

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

Southern California Edison Company )

Docket ER14-897-000

**MOTION TO INTERVENE AND COMMENTS OF THE CALIFORNIA  
INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“ISO”) respectfully files this motion to intervene and comments in these proceedings about the proposed assignment of the Arizona-Edison Transmission Agreement (“Transmission Agreement”) between Arizona Public Service Company (“APS”) and Southern California Edison Company (SCE) in accordance with an Assignment and Assumption Agreement between SCE and APS (“Assignment and Assumption”). Previously, SCE had filed a notice of termination of the Transmission Agreement and now seeks to instead to assign it to APS.<sup>1</sup>

The Assignment and Assumption recognizes the need for ISO consent in accordance with the Transmission Control Agreement. The ISO has no objection to the agreement between SCE and APS to sell and transfer SCE’s ownership interest in the Four Corners Project and associated transmission facilities to APS, and consents to the Assignment and Assumption. These comments are filed to make known certain circumstances and expectations associated with the proposed assignment of the Transmission Agreement.

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<sup>1</sup> See Docket No. ER13-2278-000 (filing, and ultimately withdrawing, a notice of termination of the Transmission Agreement).

The ISO makes this filing pursuant to Rules 212 and 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.214. The ISO requests that the Commission grant its motion to intervene because the ISO serves as the transmission service provider for SCE's rights in the Transmission Agreement. As such, the ISO has a direct and substantial interest in this proceeding, and requests that it be permitted to intervene. Because no other party can adequately represent the ISO's interests in this proceeding, the ISO's intervention is in the public interest.

**I. Description of the ISO and Communications**

The ISO is a non-profit public benefit corporation organized under the laws of the State of California with its principal place of business at 250 Outcropping Way, Folsom, CA 95630. The ISO is responsible for the reliable operation of the electric grid comprising the transmission systems of a number of utilities, including SCE, as well as the coordination of electricity markets. In addition, the ISO serves as the transmission service provider for the Transmission Agreement. The ISO requests that all communications and notices concerning this motion and these proceedings be provided to:

John Anders  
Senior Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel: (916) 608-7287  
E-mail: [janders@caiso.com](mailto:janders@caiso.com)

## **II. Background about the ISO's Administration of the Transmission Agreement**

When the ISO began operations in 1998, SCE turned over operational control of its transmission facilities and entitlements to the ISO pursuant to the ISO's Transmission Control Agreement. The Transmission Agreement is identified in this agreement as one of SCE's entitlements. At the same time, the Edison-Navajo Transmission Agreement is identified in the Transmission Control Agreement as both an entitlement and an encumbrance.

The ISO administers transmission service made available under the Transmission Agreement in accordance with a publicly available ISO operating procedure (<http://www.caiso.com/Documents/6930.pdf>). Under this procedure including earlier versions, the ISO has been providing energy to APS to compensate it for line losses according to loss calculations provided by APS.

In October 2012, APS notified SCE that it had discovered inadvertent errors in the software that APS had used to calculate losses on the line. Starting in June 2007, the calculation omitted transmission schedules on one segment of the line (between Four Corners and the Moenkopi substation), which as a result undercounted the total losses on the line. APS corrected the software on a going forward basis effective November 2012.

APS asked SCE to adjust the repayment balance due to APS to include the losses that APS had missed in its calculations from June 2007 through October 2012, totaling 653,347 MWhs. APS and SCE entered into discussions regarding this claim. Since SCE no longer has complete scheduling data for the line, the ISO worked with SCE and was able to verify the amount of MWhs

claimed by APS. SCE and APS have asked the ISO to begin returning the unrecovered transmission losses to APS as soon as possible, and have asked the ISO to continue returning the transmission losses to APS until APS is fully compensated for the transmission loss obligation incurred during the time period transmission losses were under collected.

