

I. Background

2. In Order No. 890, the Commission reformed the *pro forma* OATT to clarify and expand the obligations of transmission providers to ensure that transmission service is provided on a non-discriminatory basis. One of the Commission's primary reforms was designed to address the lack of specificity regarding how customers and other stakeholders should be treated in the transmission planning process. To remedy the potential for undue discrimination in planning activities, the Commission directed all transmission providers to develop a transmission planning process that satisfies nine principles and to clearly describe that process in a new attachment (Attachment K) to their OATTs.⁴

3. The nine planning principles each transmission provider was directed by Order No. 890 to address in its Attachment K planning process are: (1) coordination; (2) openness; (3) transparency; (4) information exchange; (5) comparability; (6) dispute resolution; (7) regional participation; (8) economic planning studies; and (9) cost allocation for new projects. The Commission also directed transmission providers to address the recovery of planning-related costs. The Commission explained that it adopted a principles-based reform to allow for flexibility in implementation of and to build on transmission planning efforts and processes already underway in many regions of the country. However, the Commission also explained that, although Order No. 890 allows for flexibility, each transmission provider has a clear obligation to address each of the nine principles in its transmission planning process, and that all of these principles must be fully addressed in the tariff language filed with the Commission. The Commission emphasized that tariff rules must be specific and clear to facilitate compliance by transmission providers and place customers on notice of their rights and obligations.⁵

4. As for regional transmission organizations and independent system operators with Commission-approved transmission planning processes already on file, such as the

⁴ The CAISO labeled the attachment "EE."

⁵ As the Commission explained in Order No. 890, not all rules and practices related to transmission service, or planning activities in particular, need be codified in the transmission provider's OATT. Rules, standards and practices that relate to, but do not significantly affect transmission service may be placed on the transmission provider's website, provided there is a link to those business practices on its Open Access Same-Time Information System. *See* Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 1649-55. Transmission providers could therefore use a combination of tariff language in Attachment K and a reference to planning manuals on their website to satisfy their planning obligations under Order No. 890.

CAISO, the Commission explained that, when it approved these processes, it had found them to be consistent with or superior to the existing *pro forma* OATT. Because the *pro forma* OATT was being reformed by Order No. 890, the Commission found that it was necessary for each regional transmission organization and independent system operator to either reform its planning process or show that its planning process is consistent with or superior to the *pro forma* OATT, as modified by Order No. 890.⁶ Regional transmission organizations and independent system operators were also directed to indicate in their compliance filings how all participating transmission owners within their footprints will comply with Order No. 890's planning requirements.⁷

5. On December 21, 2007, the CAISO submitted its initial Attachment K filing (December 21 Filing). As described in that filing, the CAISO's transmission planning process begins with a so-called "request window" during which time market participants may propose economic planning studies, transmission upgrades or additions, or other resources for inclusion in the annual transmission plan. Subsequent to the close of the request window, a three-stage planning process is initiated. In Stage 1, the CAISO develops a draft study plan based upon the agreed upon assumptions, information received through the request window, and information from market participants, interconnected control areas, and other interested parties. The CAISO then posts the draft study plan on the CAISO website, requests stakeholder comments, schedules a stakeholder meeting, and posts a final study plan. In Stage 2, the CAISO performs technical studies, posts the preliminary results of those studies, conducts at least one stakeholder conference, provides an opportunity for comments, and then posts final study results on the CAISO website. In Stage 3, the CAISO develops and posts a draft transmission plan, holds a stakeholder conference regarding the draft transmission plan, solicits comments on the draft transmission plan, and then posts the final transmission plan.⁸

6. In the June 19 Order, the Commission accepted the December 21 Filing, subject to a further compliance filing. The Commission found that the CAISO had adequately addressed the information exchange principle and the cost allocation principle; however, the Commission found that a further compliance filing was necessary to address the remaining principles, as well as the interaction of local planning activities with the

⁶ See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 439; Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 174-75.

⁷ See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 440.

⁸ June 19 Order at P 16.

CAISO's planning process.⁹ On the issue of local planning, the Commission found that the extent of the local activities conducted by the participating transmission owners was unclear and that certain participating transmission owner projects appeared to be treated differently than non participating transmission owners in the CAISO's planning process. The Commission directed CAISO to submit a further compliance filing clarifying the nature of local planning activities and addressing the remaining planning principles from Order No. 890.¹⁰

7. On July 21, 2008, in Docket No. OA08-62-002, California Department of Water Resources State Water Project (California State Water Project) filed a request for rehearing; Imperial Irrigation District (Imperial) filed a request for clarification or rehearing.

8. Notice of the CAISO's November 3, 2008 supplemental filing was published in the *Federal Register*, 73 Fed. Reg. 67,630 (2008), with interventions and protests due on or before November 24, 2008.

9. Comments were filed by California State Water Project; Imperial; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside (Six Cities); Northern California Power Agency; Transmission Agency of Northern California; M-S-R Public Power Agency (M-S-R Public Power); Modesto Irrigation District (Modesto Irrigation); and Bay Area Municipal Transmission Group (Bay Area Municipal).

10. On December 9, 2008, the CAISO filed an answer to various comments.

II. Discussion

A. Procedural Matters

11. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2008), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2008), prohibits an answer to a protest unless otherwise ordered by the

⁹ *Id.* P 16, 17, 21-23, 37-39, 46, 52, 57-58, 62, 67-69, 78-82, 85, 92-93, 104-106, 123-127, 150-157, 171-172, 181, 184, 192-193, 197, 200, 203, and 205.

¹⁰ On September 2, 2008, the CAISO filed a motion for an extension of time until October 31, 2008, to submit the compliance filing required by the June 19 Order. On September 3, 2008, that motion was granted.

decisional authority. We will accept the CAISO's answer because it has provided information that has assisted us in our decision-making process.

B. Rehearing Requests

1. California State Water Project's Request for Rehearing

13. California State Water Project contends that the Commission erred in the June 19 Order by holding that the ability to identify the need for reliability upgrades may be restricted to participating transmission owners.¹¹ California State Water Project argues that the comparability requirements of Order No. 890 require the development of a transmission planning process that results in the development of plans that meet the specific service requests of its transmission customers. California State Water Project argues that the CAISO did not comply with that requirement and that the failure to direct the CAISO to do so effectively repealed an aspect of Order No. 890, particularly given CAISO's acknowledgment in pleadings that third-party, non-participating transmission owners' transmission customers should have the same rights as participating transmission owners to request technical studies in the planning process.¹²

14. California State Water Project also argues that the participating transmission owners have failed to comply with the requirements of the comparability principle and, therefore, the Commission also erred in the June 19 Order in finding that the participating transmission owners need not make individual compliance filings.¹³ California State Water Project notes that, in discussing the CAISO's approach to third-party requests for reliability upgrades, the June 19 Order stated that the participating transmission owners are in a different position than other market participants in that section 24.1.2 of the tariff imposes particular obligations on participating transmission owners with service territories.¹⁴ California State Water Project argues that the Commission failed to also indicate that comparability is an obligation imposed on participating transmission owners, much less how comparability in reliability upgrades is achieved.¹⁵

15. California State Water Project contends that the June 19 Order effectively concluded that third-party customers are not treated comparably under the CAISO's

¹¹ CAISO transmittal letter at 8-9, 13.

¹² *Id.* at 4-5, 8-9.

¹³ *Id.* at 9 (citing Order No. 890 at n.288).

¹⁴ *Id.* (citing June 19 Order at P 101).

¹⁵ *Id.*

transmission planning process by either the CAISO or the participating transmission owners given that the Commission directed revisions to the CAISO tariff to address whether and how a participant that is not a participating transmission owner can offer transmission solutions to reliability needs that are identified by the CAISO and the participating transmission owners with service territories.¹⁶ California State Water Project argues that the June 19 Order therefore holds that third-party customers are not allowed to identify reliability needs and thus request comparable transmission service consistent with Order No. 890.

16. California State Water Project states that the Commission misinterpreted an example it cited in its protest of the CAISO's initial compliance filing that demonstrated, in California State Water Project's view, the ability of transmission owners and operators to turn a blind eye to curtailments of third-party loads when identifying system needs in transmission planning.¹⁷ California State Water Project raised these concerns in early pleadings as evidence for the fundamental need for compliance with the comparability requirements of Order No. 890. California State Water Project contends that the Commission misinterpreted its request for relief as a request for relief regarding a specific transmission upgrade, which the Commission found, in the June 19 Order, to be beyond the scope of the proceeding.¹⁸ Thus, California State Water Project argues that the Commission's determination with respect to comparability did not meet standards of reasoned decision-making, and did not fully take into account the evidence presented by California State Water Project.

Commission Determination

17. We will deny California State Water Project's request for rehearing. In the June 19 Order, the Commission neither rescinded nor modified Order No. 890's mandate that service requests of all transmission customers, including non-participating transmission owners, must be treated comparably. California State Water Project initially raised the issue of the applicability of Order No. 890's comparability standards to third-party transmission requests in response to the CAISO's November 3 compliance filing, and requested clarification from the CAISO that non-participating transmission owners may request reliability transmission upgrades.¹⁹ As we discuss below, the CAISO revised its transmission planning process to ensure that projects from participating transmission owners will not be treated more favorably than projects proposed by other

¹⁶ *Id.* at 10-11 (citing June 19 Order at P 105).

¹⁷ *Id.* at 14-17.

¹⁸ *Id.* at 15 (citing June 19 Order at 194).

¹⁹ *See infra* P 81.

entities.²⁰ Moreover, the CAISO, in its December 9, 2008 Answer, addressed California State Water Project's concerns by stating that non-participating transmission owners could in fact request reliability upgrades.²¹ With regard to the ability of third parties to propose alternative solutions in response to needs identified by either the CAISO or the participating transmission owners, the CAISO again has revised its transmission planning process to explicitly provide their ability to do so.

