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April 15, 2013

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

**Re: California Independent System Operator Corporation
Compliance Filing
Docket No. ER12-2643-001**

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”)¹ submits this filing in compliance with the Commission’s November 16, 2012 “Order on Tariff Revisions.”²

The November 16 Order generally accepted the ISO’s proposal for providing resource adequacy deliverability status to distributed generation facilities from available transmission capacity. However, the Commission determined that rather than apportioning potential distributed generation deliverability to local regulatory authorities, the ISO should apportion available distributed generation deliverability to the load-serving entities themselves. The Commission explained that using the load-serving entities’ existing

¹ Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the ISO tariff. References to numbered sections are references to sections of the ISO tariff, and references to proposed or revised ISO tariff sections are references to tariff sections as proposed or revised in this compliance filing, unless otherwise indicated.

² *California Independent System Operator Corp.*, 141 FERC ¶ 61,132 (“November 16 order”). In the November 16 order the Commission directed the ISO to submit this compliance filing within 30 days of the date of that order. The Commission subsequently granted two extensions to the date for submitting this compliance filing, on January 16, 2013 and on February 20, 2013, extending the date for compliance to April 15, 2013.

interconnection processes would satisfy the requirements for nondiscriminatory, open access to the ISO's transmission system.³ The Commission also directed the ISO to reflect that "FERC-jurisdictional load-serving entities" must assign distributed generation deliverability among projects through a "first-come, first-served process, subject only to interconnection clustering and operational considerations."⁴

In consultation with stakeholders, the ISO has developed a compliance proposal that retains the benefits of a streamlined process for obtaining deliverability status. The two main elements of this compliance proposal are as follows:

- It eliminates the role of local regulatory authorities and instead specifies that potential distributed generation deliverability identified in the ISO's annual distributed generation ("DG") deliverability assessment will be utilized by utility distribution companies and metered subsystems (the entities that operate and manage generator interconnections to the distribution systems interconnected with the ISO controlled grid) to assign deliverability status to individual distributed generation facilities that are either interconnected or in the process of interconnecting to their distribution systems.
- It establishes a set of eligibility criteria and first-come, first-served assignment priority rules for assigning deliverability status to resources that are interconnected to, or in the interconnection queue of entities that are also FERC-jurisdictional public utilities.

I. Background

A. November 16 Order

On September 18, 2012, the ISO filed a tariff amendment to establish a streamlined process for providing resource adequacy deliverability status to DG resources based on transmission capacity of the ISO controlled grid that would be identified in the ISO's annual transmission planning process. The ISO undertook this initiative with its stakeholders in response to a need, expressed by load-serving entities, developers of DG resources, and the California Public Utilities Commission ("CPUC"), to simplify and streamline the process whereby DG resources can become eligible to achieve deliverability status and provide resource adequacy ("RA") capacity, and to extend this eligibility to DG resources interconnecting under the CPUC's Rule 21 as well as ones interconnecting under

³ November 16 order at PP 47-50.

⁴ *Id.* at P 51.

wholesale distribution access tariffs (“WDAT”). The new process will help facilitate bilateral contracting for renewable energy and RA capacity between load-serving entities and DG resources and thereby support the state policy goal of expanding the amount of DG capacity in California.

Under its proposal, the ISO identifies, through a new deliverability assessment conducted on an annual basis, available transmission capacity to support deliverability status for DG resources without requiring additional network upgrades to the ISO controlled grid, and without adversely affecting the deliverability status of existing resources or resources in the ISO’s or the utility distribution companies’ interconnection queues.⁵ The September 18 filing proposed that the ISO would apportion the transmission capacity identified through each deliverability assessment study cycle to local regulatory authorities, who would ultimately assign deliverability status to specific DG resources in accordance with processes and eligibility criteria developed by the local regulatory authorities. The ISO requested that the tariff changes be made effective as of November 18, 2012.

In the November 16 order, the Commission accepted most aspects of the September 18 filing, effective November 18 as requested by the ISO. However, the Commission conditioned its acceptance on the ISO’s submitting a compliance filing within thirty days that revised the ISO tariff to: (1) apportion available potential DG deliverability identified in the deliverability assessment to load-serving entities rather than to local regulatory authorities; and (2) reflect that Commission-jurisdictional load-serving entities must assign potential DG deliverability among resources based on a first-come, first-served process, subject only to interconnection clustering and operational considerations.⁶

The Commission also found that its decision to require the assignment of available potential DG deliverability to load-serving entities rendered moot comments filed by the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, “Six Cities”).⁷ Six Cities filed a request for rehearing of that Commission finding. The ISO supported Six Cities’ request for rehearing.⁸

⁵ This available transmission capacity was defined in the September 18 filing as “potential DG deliverability” or “Potential DGD,” which is the capability of the ISO controlled grid, measured in MW and determined through an ISO deliverability assessment, to support the interconnection with full capacity deliverability status or partial capacity deliverability status of additional distributed generation facilities.

⁶ November 16 order at PP 47, 51.

⁷ *Id.* at P 52.

⁸ The comments filed by these entities involved the ISO’s proposed treatment of nodes where multiple local regulatory authorities have load. These entities argued that apportioning

The ISO determined that additional stakeholder involvement would be needed to evaluate how best to comply with the directive in the November 16 order to assign available potential DG deliverability on a first-come, first-served basis, while still preserving the intended benefits of the ISO's proposal as conditionally accepted by the Commission. Therefore, the ISO requested additional time to submit this compliance filing, which the Commission granted.⁹

B. Stakeholder Process for Complying with the November 16 Order

On January 11, 2013, the ISO posted for stakeholder review an issue paper that identified three potential approaches for complying with the November 16 order.¹⁰ The ISO hosted a conference call with stakeholders on January 18, 2013 to discuss the potential approaches set forth in the January 11 issue paper and other issues related to compliance with the November 16 order.

The ISO requested that stakeholders provide written comments on the January 11 issue paper to convey, among other things, their preferences among the three potential approaches, suggestions for other possible approaches, identification of additional issues to be addressed under one or more of the approaches, and suggestions for how to address any open issues. Stakeholders submitted eleven sets of written comments that reflected differing views on the approach to be taken to comply with the November 16 order. The comments

potential DG deliverability at these nodes based solely on load-ratio shares could mean that small load-serving entities might not be able to realize their apportioned system-wide share of potential DG deliverability. As explained below, however, this concern is moot under the compliance proposal set forth herein. The Northern California Power Agency also filed a request for rehearing regarding the same Commission finding.

⁹ See Commission letter order, Docket No. ER12-2643-000 (Jan. 16, 2013) (granting extension of time until February 14, 2013 to submit compliance filing); Commission letter order, Docket No. ER12-2643-000 (Feb. 20, 2013) (granting further extension of time until April 15, 2013 to submit compliance filing).

¹⁰ The three potential approaches the ISO identified were: (1) establish first-come, first-served order based on queue positions (and/or other criteria) for assigning deliverability status to DG resources, and apportion shares of DG deliverability to load-serving entities for resource adequacy purposes; (2) establish first-come, first-served order based on queue positions (and/or other criteria) for assigning deliverability status to DG resources, and eliminate apportionment to load-serving entities; and (3) apportion shares of DG deliverability to load-serving entities for one-year resource adequacy purposes, but do not assign the deliverability status attribute to DG resources. *Resource Adequacy Deliverability for Distributed Generation – Compliance with 11/16/12 FERC Order at 4-12* (Jan. 11, 2013). This issue paper is available on the ISO website at <http://www.caiso.com/Documents/ResourceAdequacyDeliverability-DistributedGenerationIssuePaper.pdf>.

reflect that there was not a consensus of opinion among stakeholders concerning a preferred approach to implement in the compliance filing.¹¹

Based on the ISO's careful consideration of the stakeholder comments, balancing of the various concerns expressed by stakeholders, and the objectives of the new DG deliverability process, the ISO determined that the best and most direct way to comply with the November 16 order would be to file tariff revisions to implement the second approach set forth in the January 11 issue paper: to eliminate apportionment to load-serving entities and establish a first-come, first-served order based on queue positions for assigning deliverability status to DG resources who are interconnected, or in the process of interconnecting, to FERC-jurisdictional public utilities.¹²

On March 25, 2013, the ISO issued a proposal for complying with the November 16 order.¹³ On April 2, 2013, the ISO posted draft tariff language to implement the approach set forth in the March 25 paper. The ISO requested that stakeholders provide written comments on both documents by April 10, 2013.

The ISO hosted a stakeholder conference call on April 3, 2013 to discuss its proposed approach, and hosted a stakeholder conference call on April 12, 2013 to discuss the draft tariff language and any submitted comments on the March 25 paper. Six stakeholders provided written comments. Stakeholders generally expressed support for the ISO's compliance proposal. In addition, the stakeholder comments included alternative or additional proposals for complying with the November 16 order as well as proposals clearly beyond the scope of the Commission's compliance directives. The ISO addresses specific stakeholder comments in its discussion.

¹¹ The written comments provided by stakeholders are available on the ISO website at <http://www.caiso.com/informed/Pages/StakeholderProcesses/DeliverabilityforDistributedGeneration.aspx>.

¹² The Commission's evaluation of a utility's proposed tariff revisions is limited to an inquiry into "whether the rates proposed by a utility are reasonable – and not to extend to determining whether a proposed rate schedule is more or less reasonable than alternative rate designs." *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984). See also *California Independent System Operator Corp.*, 128 FERC ¶ 61,282, at P 31 (2009) (finding that, because the Commission found the ISO's proposal to be just and reasonable, it need not assess the justness and reasonableness of an alternative proposal).

¹³ *Resource Adequacy Deliverability for Distributed Generation: Compliance with FERC Order Issued on 11/16/12* (Mar. 25, 2013) ("March 25 paper"). The March 25 paper is provided in Attachment C to this filing and is available on the ISO website at <http://www.caiso.com/Documents/ComplianceProposal-Deliverability-DistributedGeneration.pdf>.

II. Compliance with the November 16 Order

A. Assignment of Potential DG Deliverability by Utility Distribution Companies to DG Resources

In the November 16 order, the Commission directed the ISO on compliance to file “revised tariff sheets that assign available DG deliverability identified in the new deliverability study to load-serving entities rather than local regulatory authorities.”¹⁴ In compliance with this directive, the ISO proposes to revise its tariff to eliminate all references to apportionment of potential DG deliverability to local regulatory authorities,¹⁵ and to specify instead that utility distribution companies and metered subsystems will utilize potential DG deliverability to assign deliverability status directly to individual distributed generation facilities.¹⁶ As a result, there is no longer any basis for retaining the three-stage nomination and allocation process contained in the ISO’s original filing, and the ISO is therefore proposing to remove it.