### **III. Comments**

SCE has asked the Commission to accept the Assignment and Assumption, which requires ISO consent. As noted above, the ISO has no objection and consents to the Assignment and Assumption. However, the ISO desires to make known certain circumstances presented by this request.

#### **A. Loss Accounting**

As explained above, the ISO has been asked to account for losses that accrued under the Transmission Agreement but were not repaid due to APS's calculation error. The ISO has no objection to the MWh accounting of APS and SCE, and has verified the MWh quantity of losses that should have been paid between June 2007 and October 2012 had APS informed the ISO of the correct amount of losses to be counted. To be clear, the ISO correctly accounted for losses during this period according to the information APS supplied at the time, and would have already repaid the losses but for the oversight by APS. Neither APS nor SCE has suggested otherwise.

The ISO has yet to formally respond to the request from APS and SCE and commence repayment of these losses. The ISO intends to proceed on the assumption that APS's claim survives assignment of the transmission capacity

rights SCE receives from APS under the Transmission Agreement, and that the matter can be resolved in due course provided the Commission does not direct otherwise. The ISO's interest is to inform the Commission of these circumstances and provide an opportunity for SCE and APS to answer as they wish. However, nothing in these comments should be taken to prejudge the ISO's position on the loss accounting claim described above in the event the Commission directs otherwise.

### **B. Assignment**

The ISO previously consented to the termination of the Transmission Agreement in a letter to SCE ("Letter").<sup>2</sup> SCE now seeks the assignment of the transmission capacity under the Transmission Agreement pursuant to the Assignment and Assumption. These comments represent the first formal opportunity for the ISO to respond to this request as required by the Transmission Control Agreement.<sup>3</sup>

SCE retains the obligation under the Edison-Navajo Transmission Agreement to provide mutual assistance on the ISO controlled grid from the Arizona-Nevada border to Eldorado under either the Assignment and Assumption or the termination. The Edison-Navajo Transmission Agreement is a mutual assistance agreement among various parties to ensure that joint-ownership of generation outside California has a back-up transmission path whereby if the

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<sup>2</sup> See Attachment A (letter dated December 17, 2010 regarding ISO consent to the termination of the Transmission Agreement and other related requests).

<sup>3</sup> Section 4.4.2 of the Transmission Control Agreement requires ISO consent to an assignment of an entitlement, which consent shall not be unreasonably withheld. Section 5.5 of the Assignment accordingly conditions the parties' obligations on ISO approval of the removal of the Transmission Agreement capacity from the ISO.

Moenkopi-Eldorado path is out, SCE had the right to bring its Four Corners generation to Eldorado using the Moenkopi-Navajo-Crystal-McCullough-Eldorado transmission path, and in return if one or more of the transmission segments of the Navajo-Crystal-McCullough path is out, LADWP and Nevada Power Company have the right to bring their Navajo generation to McCullough or Eldorado, respectively, via the Navajo-Moenkopi-Eldorado-McCullough transmission path. The ISO understands that SCE's obligations under the Edison-Navajo Transmission Agreement were never intended to be changed as part of the transaction between APS and SCE with respect to Four Corners. Therefore, the Edison-Navajo Transmission Agreement will continue as an encumbrance on the ISO controlled grid until terminated, even though the entitlement of the Transmission Agreement will no longer be under the ISO's operational control. Nonetheless, the ISO is not able to identify a material difference with respect to the requested consent under the Transmission Control Agreement as proposed by SCE in this filing and the consent previously provided by the ISO with respect to the proposed termination. Accordingly, the ISO hereby reaffirms its consent as previously provided in the Letter.

### **C. Timing and Notice**

The ISO believes it can implement market system changes to account for the Assignment and Assumption with notice five business days in advance of the effective date. Accordingly, the ISO requests the Commission issue an order at least five business days in advance of the requested effective date to allow the ISO the opportunity to notify market participants and make the associated market

software and operating procedure changes. If the Commission is not able to accommodate this request, the ISO requests that the Commission make the effective date of the Assignment and Assumption at least 5 business days after the date of its order.