18. As such, we find that the concerns raised by California State Water Project on rehearing with respect to comparability of third-party transmission requests have been adequately addressed by the CAISO.

2. Imperial's Request for Rehearing

a. CAISO's Consideration of Information on Existing and Planned Transmission Facilities on Neighboring Transmission Systems

19. Imperial requests clarification or rehearing of the June 19 Order such that, to the extent the CAISO has information concerning existing or planned transmission facilities or upgrades on neighboring transmission systems, the CAISO be required to consider that information to avoid duplication of transmission facilities. Imperial argues that, while the CAISO's transmission planning process will account for transmission upgrades or additions previously approved by the CAISO, it is unclear whether the CAISO will take into account information it has regarding upgrades or additions of neighboring transmission providers which may be more efficient or have less of an environmental impact than those being considered by the CAISO.

20. Imperial states that it is concerned about coordinated transmission planning and related potential stranded investment, adding that the Commission, in Order No. 890, recognized that regional planning efforts should be organized on both a regional and sub-regional basis.²² Imperial argues, however, that the current CAISO tariff does not have a process in place for adequate regional and sub-regional coordination with neighboring transmission providers and, therefore, does not ensure that the CAISO will avoid duplication of transmission facilities.

²⁰ *See infra* P 83.

²¹ *See infra* P 82.

²² Imperial Rehearing Request at 6 (citing Order No. 890 at P 527; Order No. 890-A at P 171).

21. Imperial further contends that the CAISO tariff must provide for joint planning and economic analysis of existing and planned transmission projects that will be located within and outside of the CAISO-controlled area. Imperial argues that this is necessary to ensure that the most efficient alternative is identified for consideration in the planning process, and that California ratepayers do not pay unjust and unreasonable rates. According to Imperial, the Commission, in the June 19 Order, should have accepted Imperial's suggested tariff revisions aimed at preventing duplication of transmission facilities. Specifically, Imperial states that these revisions included changing language in section 24.2(c) of the CAISO tariff from "seek to avoid" to "avoid" duplication of transmission lines.²³ According to Imperial, the CAISO's use of the phrase "seek to avoid" does not ensure that the CAISO will take into account the location of existing transmission, nor plan for transmission in a cost-effective and environmentally sound manner. Imperial argues that, unless the Commission accepts its suggested tariff revision, the June 19 Order is arbitrary and capricious and lacks reasoned decision-making.

22. Imperial also contends that the Commission rejected suggested revisions to CAISO tariff sections 24.2.2.1(b) and (c) on the grounds that such revisions could result in the CAISO unknowingly violating the terms of its tariff.²⁴ According to Imperial, however, the Commission provided that if the CAISO does not have information regarding existing and planned transmission facilities and upgrades, the CAISO should not be required to consider such facilities and upgrades. Therefore, Imperial argues, if the CAISO does have information regarding existing and planned transmission facilities and upgrades, it should be required to take this information into account. As such, Imperial requests that the Commission clarify the June 19 Order to provide that, to the extent information concerning existing or planned transmission facilities or upgrades on neighboring transmission systems is provided to the CAISO, the CAISO is required to take such information into consideration to avoid duplication of transmission facilities.²⁵

Commission Determination

23. We will deny Imperial's request for rehearing with respect to changes to the CAISO tariff which would require the CAISO to take into consideration information regarding existing and planned transmission facilities and upgrades on neighboring transmission systems, should such information be available to the CAISO. As we

²³ *Id.*

²⁴ *Id.* at 8.

²⁵ Imperial includes as part of its rehearing request proposed modified tariff language for CAISO tariff sections 24.2.2.1(b) and (c), which, according to Imperial, addresses its concerns. *See id.*; *see also id.* at Att. A.

discussed in the June 19 Order, requiring the CAISO to take such information into account as part of its planning process would be problematic for the CAISO insofar as entities beyond the CAISO-controlled grid are not required to submit information into the CAISO's transmission planning process.²⁶

24. Moreover, section 24.2 of the CAISO tariff already provides that the CAISO will seek to avoid unnecessary duplication of facilities to ensure simultaneous feasibility of the CAISO's transmission plan and the transmission plans of the interconnected balancing authority area. This section also obligates the CAISO to coordinate with regional and sub-regional transmission planning processes and entities. Additionally, section 24.2.1.1 of the CAISO tariff states that the CAISO will develop a transmission study plan using information and data received during the request window.

25. As such, to the extent entities provide to the CAISO, pursuant to section 24.2.1.1 of the CAISO tariff, information and data regarding existing and planned transmission facilities and upgrades on neighboring transmission systems, the CAISO is already obligated, pursuant to section 24.2 of the CAISO tariff, to account for such information in developing its transmission plan. Therefore, we find that the CAISO's transmission planning process already sufficiently addresses Imperial's concerns insofar as possible, and find that Imperial's proposed revisions to section 24.2 of the CAISO tariff are not necessary to ensure compliance with Order No. 890.

b. CAISO's Coordination with Neighboring Balancing Authorities and sub-regional planning groups

26. Imperial argues that the Commission, in the June 19 Order, rejected several of Imperial's suggested tariff revisions without specifically referencing the proposed revisions it was rejecting.²⁷ According to Imperial, these proposed changes to the CAISO tariff were intended to address concerns that the CAISO's transmission planning process would not provide meaningful coordination between the CAISO and neighboring balancing authorities, transmission providers or systems, and sub-regional groups, consistent with the regional participation requirements of Order Nos. 890 and 890-A. Imperial argues that the Commission did not directly address a number of Imperial's proposed tariff revisions and did not support its conclusions to reject these revisions.

²⁶ See June 19 Order at P 156.

²⁷ Imperial states that it presumes the Commission rejected its suggested language in proposed tariff sections 24.1.2, 24.1.4, 24.2.1, 24.2.4.1 and 24.2.4.2(c), adding that the June 19 Order did not address Imperial's suggested language in those tariff sections. Imperial Rehearing Request at 9.

27. Specifically, Imperial contends that the Commission, in the June 19 Order, did not directly address its proposed tariff modifications for CAISO tariff sections 24.1.2, 24.1.4, 24.2.1, 24.2.4.1, and 24.2.4.2(c), adding that, in each of these sections, Imperial proposed adding specific references to neighboring balancing authorities, neighboring transmission providers or systems, and sub-regional planning groups. Imperial argues that changes to these tariff sections were referenced in the body of its comments, and that its statements were sufficient to direct the Commission to all of the proposed changes in its filing. Further, Imperial contends that each of these proposed tariff modifications focused on the need for Western Electricity Coordinating Council regional planning committees, sub-regional planning committees, neighboring transmission systems and stakeholders to participate in transmission planning with the CAISO.

28. Regarding section 24.2.4.2(c) of the CAISO tariff, Imperial states that it suggested adding language to promote the inclusion of neighboring transmission providers in the CAISO's transmission planning process.²⁸ Imperial contends that, without coordinated planning, the fundamental goals of Order No. 890 will not be met. Further, Imperial argues that transmission providers, balancing authorities, stakeholders and other interested parties should not be excluded from the CAISO's transmission planning process.²⁹

29. Imperial states that its suggested revisions to the CAISO tariff were intended to address its concerns that the CAISO tariff should provide for meaningful coordination with neighboring balancing authorities, transmission providers and sub-regional planning groups. Imperial maintains that it proposed adding language to section 24.1.2 which would require the CAISO to coordinate with the Western Electricity Coordinating Council regional and sub-regional planning committees when researching or planning for any transmission additions or upgrades. Imperial further states that its proposed revisions to sections 24.1.4 and 24.2.1 of the CAISO tariff would require the CAISO to coordinate with neighboring transmission providers when considering the construction of transmission additions or upgrades. Finally, Imperial states that its proposed revision to CAISO tariff section 24.2.4.1 would ensure that the CAISO, in its development of unified planning assumptions and a study plan, uses information obtained through the sub-regional planning process developed by non-participating transmission owners and neighboring balancing authorities.

²⁸ Imperial states that it proposed adding to CAISO tariff section 24.2.4.2(c) the following: "description of the impact on neighboring balancing authorities and the proposed mitigation plan in accordance with Western Electricity Coordinating Council planning criteria." Imperial Rehearing Request at 11.

²⁹ *Id.* at 11-12.

Commission Determination

30. We will deny Imperial's request for rehearing with respect to these proposed changes to the CAISO tariff.

31. Imperial raised this issue in response to the CAISO's November 3 compliance filing, and requested then that the Commission direct the CAISO to clarify that it will coordinate with neighboring balancing authority areas and other entities to develop a sub-regional planning process.³⁰ As we discuss below, we find that the CAISO's transmission planning process tariff provisions and business practice manuals, taken as a whole, provide for an appropriate level of coordination with appropriate parties, where required.³¹ In its rehearing request, Imperial is scrutinizing specific provisions in the CAISO tariff, without examining those provisions in the context of the CAISO's entire transmission planning process. With the modifications required in the June 19 Order and addressed below, we find that the CAISO's tariff as a whole provides for an adequate level of coordination among interested parties in the planning process.

C. Compliance Filing Issues

32. The revised transmission planning process timeline and steps are as follows: (1) by the second week of December, the CAISO sends a letter to neighboring balancing authorities and sub-regional and regional planning groups, requesting planning data and other related information to be included in the transmission plan; (2) by the second week of January, participating transmission owners, neighboring balancing authorities, sub-regional and regional planning groups, and other transmission planning process participants provide the CAISO with planning data; (3) by the end of January, the CAISO planning standards committee meets to discuss any changes that may be required to the CAISO planning standards; (4) by the second week of February, the CAISO develops a draft study plan and posts it on the CAISO website; (5) in March, the CAISO hosts a stakeholder meeting to discuss the draft study plan; (6) in early April, the CAISO finalizes the study plan and posts the base cases and other planning data on the secured portion of its website; (7) by the end of July, the CAISO hosts additional meetings at the local locations, if needed; (8) on August 15, the request window opens for transmission planning process participants to submit projects, study requests, and other data for possible inclusion in the transmission plan; those projects where the study is completed will be included in the transmission plan for the current year, study requests and those projects that require further studies are included in the following year's plan;³² (9) by

³⁰ See *infra*, P 92.