1. The ISO Interprets the November 16 Order’s Reference to “Load-Serving Entities” to Mean Utility Distribution Companies and Metered Subsystems

In developing this compliance proposal, the ISO has interpreted the Commission’s directive to assign available potential DG deliverability to “load-serving entities” to refer to utility distribution companies and metered subsystems that have distribution facilities. The ISO has done so based on the Commission’s rationale directing the ISO to assign potential DG deliverability to load-serving entities, rather than local regulatory authorities, and to rely on their interconnection processes.

In the November 16 order, the Commission explained that it was appropriate to assign available potential DG deliverability to load-serving entities because using the load-serving entities’ existing interconnection processes would satisfy the requirements for nondiscriminatory interconnection of DG resources. Under the ISO tariff, the term “utility distribution company” is used to refer to entities that own distribution systems that are used to deliver energy from the ISO controlled grid to end-use customers and, with regard to DG resources,

¹⁴ November 16 order at P 47.

¹⁵ For example, the ISO has revised tariff section 40.4.6.3, and has deleted the versions of tariff section 40.4.6.3.2 and all sections thereunder contained in the September 18 filing, to eliminate apportionment of identified potential DG deliverability to local regulatory authorities.

¹⁶ See, e.g., the proposed revisions to ISO tariff sections 40.4.6.3, 40.4.6.3.1, and 40.4.6.3.1.3.

interconnect these resources and potentially deliver energy from them to the ISO controlled grid.¹⁷ As such, the utility distribution companies administer interconnection processes governing the connection of DG resources to those distribution systems. Moreover, although all utility distribution companies as defined in the ISO tariff serve loads, not all load-serving entities own distribution systems.¹⁸ Accordingly, the ISO believes that the Commission's intended result of ensuring open access and nondiscriminatory treatment for DG resources by utilizing existing distribution interconnection processes is best met by specifying that utility distribution companies and metered subsystems will be the entities responsible for utilizing available potential DG deliverability to assign deliverability status to individual DG resources.

2. Utility Distribution Companies and Metered Subsystems Will Assign DG Deliverability Directly to Eligible Resources

Consistent with the November 16 order, the ISO has removed from its DG deliverability tariff provisions all mention of apportioning potential DG deliverability to local regulatory authorities. To accomplish this, the ISO is proposing to substitute the terms utility distribution company and metered subsystem in place of local regulatory authority, and to remove the three-stage nomination and allocation process. The proposed compliance language then specifies that utility distribution companies and metered subsystems will utilize the potential DG deliverability indicated in the ISO's annual DG deliverability assessment¹⁹ to assign deliverability status directly to qualifying DG resources, which, in the case of FERC-jurisdictional utility distribution companies and metered subsystems, will be done using the first-come, first-served methodology described below.

¹⁷ Although the term "utility distribution company" is not limited to entities that enter a "Utility Distribution Company Agreement" with the ISO and, therefore, applies to metered subsystems that have distribution facilities, the ISO accepts the stakeholder suggestion to expressly include metered subsystems. Accordingly, the ISO proposes to refer to both utility distribution companies and metered subsystems in the tariff revisions.

¹⁸ For example, electricity service providers (ESPs) are independent retail suppliers that serve customers under California's retail direct access program. The ESPs serve load via the investor-owned utilities' distribution systems; they do not own distribution facilities and therefore do not administer interconnection procedures. Under this proposal, which is crafted to comply with the Commission's directive that assignment of deliverability status to DG resources must align with nondiscriminatory interconnection principles, the ESPs do not have a role in the assignment process.

¹⁹ The ISO proposes to add the new defined term "DG deliverability assessment" to Appendix A to its tariff and to use that term throughout tariff section 40.4.6.3.

The reason for removing the three-stage nomination and allocation process is that it is not consistent with the Commission's directives in the November 16 order. Under the ISO's original filing, the nomination and allocation process was proposed in order to enable local regulatory authorities to decide how to use their shares of the system-wide potential DG deliverability identified by the ISO to assign deliverability status to individual DG resources, based on the procurement needs of the load-serving entities under their jurisdiction. However, in the November 16 order, the Commission rejected the allocation of deliverability to local regulatory authorities and, moreover, made clear that, at least with respect to FERC-jurisdictional entities, existing interconnection procedures for connecting to distribution systems should serve as the basis for assigning deliverability to distributed generation facilities.

The direct consequence of the Commission's directive is to limit the role of utility distribution companies and metered subsystems to acting as conduits for assigning deliverability status to distributed generation facilities connected, or in the process of connecting, to their distribution systems. The ISO's annual DG deliverability assessment will provide information as to nodal location and amount of available potential DG deliverability. If a utility distribution company or metered subsystem has DG customers interconnected, or seeking to interconnect, to its distribution facilities connected to or below one or more of the identified nodes, then the utility distribution company or metered subsystem will utilize the available potential DG deliverability to directly assign deliverability status to its DG customers. After the utility distribution companies and metered subsystems assign deliverability status to DG resources, those resources will be eligible to provide resource adequacy capacity, and the utility distribution companies and metered subsystems, as well as other entities that serve load, will be free to contract for resource adequacy capacity with any of those resources without any need for additional rules or restrictions under the ISO tariff to determine deliverability. Under these circumstances, retaining an additional and separate allocation and nomination process to utility distribution companies and metered subsystems would be redundant and inconsistent with the Commission's directives. In addition, removing the nomination and allocation procedures will provide the benefit of further streamlining the overall DG deliverability assignment process.

The ISO proposes to retain a modified version of the rules relating to the assignment of potential DG deliverability at "shared" nodes. The vast majority of nodes on the ISO controlled grid where potential DG deliverability is available, will involve a single utility distribution company or metered subsystem that will assign deliverability status to DG resources connecting to its distribution system, without regard to the specific load-serving entities that may be contracting for resource adequacy capacity with those DG resources. There are, however, a small number of nodes that are shared, in the sense that more than one utility distribution company or metered subsystem has distribution facilities that

interconnect to the ISO controlled grid through the same node. Typically such nodes are shared between an investor-owned utility participating transmission owner and one or more municipal utility distribution companies or metered subsystems.

In such cases, each entity will be able to utilize a share of the potential DG deliverability available at the node that is proportional to the load served via its distribution facilities at the node. The ISO will publish each utility distribution company's and metered subsystem's respective share of the nodal potential DG deliverability amounts at the time it publishes the results of its annual DG deliverability assessment.²⁰ The ISO had originally proposed a more conservative approach to simply inform each entity of its respective share of the nodal DG amounts. In consideration of comments from two stakeholders, the ISO agrees that it is more appropriate to publish the information. This information will be useful to project developers in deciding where to seek interconnection.

The compliance proposal retains the provision for bilateral transfers of potential DG deliverability at a shared node in quantities no smaller than 0.01 MW.²¹ These transfers will be permitted during the period from the date the utility distribution companies or metered subsystems receive notification of their shares of potential DG deliverability at shared nodes through the date on which they must inform the ISO of their deliverability status assignments to DG resources. Providing for the right to engage in bilateral transfers at shared nodes is reasonable because it will help ensure that the maximum amount of potential DG deliverability available at shared nodes will be utilized to assign deliverability status to DG resources. The ISO will, however, limit these transfers for investor-owned utilities that are participating transmission owners. As described below,

²⁰ Revised ISO tariff section 40.4.6.3.1.3. The ISO believes that the elimination of apportionment of potential DG deliverability to load-serving entities, as proposed above, means that the issue raised on rehearing by Six Cities regarding shared nodes is no longer a concern. The basis for Six Cities' request for rehearing was that the Commission purportedly failed to consider that each load-serving entity would be apportioned a load-ratio share of the system-wide potential DG deliverability available and, in the case of shared nodes, a small load-serving entity may be unable to realize its apportioned system-wide share. Under the process proposed in this compliance filing, however, the entity that will assign deliverability status to DG resources at any particular ISO grid node is the utility distribution company or metered subsystem that has distribution facilities at that node, making the apportionment of load-ratio shares of the system-wide potential DG deliverability to load-serving entities no longer meaningful or relevant.

²¹ Proposed ISO tariff section 40.4.6.3.1.4. The ISO proposed to allow local regulatory authorities to engage in bilateral transfers of both system-wide and nodal MW shares of potential DG deliverability. With the removal of allocation of local regulatory authorities, the ISO will no longer calculate system-wide shares of potential DG deliverability, and therefore, the bilateral transfer right for utility distribution companies and metered subsystems is limited to situations involving shared nodes.

consistent with the November 16 order, this compliance filing requires that these entities must fully utilize the potential DG deliverability available to them to assign deliverability status to DG resources as long as there are sufficient eligible DG resources connected to their systems or in their interconnection queues. Therefore, these entities will be allowed to transfer potential DG deliverability to another utility distribution company or metered subsystem at a shared node only to the extent that there is potential DG deliverability available that exceeds the needs of eligible DG resources on their own systems.

B. Rules for Assignment of DG Deliverability Status to DG Resources by FERC-Jurisdictional Utility Distribution Companies

In the November 16 order, the Commission directed the ISO to revise its tariff to “reflect that FERC-jurisdictional load-serving entities must assign potential DG deliverability among resources based on a first-come, first-served process, subject only to interconnection clustering and operational considerations.”²² To comply with the Commission’s directive, the ISO proposes to revise its tariff to include a two-step process for Commission-jurisdictional utility distribution companies – specifically the investor-owned utility (IOU) participating transmission owners – to assign deliverability status to distributed generation facilities that are interconnected, or seek to interconnect, to their distribution systems.²³

²² November 16 order at P 51.

²³ In California, the utility distribution companies that are also public utilities consist of the investor-owned participating transmission owners, *e.g.*, Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company. These entities are referred to in the tariff as the “IOU participating transmission owners.”

1. **Determination of Eligibility of Resources to Be Assigned Deliverability Status**

Under the ISO's compliance proposal, the following types of DG resources interconnected, or seeking interconnection, to the distribution system of an IOU participating transmission owner will be considered eligible to receive a deliverability status assignment during the annual process upon submitting an application to the applicable IOU participating transmission owner and the ISO indicating that they wish to be considered for a deliverability status assignment.²⁴

- (i) Distributed generation facilities that are already in commercial operation and interconnected to the distribution system of the IOU participating transmission owner that do not have deliverability status may submit an application to be eligible for full or partial capacity deliverability status, and those that have partial capacity deliverability status may apply to be eligible for full capacity deliverability status or a higher level of partial capacity deliverability status.²⁵
- (ii) Distributed generation facilities with an active interconnection request in the interconnection queue of the IOU participating transmission owner that have not requested deliverability status in the underlying interconnection process and have received their Phase I interconnection study results may submit an application to be eligible to receive full or partial capacity deliverability status.
- (iii) Distributed generation facilities with an active interconnection request in the interconnection queue of an IOU participating transmission owner that have not yet received their Phase I interconnection study results, irrespective of whether they

²⁴ Proposed ISO tariff section 40.4.6.3.2.2.1. Two stakeholders suggested in their comments that it would be simpler if the application were to be submitted only to the ISO. However, the ISO believes it is appropriate for the distributed generation facility to provide its application to the IOU participating transmission owner as well as the ISO. The IOU participating transmission owner is the entity that manages the interconnection of resources to the distribution system and will perform the activities for assigning deliverability status under this compliance proposal. The ISO also has an interest in any assignment of deliverability status to the facility, however, and therefore, the distributed generation facility should ensure that both entities are provided with the application.