#### **IV. Conclusion**

The ISO requests that the Commission consider these comments in its consideration of the Assignment and Assumption.

Respectfully submitted,

By: /s/ John Anders

Nancy Saracino

General Counsel

Roger Collanton

Deputy General Counsel

Sidney Davies

Assistant General Counsel

John Anders

Senior Counsel

The California Independent System

Operator Corporation

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Folsom, CA 95630

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Attorneys for the California Independent  
System Operator Corporation

Dated: January 22, 2014

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the 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 at Folsom, California this 22<sup>nd</sup> day of January, 2014.

*/s/ Sarah Garcia*  
Sarah Garcia



# Attachment A



Keith E. Casey, Ph.D.  
Vice President, Market & Infrastructure Development

December 17, 2010

Via Electronic & US Mail

Ms. Jill Horswell  
Director of FERC  
Policy & Contracts  
Transmission & Distribution  
Southern California Edison Company  
P.O. Box 800  
2244 Walnut Grove Avenue  
Rosemead, CA 91770

Email: [jill.horswell@sce.com](mailto:jill.horswell@sce.com)

Dear Ms. Horswell:

Thank you for your letter to Roni Reese dated November 23, 2010 requesting the California ISO's consent to Southern California Edison Company's (SCE) termination, transfer, and assignment of certain SCE transmission entitlements related to the Four Corners generating facility.

Your letter indicates that SCE entered into a Purchase and Sale Agreement with Arizona Public Service Company (APS). Under that agreement SCE will sell its ownership interest in Four Corners Generating Units 4 & 5 and various other asset interests. SCE will also terminate, transfer, or assign its entitlements in transmission facilities that are currently under the ISO's operational control. Your letter indicates that this sale is targeted to close by October 1, 2012 but that it may close before or after that date depending on the timing of receipt of necessary regulatory approvals.

Section 4.4.2 of the Transmission Control Agreement (TCA) to which the ISO and SCE are parties states that no participating transmission owner may sell, assign, release, or transfer any entitlement that has been placed under the ISO's operational control without the ISO's prior written consent, except for release or transfer to another participating transmission owner. As APS is not a participating transmission owner under the TCA, SCE may not terminate, transfer, or assign its entitlements without the ISO's consent.

Based on the representations in your letter and additional discussions between our staffs, the ISO consents without condition to the following changes in the ISO's operational control, as described more fully in your letter:

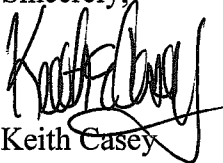
Ms. Jill Horswell  
December 17, 2010  
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- Termination of Entitlement 26 as listed in the current version of SCE's Appendix A to the TCA to be effective on the earliest of the closing date of the sale or July 6, 2016;
- Transfer of Entitlements 15 and 16 as listed in the current version of SCE's Appendix A to the TCA to APS effective on the closing date of the sale; and
- Partial assignment of SCE's rights and obligations under the Edison-Navajo Transmission Agreement listed as Entitlements 17 and 18 in the current version of SCE's Appendix A to the TCA effective on the earliest of the closing date of the sale or July 6, 2016.

The ISO will continue to work with APS and SCE to coordinate the implementation of this change in operational control.

Please feel free to contact Daune Kirrene at [dkirrene@caiso.com](mailto:dkirrene@caiso.com) or (916) 608-7058 to discuss this matter further.

Sincerely,



Keith Casey  
Vice President, Market & Infrastructure Development

Cc: Mike Dozier, ISO  
Debi Le Vine, ISO  
Chetty Mamandur, ISO  
Daune Kirrene, ISO  
Keith Johnson, ISO  
Tom Halford, ISO  
Roni Reese, ISO  
Shirley Baum APS  
Tom Flynn, SCE  
Bryan Frazee, SCE  
Gary Chen, SCE