³¹ See *infra* P 100.

³² See CAISO business practice manual at Att. F, section 3.

September 15, the CAISO posts preliminary study results on a secure portion of its website; (10) by October 15, the participating transmission owners submit reliability project proposals through the request window along with their study reports; (11) by the end of October, the CAISO hosts a stakeholder meeting to discuss the study results; (12) on November 30, the request window closes; (13) by the December – January time period, projects with capital costs less than \$50M will be submitted to the CAISO’s executive leadership team for approval; (14) by the end of January, the CAISO posts the draft transmission plan on its website; (15) in February, the CAISO hosts an additional stakeholder meeting to discuss the draft plan; and (16) in February or March, the CAISO presents the transmission plan to the CAISO Board of Governors (Board of Governors).³³ The transmission plan contains the results of the technical studies; the determinations, recommendations, and justifications for the need for the identified transmission upgrades or additions; and updates on the status of projects previously approved by the CAISO, including potential delays in the anticipated completion dates, among other things.

33. The CAISO states that it has revised its business practice manuals, existing tariff, and Market Redesign and Technology Upgrade tariff to comply with the June 19 Order.³⁴ More specifically, the CAISO states that it has revised its transmission planning process to include the following modifications: (1) all projects and requests for planning studies will be submitted through the request window; (2) reliability additions or upgrades can be proposed by any participant; (3) the CAISO and the participating transmission owners, at the direction of the CAISO, will conduct system assessments and other planning studies based upon the study plan developed with the input of all interested parties; (4) the CAISO will post the results of its studies and potential reliability mitigation solutions by mid-September of each planning cycle; (5) the participating transmission owners will post the results of their system assessments and reliability mitigation solutions by October 15 of each transmission planning cycle; (6) all transmission planning participants will have until November 30 to respond to proposed solutions, projects submitted through the request window, and projects and study proposals identified by the CAISO and the participating transmission owners; (7) the transmission planning cycle has been extended by one month to provide additional time for interested parties to participate more fully in

³³ *See id.* at section 2.1.3. The CAISO’s annual transmission planning process is completed over approximately fifteen months; however, the result of the process is a transmission plan that is produced annually. It contains, among other things, CAISO Board of Governors and CAISO management approved projects that are eligible to begin the permitting and construction phases. *See also* the CAISO business practice manual at Att. F, p. 39 (after the Board of Governors reviews the transmission plan, the approved projects may proceed to the permitting and construction phases).

³⁴ The Market Redesign and Technology Upgrade tariff has replaced the existing tariff.

the development and evaluation of the annual transmission plan; (8) large projects will be evaluated on a separate track that will coordinate with the overall transmission planning process but may encompass more than one planning cycle; (9) projects with capital costs of less than \$50 million will be approved by CAISO management during the same planning cycle, and no longer require Board of Governors approval, although they will be included in the transmission plan; all other projects will be presented to the Board of Governors for approval on the schedule developed for the project and set forth in the annual transmission plan; and (10) other miscellaneous revisions.³⁵

34. We find that the CAISO's transmission planning process, as revised and upon certain modifications, complies with the June 19 Order and the nine planning principles and other planning requirements adopted in Order No. 890. Specifically, the CAISO has improved its transmission planning process by more clearly defining the role of the participating transmission owners, articulating how and when stakeholders can participate in the transmission planning process, requiring all studies and projects to enter the transmission planning process through the request window, allowing interested parties to propose studies and both reliability and economic projects for inclusion in the transmission plan, and explaining how the separate track for large projects will be transparent and how those projects will be assimilated into the transmission plan.

35. Accordingly, we will accept the CAISO's planning process, to be effective September 29, 2008, subject to a further compliance filing, as discussed below. Although the Commission accepts the CAISO's compliance filing below, subject to a further compliance filing to address certain discrete issues, the Commission remains interested in the development of transmission planning processes and will continue to examine the adequacy of the processes accepted to date. We reiterate the encouragement made in prior orders for further refinements and improvements to the planning processes as transmission providers, their customers, and other stakeholders gain more experience through actual implementation of the processes. As part of the Commission's ongoing evaluation of the implementation of the planning processes, the Commission intends to convene regional technical conferences later this year to determine if further refinements to these processes are necessary. The focus of the 2009 regional technical conferences will be to determine the progress and benefits realized by each transmission provider's transmission planning process, obtain customer and other stakeholder input, and discuss any areas that may need improvement. The conferences will examine whether existing transmission planning processes adequately consider needs and solutions on a regional or interconnection-wide basis to ensure adequate and reliable supplies at just and reasonable rates. The Commission will also explore whether existing processes are sufficient to

³⁵ CAISO transmittal letter at 3-4. As set forth above, upon the Board of Governors' approval of the transmission plan, the approved projects may proceed to the permitting and construction phases.

meet emerging challenges to the transmission system, such as the development of interregional transmission facilities, the integration of large amounts of location-constrained generation, and the interconnection of distributed energy resources.

1. Coordination

36. In the June 19 Order, the Commission determined that the CAISO's transmission planning process tariff language clearly identified the details of how it coordinates with interested parties. However, the Commission also determined that the CAISO's tariff was unclear with regard to which entities could propose a project or study for inclusion in the transmission plan because of inconsistent and undefined terms used throughout the tariff and the business practice manual. For instance, the Commission noted that the term "stakeholder" had not been defined. Therefore, the Commission directed the CAISO to specify which entities can propose a project or study for inclusion in the transmission plan and the process by which they may do so.³⁶ More generally, the Commission directed the CAISO to re-examine its transmission planning process tariff provisions and business practice manual language to ensure that the terminology used throughout both are consistent and clear.³⁷

a. The November 3 Compliance Filing

37. The CAISO states that it has replaced the undefined term "stakeholder" with "transmission planning participant" in the business practice manual. The CAISO defines a transmission planning participant as a participating transmission owner, market participant, load serving entity, publicly-owned utility, neighboring transmission provider, regional and sub-regional planning group, including the Western Electricity Coordinating Council committee (such as the Transmission Expansion Planning Policy Committee), regulatory authority, and other affected customer or entity.³⁸ The CAISO also states that it has revised section 24 of the tariff to consistently identify the parties that may propose projects to be included in the transmission plan. The list includes participating transmission owners, project sponsors, market participants, the CAISO, the California Energy Commission, and the California Public Utilities Commission.³⁹

³⁶ June 19 Order at P 21-23.

³⁷ *Id.*

³⁸ Attachment F at 7.

³⁹ A "market participant" is defined by the CAISO as an entity, including a scheduling coordinator, who either: (1) participates in the CAISO markets through the buying, selling, transmission, or distribution of energy, capacity, or ancillary services into, out of, or through the CAISO controlled grid; or (2) is a congestion revenue rights holder or candidate congestion revenue rights holder.

Similarly, the CAISO has expanded the definition of “Project Sponsor” to include any project developer that proposes a project pursuant to the CAISO’s transmission planning process.⁴⁰

b. Commission Determination

38. We find that the CAISO’s revisions to the tariff language, and corresponding updates to the business practice manual, comply with the Commission’s directives in the June 19 Order regarding the coordination of transmission planning activities. Specifically, replacing the undefined term “stakeholder” with the defined term “transmission planning participant” provides clarity with respect to the entities that may participate in the CAISO’s transmission planning process. In addition, the revised definition of “Project Sponsor” now includes any project developer, rather than just market participants. Accordingly, we will accept the CAISO’s proposed revisions.

2. Openness

39. In the June 19 Order, the Commission directed the CAISO to revise the tariff to clearly demonstrate how it intends to use certain requested bid information in the transmission planning process and also accepted the CAISO’s commitment to make certain revisions to sections 20.2 and 20.4 of the tariff.⁴¹

a. The November 3 Compliance Filing

40. The CAISO indicates that, in response to concerns raised by the Commission and other parties, and consistent with the June 19 Order, the CAISO has deleted the reference to bid information from section 24.3.3 and modified section 20.4(e)(ii) to state that information voluntarily provided to the CAISO by load-serving entities pursuant to section 24.3.3 will be disclosed only on a composite basis.⁴² The CAISO also provides the other revisions to sections 20.2⁴³ and 20.4 it had agreed to make, as set forth in the

⁴⁰ See Att. D, Market Redesign and Technology Upgrade tariff clean sheets, the definition of “Project Sponsor.”

⁴¹ June 19 Order at P 37-39.

⁴² CAISO transmittal letter at 11.

⁴³ Specifically, section 20.2 now states that “the following information provided to the ISO shall be treated by the ISO as confidential,” whereas it previously stated “the following information provided to the ISO by scheduling Coordinators shall be treated by the ISO as confidential.”

