

## Stakeholder Process: Decision on Competitive Transmission Improvements

# Summary of Submitted Comments

Stakeholders submitted two rounds of written comments to the ISO on the following dates:

- Round One: Issue Paper and Straw Proposal posted on September 10, 2013; comments received October 3.
- Round Two: Draft Final Proposal posted on October 17, 2013; comments received November 12.

Stakeholder comments are posted at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/CompetitiveTransmissionImprovements.aspx>

Other stakeholder efforts include:

- Stakeholder web conferences were held on September 20, 2013 and November 4, 2013.

**Parties that submitted written comments on the Draft Final Proposal:** California Public Utilities Commission (“CPUC”) staff, Duke American Transmission Company (“DATC”), Imperial Irrigation District (“IID”), Isolux Infrastructure, LS Power, MidAmerican Transmission, Pinnacle West Capital Corporation (“PNW”), Pacific Gas and Electric Company (“PG&E”), Six Cities<sup>1</sup>, and Southern California Edison (“SCE”).

**Other parties that also participated in the initiative:** Abengoa, Bonneville Power Administration, California Department of Water Resources, California Energy Commission, Clean Coalition, Critical Path Transmission, Customized Energy Solutions, Exelon Corporation, Flynn Resource Consultants, Idaho Power, ITC Holdings, NV Energy, Northern Tier Transmission Group, Northeast Utilities, Pasadena Water & Power, Pattern Transmission LP, Power Engineers, Powerex, Powerlink Transmission Company, Sacramento Municipal Utility District, San Diego Gas & Electric, Sempra, Smart Wire Grid, Terra-Gen Power, Trans Bay Cable, Transmission Agency of Northern California, Tres Amigas, Western Area Power Administration, and Xtreme Power.

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<sup>1</sup> Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (“Six Cities”).

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| <p>Permit approved project sponsors to recover all FERC-approved, pre-participating transmission owner costs associated with the project it was selected to build.</p> | <ul style="list-style-type: none"> <li>• DATC: Strongly supports.</li> <li>• Isolux Infrastructure: No comment.</li> <li>• LS Power: Supports with qualification. Needs to review exact tariff language.</li> <li>• MidAmerican Transmission: Supports with qualification. Requests clarification that a declaratory order from FERC is an option for the project sponsor, not a requirement. The pro forma approved project sponsor agreement should apply to both PTOs and non-PTOs and should not include provisions more onerous than the obligations and requirements of project sponsors of non-competitive projects.</li> <li>• PNW: Supports with qualification. Would not support a pro forma approved sponsor agreement that would impose more onerous provisions on non-incumbents than those imposed on incumbents.</li> </ul> | <ul style="list-style-type: none"> <li>• PG&amp;E: Supports with qualification. The pro forma approved project sponsor agreement should include a provision establishing an obligation for the sponsor to refund construction work in progress (“CWIP”) revenues collected via the transmission access charge (“TAC”) in the event FERC subsequently denies recovery of 100% abandoned plant costs and the project does not become operational.</li> <li>• SCE: Supports.</li> <li>• Six Cities: Does not categorically object but believes ISO should enhance its approach to evaluating the cost impacts of proposals submitted through the competitive solicitation process.</li> </ul> | <p>CPUC: Fully supports.</p> | <p>Management does not believe it is necessary to state in the tariff that a non-PTO selected as an approved project sponsor must obtain a petition for declaratory order from FERC as a pre-condition. Such a provision is not present in the current tariff for PTOs selected as an approved project sponsor.</p> <p>The pro forma approved project sponsor agreement will apply to all approved project sponsors selected through the competitive solicitation process whether a PTO or non-PTO with no difference in the provisions applied to either. For non-competitive projects, the obligations and requirements imposed on the PTOs are set forth in the transmission control agreement and the tariff; however, there are not similar provisions for competitive projects until they are energized and turned over to ISO operational control. The matters addressed in the agreement will be similar to these obligations and requirements and will be no more or less onerous. Establishing an obligation for the sponsor to refund CWIP revenues is outside the scope of this initiative and is a FERC</p> |

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|  |   |   |   | <p>matter.</p> <p>Reviewing and enhancing the approach to evaluating the cost impacts of proposals submitted through the competitive solicitation process is outside the scope of this initiative.</p>   |
| <p>An approved project sponsor that is not an existing participating transmission owner should be required to turn over to the ISO's operational control only the facilities that it is selected to build, not all of its transmission facilities.</p> | <ul style="list-style-type: none"> <li>• DATC: Fully supports.</li> <li>• IID: Supports.</li> <li>• Isolux Infrastructure: No comment.</li> <li>• LS Power: Supports with qualification. Needs to review exact tariff language.</li> <li>• MidAmerican Transmission: Fully supports.</li> <li>• PNW: Supports. Requests clarification regarding disposition of existing transmission facilities for non-PTO approved project sponsors with existing facilities who become PTOs and are subsequently selected as the approved project sponsor in a subsequent competitive solicitation.</li> </ul> | <ul style="list-style-type: none"> <li>• PG&amp;E: Supports.</li> <li>• SCE: Supports.</li> <li>• Six Cities: Takes no position.</li> </ul>   | <p>CPUC: Fully supports.</p>  | <p>Management clarifies that if a non-PTO with existing transmission facilities is selected as an approved project sponsor, completes the project, becomes a PTO, and is later selected as an approved project sponsor in a subsequent competitive solicitation, then it would be required to turn over to ISO operational control only the facilities that it is selected to build.</p> |
| <p>Project sponsors should be required to provide an application deposit in the amount of \$75,000 with each proposal submitted. If the amount required to</p>   | <ul style="list-style-type: none"> <li>• DATC: Supports with qualifications. ISO should commit to periodically reviewing its process to ensure efficiency and cost effective administration of the competitive solicitation process. ISO should commit to</li> </ul>  | <ul style="list-style-type: none"> <li>• PG&amp;E: Supports. However, remains concerned with the competitive solicitation feature that allows sponsors to request an opportunity to collaborate. Recommends that the ISO</li> </ul> | <p>CPUC: Supports with qualification. Suggests a \$50,000 deposit with any costs above this level to be funded by the overall transmission customers.</p> | <p>Management commits to continually monitor the efficiency and effectiveness of the competitive solicitation process and pursue enhancements to improve efficiency and cost.</p> <p>Management believes that all</p>  |