²⁵ By comparison, distributed generation facilities that are already in operation and interconnected to the distribution system of the IOU participating transmission owner that already have deliverability status and are providing resource adequacy capacity will have their existing deliverability status protected by the design of the DG deliverability assessment. Unless they have partial capacity deliverability status and wish to obtain a higher level of deliverability status, they will have no need to obtain deliverability status through the process described here.

requested deliverability status in their interconnection request, may submit an application to be eligible to receive full or partial deliverability status.²⁶

With regard to category (i) above, some stakeholders questioned whether distributed generation facilities that are already in commercial operation and interconnected to the distribution system that do not have deliverability status – *i.e.*, existing resources with energy-only deliverability status – should be permitted to submit applications to be eligible for assignment of deliverability status. The ISO believes that allowing existing energy-only DG resources to obtain deliverability status through this process best comports with the Commission’s open access principles, because there is no reasonable basis for treating them differently in this respect than DG projects still in an interconnection queue. Further, it would not make sense for energy-only resources to be eligible to be assigned deliverability status while they are in the interconnection queue, but then to be rendered ineligible by virtue of beginning commercial operation. This would create an incentive for energy-only resources to delay their commercial operation dates in order to remain eligible to receive full or partial deliverability status at no cost under the process.

Distributed generation facilities that have requested deliverability status as part of an active interconnection request in the interconnection queue of an IOU participating transmission owner and that have already received their Phase I interconnection study results will not be eligible to be assigned deliverability status under the tariff provisions set forth in this compliance filing, because their deliverability status is protected in accordance with the existing tariff and will be assigned through the applicable IOU participating transmission owner’s interconnection process.

The purpose of requiring an application from all resources seeking to obtain deliverability status and interconnected or proposing to interconnect to a FERC-jurisdictional utility through this process is to ensure that deliverability status is assigned only to those resources that actually desire it. Requiring these resources to apply for deliverability status is consistent with the Commission’s directive to the ISO to reflect in its tariff that Commission-jurisdictional load-serving entities must assign DG deliverability among projects based on a first-come, first-served process.²⁷ The application requirement is an element of the first-come first-served component of that directive.

²⁶ The tariff also specifies that if these distributed generation facilities are assigned deliverability status, they will be subject to the process set forth in this compliance filing with regard to their assigned deliverability status and will continue through the interconnection process for all other purposes as a request for energy-only deliverability status. Proposed ISO tariff section 40.4.6.3.4.

²⁷ November 16 order at P 51.

To be eligible for a deliverability status assignment, all distributed generation facilities that are not in commercial operation must have expected commercial operation dates, as reflected in their current interconnection requests or interconnection agreements, no later than three years from the last date on which applications for deliverability status in the current cycle may be submitted. This requirement applies to distribution generation facilities interconnecting to the distribution systems of IOU participating transmission owners or the distribution systems of non-IOU utility distribution companies and metered subsystems. Limiting eligibility to resources that will achieve commercial operation within a specific timeframe is reasonable because it will ensure that the limited amounts of available deliverability are allocated to those resources in active development. The three-year period is proposed to align with the amount of time generally required for a DG resource to complete the interconnection process and achieve commercial operation (2-3 years).²⁸ Any distributed generation facility with an expected commercial operation date more than three years in the future can wait until a later DG deliverability assessment cycle and still be eligible to receive deliverability status at that time, well before the facility begins commercial operation.

Two stakeholders proposed that the ISO also require distributed generation facilities to provide a fee with their applications to cover the costs of administering the process for assigning deliverability status, and one stakeholder proposed an at-risk financial security requirement. The ISO believes that requiring resources to pay an application fee is beyond the scope of compliance. The ISO did not propose any rate or provide cost information in the September 18 filing, nor did the Commission direct the ISO to include a rate or cost information or financial security requirement in its compliance filing. These proposals are clearly beyond the scope of this compliance filing.

The ISO's proposed tariff revisions also include a process for distributed generation facilities to submit their applications. A component of the process is that the ISO will issue a market notice announcing the application deadline, with the deadline being no earlier than 30 days after the ISO publishes the results of the DG deliverability assessment. This 30-day time period will give distributed generation facilities sufficient time, after the results are published, to decide whether to apply to be eligible to receive a deliverability status assignment.

²⁸ Two stakeholders proposed similar three-year limits in their comments, while another stakeholder proposed a four-year limit.

2. First-Come, First-Served Priority Rules for Assignment of DG Deliverability

In accordance with the November 16 order, the ISO will require each IOU participating transmission owner to assign deliverability status to eligible resources at each node of the ISO controlled grid where it has distribution lines and where potential DG deliverability is available, based a first-come, first-served process.²⁹ Under this process, deliverability status will be provided in the following priority order, up to the maximum amount of potential DG deliverability available at each node.

- (1) DG resources that are already interconnected to the distribution system of an IOU participating transmission owner. Deliverability status will be assigned first to any eligible distributed generation facilities already in commercial operation and interconnected to the distribution system of the IOU participating transmission owner at the deadline for submitting applications, in order of the date they achieved commercial operation, from earliest to most recent. At nodes where there is insufficient potential DG deliverability indicated in the deliverability assessment to fulfill all deliverability status applications received during the current deliverability assessment cycle from distributed generation facilities already in commercial operation, and two or more such distributed generation facilities next in order to obtain the last remaining increment of potential DG deliverability at a node have the same commercial operation date, each such resource will receive a pro rata share of the remaining potential DG deliverability in proportion to its MW energy production level as modeled by the ISO for the purpose of the ISO's deliverability assessment methodology, and in accordance with the level of deliverability status applied for in the current cycle.
- (2) DG resources seeking interconnection to the distribution system of an IOU participating transmission owner. After allocating deliverability status to eligible resources already in commercial operation, the remaining deliverability will be assigned to eligible distributed generation facilities with an active interconnection request in the interconnection queue of the IOU participating transmission owner that have submitted an application, in order of their queue positions in the applicable interconnection process. At nodes where there is insufficient potential DG deliverability indicated in the DG deliverability assessment to provide

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deliverability status to all eligible distributed generation facilities with active interconnection requests, and two or more such distributed generation facilities next in order to obtain the last remaining increment of potential DG deliverability have the same interconnection queue position, the remaining amount of potential DG deliverability will be assigned in order of expected commercial operation date, from earliest to furthest in the future.

For purposes of determining expected commercial operation date, this provision will utilize the commercial operation date specified in the distributed generation facility's interconnection agreement, or if no interconnection agreement has yet been executed, the distributed generation facility's application. If two or more such facilities have the same expected commercial operation date, each facility will receive a pro rata share of the remaining potential DG deliverability in proportion to its expected MW energy production level as modeled by the ISO for the purpose of the ISO's deliverability assessment methodology, in accordance with the level of deliverability status requested in the current cycle.

In each cycle of this process, each IOU participating transmission owner will be required to fully utilize the nodal amounts of potential DG deliverability available to it, unless there are not sufficient eligible DG resources that have applied for deliverability status at a node. This accords with the Commission's directive that this process be consistent with nondiscriminatory interconnection rules and principles, because as long as there are eligible DG resources at a particular node that have submitted the required applications and there is available potential DG deliverability to assign deliverability status to them, no basis exists for the IOU participating transmission owner to decline to make such assignments. Thus, in the case of the IOU participating transmission owners, the only time there will be potential DG deliverability remaining at the end of a cycle that was not utilized to assign deliverability status to DG resources will be when there were not sufficient DG resources seeking deliverability status at the node. The treatment of unutilized potential DG deliverability is discussed below.

These tariff provisions set forth an open, fair, and nondiscriminatory process for assigning deliverability status on a first-come, first-served basis to distributed generation facilities that are already interconnected and that seek interconnection, and for allocating deliverability status at nodes where there is insufficient potential DG deliverability to fulfill all requests. Queue position and commercial operation date are widely used metrics in Commission-approved interconnection procedures, and create a clear priority between DG resources based on first-come, first-served principles. Consistent with these principles, it is appropriate to provide those DG resources already in commercial operation with first priority in the assignment process because they represent the resources with

the earliest interconnection dates.

The IOU participating transmission owner will be required to complete this assignment process and report the results to the ISO in accordance with the schedule established by the ISO for the current deliverability assessment cycle. The ISO will set the schedule so that the results can be incorporated into the ISO's annual net qualifying capacity assessment, to enable DG resources that are newly assigned deliverability status and will be operational during the coming resource adequacy compliance year to obtain positive net qualifying capacity values and provide resource adequacy capacity to load-serving entities.³⁰

One stakeholder proposed that the ISO include provisions in its tariff for granting temporary deliverability for DG resources that are developed more quickly and are able to begin commercial operation earlier than other DG projects that are higher in the interconnection queue and have previously received an assignment of deliverability they are not yet able to use. This proposal would introduce a new element into this process and is outside the scope of compliance with the Commission's directive to establish a first-come, first-served process for assigning DG deliverability.

C. Assignment by Utility Distribution Companies and Metered Subsystems that are Not IOU Participating Transmission Owners

Consistent with the November 16 order, each utility distribution company and metered subsystem that is not an IOU participating transmission owner, and therefore not a FERC-jurisdictional public utility, will determine which resources are eligible to be assigned deliverability status, and assign deliverability status to those resources, in accordance with its own distribution interconnection procedures.³¹

Non-jurisdictional utility distribution companies and metered subsystems may report assignments of deliverability status to the ISO at any time. However, only those assignments of deliverability status reported to the ISO in accordance with the assignment schedule established by the ISO for the current deliverability assessment cycle will be eligible for inclusion in the ISO's annual net qualifying

³⁰ The ISO anticipates that the assignment schedule will require the results to be reported to the ISO by approximately the end of May of each year.