June 19 Order.⁴⁴ The CAISO states that in response to the Commission’s direction to further clarify sections 20.2 and 20.4, the CAISO has further reviewed the disclosure provisions of section 20.4 and determined that section 20.4(e)(i) requires further clarification to incorporate the recently-modified provisions of the large generator interconnection procedures as well as the small generator interconnection procedures and to more specifically identify the transmission planning process participants entitled to receive study results and supporting documentation that might contain confidential information. Section 20.4(e)(i) now provides that Critical Energy Infrastructure Information may be provided to the following categories of participants: (a) market participants; (b) electric utility regulatory agencies within California; (c) interconnection customers that have submitted an interconnection request to the CAISO under the CAISO’s small and large generator interconnection procedures set forth in tariff section 25; (d) developers having pending or potential proposals for development of a generating facility or transmission additions, upgrades or facilities and who are performing studies in contemplation of filing an interconnection request or submitting a transmission infrastructure project through the CAISO transmission planning process; and (e) not-for-profit organizations representing consumer regulatory or environmental interests before local regulatory agencies or federal regulatory agencies.

b. Comments

41. The Transmission Agency of Northern California, M-S-R Public Power and Modesto Irrigation state that they previously argued that section 20.2(h) of the tariff should be revised to indicate that the nature of the information, not the type of entity that submits it, is the basis for determining whether or not particular planning-related information is treated confidentially. Those parties state that, while the CAISO previously agreed to clarify that provision in its compliance filing, the CAISO simply deleted the reference to “Scheduling Coordinators.” The commenters argue that the CAISO should add the following phrase to section 20.2 of the tariff to fully comply with the June 19 Order: “regardless of the type of Market Participant or third-party entity that submits the information.”⁴⁵

42. Those same parties also argue that, although the CAISO indicates that it has revised both its existing tariff and its Market Redesign and Technology Upgrade tariff to reflect various revisions that it previously agreed to make, it has not replaced the phrase

⁴⁴ CAISO transmittal letter at 10-12.

⁴⁵ Transmission Agency of Northern California Comments at 3-5; Modesto Irrigation Comments at 3-5; and M-S-R Public Power Comments at 3.

“may be disclosed” with “shall be disclosed” in section 20.4(e) of the Market Redesign and Technology Upgrade tariff.⁴⁶

43. In addition, Imperial requests clarification as to whether neighboring balancing authority areas and potentially impacted third parties are eligible to receive critical energy infrastructure information. Imperial argues that section 20.4(e)(i) of the tariff sets forth the list of entities that can receive critical energy infrastructure information, but does not specify whether a neighboring balancing authority area or potentially impacted third parties are eligible.⁴⁷

c. CAISO’s Answer

44. The CAISO agrees that the confidentiality of information language in section 20.2 previously appeared to be dependent upon the nature of the entity submitting the data rather than the nature of the information. According to the CAISO, the use of the descriptive phrase “by Scheduling Coordinators” caused confusion because it implied that the itemized list of information that followed the phrase would be afforded confidential treatment only if submitted by a scheduling coordinator. Accordingly, the CAISO deleted the reference to scheduling coordinator so that the section now states that the non-inclusive list of information provided to the CAISO will be afforded confidential treatment.⁴⁸

45. According to the CAISO, supplementing the current provision in section 20.2 of the tariff by adding the phrase “regardless of the type of Market Participant or third-party entity that submits the information” following the word “confidential” is unnecessary. The CAISO asserts that the provision lists *all* of the information provided to the CAISO that will be treated as confidential – regardless of who provides it. According to the CAISO, the reference to specific entities is what caused the confusion in the first place and adding the proposed language would re-infuse the confusion that the CAISO sought to eliminate.⁴⁹

46. With respect to the second point, the CAISO states that it intended to replace the phrase “may be disclosed” with “shall be disclosed” in section 20.4(e) of the Market

⁴⁶ *Id.*

⁴⁷ Imperial Comments at 8.

⁴⁸ CAISO Answer at 2-3.

⁴⁹ *Id.* at 3.

Redesign and Technology Upgrade tariff; however, it was inadvertently omitted. The CAISO agrees to correct this oversight in a subsequent compliance submission.⁵⁰

47. With respect to Imperial's request for clarification as to whether neighboring balancing authority areas or potentially impacted third parties are eligible to receive critical energy infrastructure information, the CAISO indicates that as a market participant, neighboring balancing authority areas would have the same access to this information as other parties.⁵¹

d. Commission Determination

48. With respect to the language of section 20.2 of the tariff concerning confidential information, we believe the revised language provided by the CAISO is reasonable. We find that the CAISO's revision, removing the reference to "Scheduling Coordinators," satisfies the substance of the Transmission Agency of Northern California, M-S-R Public Power and Modesto Irrigation's previous concerns. We also agree with the CAISO that the language offered by the commenters is unnecessary and could re-introduce confusion. Accordingly, we will accept the CAISO's revision to section 20.2(h).

49. In addition, the CAISO has agreed to replace the phrase "may be disclosed" with "shall be disclosed" in section 20.2(e) of the Market Redesign and Technology Upgrade tariff in a further compliance filing. We will direct the CAISO to make that revision in the compliance filing ordered below.

50. With respect Imperial's concern regarding critical energy infrastructure information, we find that the CAISO's answer adequately addressed Imperial's request for clarification.⁵²

⁵⁰ *Id.* at 2.

⁵¹ *Id.* at 14-15.

⁵² Section 20.2(e)(i) states the following:

(e) Notwithstanding the provisions of section 20.2(f), information submitted through the Transmission Planning Process may be disclosed as follows: (i) Critical Energy Infrastructure Information may be provided to a requestor where such person is employed or designated to receive CEII by: (a) a Market Participant; (b) an electric utility regulatory agency within California; (c) an Interconnection Customer that has submitted an Interconnection Request to the CAISO under the CAISO's Large Generator Interconnection

3. Transparency

51. In the June 19 Order, the Commission found that the CAISO's tariff and business practice manual addressed transparency and generally complied with the transmission planning requirements of Order No. 890. However, the Commission also found that further modifications were needed for full compliance with the transparency principle. Below, we discuss and provide determinations on four aspects of the CAISO's revised proposal to meet the transparency principle: (1) Transmission Planning Process Timeline; (2) Study Requests and the Request Window; (3) CAISO Discretion; and (4) Tariff versus Business Practice Manual.⁵³

a. Transmission Planning Process Timeline

52. In the June 19 Order, the Commission accepted the CAISO's offer to modify the timelines for its transmission planning process to make the process more transparent and to provide for more meaningful public participation. Specifically, the CAISO offered to: (1) complete all technical studies and publish the results by October 17; (2) hold stakeholder meetings on October 31; (3) extend the request window to November 30; and (4) hold a stakeholder meeting on or before December 10 to discuss the draft transmission plan.⁵⁴

Procedure or Small Generator Interconnection Procedure (LGIP or SGIP); (d) a developer having a pending or potential proposal for development of a Generating Facility or transmission addition, upgrade or facility and that is performing studies in contemplation of filing an Interconnection Request or submitting a transmission infrastructure project through the ISO Transmission Planning Process; or (e) a not-for-profit organization representing consumer regulatory or environmental interests before a Local Regulatory Authority or federal regulatory agency. To obtain Critical Energy Infrastructure Information, the requestor must submit a statement as to the need for the CEII, and must execute and return to the CAISO the form of the non-disclosure agreement and non-disclosure statement included as part of the Business Practice Manual. The CAISO may, at its sole discretion, reject a request for CEII and upon such rejection, the requestor will be directed to utilize the FERC procedures for access to the requested CEII.

⁵³ June 19 Order at P 51-52, 57-58, 78-82, & 85.

⁵⁴ CAISO transmittal letter at 12.

i. The November 3 Compliance Filing

53. The CAISO now proposes slightly different dates for various study result postings and public meetings. The CAISO contends, however, that the revised timeline is consistent with the CAISO's commitment to extend certain deadlines. The CAISO states that the revised timeline includes the following significant dates: (1) during December and January, the CAISO solicits, and expects to receive, information from participating transmission owners, neighboring balancing authorities, regional/sub-regional planning groups, and other transmission planning participants; (2) the draft study plan is posted on the CAISO website in mid-February and a public meeting is held in March to discuss the draft study plan; (3) the study plan is finalized and posted by the end of March and additional public meetings are held as necessary at the end of July; (4) during the Stage 2 technical study phase of the planning cycle, local public meetings may be held in the service territories of each participating transmission owner conducting system studies; (5) the request window opens on August 15 and the results of CAISO's technical studies, including preliminary reliability solutions and the congestion data summary results, are posted by September 15; (6) the participating transmission owners post their study results and proposed reliability solutions by October 15, and a public meeting is held by the end of October; non-participating transmission owners have until the end of November to respond to proposed solutions, projects, and study proposals identified by CAISO and the participating transmission owners, as well as projects submitted periodically through the request window; (7) the request window closes on November 30 and the draft transmission plan is posted by the end of January; (8) the final public meeting is held in February and the transmission plan is presented to the Board of Governors at the February Board of Governors meeting.⁵⁵

54. The CAISO states that this revised schedule provides transmission planning participants additional time to respond to both the CAISO and participating transmission owner studies and provides two weeks between the draft transmission plan posting and the final public meeting. According to the CAISO, lengthening the entire transmission planning process provides the CAISO with additional time to evaluate all of the information received through the request window and to provide additional details of the projects and studies selected for approval and inclusion in the transmission plan. In addition, the CAISO indicates that a more robust transmission plan enables participants to conduct more meaningful reviews of the draft document and provide comments prior to the presentation of the transmission plan to the Board of Governors. Further, the CAISO states that the revised schedule addresses the concerns raised by certain parties

⁵⁵ *Id.* at 12-13.

after the December 21 Filing by making the timeline and process more transparent and allowing for more meaningful involvement.⁵⁶

ii. Comments

55. Bay Area Municipal states that its past experience with the CAISO indicates that the CAISO will have a “hard time meeting their proposed dates” and the CAISO’s past tendency has been to compensate for “lost time” by reducing the time transmission planning participants have to provide responses in various phases of the process. Bay Area Municipal provides specific examples of dates that slipped in the transmission planning process in both 2007 and 2008.⁵⁷ Bay Area Municipal argues that the tariff and the business practice manual therefore should state the specific amount of time that elapses between major milestones in the transmission planning process to protect transmission planning participants’ ability to provide meaningful input.

