

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

Southern California Edison Company) Docket No. ER07-1034
)

**REPLY BRIEF OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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

Southern California Edison Company) Docket No. ER07-1034
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**INITIAL BRIEF OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

**To: The Honorable David Coffman,
 Presiding Administrative Law Judge**

Pursuant to Rule 706 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.706 (2008), and the briefing schedule established by the Presiding Judge, the California Independent System Operator Corporation ("CAISO") submits its Reply Brief in this proceeding.

I. DISCUSSION OF ISSUES

The CAISO presents its discussion of the issues raised in this proceeding under the headings set forth in the Joint Narrative Statement of Issues as submitted to the Presiding Judge on February 12, 2009.

PRIMARY ISSUE: Whether telecommunications facilities identified in the revised interconnection studies (JST-6 and JST-7) as necessary to interconnect the Green Borders Geothermal project to the CAISO Controlled Grid, consisting of a fiber optic cable and microwave equipment, should be classified as interconnection facilities or network upgrades.

In its Initial Brief, the CAISO explained that the telecommunications facilities at issue in the instant proceeding benefit only Green Borders, not the

CAISO Controlled Grid as a whole, that they cannot be considered as part of the integrated grid, and that, therefore, they are properly classified as interconnection facilities.¹ Green Borders, however, contends that it is appropriate to classify these facilities as network upgrades.² The CAISO responds to the various arguments that Green Borders raises in support of its position under the issue headings below.

¹ CAISO Initial Brief at 2.

² Green Borders Initial Brief at 4-5.

Issue 1: Whether the telecommunications facilities at issue provide a benefit to the CAISO Controlled Grid.

In its Initial Brief, Green Borders attempts to persuade the Commission that the telecommunications facilities at issue provide a benefit to the CAISO Controlled Grid. Green Borders provides several reasons for this assertion, but none are convincing. First, Green Borders points to the testimony of its witness, Mr. Kritikson regarding the benefits provided by a Remedial Action Scheme (“RAS”).³ Although Green Borders is correct that a RAS does provide a grid-wide benefit, it does not follow that the telecommunications facilities themselves provide such a benefit because they are not integral components of the RAS.

As the CAISO’s witness, Ms. Zhu, testified, most generators do not require the sort of telecommunications equipment at issue here in order to be incorporated into a RAS system because they can be tripped directly at the point of interconnection with the CAISO Controlled Grid, and, thus, independently of other generators on the system.⁴ These telecommunications facilities are required solely because of Green Borders’ decision as to how it would interconnect. Green Borders chose to interconnect via an existing customer-owned radial transmission line (the Dixie Valley-Oxbow line). This decision to connect via another customer’s gen-tie creates the need to hold the existing customer harmless from the new interconnection. Otherwise, Green Borders’ facility could not be tripped at the point of interconnection with the CAISO

³ Green Borders Initial Brief at 6. RASs on the CAISO Controlled Grid are referred to as “Special Protective Systems.” For ease of readership, this brief will continue to refer to these systems as “RAS.”

⁴ Exh. ISO-1 at 10.

Controlled Grid without also tripping the QF facility already connected to the Dixie Valley-Oxbow line. The telecommunications facilities at issue will be constructed in order to allow for separate tripping of the Green Borders facility, by providing a communications link between the point of interconnection with the CAISO Controlled Grid and the project.⁵

These telecommunications facilities do not, as Green Borders contends, protect the operation of SCE's transmission system or alleviate the need for more costly transmission network upgrades.⁶ Instead, they will serve only to facilitate Green Borders' decision to interconnect via the Dixie Valley-Oxbow radial line, rather than connecting directly to the CAISO Controlled Grid. The only reason that this telecommunications equipment is required is because of Green Borders' decision to interconnect via the Dixie-Valley Oxbow line, and its sole purpose is to allow the tripping of the Green Borders project without impacting service to the existing Oxbow QF.

The telecommunications facilities serve the private function of allowing two generators to enter into an arrangement whereby both can use the same customer-owned radial line to interconnect to the CAISO Controlled Grid. Facilities that support these arrangements, such as the telecommunications facilities at issue in the instant proceeding, should not be subsidized by the grid as a whole because it is ultimately the individual customer who derives the entire benefit of such an arrangement.

⁵ *Id.* at 9.

⁶ Green Borders Initial Brief at 7.

Green Borders advances a further argument that the telecommunications facilities provide a grid-wide benefit by allowing more generation capacity to interconnect to the CAISO Controlled Grid than would otherwise be possible. Of course, all interconnection facilities can be said to provide this benefit, to some degree or another, even facilities that are clearly sole-use facilities such as radial transmission lines. What is significant, however, is the fact that the telecommunications facilities at issue will not facilitate the interconnection of any facilities other than Green Borders'. These telecommunications facilities will be constructed solely to allow Green Borders to interconnect to the CAISO Controlled Grid in the manner most preferred by Green Borders, and therefore, they are sole-use facilities that do not provide a grid-wide benefit.