³¹ November 16 order at P 51 (directing the ISO to reflect in its compliance filing that "FERC-jurisdictional" entities must assign DG deliverability based on a first-come, first-served process).

capacity determination and thereby be eligible to be designated as resource adequacy resources for the next resource adequacy compliance year.³²

D. Other Compliance Changes

1. Unassigned Potential DG Deliverability

In its original filing, the ISO proposed to allow local regulatory authorities to preserve quantities of potential DG deliverability allocated to them during an annual DG deliverability cycle. Although the ISO will no longer apportion potential DG deliverability to local regulatory authorities, there are two circumstances under which potential DG deliverability could remain unassigned at the end of an annual cycle.

As explained above, each IOU participating transmission owner will be required to use the maximum amount of potential DG deliverability available at each node to provide deliverability status to eligible distributed generation facilities in each annual DG deliverability assessment cycle.³³ It is possible, however, that the total MW quantity associated with eligible distributed generation facilities at a particular node could be less than the available potential DG deliverability for that node as indicated in the deliverability assessment for the current cycle. In addition, non-FERC jurisdictional utility distribution companies are not required to utilize all of the potential DG deliverability associated with the nodes at which their distribution systems interconnect to the ISO controlled grid during each annual cycle. In order to account for these two circumstances, the ISO is proposing to retain the relevant portion of the existing tariff language to continue to ensure that any such unassigned quantities will be preserved and can be utilized by the relevant utility distribution company in the next DG deliverability cycle.³⁴

2. Revocation of Deliverability Status Due to Failure to Timely Achieve Commercial Operation

The September 18 filing included tariff provisions to permit a local regulatory authority to revoke an assignment of deliverability status to a distributed generation facility that fails to meet criteria specified by the local regulatory authority for retaining such assignment.³⁵ Consistent with the changes

³² Proposed ISO tariff section 40.4.6.3.2.4.

³³ Proposed ISO tariff section 40.4.6.3.2.3.

³⁴ Proposed ISO tariff sections 40.4.6.3.2.3 and 40.4.6.3.3.

³⁵ ISO tariff section 40.4.6.3.6.

to the assignment process described herein, the ISO is proposing to modify this section to state that a distributed generation facility that fails to timely achieve commercial operation will forfeit any deliverability status provided pursuant to the DG deliverability process.³⁶ The ISO proposes to apply this provision both to IOU participating transmission owners and to non-Commission-jurisdictional utility distribution companies and metered subsystems.

The purpose of this revocation provision is to address a well-known concern that has resulted from the volume of proposed new generation facilities in the interconnection queue, specifically the concern that projects may attempt to “lock up” ISO grid capacity associated with their deliverability status even though they are not making progress on achieving their expected commercial operation dates. The proposed revocation provision is intended to limit the possibility that providing deliverability to DG resources through the process at issue here could further contribute to this problem. The provision is also designed to minimize the incentive for distributed generation facilities to provide expected commercial operation dates that are unrealistically optimistic, in order to increase their chances of being assigned deliverability status pursuant to an IOU participating transmission owner’s first-come, first-served process.³⁷

Pursuant to the revocation provision, distributed generation facilities that are assigned deliverability status prior to achieving commercial operation must, in order to retain such assignment, achieve commercial operation no later than six months after the commercial operation date specified in the distributed generation facility’s interconnection agreement, or if no interconnection agreement had been executed at the time the assignment was made, the commercial operation date specified in the distributed generation facility’s application to be assigned deliverability status in the current cycle of this process.³⁸ The ISO believes that six months is a reasonable grace period under these circumstances given that distributed generation projects typically reach commercial operation within 2-3 years of entering an interconnection process.

³⁶ Revised ISO tariff section 40.4.6.3.4.

³⁷ As explained above, proposed ISO tariff section 40.4.6.3.2.2 states that, at nodes where there is insufficient potential DG deliverability indicated in the DG deliverability assessment to provide deliverability status to eligible distributed generation facilities with active interconnection requests, and two or more such distributed generation facilities next in order to obtain the last remaining increment of potential DG deliverability have the same interconnection queue position, the remaining amount of potential DG deliverability will be allocated in order of expected commercial operation date, from earliest to furthest in the future.

³⁸ The ISO had proposed in its March 25, 2013 paper that, if no interconnection agreement had been executed at the time the assignment was made, the six-month period would be calculated based on the commercial operation date set forth in the distributed generation facility’s current interconnection request. However, in response to comments from two stakeholders, the ISO determined that calculating the six-month period based on the commercial operation date set forth in the application would provide more up-to-date (or at least equally up-to-date) information.

Moreover, for a distributed generation facility with an active interconnection request in the interconnection queue of an IOU participating transmission owner, that did not request deliverability status in the underlying interconnection process but had already received its Phase I interconnection study results at the time it applied to be eligible for deliverability status under the DG deliverability process,³⁹ its assignment will not be revoked if the distributed generation facility's failure to achieve commercial operation within six months of its indicated commercial operation date is due to a delay in the utility distribution company's or metered subsystem's completion of the upgrades necessary for the distributed generation facility's interconnection, as confirmed to the ISO by the relevant utility distribution company or metered subsystem. This provision is reasonable because it will allow such distributed generation facilities to avoid revocation of an assignment due to a delay in the completion of upgrades that was outside of the facilities' control.

A distributed generation facility that applies to this process before having its Phase I interconnection study results⁴⁰ will not be allowed to retain its deliverability status assigned through this process based on the utility distribution company or metered subsystem needing more time to complete needed upgrades because, absent the results of at least a Phase I interconnection study, there is no substantive basis to support the feasibility of the expected commercial operation date stated in the DG resource's application. The DG resource in this category must therefore make its own best estimate of a feasible commercial operation date, based on information available to it at the time of its application, and accept the risk that it would lose its deliverability status assignment if it cannot make its expected commercial operation date plus six months.

The ISO believes this is a reasonable requirement for several reasons. First, it is necessary to remove an incentive for resources in this category to submit an unrealistically early commercial operation date to obtain deliverability status, and then hold onto that status when the Phase I study results provide a more realistic date, based on engineering assessment of the needed upgrades, that is more than six months beyond the date stated in the application. Second, there is a substantial benefit to be gained by a DG resource in this category if it successfully obtains deliverability status through this process. Essentially, if it has just submitted its request for deliverability status through the normal interconnection process, it will not know at least until the completion of its Phase I study whether it will be responsible for delivery network upgrades. But if it is successful in this process, it will know very quickly that it will have deliverability

³⁹ This category of distributed generation facility is described in proposed ISO tariff section 40.4.6.3.2.2.1(ii) and item (ii) in section II.B.1 of this transmittal letter.

⁴⁰ This category of distributed generation facility is described in proposed ISO tariff section 40.4.6.3.2.2.1(iii) and item (iii) in section II.B.1 of this transmittal letter.

status without any need for such upgrades. Third, although this provision places the responsibility on the DG resource to estimate a realistic commercial operation date, if the resource developer finds this too difficult it can submit a date three years in the future and then have three years plus six months to achieve commercial operation.

Two stakeholders proposed in their comments that the ISO also permit a six-month grace period based on a more elaborate determination, to be supported in some circumstances by an affidavit provided by the interconnection customer to the ISO, as to whether a delay was due solely to the failure of a utility distribution company to complete necessary upgrades. The ISO believes it would be onerous and unfair to require the ISO to attempt to make this fact-specific determination and to verify the representations in an affidavit. In comparison, the ISO's proposed process does not put the ISO in the position of having to verify the facts, because the process simply requires the relevant utility distribution company or metered subsystem to confirm the delay in completing the necessary upgrades.

With respect to a distributed generation facility that meets the retention requirement discussed above, once the distributed generation facility has achieved commercial operation, it will retain its assigned deliverability status for as long it remains in commercial operation. This rule is unchanged from the ISO's original filing except for the addition of language to clarify that it also applies to distributed generation facilities that were already in commercial operation at the time the assignment was made.

Any loss of previously granted deliverability status due to either permanent cessation of commercial operation of a distributed generation facility or revocation due to failure to meet the commercial operation date requirement set forth above will be appropriately modeled by the ISO in the next DG deliverability assessment cycle. Depending on other changes that may have occurred on the ISO controlled grid and connected distribution systems, or in associated interconnection queues, such removal of deliverability status could result in additional potential DG deliverability being available in the next cycle for assignment of deliverability status to other distributed generation facilities under this process.

3. Increment of Deliverability Status Assignment

The ISO proposes to clarify that the assignment of deliverability status by utility distribution companies to individual distributed generation facilities will be denominated in 0.01 MW increments.⁴¹ The purpose of this clarification is to

⁴¹ Revised ISO tariff section 40.4.6.3.1.3.

ensure that the amount of potential DG deliverability utilized by utility distribution companies and metered subsystems to assign deliverability status is consistent with the results of the ISO's annual DG deliverability assessment, which are provided in 0.01 MW increments, and reflects the fact that many DG resources are well under a MW in capacity.

E. Clarification of DG Deliverability Assessment Results

Two stakeholders expressed concern in their comments that the ISO limits the nodal amounts of available potential DG deliverability determined in the DG deliverability assessment to the amounts specified in the base portfolio utilized in the ISO's annual transmission planning process.⁴² These parties noted that if the DG deliverability study determines that transmission capacity on the ISO grid can support larger amounts at certain nodes, and if there are DG facilities at those nodes that want to obtain deliverability status through this process, the ISO should make the larger amounts available for those DG facilities.

Although it initially responded that this issue is beyond the scope of this compliance filing, which is accurate, the ISO recognized that the issue raises a question about how the ISO intends to administer the previously accepted tariff provisions. After further consideration of the issue the ISO determined that its stated requirement to limit the amount of available DG deliverability to the transmission planning base portfolio amounts was based on (1) the understanding that these amounts were aligned with the expected procurement of DG resources by load-serving entities and therefore sufficient for the current cycle, and (2) a conservative understanding of engineering study concerns.

With regard to point (1), with the Commission-directed adoption of a deliverability status assignment process performed by the utility distribution companies and metered subsystems based on their interconnection processes, restricting the available potential DG deliverability to the base portfolio amounts may not be sufficient to reflect the amount of active and eligible DG resources in the interconnection queues. With regard to point (2), in proposing to limit the amount of available DG deliverability to the base portfolio amounts, the ISO conservatively assumed that making larger amounts available could potentially cause problematic inconsistencies, from an engineering perspective, between the assignment of deliverability status under this process and the assumptions of ISO's transmission planning process. Further assessment of the matter revealed, however, that limiting the nodal amounts of potential DG deliverability made available to utility distribution companies and metered subsystems to the transmission planning base portfolio amounts would not be necessary to preserve the required planning consistency.

⁴² See transmittal letter for September 18 filing at 9-10.