56. Bay Area Municipal also states that the information listed as “necessary” for any stakeholder meeting in Stage 2, as provided for in sections 4.1.1 and 4.1.3 of the revised business practice manual, is insufficient and that stakeholders need more than the base cases that were posted to the CAISO website. According to Bay Area Municipal, stakeholders need a delineation of any changes made to those cases for completing later studies, as well as the details of how the CAISO determined what critical contingencies should be simulated for “Level C and D events” and what the CAISO’s justification is for choosing those contingencies. Bay Area Municipal also contends that transmission planning participants need to have information on the network impacts of higher level contingency events such as bus faults, as well as information on any automatic protection schemes, such as special protection schemes, that change transmission system configuration and/or drop load under certain contingencies/system states. Bay Area Municipal suggests that this information should probably be posted to the website prior to any stakeholder meeting in Stage 1, and updated prior to any stakeholder meeting in Stage 2, including a detailed description of any changes that occurred between the two meetings.⁵⁸

iii. CAISO’s Answer

57. The CAISO states that it is making every effort to manage the transition to its revised transmission planning process and commits to using the flexibility provided for in the business practice manual to ensure that transmission planning participants have

⁵⁶ *Id.* at 13.

⁵⁷ Bay Area Municipal Comments at 7-8.

⁵⁸ *Id.* at 6-7.

sufficient time for review and comment. Nonetheless, the CAISO indicates that the timing of the November 3 Compliance Filing made it impossible for transmission planning participants to have the allotted number of days between the posting of the study results and the closing of the request window for the 2009 transmission plan. The CAISO states that, once it and its stakeholders have worked through this transition period, there may be additional business practice modifications that should be considered, such as Bay Area Municipal's suggestion regarding revisions to sections 4.1.1 and 4.1.3 of the business practice manual, which the CAISO notes it does not oppose. According to the CAISO, at that time, Bay Area Municipal's concerns, along with other stakeholder input, can be addressed.⁵⁹

iv. Commission Determination

58. We disagree with Bay Area Municipal that the *specific amount of time* that elapses between major milestones in the transmission planning process should be codified in the tariff for the same reason we denied, in the June 19 Order, Transmission Agency of Northern California's request that the transmission planning process schedule be placed in the tariff. We indicated that "it is not necessary for every detail to be included in the tariff, particularly those details that the CAISO may need to change frequently, such as the dates of meetings."⁶⁰ Tariff language that states the specific amount of elapsed time between milestones presents the same problem that tariff language that indicates specific dates presents – it eliminates the ability of the CAISO to be flexible and locks all of the transmission planning process participants into an inflexible schedule.

59. However, we believe it is reasonable to require the CAISO to revise the tariff to indicate the *minimum* amount of time that will elapse between major milestones. This revision protects transmission planning participants, yet also provides the CAISO with flexibility it may need to conduct a pragmatic transmission planning process that benefits itself and participants. We also note that the CAISO has not argued against the substance of Bay Area Municipal's request. Accordingly, we will direct the CAISO to revise the tariff to specify the *minimum* amount of time that will elapse between major milestones.

60. With respect to the Bay Area Municipal's suggestions regarding section 4.1.1 and 4.1.3 of the business practice manual, we conclude this point is better settled by the CAISO and its transmission planning participants through the stakeholder process. However, we remind the CAISO that it is obligated under Order No. 890 to provide transmission planning participants with sufficient data to enable them to replicate the results of planning studies.⁶¹ We therefore caution the CAISO not to withhold making

⁵⁹ *Id.* at 4-7.

⁶⁰ June 19 Order at P 85.

⁶¹ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 471.

revisions to the business practice manual for the sake of efficiency if such withholding could result in less transparency for the transmission planning participants or potential new participants that may be unfamiliar with the transmission planning process.

b. Study Requests and the Request Window

61. In the June 19 Order, the Commission directed the CAISO to revise its tariff to clarify how projects sponsored by participating transmission owners enter into the CAISO's transmission planning process. Specifically, the Commission found that it was unclear whether such projects could be submitted for CAISO consideration outside the request window and, if so, how they would be evaluated against projects submitted through the request window. The Commission also found that the consequences and restrictions associated with entering or not entering through the request window were unclear. The Commission directed the CAISO to amend its tariff to clarify how projects sponsored by participating transmission owners are treated.

i. The November 3 Compliance Filing

62. The CAISO has revised its transmission planning process so that *all* projects, whether sponsored by participating transmission owners or other entities, are required to enter the transmission planning process through the request window. Specifically, the CAISO has revised section 24.2.3 of the tariff and sections 2.1.2.1 and 3.1 of the business practice manual to require that reliability transmission upgrades or additions, merchant transmission facilities, economic transmission upgrades or additions, location constrained interconnection resource facilities, projects to preserve long-term congestion revenue rights, demand response programs, certain generation projects, network upgrades identified through the small generator interconnection process and large generator interconnection process, and economic planning study requests must all be submitted into the transmission planning process through the request window. According to the CAISO, requiring all projects to enter the transmission planning process through the request window should also eliminate the Commission's concerns about whether another evaluation process would apply to projects submitted outside the request window.⁶²

ii. Comments

63. The Six Cities suggest that the CAISO add a reference to participating transmission owners in section 24.2.3 of the tariff to clarify that all projects must go through the request window. The Six Cities also provide a list of typographical corrections to various places in the tariff and the business practice manual.⁶³

⁶² CAISO transmittal letter at 14-15.

⁶³ Six Cities Comments at 1-6.

iii. CAISO's Answer

64. The CAISO indicates that it will revise section 24.2.3 of the tariff to reflect the above suggestion. The CAISO also indicates that it will make the typographical corrections in a later compliance filing.⁶⁴

iv. Commission Determination

65. We find that the CAISO has adequately addressed our concerns regarding which projects enter the transmission planning process through the request window by revising the tariff to require all projects to do so. We will also direct the CAISO to submit the revisions to section 24.2.3 of the tariff and the other typographical corrections suggested by the Six Cities in the compliance filing ordered below.

c. CAISO Discretion

66. In the June 19 Order, the Commission directed the CAISO to revise its tariff to (1) clarify section 24.2.5.2(c) of the tariff, noting that, while section 2.1.2.2 of the business practice manual provided additional detail as to the instances in which studies would be conducted outside the transmission planning process, such detail should also be included in the tariff; and (2) define operating flexibility.

i. The November 3 Compliance Filing

67. The CAISO states that, in response to the Commission's directive and additional requests from stakeholders, the CAISO proposes to modify both section 24.2.5.2 of the tariff⁶⁵ and the relevant business practice manual sections to address the evaluation processes for large and small projects. Specifically, sections 24.2.4(c)-(e) now contains new provisions that describe the study and approval process for three project categories: (1) large projects, a new term that encompasses projects with capital costs of over \$200 million and consisting of transmission or substation facilities of 200 kV or above that follow a separate track; (2) projects with more than \$50 million in capital costs that must be presented to the Board of Governors for approval; and (3) small projects with capital costs of less than \$50 million that will be approved by the CAISO management.⁶⁶

68. The CAISO states that these new provisions clarify that large projects are subject to a separate public participation process that is coordinated with the transmission

⁶⁴ CAISO Answer at 3-4.

⁶⁵ This section has been renumbered to section 24.2.4.

⁶⁶ CAISO transmittal letter at 15-16.

planning process and identified in the annual transmission plan, but for which the *study process* might extend beyond one planning cycle. All other projects will be evaluated as part of the transmission planning process. Those projects that are included in the annual transmission plan will proceed to CAISO management or the Board of Governors for approval.⁶⁷

69. With respect to the definition of operating flexibility in the context of section 24.5 of the tariff, the CAISO states that section 24.5 describes the assessment, or operational review, conducted by the CAISO to ensure that the proposed transmission upgrades or additions have been designed in accordance with good utility practices and will not cause inefficient or unreliable operation of the CAISO controlled grid. The CAISO maintains that properly designed projects will provide sufficient "operating flexibility" to accommodate planned outages and other system events without causing unintended and undesirable consequences or unduly limiting temporary system reconfiguration options. The CAISO states that, in compliance with the Commission directive, it has added this definition of operational flexibility to its tariff in Appendix A.⁶⁸

ii. Comments

70. Bay Area Municipal argues that the CAISO provides no justification for selecting the voltage level nor the level of capital expenditure to determine what constitutes large projects. According to the Bay Area Municipal, because the financial impacts of a new transmission line are not dependent on voltage level, an expensive 115 kV solution should not be deemed "small" due solely to voltage level. Moreover, it argues, load serving entities that pay the low voltage transmission access charge are more significantly impacted by the same magnitude of capital investment at 115 kV than investments at 230 kV, since the transmission access charge rate at 200 kV is spread state-wide, while the low voltage transmission access charge rate is based on the loads in the participating transmission owner's service territory, in addition to the differing size of the rate base itself. For that reason, Bay Area Municipal contends that, if a distinction is made to include projects on a separate track is based upon voltage, a corresponding lower level of necessary expenditure should be set for lower voltage projects.⁶⁹

71. Bay Area Municipal also states that there could probably be additional tests developed to distinguish between large projects and other projects; however, without such additional tests, Bay Area Municipal suggests that large projects be defined as those above \$50 million, rather than the \$200 million threshold proposed by the CAISO.

⁶⁷ *Id.* at 16.

⁶⁸ *Id.*

⁶⁹ Bay Area Municipal at 8-10.