Issue 2: Do the telecommunications facilities at issue constitute a discrete upgrade, or are they an integral part of the RAS?

In its Initial Brief, Green Borders rests its argument that the facilities at issue are an integral part of the RAS on the premise that Mr. Kritikson demonstrated in his testimony that “the disputed RAS, in fact, serves the same function as the other RAS required under the IA – that of mitigating the adverse impact of the Green Borders project to the CAISO Controlled Grid.”⁷ But this conclusion is wrong. As the CAISO explained in its Initial Brief, and above in response to Issue 1, the telecommunications facilities do not serve the same function as the RAS facilities. The sole function of the telecommunications facilities is to provide a communications link between the point of interconnection and the project, so as to allow a tripping signal to be delivered from the RAS to the project without interrupting service to the generator already interconnected via this radial line.⁸

Green Borders also asserts that the CAISO, SCE and Commission Staff all fail to recognize the benefits to the system when only the Green Borders Project is tripped from the system, and the benefits of keeping the Oxbow QF from tripping when such tripping is not required. Even assuming, *arguendo*, that Green Borders is correct with respect to the benefits of such tripping, this does not support treating the relevant telecommunications facilities as network facilities. The tripping functions cited by Green Borders are performed by the RAS system located on the CAISO Controlled Grid, not the disputed

⁷ *Id.* at 10.

⁸ CAISO Initial Brief at 5-6, 8; *see also* Exh. ISO-1 at 9-10.

telecommunications facilities.⁹ It is the RAS system on the CAISO Controlled Grid which determines when the tripping of specific projects is required for reliability purposes, not the telecommunications facilities at issue. The telecommunications facilities serve merely to provide a communications link between Green Borders and the CAISO Controlled Grid, so that Green Borders can receive the tripping signal from the RAS without adversely affecting the Oxbow QF by unnecessarily tripping it.

⁹ Exh. ISO-1 at 6, n. 7.

Issue 3: Whether the location of the telecommunications facilities on the Green Borders side of the interconnection is relevant to determining their appropriate classification.

In its Initial Brief, Green Borders suggests that the location of the telecommunications facilities is irrelevant to determining their appropriate classification. While Green Borders recognizes that the Commission has adopted an “at or beyond the point of interconnection” test for determining the classification of facilities, Green Borders dismisses this precedent as inapplicable to the issues in the current proceeding, on the purported basis that the issues here involve the classification of telecommunications facilities “and not typical transmission related interconnection upgrades, such as breakers or transmission lines.”¹⁰ But, as the CAISO pointed out in its Initial Brief, the Commission has applied the “at or beyond” test in numerous cases, with only a very few limited exceptions, none of which apply to the instant proceeding.¹¹ Green Borders cites to no Commission precedent or other support for its assertion that the “at or beyond” test is inapplicable to the instant proceeding. For this reason alone, Green Borders’ argument should be rejected.

Green Borders maintains that the appropriate issue is not the location of the facilities, but, rather, the function that they serve. In arguing this point, Green Borders once again inappropriately conflates the RAS as a whole so as to encompass the specific telecommunications facilities at issue. But this argument is paradoxical, because the focus on function increases, rather

¹⁰ Green Borders Initial Brief at 11.

than decreases, the relevance of where the facilities are located. Indeed, the location of the telecommunications facilities on Green Borders' side of the point of interconnection highlights their functional distinction from the other components of the RAS: the telecommunications facilities allow the Green Borders facility to receive the RAS signals from the CAISO Controlled Grid, to separate the facility from the grid. It is this sort of functional distinction that underlies the rationale for the "at or beyond" test, which is based on the notion that if facilities are located behind the point of interconnection, then they are sole-use facilities, the costs of which can be directly assigned to the generator, whereas facilities located at or beyond the point of interconnection are integrated facilities that provide benefits to all users of the grid.¹² The telecommunications facilities, which are undisputedly located on the Green Borders side of the point of interconnection, are sole use facilities per Commission precedent, and should be treated as such.

¹¹ CAISO Initial Brief at 9, n. 19.

¹² See, e.g., *Nevada Power Co.*, 111 FERC ¶ 61,161 at P 12.

Issue 4: Does the fact that Southern California Edison will own and operate the telecommunications facilities support treating them as network upgrades?