Based on the above considerations, the ISO is now looking into revising, where appropriate, the nodal amounts of available potential DG deliverability that were contained in the study report posted on March 22, 2013, and will inform stakeholders of any revised results in the near future as part of the current implementation cycle of this process. This is consistent with both the overall policy goal of making deliverability status more readily available to DG resources and the tariff provisions accepted by the Commission in the November 16 order.⁴³

III. Materials Provided in the Instant Compliance Filing

In addition to this transmittal letter, the instant compliance filing includes the following attachments:

Attachment A	Clean ISO tariff sheets reflecting the tariff modifications described above
Attachment B	Sheets showing the modifications described above in black-line format
Attachment C	<i>Resource Adequacy Deliverability for Distributed Generation: Compliance with FERC Order Issued on 11/16/12 (Mar. 25, 2013)</i>

⁴³ See ISO tariff section 40.4.6.3.1.3, which specifies the maximum nodal amounts of potential DG deliverability that can be made available in the current cycle, which may under certain circumstances be larger than the transmission planning base portfolio amounts. Although the ISO proposes some minor revisions to this tariff section to make it consistent with the changes contained in this compliance filing, no tariff changes are proposed or needed to enable the ISO to reconsider the application of the approved tariff provisions and potentially revise the posted study results as described here.

IV. Conclusion

For the reasons explained above, the Commission should accept the tariff revisions contained in this filing as complying with the November 16 order. If there are any questions concerning this filing, please contact the undersigned.

Respectfully submitted,

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Attachment A – Clean Tariff
Resource Adequacy Deliverability for Distributed Generation
Compliance with November 16, 2012 FERC Order

California Independent System Operator
Fifth Replacement FERC Electric Tariff

April 15, 2013

40.4.6.3 Deliverability of Distributed Generation

The CAISO will perform an annual Deliverability Assessment, as described in Section 40.4.6.3.1, to determine MW quantities of Potential DGD at specific Nodes of the CAISO Controlled Grid for assigning Deliverability Status to Distributed Generation Facilities interconnected or seeking interconnection to the Distribution System of a Utility Distribution Company or a Metered Subsystem pursuant to the interconnection procedures of the Utility Distribution Company or Metered Subsystem, where such interconnection and Deliverability Status can be provided:

- (i) without any additional Delivery Network Upgrades (although Reliability Network Upgrades, Distribution Upgrades or other mitigation may be needed);
- (ii) without the need for the CAISO to conduct any further Deliverability Assessment; and
- (iii) without degrading the Deliverability Status of Generation in Commercial Operation, proposed Generating Facilities in the CAISO Interconnection queue, or the Distributed Generation Facilities of interconnection customers who have previously requested Full Capacity or Partial Capacity Deliverability Status.

Following the CAISO's publication of the nodal Potential DGD quantities resulting from the Deliverability Assessment, applicable Utility Distribution Companies and Metered Subsystems will assign Full Capacity Deliverability Status or Partial Capacity Deliverability Status to specific Distributed Generation Facilities pursuant to the rules set forth in Section 40.4.6.3.2.

This Section 40.4.6.3 is intended to supplement, and not to preclude or limit, the ability of an interconnection customer for a Distributed Generation Facility to seek and receive Full Capacity Deliverability Status or Partial Capacity Deliverability Status through applicable interconnection procedures. Nothing in this Section 40.4.6.3 is intended to relieve the interconnection customer for a Distributed Generation Facility from the requirements to request and achieve interconnection to the Distribution System through the applicable interconnection procedures. In addition, the amount of Resource Adequacy Capacity a Distributed Generation Facility may provide in any given Resource Adequacy Compliance Year is subject to the CAISO's annual Net Qualifying Capacity determination, as specified in Section 40.4.6.1.

40.4.6.3.1 Deliverability Assessment to Determine Potential DGD

This Section describes the annual DG Deliverability Assessment the CAISO will perform to determine nodal MW amounts of Potential DGD available to Utility Distribution Companies and Metered Subsystems for assigning Deliverability Status to Distributed Generation Facilities in accordance with Section 40.4.6.3.2. The DG Deliverability Assessment and its results will be based on the assumption that the Distributed Generation Facilities that are eventually assigned Deliverability Status under Section 40.4.6.3 complete all requirements for interconnection to the Distribution System under the applicable interconnection process and that these Distributed Generation Facilities will be supported by needed Reliability Network Upgrades, Distribution Upgrades or other mitigation that would be needed to safely and reliably interconnect to the Distribution System and deliver Energy from the Distribution System to the appropriate CAISO Controlled Grid Node.

40.4.6.3.1.1 Developing the Assessment Model

To develop the base case model for the DG Deliverability Assessment, the CAISO will include:

- (i) The most recent GIP or GIDAP Queue Cluster Phase II Interconnection Study deliverability power flow base case;
- (ii) Those Generating Facilities that have obtained Deliverability using the annual full capacity deliverability option under either Section 8.2 of the GIP or Section 9.2 of the GIDAP;
- (iii) Transmission additions and upgrades approved in the final comprehensive Transmission Plan for the most recent Transmission Planning Process cycle;
- (iv) Any Generating Facilities in the most recent GIDAP Phase I Interconnection Study that have been determined to be deliverable in accordance with their requested Deliverability Status and were not assigned any Delivery Network Upgrade costs in the Phase I Interconnection Study;
- (v) Delivery Network Upgrades that have received governmental approvals or for which Construction Activities have commenced;
- (vi) The MW amounts of resources interconnected to the distribution system below specific Nodes of the CAISO Controlled Grid contained in the most recent Transmission Planning

Process base portfolio, except that the CAISO will remove each Node (by using a zero MW value) located within electrical areas for which the most recently completed GIP or GIDAP Phase I or Phase II Interconnection Study has identified a need for a Delivery Network Upgrade or for which the most recent Phase II Interconnection Study identified and then removed a Delivery Network Upgrade to support Deliverability for MW amounts in the Interconnection queue;

- (vii) Actual distributed generation development based on the MW amount of distributed generation in applicable Utility Distribution Company and Metered Subsystem interconnection queues, including non-net-energy-metering resources requesting interconnection through state-jurisdictional interconnection processes;
- (viii) Any additional information provided by each Utility Distribution Company and Metered Subsystem regarding anticipated distributed generation development on its Distribution System; and
- (ix) Other information that the CAISO, in its reasonable discretion, determines is necessary.

40.4.6.3.1.2 Performing the DG Deliverability Assessment

The CAISO will perform the DG Deliverability Assessment using the Deliverability Assessment procedures described in GIDAP Section 6.3.2 to determine the availability of transmission system capability, as reflected in the study model described above, to provide Deliverability Status for targeted amounts of additional distributed generation at given Nodes of the CAISO Controlled Grid. Except for Nodes that the CAISO removes by assigning a zero MW value pursuant to Section 40.4.6.3.1.1(vi), the targeted amounts of additional distributed generation at each Node shall be at least as large as the maximum of the corresponding nodal MW amounts determined in accordance with Sections 40.4.6.3.1.1(vi), 40.4.6.3.1.1(vii) or 40.4.6.3.1.1(viii). The CAISO may use larger targeted amounts as it deems appropriate to enhance the information provided by the DG Deliverability Assessment. The DG Deliverability Assessment will preserve modeled transmission system capability to provide requested levels of deliverability for the Generating Facilities of Interconnection Customers or the Distributed Generation Facilities of interconnection customers under a wholesale distribution access tariff who have previously requested Full Capacity or Partial Capacity Deliverability Status. Therefore, at each Node

where all modeled Generating Facilities, including the distributed generation target amounts, cannot be simultaneously dispatched to the modeled output levels corresponding to their Full Capacity or Partial Capacity Deliverability Status without violating operating limits of the CAISO Controlled Grid, the CAISO will reduce the modeled distributed generation target amounts as needed to achieve a feasible Dispatch.

40.4.6.3.1.3 Publishing Results of the DG Deliverability Assessment

The CAISO will publish the results of the DG Deliverability Assessment by posting on the CAISO Website. The results will identify all Nodes modeled in the assessment with the corresponding nodal MW amounts of Potential DGD that (a) were studied as targeted amounts in the DG Deliverability Assessment; (b) were found to be deliverable in the DG Deliverability Assessment; and (c) are available for use by Utility Distribution Companies and Metered Subsystems to assign Deliverability Status to Distributed Generation Facilities in accordance with Section 40.4.6.3.2. The nodal MW amounts of Potential DGD available for assignment of Deliverability Status by Utility Distribution Companies and Metered Subsystems to individual Distributed Generation Facilities will be denominated in 0.01 MW increments and will not exceed the maximum of the corresponding nodal MW amounts determined in accordance with Sections 40.4.6.3.1.1(vi), 40.4.6.3.1.1(vii) or 40.4.6.3.1.1(viii), even though the amounts that were studied and found to be deliverable may be larger.

With respect to those Nodes at which more than one Utility Distribution Company's or Metered Subsystem's Distribution System is connected, the CAISO will publish, at the same time it publishes the results of the DG Deliverability Assessment, each Utility Distribution Company's or Metered Subsystem's respective share of the Potential DGD available to provide Deliverability Status to Distributed Generation Facilities at these Nodes based on the ratio of Load served via the facilities of each affected Utility Distribution Company and Metered Subsystem at such Nodes.

40.4.6.3.1.4 Bilateral Transfers of Potential DGD at Shared Nodes

A Utility Distribution Company or Metered Subsystem shall be entitled to transfer all or a portion of its MW share of Potential DGD at a Node that is shared with the Distribution System of another Utility Distribution Company or Metered Subsystem, in quantities no smaller than 0.01 MW. A Utility Distribution Company that is also an IOU Participating Transmission Owner shall be entitled to transfer a MW share of Potential DGD to another Utility Distribution Company or Metered Subsystem only to the extent that the total MW

quantity associated with Distributed Generation Facilities connected or seeking interconnection to the IOU Participating Transmission Owner's Distribution System at the Node that are eligible to receive Deliverability Assignments pursuant to Section 40.4.6.3.2.2.1 is less than the available Potential DGD for that Node as indicated in the DG Deliverability Assessment for the current cycle. Both Utility Distribution Companies or Metered Subsystems participating in a transfer pursuant to this Section 40.4.6.3.1.4 shall notify the CAISO of the transfer. Utility Distribution Companies and Metered Subsystems may engage in such transfers during the period from the date they received notification of their shares of Potential DGD at shared Nodes under Section 40.4.6.3.1.3 through the date on which Deliverability Status assignments must be provided to the CAISO, pursuant to Section 40.4.6.3.2.