According to Bay Area Municipal, most transmission projects that have been proposed to date are reconductoring of existing transmission lines and do not reach the \$50 million threshold. As a result, Bay Area Municipal argues that if a proposed transmission project costs more than \$50 million, the use of a separate, more thorough stakeholder process allows for a more complete analysis of alternatives and more meaningful participation by transmission planning process participants.⁷⁰

iii. CAISO's Answer

72. In response, the CAISO states that the definition of a large project provides 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. Further, according to the CAISO, stakeholders are free to recommend projects that they believe should be evaluated on a separate track. The CAISO states that subjecting projects with capital costs in excess of \$50 million to separate stakeholder processes 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. Further, it argues, studying all projects over \$50 million through a separate stakeholder process also contradicts the purpose of the large project category which is designed to address projects that may require more comprehensive technical and/or economic studies such that can be completely evaluated in a single planning.⁷¹

iv. Commission Determination

73. The proposed definition of a large project is 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...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...”⁷² We understand this definition to mean that the capital cost and voltage level thresholds are intended to be a general guideline for identifying large projects that will be subject to the separate process. The definition does not preclude projects such as those identified by Bay Area Municipals from being subject to a separate process, if the CAISO determines that the project raises significant policy issues. The CAISO has not provided a detailed explanation of the criteria used in selecting the thresholds of 200 kV and \$200 million.

⁷⁰ *Id.*

⁷¹ CAISO Answer at 7-10.

⁷² *See* Att. D, the definition of “Large Project.”

However, it appears that the 200 kV criterion is consistent with the criteria for facilities that are placed in the CAISO's transmission access charges and that the \$200 million amount represents significant capital investment. Given that any proposed threshold will be, by definition, somewhat arbitrary, we conclude that the CAISO is best positioned to find the appropriate threshold.⁷³ We find these thresholds reasonable.

74. We also find that the definition clarifies, as a general matter, what types of projects will be subject to the separate process and the rationale behind that separate process. Finally, we note that the transmission planning process is subject to the dispute resolution procedures in section 13 of the CAISO tariff, which provides for good faith negotiation, mediation, and arbitration, including the opportunity to file a complaint before mediation.⁷⁴ As a result, we believe that the CAISO's proposal for dealing with large projects is reasonable and the tariff provides sufficient protection for the participants.

d. Tariff Versus Business Practice Manual

75. In the June 19 Order, the Commission directed the CAISO to amend the tariff to include a sufficient level of detail for customers and other stakeholders to understand how the CAISO will perform transmission planning and the method by which customers and other stakeholders can participate. The Commission noted, for example, that it was not clear how and when the CAISO will assess projects proposed before and after projects that are proposed during the request window, nor is it clear how such projects will be assimilated into the transmission plan ultimately presented to the Board of Governors. However, the Commission acknowledged that it is not necessary for every detail to be included in the tariff and that those details that the CAISO may need to change frequently, such as the dates of meetings, may be more appropriate for the business practice manual.

i. The November 3 Compliance Filing

76. The CAISO states that it has revised a number of tariff provisions to provide additional detail. Specifically, as discussed above, the CAISO proposes to revise section 24.2.3 of the tariff to require all projects to be proposed through the request window. With respect to the opportunity for participation in the stages of the transmission planning process, the CAISO proposes to revise section 24.2.2.1 of the tariff to identify the specific steps for posting technical studies results conducted by third parties at the direction of the CAISO and by the CAISO itself. According to the CAISO, these

⁷³ June 19 Order at P 16.

⁷⁴ *Id.* at P 108.

revisions also include the timing of the open meeting and opportunity for comments from interested parties.⁷⁵

77. In addition, the CAISO states that the opportunities for meaningful public participation are set forth in the tariff, describing each phase of the planning cycle. Specifically, section 24.2.1.3 of the tariff describes the stakeholder meetings that will be held during the development of the study plan, section 24.2.2.1 of the tariff provides for the meetings and conferences scheduled for discussion of the technical study results, and section 24.2.4(a) of the tariff describes the public meetings that will be scheduled to address the draft transmission plan. In addition, the CAISO states that the approximate dates for these meetings, as well as the posting of the documents and study results, are contained in the business practice manuals. The CAISO also notes that it has corrected the erroneous references to nonexistent tariff sections in the definitions of “Study Plan” and “Unified Planning Assumptions,” as directed by the Commission.⁷⁶

ii. Commission Determination

78. We find the CAISO’s proposed tariff revisions are in compliance with the directives of the June 19 Order, and, as such, will accept them.

4. Comparability

79. In the June 19 Order, the Commission found that the CAISO’s transmission planning process generally satisfies the requirements of the comparability principle. However, the Commission found that the CAISO tariff was not clear as to whether a participant, other than a participating transmission owner, can propose reliability-driven projects. The Commission directed the CAISO to submit a compliance filing to address whether and how a participant that is not a participating transmission owner can offer transmission solutions to reliability needs that are identified by the CAISO and the participating transmission owners with service territories. The Commission noted that this would include clarification of how comparability-related tariff provisions are implemented with respect to projects sponsored by participating transmission owners.⁷⁷

a. The November 3 Compliance Filing

80. The CAISO states that the Commission’s concern regarding the ability to offer solutions to reliability needs has been addressed by the fundamental revision to its

⁷⁵ CAISO transmittal letter at 17.

⁷⁶ *Id.*

⁷⁷ June 19 Order at P 104-106.

transmission planning process, which now requires all projects to be funneled through the request window and evaluated during Stage 3 for purposes of inclusion in the transmission plan. As noted above, section 24.2.3 of the tariff and sections 2.1.2.1 and 3.1 of the business practice manual have been revised to require that reliability transmission upgrades or additions, merchant transmission facilities, economic transmission upgrades or additions, location constrained interconnection resource facilities, projects to preserve long-term congestion revenue rights, demand response programs, certain generation projects, network upgrades identified through the small generator interconnection process and large generator interconnection process, and economic planning study requests must all be submitted into the transmission planning process through the request window. Thus, the CAISO states that participating transmission owner projects will not be treated differently than any other projects proposed by transmission planning participants.⁷⁸

b. Comments

81. California State Water Project requests clarification that non-participating transmission owners may request reliability transmission upgrades.

c. CAISO's Answer

82. In response to the California State Water Project's request for clarification, the CAISO indicates that the general response is "yes" and such a request could be considered through the request window.⁷⁹

d. Commission Determination

83. We find that the CAISO has adequately addressed our concerns regarding the comparable treatment of solutions offered by transmission planning participants, including participating transmission owners, because all projects will now enter the transmission planning process through the request window pursuant to section 24.2.3 of the tariff. In addition, section 24.1.2 of the tariff indicates that among other things, project sponsors, who by definition now include any project developer, may submit reliability projects. Accordingly, the CAISO's revisions comply with the June 19 Order.

5. Dispute Resolution

84. In the June 19 Order, the Commission found that the CAISO's proposed tariff provides for a dispute resolution process to manage both procedural and substantive

⁷⁸ CAISO transmittal letter at 17-18.

⁷⁹ CAISO Answer at 10-11.

disputes that arise from the planning process. However, the Commission directed the CAISO to modify its tariff to reflect the requirements of Rule 605(a)(5) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.605(a)(5) (2008), which provides that "[a]ll interested parties must expressly consent before arbitration may be used."⁸⁰ The Commission found that the CAISO was prohibited from imposing an arbitrator's decision on those who had notice of the arbitration and chose not to participate.⁸¹

a. The November 3 Compliance Filing

85. The CAISO states that it has revised section 24.8.2 of the tariff to make it clear that an arbitrator's decision is binding only on parties who had notice of the arbitration and voluntarily chose to participate, consistent with the Commission's directive in the June 19 Order.⁸²

b. Commission Determination

86. We will accept this proposed revision as in compliance with our direction in the June 19 Order.

6. Regional Participation

87. In the June 19 Order, the Commission found that, while the CAISO's proposed tariff provided for regional and sub-regional participation, it required some modifications. Specifically, the Commission directed the CAISO to: (1) augment the business practice manual with a list of regional and sub-regional organizations the CAISO coordinates with; (2) revise the business practice manual to reflect the language from section 24.8.1 of the tariff; (3) amend section 24.4 of the tariff to ensure that, in performing a facilities study for an approved transmission project, the applicable participating transmission owner should coordinate with neighboring balancing authority areas; and (4) amend section 24.5 of the tariff to indicate that the participating transmission owner will coordinate with the balancing authority area operators to the extent that an upgrade or addition is located in or interconnected to those systems.⁸³

⁸⁰ See 18 C.F.R. § 385.605(a)(5) (2008).

⁸¹ June 19 Order at P 123-127.

⁸² CAISO transmittal letter at 18.

⁸³ June 19 Order at P 150-157.

a. The November 3 Compliance Filing

88. The CAISO has added descriptive language to section 24.8.1 of the tariff to provide further detail regarding the scope of the CAISO in sub-regional planning activities. The CAISO also has added language from section 24.8.1 of the tariff to section 5.1 of the business practice manual to describe the scope of its mandatory regional planning efforts. The CAISO has also expanded the list of potential planning entities whose participation will be solicited in the transmission planning process.⁸⁴

89. Additionally, the CAISO states that it has amended section 24.4 of the tariff to clarify that a participating transmission owner with an obligation to build facilities will be directed to coordinate these activities with neighboring balancing authority areas, as appropriate. Similarly, the CAISO indicates that it is modifying section 24.5 of the tariff to provide that, where the CAISO has determined that certain proposed facilities do not provide sufficient operating flexibility or properly integrate with the CAISO's controlled grid, the CAISO will coordinate with the operators of neighboring balancing authority areas, if applicable, to reassess and redesign the facilities.⁸⁵

b. Comments

90. The Bay Area Municipal suggests that the CAISO should be required to add language to the tariff and business practice manual indicating that joint planning issues will be addressed through a stakeholder process.⁸⁶ Similarly, Imperial provides a discussion on the importance of joint sub-regional planning with neighboring balancing authority areas through organizations such as the newly proposed Pacific Southwest Planning Association. Imperial requests that the Commission direct the CAISO to clarify that it will coordinate with neighboring balancing authority areas and other entities to develop a sub-regional planning process.⁸⁷

91. Specifically, with respect to sections 24.4 and 24.5 of the tariff, Imperial argues that references to regional coordination "as appropriate" and "if applicable" actually "weaken the tariff" provisions and "render them meaningless." Imperial contends that the CAISO should be required to clarify these tariff provisions and include language that clearly identifies when project coordination is appropriate and applicable.⁸⁸ Imperial also

⁸⁴ *Id.*

⁸⁵ CAISO transmittal letter at 18.