Green Borders argues that the fact that SCE will own and operate the telecommunications facilities supports treating them as network upgrades “because the facilities at issue will provide a benefit and safeguards to SCE’s transmission system.”¹³ Once again, Green Borders confuses the benefits associated with the RAS, which will safeguard SCE’s transmission system, with the benefits related to the telecommunications facilities, which are limited to facilitating Green Borders’ method of interconnection to the CAISO Controlled Grid via an existing radial transmission line. Although SCE will own and operate the facilities, the facilities will be functionally dedicated to Green Borders and operated for its sole benefit.¹⁴ Accordingly, SCE’s ownership and operation of these facilities does not support treating them as network upgrades.

¹³ Green Borders Initial Brief at 13.

¹⁴ See CAISO initial Brief at 11-12.

Issue 5: Is the Commission's decision in *Southern California Edison Co.*, 97 FERC ¶ 61,148 (2001) ("*Wildflower*") relevant to the issue of determining the classification of the telecommunications facilities at issue in the current proceeding? If so, how?

Although Green Borders admits that the Commission did not actually address the sort of telecommunications facilities at issue in the instant proceeding in the *Wildflower* decision, Green Borders nevertheless maintains that the Commission's analysis in the *Wildflower* decision dictates the result that the telecommunications facilities should be classified as network upgrades because, Green Borders alleges, the *Wildflower* decision addressed the "purpose and function" of such telecommunication facilities.¹⁵ However, nowhere in the *Wildflower* decision did the Commission mention telecommunications facilities of any sort, which is understandable, given that no such facilities were necessary to interconnect the *Wildflower* project.¹⁶

Green Borders' argument on this issue is ultimately just a restatement of its contention that the telecommunications facilities serve a reliability function that is no different than the function of the RAS. The CAISO has rebutted this argument in various other sections of its Initial Brief as well as this Reply Brief,¹⁷ and will not repeat those points here.

¹⁵ Green Borders Initial Brief at 14-15.

¹⁶ See Exh. ISO-2 at 6.

¹⁷ See, e.g., Sections 3 and 4 *supra*.

Issue 6: Is it appropriate to compare the telecommunications facilities at issue in Green Borders to a radial transmission line for purposes of determining the appropriate facilities classification?

In its Initial Brief, Green Borders maintains that the comparison between the telecommunications facilities and a radial transmission line is inapt because a radial transmission line delivers a generator's output to the transmission system, while the telecommunications facilities "serves to disconnect facilities under emergency circumstances."¹⁸ Although it is of course true that radial lines and telecommunications facilities transmit different things, they are nonetheless analogous, in that, as the CAISO explained in its Initial Brief, both are solely dedicated to safely and reliably interconnecting a single interconnection customer to the grid.¹⁹ Both types of facilities are located on the customer side of the point of interconnection, provide for the interface between the generator and the grid, and both can be isolated from the grid as a whole, when necessary. Green Borders offers no good rationale as to why these similarities should be ignored for purposes of better understanding the proper classification of the telecommunications facilities.

¹⁸ Green Borders Initial Brief at 16.

¹⁹ CAISO Initial Brief at 14.

“Policy Classifications” Issue

In its Initial Brief, Green Borders maintains that, should the Commission determine that precedent does not support classifying the telecommunications facilities at issue as network facilities, the Commission “may wish to consider an exception for the interconnection of generators such as Green Borders” in order to promote the interconnection of renewable resources.²⁰ Green Borders goes on to cite the statements of government officials recognizing the need for more renewable resources and the unique complications relating to the interconnection of such resources. Green Borders concludes that, if it is held responsible for the costs of the telecommunications facilities, this will create an additional barrier to interconnecting such projects and reduce the likelihood that such projects will be developed.²¹

The CAISO certainly does not take issue with the goal of increasing the development and interconnection of renewable resources. However, this proceeding is clearly not the appropriate vehicle for debating and determining how best to implement this goal. The current record contains no evidence whatsoever to support Green Borders’ assertion that the direct assignment of these telecommunications facilities to Green Borders would have a chilling effect on the development and interconnection of renewable resources. This is understandable, given that the larger debate over renewable resource interconnection goes well beyond the scope of the issue set for hearing in this proceeding. It would do injustice to both the parties to this proceeding as well as

²⁰ Green Borders Initial Brief at 17.

²¹ *Id.* at 17-18.

interested parties throughout the country to create a broad reaching precedent based on a proceeding involving only three parties where the larger issues have never been squarely raised or fully addressed. The CAISO urges the Commission to apply its interconnection precedent to this case as it currently stands.

II. CONCLUSION

For the reasons set forth above, the CAISO respectfully requests that the Presiding Judge rule on the issues in this proceeding in accordance with the discussion above.

Respectfully submitted,

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March 19, 2009

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 above-referenced proceeding, 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 Washington, D.C. this 19th day of March, 2009.

/s/ Michael Kunselman
Michael Kunselman

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