹² BAMx Comments at 9.

the CAISO with sufficient discretion to designate a project that costs less than \$50 million or has a voltage level lower than 200 kV as one that could involve a high level of public interest and, as such, should be subject to a lengthier, more robust stakeholder process. Stakeholders are free to recommend projects that they believe should be evaluated on a separate track. Just because a project's capital costs exceed \$50 million does not mean that the project raises significant public interest concerns. Indeed, BAMx has not provided any legitimate reasons by separate stakeholder processes are necessary to evaluate projects with capital costs in excess of \$50 million. Applying the arbitrary measure proposed by BAMx could result in unnecessary stakeholder processes and the unnecessary expenditure of time and resources that otherwise could be dedicated to addressing issues associated with projects that do raise stakeholder concerns.

Studying all projects over \$50 million through a separate stakeholder process also contradicts the purpose of the Large Project category. In the June 19 Compliance Order the Commission expressed concern that projects could not only be submitted, but also evaluated, outside the TPP.¹³ An important purpose of the stakeholder process leading up to the 10/31 Submission was to clarify that all projects must be submitted through the Request Window, and that some “larger projects” may require comprehensive technical and/or economic studies such that more than a single planning cycle would be needed to complete the evaluation process. If, as suggested by BAMx, all projects that must be

¹³ June 19 Compliance Order at ¶16, fn. 17.

approved by the Governing Board are studied in a separate stakeholder process, then the purpose of the annual TPP stakeholder process is not clear.

Finally, the CAISO simply had to balance the public benefits of an expanded, separate stakeholder process with its available resources and the resources of stakeholders. A mandatory requirement that all projects greater than or equal to \$50 million be processed separately would unreasonably cause the CAISO's and stakeholder's workload to expand exponentially and not necessarily in proportion to the public interest in a particular project. Once again, the flexibility in the Large Project definition allows the CAISO to weigh the public interest in a separate proceeding on a case-by-case basis.

E. The CAISO Transmission Planning Process Contemplates that Third Parties Can Submit Requests for Transmission Upgrades or Additions Through the Request Window.

SWP seeks clarification that non-Participating TO third party participants- in particular, loads such as SWP- would have the opportunity to submit requests for reliability-driven transmission upgrades or additions through the Request Window.¹⁴ In general, the response to this request for clarification is "yes." However, as the CAISO explained in its February 14, 2008 Answer to the first round of comments, SWP's particular request for firm service upgrades is a matter of contract between SWP and PG&E. The Commission agreed that the issue was beyond the scope of this proceeding.¹⁵ Should circumstances change, or should SWP seek transmission upgrades or additions that are not governed by

¹⁴ SWP Comments at 2.

¹⁵ June 19 Compliance Order at ¶197.

contract with a transmission provider, then the request could be considered by the CAISO if submitted through the Request Window.

F. The Proposed Revisions to §§24.4 and 24.5, Responding to IID’s Concerns, Comply with the Compliance Order Directives.

In response to IID’s concerns in the initial round of comments, the CAISO agreed to add language to §§24.4 and 24.5 clarifying that, in constructing transmission upgrades or additions, and conducting operational reviews of proposed facilities, the CAISO and Participating TOs will coordinate with neighboring Balancing Authorities and neighboring Balancing Authority operators. This language was added to both sections as part of the 10/31 Submission.¹⁶

IID in its comments now takes issue with the phrases “as appropriate” in §24.4 and “if applicable” in §24.5, claiming that these expressions render the tariff language “meaningless,” and that the CAISO should be required to provide additional clarification as to when coordination with neighboring Balancing Authority Areas is “appropriate” or “applicable.”¹⁷ These comments seem to miss the point of both tariff sections. §24.4 provides that a Participating TO, when constructing an addition or upgrade pursuant to §24.2.4.2, shall be directed to coordinate with various entities (including neighboring Balancing Authorities), *depending on the location of the terminus of the transmission upgrade or addition*, in order to determine the appropriate facilities to be constructed in accordance with the CAISO Tariff. It would not be “appropriate” to coordinate

¹⁶ See, for example, unnumbered page 58 of the 10/31 Submission showing redlined language changes to those sections.

¹⁷ IID Comments at 4.

with a neighboring Balancing Authority if the proposed project is not located in the area of the neighboring Balancing Authority. Similarly, §24.5 provides that the CAISO will conduct an operational review of all facilities that are proposed to be connected to the CAISO Controlled Grid, and should the facilities not provide sufficient operating flexibility, the CAISO will coordinate with the entities *where the facilities will be located* to assess and redesign the facilities. Once again, coordination with the operators of neighboring Balancing Authorities will not be “applicable” if facilities are not located in the area of the neighboring Balancing Authority. Clearly the focus of these two Tariff sections is limited to the coordination of studies and facilities design when the proposed facilities are located outside of the Participating TO Service Territory of the Participating TO constructing the project, including those located in neighboring Balancing Authority Areas. With this understanding, the conditional terms included in the tariff language need no further clarification.