40.4.6.3.2 Assignment of Deliverability Status to Distributed Generation Facilities

After completion of the DG Deliverability Assessment associated with the current cycle of the process described in Section 40.4.6.3, and in accordance with a Market Notice setting out the schedule for the cycle, each Utility Distribution Company and Metered Subsystem will assign Deliverability Status to individual Distributed Generation Facilities interconnected, or seeking interconnection, to the Distribution System of the Utility Distribution Company or Metered Subsystem below each Node where the CAISO's DG Deliverability Assessment for the current cycle has indicated the availability of Potential DGD, consistent with the rules set forth in this Section 40.4.6.3.2, and will report all such assignments to the CAISO in accordance with the schedule for the cycle.

Upon receipt of this information the CAISO will validate that the Utility Distribution Company's or Metered Subsystem's assignments of Deliverability Status to specific Distributed Generation Facilities is consistent with (i) the MW quantities of Potential DGD available to that Utility Distribution Company or Metered Subsystem at specific Nodes; (ii) the CAISO's methodology for associating the Deliverability Status of a specific generating resource type with a MW quantity of Potential DGD, as set forth in Section 40.4.6.3.2.1; and (iii) the time limit on a Distributed Generation Facility's expected future Commercial Operation date, as set forth in Section 40.4.6.3.2.2. If the CAISO identifies an inconsistency between a Utility Distribution Company's or Metered Subsystem's assignment of Deliverability Status to a Distributed Generation Facility and any of these requirements, the CAISO will notify the Utility Distribution Company

or Metered Subsystem, and the Utility Distribution Company or Metered Subsystem in consultation with the CAISO will adjust its assignments of Deliverability Status as needed. The CAISO will then inform the Utility Distribution Company or Metered Subsystem that the validation process has been completed, and the Utility Distribution Company or Metered Subsystem will notify the Distributed Generation Facilities of their Deliverability Status assignments.

40.4.6.3.2.1 Associating MW of Potential DGD with Deliverability Status of a Distributed Generation Facility

As described further in a Business Practice Manual, a Utility Distribution Company's or Metered Subsystem's association of a MW quantity of Potential DGD at a specific Node with the Deliverability Status of a specific Distributed Generation Facility shall be commensurate with the MW Energy production level appropriate to the type of generating resource comprising the facility modeled in the Deliverability Assessment, the qualifying capacity determination method for that resource type, the installed capacity of the facility, and the Deliverability Status (Full Capacity or Partial Capacity) to be assigned to the facility, and shall be consistent with the CAISO's methodology for modeling resources in its deliverability studies.

40.4.6.3.2.2 Eligibility of Distributed Generation Facilities to Obtain Deliverability Status Assignment

To be eligible to receive a Deliverability Status assignment, a Distributed Generation Facility must satisfy the requirements of the applicable application process pursuant to this Section 40.4.6.3.2.2 and, if the Distributed Generation Facility is not in Commercial Operation, it must have an expected Commercial Operation date set forth in its current interconnection request or interconnection agreement that is no later than three (3) years from the last date on which applications may be submitted for the current DG Deliverability Assessment cycle.

40.4.6.3.2.2.1 Eligibility to Obtain Deliverability Status Assignment from IOU Participating Transmission Owners

Distributed Generation Facilities interconnected, or seeking interconnection, to the Distribution System of an IOU Participating Transmission Owner may apply to the applicable IOU Participating Transmission Owner and the CAISO to be eligible to receive a Deliverability Status assignment in the current DG

Deliverability Assessment cycle as follows:

- (i) Distributed Generation Facilities that are already in Commercial Operation and interconnected to the Distribution System of an IOU Participating Transmission Owner that do not have Deliverability Status may submit an application to be eligible for Full or Partial Capacity Deliverability Status, and those that have Partial Capacity Deliverability Status may apply to be eligible for a higher level of Partial Capacity Deliverability Status or Full Capacity Deliverability Status.
- (ii) Distributed Generation Facilities with an active interconnection request in the interconnection queue of an IOU Participating Transmission Owner that have not requested Deliverability Status in the underlying interconnection process but have received their Phase I Interconnection Study results may submit an application to be eligible to receive Partial Capacity Deliverability Status or Full Capacity Deliverability Status.
- (iii) Distributed Generation Facilities with an active interconnection request in the interconnection queue of an IOU Participating Transmission Owner that have not received their Phase I Interconnection Study results, irrespective of whether they requested Deliverability Status in their interconnection request, may submit an application to be eligible to receive Partial Capacity Deliverability Status or Full Capacity Deliverability Status.

Distributed Generation Facilities with an active interconnection request in the interconnection queue of an IOU Participating Transmission Owner that have already received Phase I Interconnection Study results are not eligible to be assigned Deliverability Status pursuant to Section 40.4.6.3 because their Deliverability Status is protected in accordance with the provisions of Section 40.4.6.3.1 and will be assigned through the applicable IOU Participating Transmission Owner's interconnection process. Applications from Distributed Generation Facilities in the eligible categories specified above must be submitted by the deadline specified in the schedule for the current DG Deliverability Assessment cycle in order for the Distributed Generation Facility to be treated as eligible to receive a Deliverability Status assignment in the current cycle. Distributed Generation Facilities that fail to apply in a timely manner will

be assumed not to be seeking Deliverability Status in the current cycle. The CAISO will issue a Market Notice announcing the deadline for submitting applications. The deadline will be no earlier than thirty (30) days after the CAISO publishes the results of the DG Deliverability Assessment. The form of the application shall be specified in a Business Practice Manual. The application shall be submitted to both the applicable Participating Transmission Owner and the CAISO.

40.4.6.3.2.2 Eligibility to Obtain Deliverability Status Assignment from Utility Distribution Companies and Metered Subsystems that are Not IOU Participating Transmission Owners

Distributed Generation Facilities interconnected, or seeking interconnection, to the Distribution System of a Utility Distribution Company or Metered Subsystem that is not an IOU Participating Transmission Owner may apply to the applicable Utility Distribution Company or Metered Subsystem to be eligible to receive a Deliverability Status assignment in the current DG Deliverability Assessment cycle pursuant to individual interconnection procedures of the Utility Distribution Company or Metered Subsystem.

40.4.6.3.2.3 Assignment of Deliverability Status to Distributed Generation Facilities by IOU Participating Transmission Owners

Utility Distribution Companies that are also IOU Participating Transmission Owners will assign Deliverability Status on a first-come, first-served basis to those Distributed Generation Facilities either interconnected or seeking interconnection to their Distribution Systems at each applicable Node, and that are eligible for assignment pursuant to Section 40.4.6.3.2.2.1, in the following priority order:

- (1) Distributed Generation Facilities already in Commercial Operation and interconnected to the Distribution System of the applicable IOU Participating Transmission Owner as of the deadline for submitting applications pursuant to Section 40.4.6.3.2.2.1, in order of the date they achieved Commercial Operation, from earliest to most recent. At Nodes where there is insufficient Potential DGD indicated in the DG Deliverability Assessment to fulfill all Deliverability Status applications received during the current cycle from Distributed Generation Facilities already in Commercial Operation, and two or more such Distributed Generation Facilities next in order to obtain the last remaining increment of Potential DGD at a Node have the same Commercial Operation date, each such resource shall

receive a pro rata share of the remaining Potential DGD in proportion to its MW Energy production level as modeled by the CAISO for the purpose of the CAISO's Deliverability Assessment methodology, in accordance with the level of Deliverability Status applied for in the current cycle.

- (2) Distributed Generation Facilities with an active interconnection request in the interconnection queue of the applicable IOU Participating Transmission Owner that have submitted an application pursuant to Section 40.4.6.3.2.2.1 to obtain Deliverability Status through the process set forth in Section 40.4.6.3, in order of their queue position in the applicable interconnection process. At Nodes where there is insufficient Potential DGD indicated in the DG Deliverability Assessment to provide Deliverability Status to eligible Distributed Generation Facilities with active interconnection requests, and two or more such Distributed Generation Facilities next in order to obtain the last remaining increment of Potential DGD have the same interconnection queue position, the remaining amount of Potential DGD will be allocated in order of expected Commercial Operation date, from earliest to furthest in the future. For purposes of this determination, the expected Commercial Operation date shall be the Commercial Operation date specified in the Distributed Generation Facility's interconnection agreement, or if no interconnection agreement has yet been executed, the Distributed Generation Facility's application submitted pursuant to Section 40.4.6.3.2.2.1. If two or more such Distributed Generation Facilities have the same expected Commercial Operation date, each such resource shall receive a pro rata share of the remaining Potential DGD in proportion to its expected MW Energy production level as modeled by the CAISO for the purpose of the CAISO's Deliverability Assessment methodology, in accordance with the level of Deliverability Status requested in the current cycle.

Pursuant to this process, an IOU Participating Transmission Owner shall, during each cycle, fully utilize the maximum amount of Potential DGD available at each Node to provide Deliverability Status to eligible Distributed Generation Resources. If, however, the total MW quantity associated with eligible Distributed Generation Resources at a particular Node is less than the available Potential DGD for that Node as

indicated in the DG Deliverability Assessment for the current cycle, then the excess quantity of Potential DGD shall be treated as unassigned Potential DGD in accordance with Section 40.4.6.3.3.

40.4.6.3.2.4 Assignment of Deliverability Status to Distributed Generation Facilities by Utility Distribution Companies and Metered Subsystems that are not IOU Participating Transmission Owners

Utility Distribution Companies and Metered Subsystems that are not IOU Participating Transmission Owners will assign Deliverability Status to individual Distributed Generating Facilities interconnected, or seeking interconnection, to the Distribution System of such Utility Distribution Company or Metered Subsystem based on the Potential DGD available at applicable Nodes pursuant to their individual interconnection procedures. Such Utility Distribution Companies and Metered Subsystems may report assignments of Deliverability Status to the CAISO at any time. However, only those assignments of Deliverability Status that are reported to the CAISO in accordance with the assignment schedule established by the CAISO for the current DG Deliverability Assessment cycle will be eligible for inclusion in the CAISO's annual Net Qualifying Capacity determination as specified in Section 40.4.6.1 and thereby eligible to be designated as Resource Adequacy Resources for the next Resource Adequacy Compliance Year.

40.4.6.3.3 Unassigned Potential DGD

If a Utility Distribution Company or Metered Subsystem does not fully utilize the MW quantity of Potential DGD available to assign Deliverability Status to specific Distributed Generation Facilities during an annual DG Deliverability Assessment cycle, the CAISO will preserve the unassigned Potential DGD for that Utility Distribution Company or Metered Subsystem through the next cycle.