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| <p>pay actual costs is determined to be greater than \$75,000 per application, then each project sponsor would be obligated to provide the additional amount up to a cap of \$150,000.</p> | <p>reviewing the deposit requirements in the event that there is any evidence the deposit is discouraging participation by qualified project sponsors.</p> <ul style="list-style-type: none"> <li>• Isolux Infrastructure: Proposes a \$25,000 non-refundable application fee. ISO should recover the balance of its costs through rates.</li> <li>• LS Power: Expresses opposition but clarifies that its position is driven more by its preference that the qualification and selection processes be separate rather than by the reasonableness of the proposed deposit requirements.</li> <li>• MidAmerican Transmission: Supports with qualification. The deposit should only apply to the evaluation of the competitive project that the depositor is applying for. Requests clarification that no additional costs will be incurred following the selection of the successful sponsor. ISO should apply deposits only to incremental costs for the competitive solicitation process, not internal labor costs. ISO should provide up front estimates to determine the need for additional fees and allow a withdrawal window if these fees are deemed too high. Sponsors which collaborate after the initial</li> </ul> | <p>continually monitor the efficiency and effectiveness of the competitive solicitation process and pursue enhancements to improve efficiency and cost.</p> <ul style="list-style-type: none"> <li>• SCE: Supports and believes that the ISO has adequately justified the proposed amounts.</li> <li>• Six Cities: Generally supports; however, does not support a cap (believes that sponsors should pay for all actual costs).</li> </ul> |                     | <p>project sponsors should bear the costs of the competitive solicitation process rather than ratepayers funding the costs of individual applicants competing to build and own specific transmission solutions. Management's proposed \$75,000 deposit amount is based on actual costs incurred in recent competitive solicitations. Setting the deposit at an amount less than \$75,000 would likely result in ratepayers funding the balance of the actual costs.</p> <p>Management does not propose a separate fee for qualification and selection, but rather one deposit to cover costs incurred to perform and administer all aspects of the competitive solicitation process. Nevertheless, Management proposes a separate refund opportunity after the qualification process is completed.</p> <p>An applicant's deposit will apply to the actual costs incurred relative to the competitive project that the depositor is applying for. No additional costs will be incurred following selection.</p> <p>The entire competitive solicitation process represents incremental costs for the ISO. To not include internal ISO labor costs in the calculation of costs incurred would result in ratepayers funding the balance of actual costs</p> |

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|                     | <p>submittal and subsequently resubmit competitive proposals should be required to continue to fund and be individually responsible for the initial deposit and any additional amounts required.</p> <ul style="list-style-type: none"> <li>• PNW: Supports. Requests clarification whether the true-up and cost cap apply only to selected project sponsors or to both selected and unsuccessful project sponsors. Also recommends elimination of the true-up and cap in order to provide cost certainty to applicants. Requests clarification on the calculation of refunds for sponsors found not qualified.</li> </ul> |                                   |                     | <p>incurred.</p> <p>Management proposes to cap an applicant's cost responsibility at \$150,000 in direct response to stakeholder concerns about cost certainty. Moreover, the proposed deposit amount of \$75,000 is based on actual costs in recent competitive solicitations and believes this to be a reasonable estimate of costs going forward. Thus, Management believes that any further need for up front estimates and withdrawal windows has been reasonably mitigated.</p> <p>Sponsors that collaborate after the initial submittal will be required to continue to fund and be individually responsible for the initial deposit and any additional amounts required.</p> <p>Both selected and unsuccessful project sponsors are responsible for actual costs incurred up to the cost cap. Once the ISO finds a project sponsor not to be qualified for the project, no additional costs will be incurred relative to that sponsor and any refund due to that sponsor will be made within 75 days.</p> <p>Management does not recommend eliminating the collaboration step from the competitive solicitation process, as it is a key component of the</p> |

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|                     |                         |                                   |                     | <p>revised transmission planning process (“RTPP”) tariff amendment and the Order No. 1000 compliance filing. FERC has approved the provision twice and has been very supportive of it. There are no material changed circumstances since the collaboration step was re-approved in FERC’s April 18, 2013 order on the ISO’s Order No. 1000 compliance filing that would require us to revisit the issue.</p> |