G. Issues Involving Sub-Regional Planning Have Been Adequately Addressed.

Based on its apparent misunderstanding of the language proposed for §§24.4 and 24.5, IID has included in its Comments a lengthy discussion of the importance of joint sub-regional planning with neighboring Balancing Authority Areas through organizations such as the newly proposed Pacific Southwest Planning Association (“PSPA”).¹⁸ BAMx also suggested that the Commission direct the CAISO to add language to its Tariff indicating that joint planning issues would be addressed through a stakeholder process.

¹⁸ IID Comments at 5-7.

The CAISO agrees that subregional planning is important as illustrated through its participation in subregional planning forums within the Western Interconnection, including the WECC's Transmission Expansion Planning Policy Committee. Further, the CAISO will continue to work with other parties interested in forming the PSPA and through other, established joint planning organizations.¹⁹ The CAISO envisions that the PSPA, once established, may provide an opportunity for neighboring systems to discuss and address sub-regional transmission needs. The CAISO looks forward to continuing its involvement with interested parties to develop a participation agreement for the PSPA.

Furthermore, at the specific request of IID and other parties, the CAISO modified BPM §5.1 to include additional sub-regional planning groups, and additional detail was added to Tariff §24.8.1. Both the Tariff and the BPM require the CAISO to 1) solicit the participation, either through sub-regional planning groups or individually, of all interconnected Balancing Authority Areas in the development of the Unified Assumptions and Study Plan; 2) co-ordinate with regional and sub-regional planning groups regarding the entity performing requests for Economic Planning Studies or other Congestion related studies; 3) transmit information to other Balancing Authority Areas; and 4) post links on the CAISO Website to the activities of regional and sub-regional planning groups or interconnected Balancing Authority Areas. The CAISO's TPP, which has been developed with the input of neighboring systems as well as its Participating TOs,

¹⁹ See BPM §5.1 "...the CAISO is participating in the development of a Pacific Southwest Planning Association (PSPA), which hopes to encompass most of the transmission systems in California."

also presents a robust and well-defined opportunity for sub-regional planning, and the CAISO encourages IID and other parties to engage in the CAISO process in addition to the joint planning processes of other regional and sub-regional entities.

IID has also requested that language be added to Tariff §24.1.3.3 such that the CAISO will be required to coordinate with affected neighboring Balancing Authority when evaluating a proposed LCRIF project that interconnects to an energy resource area also connected by a non-Participating TO facility.²⁰ However, LCRIF projects must be submitted through the Request Window and evaluated as part of the planning process. Therefore, all of the planning coordination activities outlined in the tariff and BPM will apply to such projects.

In light of these specific references to sub-regional planning and coordination with neighboring Balancing Authority Areas, the CAISO believes that this topic has been thoroughly addressed and that other joint planning activities will take place outside of this docket. There is no need for additional language modifications.

H. The CAISO Transmission Planning Process and Other Established Procedures Sufficiently Provide for the Exchange of Critical Energy Infrastructure Information.

IID opines that the revisions Tariff §§20.2 and 20.4 have caused “further ambiguities” as to the management of confidential and critical energy infrastructure information (“CEII”); in particular whether neighboring Balancing Authority Areas potentially impacted by transmission projects could receive such information. IID requests that these sections, and §24.2.2.1, be modified to

²⁰ IID Comments at 9.

specifically provide for a mutual exchange of information, including CEII, with neighboring Balancing Authority Areas.²¹

Once again, there is simply no need for such additional revisions. Specifically with request to confidential information and CEII, the CAISO has developed a detailed procedure that will allow the dissemination of such information to parties with a need to review it, subject to non-disclosure agreements and password protected access to a secure website. Neighboring Balancing Authority Areas, as Market Participants, would have the same access to this information that is afforded to other parties. In addition, there are procedures outside the TPP, such as the NERC reliability standards, that contemplate the exchange of data between interconnected systems. Additional language will not serve to provide more procedures for exchanging information than are already available.

²¹ IID Comments at 7-9.

II. CONCLUSION

The CAISO appreciates the constructive participation of third parties and Participating TOs in all phases of this transmission planning proceeding. The 10/31 Submission comments discussed in this Answer have also provided helpful insights and clarifications. However, certain requests for additional language changes to the Tariff and BPM are simply unnecessary and could even cause confusion. The CAISO suggests that its efforts should now be focused on the implementation of its Order 890 TPP. With time and experience, both the CAISO and its stakeholders might have suggestions for changes that can be addressed through modifications to the Tariff and BPM in accordance with established CAISO procedures.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served, by electronic and United States mail, a copy of the foregoing Answer to Comments of the California Independent System Operator Corporation in the above-referenced Dockets.

Executed on December 9, 2008, at Folsom, California.

/s/Susan L. Montana
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