40.4.6.3.4 Deliverability Status of Distributed Generation Facilities

Once a Utility Distribution Company or Metered Subsystem has assigned Deliverability Status to a specific Distributed Generation Facility and reported such assignment to the CAISO, and the CAISO has validated and accepted the reported information as specified under Section 40.4.6.3.2, the Deliverability Status becomes an attribute of the Distributed Generation Facility to which it was assigned. A Distributed Generation Facility assigned Deliverability Status pursuant to an application submitted under Section 40.4.6.3.2.2.1(iii) will be subject to the provisions of Section 40.4.6.3 with regard to its

assigned Deliverability Status and will continue through the interconnection process for all other purposes as a request for Energy-Only Deliverability Status.

Distributed Generation Facilities that are assigned Deliverability Status pursuant to Section 40.4.6.3 prior to achieving Commercial Operation must, in order to retain such assignment, achieve Commercial Operation no later than six months after the Commercial Operation date specified in the Distributed Generation Facility's interconnection agreement, or if no interconnection agreement had been executed at the time the assignment was made, the Distributed Generation Facility's application submitted pursuant to Section 40.4.6.3.2.2. However, if the Distributed Generation Facility submitted its application pursuant to Section 40.4.6.3.2.2.1(ii), such assignment shall not be revoked if the Distributed Generation Facility's failure to achieve Commercial Operation within six months of its indicated Commercial Operation date is due to a delay in the Utility Distribution Company's or Metered Subsystem's completion of the upgrades necessary for the Distributed Generation Facility's interconnection. The applicable Utility Distribution Company or Metered Subsystem must report any such revocations and delays to the CAISO in accordance with the date set forth in a Business Practice Manual or in a Market Notice establishing the schedule for the annual DG Deliverability Assessment cycle.

With respect to a Distributed Generation Facility that meets this retention requirement, once that Distributed Generation Facility has achieved Commercial Operation, it will retain its assigned Deliverability Status for as long it remains in Commercial Operation. This also applies to Distributed Generation Facilities that were already in Commercial Operation at the time the assignment was made.

Any loss of Deliverability Status granted pursuant to Section 40.4.6.3, due to either permanent cessation of commercial operation of a Distributed Generation Facility or revocation due to failure to meet the Commercial Operation date requirement set forth above, will be appropriately modeled by the CAISO in the next DG Deliverability Assessment cycle. Depending on other changes that may have occurred on the CAISO Controlled Grid and connected Distribution Systems, or in associated interconnection queues, additional Potential DGD may be available in the next cycle for assignment of Deliverability Status in accordance with the process set forth in Section 40.4.6.3.

* * *

Appendix A

Master Definitions Supplement

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DG Deliverability Assessment

The annual Deliverability Assessment the CAISO will perform to determine nodal MW amounts of Potential DGD that will be available to Utility Distribution Companies and Metered Subsystems for assigning Deliverability Status to Distributed Generation Facilities, as set forth in Section 40.4.6.3.

Attachment B – Marked Tariff
Resource Adequacy Deliverability for Distributed Generation
Compliance with November 16, 2012 FERC Order

California Independent System Operator
Fifth Replacement FERC Electric Tariff

April 15, 2013

40.4.6.3 Deliverability of Distributed Generation

The CAISO will perform an annual Deliverability Assessment, as described in Section 40.4.6.3.1, to determine MW quantities of Potential DGD at specific Nodes of the CAISO Controlled Grid for assigning Deliverability Status to Distributed Generation Facilities interconnected or seeking interconnection to the Distribution System of a Utility Distribution Company or a Metered Subsystem pursuant to the interconnection procedures of the Utility Distribution Company or Metered Subsystem ~~under either CPUC Rule 21 or a wholesale distribution access tariff~~, where such interconnection and ~~Potential DGD~~ Deliverability Status can be provided:

- (i) without any additional Delivery Network Upgrades (although Reliability Network Upgrades, Distribution Upgrades or other mitigation may be needed);
- (ii) without the need for the CAISO to conduct any further Deliverability Assessment; and
- (iii) without degrading the Deliverability Status of Generation in Commercial Operation, proposed Generating Facilities in the CAISO Interconnection queue, or the Distributed Generation Facilities of interconnection customers ~~under a wholesale distribution access tariff~~ who have previously requested Full Capacity or Partial Capacity Deliverability Status.

~~As described in Section 40.4.6.3.2, f~~Following the CAISO's publication of the nodal Potential DGD quantities resulting from the Deliverability Assessment, ~~the applicable Utility Distribution Companies and Metered Subsystems~~ CAISO will ~~apportion assign~~ the identified Potential DGD to Local Regulatory Authorities for their assignment of Full Capacity Deliverability Status or Partial Capacity Deliverability Status to specific Distributed Generation Facilities pursuant to the rules set forth in Section 40.4.6.3.2.

This Section 40.4.6.3 is intended to supplement, and not to preclude or limit, the ability of an interconnection customer for a Distributed Generation Facility to seek and receive Full Capacity Deliverability Status or Partial Capacity Deliverability Status through ~~a CPUC Rule 21 or wholesale distribution access tariff~~ applicable interconnection procedures. Nothing in this Section 40.4.6.3 is intended to relieve the interconnection customer for a Distributed Generation Facility from the requirements to request and achieve interconnection to the Distribution System through the ~~applicable appropriate CPUC Rule 21 or wholesale distribution access tariff~~ interconnection procedures. In

addition, the amount of Resource Adequacy Capacity a Distributed Generation Facility may provide in any given Resource Adequacy Compliance Year is subject to the CAISO's annual Net Qualifying Capacity determination, as specified in Section 40.4.6.1.

40.4.6.3.1 Deliverability Assessment to Determine Potential DGD

This Section describes the annual DG Deliverability Assessment the CAISO will perform to determine nodal MW amounts of Potential DGD ~~to be apportioned to Local Regulatory Authorities~~available to Utility Distribution Companies and Metered Subsystems for assigning Deliverability Status to Distributed Generation Facilities in accordance with Section 40.4.6.3.2. The DG Deliverability Assessment and its results will be based on the assumption that the Distributed Generation Facilities that are eventually assigned Deliverability Status under ~~this~~ Section 40.4.6.3 complete all requirements for interconnection to the Distribution System under the ~~applicable appropriate CPUC Rule 21 or wholesale distribution access tariff~~interconnection process and that these Distributed Generation Facilities will be supported by needed Reliability Network Upgrades, Distribution Upgrades or other mitigation that would be needed to safely and reliably interconnect to the Distribution System and deliver Energy from the Distribution System to the appropriate CAISO Controlled Grid Node.

40.4.6.3.1.1 Developing the Assessment Model

To develop the base case model for the ~~Potential DGD~~ Deliverability Assessment, the CAISO will include:

- (i) The most recent GIP or GIDAP Queue Cluster Phase II Interconnection Study deliverability power flow base case;
- (ii) Those Generating Facilities that have obtained Deliverability using the annual full capacity deliverability option under either Section 8.2 of the GIP or Section 9.2 of the GIDAP;
- (iii) Transmission additions and upgrades approved in the final comprehensive Transmission Plan for the most recent Transmission Planning Process cycle;
- (iv) Any Generating Facilities in the most recent GIDAP Phase I Interconnection Study that have been determined to be deliverable in accordance with their requested Deliverability Status and were not assigned any Delivery Network Upgrade costs in the Phase I Interconnection Study;

- (v) Delivery Network Upgrades that have received governmental approvals or for which Construction Activities have commenced;
- (vi) The MW amounts of resources interconnected to the distribution system ~~below specific for distributed generation~~ Nodes of the CAISO Controlled Grid contained in the most recent Transmission Planning Process base portfolio, except that the CAISO will remove each Node (by using a zero MW value) located within electrical areas for which the most recently completed GIP or GIDAP Phase I or Phase II Interconnection Study has identified a need for a Delivery Network Upgrade or for which the most recent Phase II Interconnection Study identified and then removed a Delivery Network Upgrade to support Deliverability for MW amounts in the Interconnection queue;
- (vii) Actual distributed generation development based on the MW amount of distributed generation in applicable Utility Distribution Company and Metered Subsystem ~~wholesale distribution access tariff~~ interconnection queues, including and non-net-energy-metering resources requesting interconnection through state-jurisdictional interconnection processes in any Utility Distribution Company CPUC Rule 21 interconnection queue;
- (viii) Any additional ~~information~~ provided by each Local Regulatory Authority Utility Distribution Company and Metered Subsystem regarding ~~identifying existing and~~ anticipated distributed generation development on its Distribution System; and procurement of Load Serving Entities within its jurisdiction; and
- (ix) Other information that the CAISO, in its reasonable discretion, determines is necessary.

40.4.6.3.1.2 Performing the ~~Potential DGD~~ Deliverability Assessment

The CAISO will perform the ~~Potential DGD~~ Deliverability Assessment using the Deliverability Assessment procedures described in GIDAP Section 6.3.2 to determine the availability of transmission system capability, as reflected in the study model described above, to provide Deliverability Status for targeted amounts of additional distributed generation at given Nodes of the CAISO Controlled Grid. Except for Nodes that the CAISO removes by assigning a zero MW value pursuant to Section 40.4.6.3.1.1(vi), the targeted amounts of additional distributed generation at each Node shall be at least as large as the maximum of the corresponding nodal MW amounts determined in accordance with Sections

40.4.6.3.1.1(vi), 40.4.6.3.1.1(vii) or 40.4.6.3.1.1(viii). The CAISO may use larger targeted amounts as it deems appropriate to enhance the information provided by the ~~Potential DGD~~ Deliverability Assessment. The ~~Potential DGD~~ Deliverability Assessment will preserve modeled transmission system capability to provide requested levels of deliverability for the Generating Facilities of Interconnection Customers or the Distributed Generation Facilities of interconnection customers under a wholesale distribution access tariff who have previously requested Full Capacity or Partial Capacity Deliverability Status. Therefore, at each Node where all modeled Generating Facilities, including the distributed generation target amounts, cannot be simultaneously ~~D~~dispatched to the modeled output levels corresponding to their Full Capacity or Partial Capacity Deliverability Status without violating operating limits of the CAISO Controlled Grid, the CAISO will reduce the modeled distributed generation target amounts as needed to achieve a feasible Dispatch.

40.4.6.3.1.3 Publishing Results of the ~~Potential DGD~~ Deliverability Assessment

The CAISO will publish the results of the ~~Potential DGD~~ Deliverability Assessment by posting on the CAISO Website. The results will identify all Nodes modeled in the assessment with the corresponding nodal MW amounts of Potential DGD that (a) were studied as targeted amounts in the ~~Potential DGD~~ Deliverability Assessment; (b) were found to be deliverable in the ~~Potential DGD~~ Deliverability Assessment; and (c) are available for use by Utility Distribution Companies and Metered Subsystems to assign Deliverability Status to Distributed Generation Facilities apportionment to Local Regulatory Authorities in accordance with Section 40.4.6.3.2. The nodal MW amounts of Potential DGD available for apportionment to Local Regulatory Authorities assignment of Deliverability Status by Utility Distribution Companies and Metered Subsystems to individual Distributed Generation Facilities will be denominated in 0.01 MW increments and will not exceed the maximum of the corresponding nodal MW amounts determined in accordance with Sections 40.4.6.3.1.1(vi), 40.4.6.3.1.1(vii) or 40.4.6.3.1.1(viii), even though the amounts that were studied and found to be deliverable may be larger.