⁸⁶ Bay Area Municipal's Comments at 10.

⁸⁷ Imperial's Comments at 4-9.

⁸⁸ *Id.* at 3-4.

requests that the Commission direct the CAISO to clarify that neighboring balancing authority areas are eligible to receive critical energy infrastructure information.

92. Imperial states that, in section 24.1.2 of the tariff, the CAISO should be required to coordinate with neighboring balancing authority areas to identify transmission additions and/or upgrades to ensure system reliability. Imperial also argues that, from section 24.2.2.1 of the tariff, it is not clear that the CAISO will be sharing data with adjacent balancing authority areas.⁸⁹ Imperial requests that, to the extent that a location constrained resource interconnection generator affects Imperial, the CAISO should be required to coordinate with them to ensure that their system is not negatively impacted.⁹⁰

c. CAISO's Answer

93. The CAISO agrees that sub-regional planning is important, as illustrated through its participation in sub-regional planning forums within the Western Interconnection, including the Western Electricity Coordinating Council's Transmission Expansion Planning Policy Committee. The CAISO states that it will continue to work with other parties interested in forming the Pacific Southwest Planning Association and other established joint planning organizations. The CAISO envisions that the Pacific Southwest Planning Association, once established, may provide an opportunity for neighboring systems to discuss and address sub-regional transmission needs. The CAISO states that it looks forward to continuing its involvement with interested parties to develop a participation agreement for the Pacific Southwest Planning Association.⁹¹

94. However, the CAISO argues that Imperial's comments regarding sections 24.4 and 24.5 of the tariff indicate that it misses the point of both tariff sections. According to the CAISO, section 24.4 of the tariff provides that a participating transmission owner, when constructing an addition or upgrade pursuant to section 24.2.4.2 of the tariff, must 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. According to the CAISO, it is not appropriate to coordinate with a neighboring balancing authority if the proposed project is not located in its area. The CAISO states that section 24.5 of the tariff provides that the CAISO will conduct an operational review of all facilities that are proposed to be connected to the CAISO controlled grid. 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.

⁸⁹ *Id.* at 8.

⁹⁰ *Id.* at 9.

⁹¹ CAISO Answer at 13.

Again, the CAISO emphasizes that 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. Thus, the CAISO states that the focus of these two tariff provisions is appropriately limited to the coordination of studies and facilities design when the proposed facilities are located outside service territory of the transmission owner that is constructing the project, including those located in neighboring balancing authority areas. As a result, the CAISO states that the tariff language needs no further clarification.⁹²

95. The CAISO also states that at the request of Imperial and other parties, the CAISO modified section 5.1 of the business practice manual to include additional sub-regional planning groups, and added detail section 24.8.1 of the tariff. According to the CAISO, both the tariff and the business practice manual 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) coordinate with regional and sub-regional planning groups regarding 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 states that its transmission planning process, which has been developed with the input of neighboring systems, as well as its participating transmission owners, also presents a robust and well-defined opportunity for sub-regional planning. Additionally, the CAISO encourages Imperial and other parties to engage in the CAISO process in addition to the joint planning processes of other regional and sub-regional entities.⁹³

96. The CAISO disagrees with Imperial's request that language should be added to section 24.1.3.3 of the tariff to indicate that the CAISO is required to coordinate with an affected neighboring balancing authority when evaluating a proposed location constrained resource interconnection facility project that interconnects to an energy resource area also connected by a non-participating transmission owner facility. The CAISO states that location-constrained resource interconnection facility projects must be submitted through the request window and evaluated as part of the planning process. Therefore, the CAISO submits that all of the planning coordination activities outlined in the tariff and business practice manuals will apply to such projects, and no additional language to section 24.1.3.3 is needed.⁹⁴

⁹² *Id.* at 11-12.

⁹³ CAISO Answer at 13-14.

⁹⁴ *Id.* at 14.

97. With respect to confidential information and critical energy infrastructure information, the CAISO explains that it 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. According to the CAISO, neighboring balancing authority areas, as market participants, have the same access to this information that is afforded to other parties. In addition, the CAISO states, there are procedures outside the transmission planning process, such as the NERC reliability standards, that contemplate the exchange of data between interconnected systems. Also, the CAISO points out that Imperial is a “Market Participant” per the definition provided in the tariff, and thus, its concerns have been addressed inasmuch as references to market participants are included in each of the transmission planning process provisions it takes issue with. Accordingly, additional language will not provide for additional information than beyond that which is already available.⁹⁵

d. Commission Determination

98. As an initial matter, we will accept the CAISO’s commitment to continue working with interested parties to develop a participation agreement for the Pacific Southwest Planning Association for the purpose of joint planning. We also note that we addressed the joint planning issue in the June 19 Order and accepted the CAISO’s commitment to work on joint planning issues through the stakeholder process.⁹⁶ We find this commitment is sufficient. In addition, we note that the CAISO has augmented section 5.1 of its business practice manual to include the neighboring transmission providers and other regional planning entities from whom it solicits information for planning purposes. This includes WestConnect Sub-Regional Groups, Los Angeles Department of Water and Power, ColumbiaGrid, The Northern Tier Transmission Group, The Northwest Transmission Assessment Committee of the Northwest Power Pool, Southwest Area Transmission, Western Arizona Transmission Studies, Renewable Energy Transmission Initiative, and Arizona Biennial Transmission Assessment. We find that this augmented list complies with the directive in the June 19 Order which required the CAISO to indicate what groups were included in its sub-regional participation process.⁹⁷

99. With respect to Imperial’s concerns regarding sections 24.4 and 24.5 of the tariff, we find that the “as appropriate” and “if applicable” language provides both the transmission planning participants and the CAISO with the flexibility to determine, on a case-by-case basis, the appropriate entity to coordinate with based upon, for example, if an entity is affected by a particular project or if the terminus of the facility is located in

⁹⁵ *Id.* at 14-15.

⁹⁶ June 19 Order at P 105.

⁹⁷ *Id.* at 152.

that entity's balancing area. Thus, we will deny Imperial's request for the same reason we disagree with the CAISO's assertion that it is not appropriate to coordinate with a neighboring balancing authority if the proposed project is not located in its area; both may be too restrictive depending upon the particular situation. To the extent any transmission planning participants and other affected entities have concerns regarding the CAISO's implementation of these tariff provisions, they may use the dispute resolution provisions of the CAISO tariff to raise the matter or file a complaint with the Commission if they believe the tariff is being violated. We believe this adequately addresses Imperial's concern and provides appropriate flexibility for the CAISO and all transmission planning participants.

100. With respect to the remaining issues raised by Imperial, we find that the CAISO's transmission planning process tariff provisions and business practice manuals provide for adequate coordination with appropriate parties where required. As a general matter, we find that Imperial is isolating and then dissecting specific tariff language without addressing it in the context of the remainder of the transmission planning process. We also note that the absence of specific references to "neighboring balancing authority" sprinkled throughout various tariff provisions such as sections 24.1.2 and 24.2.2.1, does not mean that the CAISO is not including the appropriate parties in the sharing of information or coordination with respect to the transmission planning process.

101. Additionally, the CAISO points out that Imperial is a "Market Participant" per the definition provided in the tariff, and thus, its concerns have been addressed inasmuch as references to market participants are included in each of the transmission planning process provisions it takes issue with. We note that Imperial has not disputed this. As a result, we find that Imperial, as a market participant, is appropriately included as being eligible to participate in the transmission planning process, to the extent it chooses to participate. Accordingly, we will deny Imperial's request for clarification.

7. Economic Planning Studies

102. In the June 19 Order, the Commission accepted the CAISO's commitment to revise its tariff and business practice manual to address the requirement that its transmission planning process adequately "encompass[es] the study of upgrades to integrate new generation resources or loads on an aggregated or regional basis," as required by Order No. 890's economic planning studies principle.⁹⁸ In addition, the Commission directed the CAISO to address how it will batch or otherwise cluster economic planning studies.

⁹⁸ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 548.

a. The November 3 Compliance Filing

103. The CAISO states that it has revised section 24.2.3.2 of the tariff and section 3.4.2 of the business practice manual to indicate that the study of upgrades to integrate new generation or load on a regional or integrated basis is a consideration in evaluating requests for economic planning studies received. The CAISO also states that it has included the criteria for clustering in section 24.2.3.3(a) of the tariff and section 4.2.2.1 of the business practice manual. Specifically, the CAISO will consider clustering economic planning studies where: (1) such studies will address the same patterns of congestion or anticipated congestion; (2) such studies will address patterns of congestion or anticipated congestion that are in related locations; or (3) such studies seek to integrate new generation resources or loads that impact the same facilities.

b. Commission Determination

104. We find that the CAISO's proposed revisions are reasonable. Accordingly, we will accept them.⁹⁹

8. CAISO Transmission Owner Local Planning

105. In the June 19 Order, the Commission noted that the bulk of the transmission planning for the CAISO-controlled grid may be initiated through local planning activities conducted outside of the CAISO transmission planning process. However, the Commission expressed concern that the tariff and business practice manual did not clearly describe the relationship between the CAISO and its participating transmission owners, how stakeholders can participate in the participating transmission owner's development of needed expansions, how and when projects sponsored by a participating transmission owner are evaluated by the CAISO, how those projects are assimilated into the CAISO transmission plan, and the ability of non-participating transmission owners to offer alternatives to those projects. The Commission emphasized that customers and stakeholders must not be excluded from the development of projects sponsored by participating transmission owners, and participating transmission owner plans should not be incorporated into the CAISO plan using criteria and standards that are different from those used to assess alternative projects. The Commission directed the CAISO to address this lack of clarity and specificity in its compliance filing.¹⁰⁰

⁹⁹ As noted above, requests to study proposals regarding the integration of new transmission and demand resources are processed through the Request Window.

¹⁰⁰ June 19 Order at P 16-17.

a. **The November 3 Compliance Filing**

106. The CAISO states that, in response to the June 19 Order, both it and the participating transmission owners re-examined the Order No. 890 principles in its tariff, in conjunction with the transmission planning responsibilities imposed by North American Electric Reliability Corporation (NERC) reliability standards TPL-001 through TPL-004. To do so, it held conferences with the participating transmission owners and interested parties, and it obtained general agreement on certain principles for transmission planning coordination of the participating transmission owners' local system planning responsibilities and the CAISO's planning coordinator responsibilities. They are as follows:

- For NERC reliability standards compliance purposes, the CAISO is registered as a planning coordinator, and its participating transmission owners are registered as transmission planners. Pursuant to its role as a planning coordinator, the CAISO has responsibility for planning across the planning coordinator's region. As a result, the CAISO planning process assimilates and integrates the respective plans of the planning coordinator, transmission planners, and resource planners into its transmission plan.
- All transmission owners within the CAISO's planning coordinator area are required to submit their local system information and mitigation proposals to the CAISO in accordance with the transmission planning process. These system studies and mitigation proposals will be provided to the CAISO by October 15 of each year and posted on the CAISO website for comment from interested parties. These data and plans provide the foundation for the CAISO transmission planning process.
- The CAISO will test and review the participating transmission owners' data and plans in order to provide an independent evaluation of such data and plans. The CAISO will assimilate those projects receiving its approval during Stage 3 of the planning process into the CAISO transmission planning base cases. These base cases will then be studied on an integrated, balancing authority area-wide basis to evaluate their robustness and the merit of the individual projects included in them, i.e., an evaluation of the merit of the projects in a base case is tested in the context of an integrated transmission plan, considering seams and coordination issues between the individual systems of the participating transmission owners and independent balancing authority areas within and adjacent to the CAISO balancing authority area, as well as other statewide energy policies directly or indirectly affecting transmission-system planning.

- In performing these functions and to assure that its transmission plan is consistent with the NERC reliability standards, the CAISO has an obligation to demonstrate compliance with NERC reliability standards TPL-001 through TPL-004 through high-level integrated simulations of the system conditions described above and developing mitigation plans when potential performance criteria violations are identified.

107. According to the CAISO, the end result of this coordinated process, managed by the CAISO in accordance with Order No. 890, is an integrated transmission plan developed in accordance with local and balancing authority area-wide reliability requirements and applicable NERC reliability standards. The transmission plan resulting from this process is informed by the participating transmission owners' assessment of their participating transmission owner service territory needs and the comments of transmission planning participants on those assessments. The CAISO integrates these assessments as part of its broader responsibilities for the oversight of inter-utility and regional coordination within their balancing authority area, implementation of state and regional transmission-related policy goals, and market requirements.

108. The CAISO states that section 24.2.2.1 of its tariff contains a general description of the technical studies to be performed by the CAISO and the participating transmission owners, at the direction of CAISO, based on the above principles. Section 24.2.2.1(d) of the tariff provides that the coordination of the CAISO and participating transmission owner study responsibilities, for the purposes of both NERC reliability standards compliance and development of the annual transmission plan through the transmission planning process, will be as described in the business practice manual. Section 2.1.1.2 of the business practice manual contains the details of the CAISO/participating transmission owner coordination meetings, data exchanges, studies and system assessments, representatives, and timeframes.

109. The CAISO notes that, while a general consensus was reached by the CAISO and interested stakeholders on a coordinated participating transmission owner/CAISO study process, the participating transmission owners raised concerns regarding the proposed modifications to section 24.2.2.1(c) of the tariff. That section describes the CAISO technical study procedure and timeframe for posting its study results, including proposed preliminary mitigation solutions. Within approximately one month, after the posting of the study results the participating transmission owners will submit their study results and proposed responses to the CAISO-identified needs and proposed mitigation solutions. Interested parties will then have an opportunity to review these study results at a public meeting, the timing of which allows other responsive projects and economic study proposals to be submitted through the request window before it closes on November 30.

110. According to the CAISO, the concerns raised by the participating transmission owners focus on its proposal to identify mitigation solutions in its preliminary study

results, before receiving the participating transmission owner study results. The CAISO states that, according to the participating transmission owners, developing solutions to identified needs could compromise the CAISO's independence in ultimately selecting the projects to be included in the transmission plan and approved by management and the Board of Governors. In addition, the CAISO states that the participating transmission owners indicated that solutions proposed by it might appear to third parties as having more weight in the selection process than those proposed by the participating transmission owners through the request window.

111. The CAISO states that, while it considered the participating transmission owners' input on this issue, it has not revised its proposal to post study results and mitigation solutions prior to evaluating the participating transmission owner studies. Although the CAISO modified the schedule for posting the technical study results, section 24 of the tariff contemplates that the CAISO is the party that will identify reliability needs and propose mitigation solutions. For example, the CAISO states that section 24.2(d) of the tariff provides that the CAISO will identify transmission upgrades and additions, including alternatives thereto, deemed needed in accordance with section 24.1 to address the existing and projected limitations.

112. Furthermore, the CAISO states that it disagrees that proposing mitigation solutions compromises its independence in any way. To the contrary, the CAISO views this step in the technical study process as an important part of its role as a planning coordinator for the balancing authority area. The CAISO indicates that it does not intend to introduce fully developed transmission additions or upgrades as proposed mitigation solutions; that role is reserved for participating transmission owners and project sponsors. The CAISO asserts that it has no financial stake in recommending proposed solutions and ultimately selecting the most cost-efficient project. For all of these reasons, the CAISO believes its proposed tariff and business practice manual revisions regarding CAISO-identified mitigation proposals are reasonable and should be adopted by the Commission without modification.

b. Comments

113. Northern California Power Agency states that it remains concerned that market participants will be shut out of the transmission planning process of the investor owned utilities and the filing does "not do too much to address this concern." However, Northern California Power Agency states that, given the fact that the Commission has declined to require the investor owned utilities to file their own planning processes with the Commission and the shortage of resources to devote to this issue in light of the

challenges associated with the looming implementation of the market redesign, it will not pursue this issue further at this time.¹⁰¹

114. The Six Cities indicate that they support the CAISO's proposal to identify reliability needs and propose mitigation solutions as being consistent with its role as the planning authority, for the reasons provided by the CAISO.¹⁰²

c. Commission Determination

115. Section 2.1.1.2 of the business practice manual and section 24.2.2.1 of the tariff describe the tasks, roles, and responsibilities of the participating transmission owners in conducting local planning and the process by which the local planning is incorporated into the CAISO's transmission planning process. Specifically, section 2.1.1.2 of the business practice manual indicates that the participating transmission owners are responsible for providing the CAISO with planning data such as load forecasts and contingency files by the second week of January.¹⁰³ The CAISO validates and incorporates this data into the united planning assumptions and study plan in the first stage of the CAISO's transmission planning process, which is then subject to a stakeholder process and comments. The study plan includes the scope and assumptions of each study.

116. Under section 2.1.1.2 of the business practice manual, the participating transmission owners are then responsible for developing their base cases for the NERC compliance assessments, pursuant to the applicable NERC requirements. The base cases are forwarded to the CAISO, which publicly posts and takes comment on the base cases and verifies that the modeling is consistent with the scope and assumptions set forth in the CAISO's transmission planning process study plan. Section 24.2.2.1 of the tariff indicates that all technical studies, whether performed by the CAISO, the participating transmission owners, or other third parties, must use the united planning assumptions, which are developed in the first stage of the CAISO's transmission planning process, when conducting technical studies. It further states that the CAISO will measure the results of the studies against the NERC planning standards, Western Electricity Coordinating Council planning standards, CAISO planning standards, and other criteria set forth in the business practice manual.

117. Pursuant to section 2.1.3 of the business practice manual and section 24.2.2.1 of the tariff, the CAISO will post its preliminary study results and proposed mitigation plans

¹⁰¹ Northern California Power Agency Comments at 1-2.

¹⁰² Six Cities Comments at 1-2.

¹⁰³ *See also* section 2.1.3 of the business practice manual.

on its website on September 15. By October 15, the participating transmission owners will submit the results from their studies along with potential solutions to any identified problems which the CAISO will post to its website. In addition, the participating transmission owners are required to submit projects, through the request window, that resolve the problems identified in their studies. By the end of October, the CAISO will host a public conference to provide an opportunity for comments on the study results and mitigation plans. Section 24.2.2.1 of the tariff indicates that additional meetings will be scheduled as needed. Transmission planning participants may submit alternative solutions to those proposed by the participating transmission owners by the closing date of the request window which is November 30.

118. The Commission finds that the transmission planning participants are able to participate early in the process and provide input in the form of developing the planning assumptions that will be used for all studies. In addition, the transmission planning participants are able to review the criteria, assumptions, and models used by each participating transmission owner and comment on the results of the studies performed by the participating transmission owners for local planning purposes. In addition, the transmission planning participants are able to offer alternatives to the projects proposed by the participating transmission owners for local planning purposes. As a result, we do not share Northern California Power Agency's concerns that market participants will be shut out of the transmission planning process, but rather find that the local planning activities conducted by the participating transmission owners are reasonable and the process, as set forth in the tariff and business practice manual, is transparent. Therefore, we find that the CAISO and participating transmission owners have complied with requirements of the June 19 Order to clarify how local planning activities are conducted within the CAISO transmission planning process.

The Commission orders:

(A) The CAISO is hereby directed to submit a further compliance filing, within 60 days of the date of this order, as discussed in the body of this order.

(B) The CAISO's November 3 compliance filing is hereby accepted, as modified, effective September 29, 2008, as discussed in the body of this order.

(C) The requests for clarification and rehearing of the June 19 Order are denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.