With respect to those Nodes at which more than one Utility Distribution Company's or Metered Subsystem's Distribution System is connected, the CAISO will publish, at the same time it publishes the results of the DG Deliverability Assessment, each Utility Distribution Company's or Metered Subsystem's

respective share of the Potential DGD available to provide Deliverability Status to Distributed Generation Facilities at these Nodes based on the ratio of Load served via the facilities of each affected Utility Distribution Company and Metered Subsystem at such Nodes.

40.4.6.3.1.4 Bilateral Transfers of Potential DGD at Shared Nodes

A Utility Distribution Company or Metered Subsystem shall be entitled to transfer all or a portion of its MW share of Potential DGD at a Node that is shared with the Distribution System of another Utility Distribution Company or Metered Subsystem, in quantities no smaller than 0.01 MW. A Utility Distribution Company that is also an IOU Participating Transmission Owner shall be entitled to transfer a MW share of Potential DGD to another Utility Distribution Company or Metered Subsystem only to the extent that the total MW quantity associated with Distributed Generation Facilities connected or seeking interconnection to the IOU Participating Transmission Owner's Distribution System at the Node that are eligible to receive Deliverability Assignments pursuant to Section 40.4.6.3.2.2.1 is less than the available Potential DGD for that Node as indicated in the DG Deliverability Assessment for the current cycle. Both Utility Distribution Companies or Metered Subsystems participating in a transfer pursuant to this Section 40.4.6.3.1.4 shall notify the CAISO of the transfer. Utility Distribution Companies and Metered Subsystems may engage in such transfers during the period from the date they received notification of their shares of Potential DGD at shared Nodes under Section 40.4.6.3.1.3 through the date on which Deliverability Status assignments must be provided to the CAISO, pursuant to Section 40.4.6.3.2.

40.4.6.3.2 Apportionment of Potential DGD to LRAs

~~Following the annual determination of Potential DGD as described in Section 40.4.6.3.1, the CAISO will apportion the Potential DGD to LRAs for assignment of Deliverability Status to Distributed Generation Facilities. The CAISO will perform the apportionment through a three-round nomination process described in this Section. The CAISO will provide a generic timetable for the process in the Reliability Requirements BPM, and will issue a market notice each year setting out a specific schedule for this process.~~

40.4.6.3.2.1. Determining LRA Shares of Potential DGD

~~At the start of each annual cycle for apportionment of Potential DGD to LRAs, the CAISO will determine each LRA's MW share of the total system-wide Potential DGD on the CAISO Controlled Grid, which is the~~

~~sum of all the nodal Potential DGD MW quantities resulting from the Deliverability Assessment under Section 40.4.6.3.1. Each LRA's share will be based on the LRA's share of system peak load forecast attributable to those LSEs subject to that LRA's jurisdiction, using the Load Forecast for the next Resource Adequacy Compliance Year. The LRA's share determined in this manner will represent the LRA's initial eligibility to use a MW quantity of the total CAISO system-wide Potential DGD to assign Deliverability Status to specific Distributed Generation Facilities, without reference to any particular Nodes or electrical locations. Apportionment to LRAs of Potential DGD at specific Nodes will be performed through the three-stage nomination process described below.~~

~~As part of the CAISO's determination of LRA shares, the CAISO will also determine each LRA's share of nodal Potential DGD MW for Nodes at which LSEs for more than one LRA serve Load. For each such Node the CAISO will determine each affected LRA's share of the nodal Potential DGD MW determined in the assessment based on the share of the nodal Load attributable to the LSEs subject to each LRA's jurisdiction, except for Nodes where the following conditions apply:~~

- ~~(i) The Load under the jurisdiction of one of the affected LRAs is located entirely at that one Node, whereas the Load under the jurisdiction of the other affected LRA is located at multiple Nodes on the CAISO Controlled Grid; and~~
- ~~(ii) For the LRA whose Load is located entirely at the one Node, the LRA's Load ratio share of the nodal Potential DGD, as described above, is less than the LRA's share of the total system-wide Potential DGD on the CAISO Controlled Grid. This condition means that limiting the LRA's apportionment to the nodal Load ratio share described above would prevent the LRA from obtaining, at the Node where its Load is located, the full amount of system-wide Potential DGD on the CAISO Controlled Grid for which it is eligible.~~

~~For a Node where the above two conditions apply, the share of the nodal Potential DGD for the LRA whose Load is located entirely at that Node will equal the lesser of (a) the entire MW quantity of Potential DGD at that Node, or (b) the LRA's Load ratio share of the system-wide Potential DGD on the CAISO Controlled Grid as described above.~~

~~After completing the initial determination of eligibility for shares of Potential DGD as described~~

~~above, the CAISO will notify the LRAs of the results.~~

~~**40.4.6.3.2.2. — Bilateral Transfers of Potential DGD**~~

~~— An LRA shall be entitled to transfer all or a portion of its MW share of Potential DGD at one or more specific Nodes to another LRA, in quantities no smaller than 1 MW. Both LRAs participating in such a transfer shall notify the CAISO of the transfer, and the CAISO will reflect the transfer in the apportionment process only after receiving notification from both LRAs. LRAs may engage in such transfers during the period from the date they received notification of their shares under Section 40.4.6.3.2.1 through the end of third round of LRA nominations.~~

~~**40.4.6.3.2.3 — Apportionment Through LRA Nominations**~~

~~Each LRA seeking to assign Deliverability Status to specific Distributed Generation Facilities through this Section 40.4.6.3 shall submit nominations, in the form of MW quantities of Potential DGD at specific Nodes of the CAISO Controlled Grid, to the CAISO to utilize portions of its share of the total CAISO system-wide MW of Potential DGD. If an LRA does not submit such nominations, or nominates less than the MW amount for which it is eligible, the CAISO will not apportion Potential DGD beyond the amounts nominated.~~

~~There shall be three rounds of nominations. In any given round, and for all rounds cumulatively, each LRA's total nominations cannot exceed its share of the total system-wide MW quantity of Potential DGD on the CAISO Controlled Grid, and its nodal nomination at any Node where the LSEs of more than one LRA serve Load cannot exceed its share of the Potential DGD at that Node as determined under Section 40.4.6.3.2.1, except where its share at that Node has been increased as a result of bilateral transfers under Section 40.4.6.3.2.2.~~

First Round Nominations

~~Following the CAISO's notification of LRA shares determined under Section 40.4.6.3.2.1, each LRA shall submit its first round nominations to the CAISO by a date that will be specified in the market notice for the current cycle of this process. In the first round, the LRA may only nominate Nodes at which LSEs under its jurisdiction serve Load. Following the submission of nominations, the CAISO will validate that all nominations comply with this limitation and the eligibility limitations stated above, will notify the submitting~~

~~LRA of any invalid nominations and will allow the LRA an opportunity to adjust and resubmit its nomination. Once the CAISO has ensured that all LRA nominations are valid in accordance with this Section, the CAISO will approve all validated first round nominations.~~

~~Following the CAISO's receipt and validation of the first round nominations and in accordance with the schedule set forth in the market notice for the current cycle, the CAISO will apportion Potential DGD to LRAs in accordance with their nominations and will notify the LRAs that their first round nominations have been approved. The CAISO will then publish on the CAISO Website any MW quantities of Potential DGD at specific Nodes that were not apportioned in the first round.~~

Second Round Nominations

~~Each LRA may submit a second round nomination to the CAISO to the extent that the LRA has not yet been apportioned the full MW quantity of Potential DGD for which it is eligible under Section 40.4.6.3.2.1, as modified by any applicable bilateral transfers. In the second round, LRA nominations are not restricted only to those Nodes at which LSEs jurisdictional to the LRA serve Load. Thus an LRA could nominate Potential DGD at a Node where there is no Load at all, or at a Node where another LRA serves Load and that LRA did not nominate all the available Potential DGD at that Node in the first round. For a Node where the combined second round nominations of multiple LRAs exceed the remaining Potential DGD at the Node, the CAISO will apportion shares of the remaining Potential DGD at the Node to LRAs in proportion to their Load ratio shares of system-wide Potential DGD as determined under Section 40.4.6.3.2.1. In addition, the LRA shares of nodal Potential DGD at Nodes where the LSEs of more than one LRA serve load, as determined under Section 40.4.6.3.2.1, will still apply in the second round. Following receipt and validation by the CAISO of second round nominations, the CAISO will apportion any available Potential DGD based on the LRA nominations.~~

~~The CAISO will notify LRAs of the outcome of the second round nominations and will publish on the CAISO Website any nodal Potential DGD amounts that were not apportioned through the second round.~~

Third Round Nominations

~~Each LRA may submit a third round nomination to the CAISO to the extent that the LRA has not yet been apportioned the full MW quantity of Potential DGD for which it is eligible under Section 40.4.6.3.2.1, as modified by any applicable bilateral transfers. In the third round, LRA nominations are not restricted only to those Nodes at which LSEs jurisdictional to the LRA serve Load, subject to the same provisions as specified above for second round nominations. Following receipt and validation by the CAISO of third round nominations, the CAISO will apportion any available Potential DGD based on the LRA nominations, and will notify LRAs of the outcome of the third round nominations.~~

40.4.6.3.32 Assignment of Deliverability Status to Distributed Generation Facilities

~~After completion of the DG Deliverability Assessment associated with the current~~ Before the start of the next CAISO cycle of the process described in ~~this~~ Section 40.4.6.3, and in accordance with a ~~CAISO~~ Market ~~Notice~~ setting out the schedule for the ~~new~~ cycle, each ~~LRA should report the following information to the CAISO~~ Utility Distribution Company and Metered Subsystem will assign Deliverability Status to individual Distributed Generation Facilities interconnected, or seeking interconnection, to the Distribution System of the Utility Distribution Company or Metered Subsystem below each Node where the CAISO's DG Deliverability Assessment for the current cycle has indicated the availability of Potential DGD, consistent with the rules set forth in this Section 40.4.6.3.2, and will report all such assignments to the CAISO in accordance with the schedule for the cycle.

- ~~(i) Any assignment of Deliverability Status to specific Distributed Generation Facilities using Potential DGD that the LRA was apportioned in a prior annual cycle; and~~
- ~~(ii) Any revocations or re-assignments of Deliverability Status as a result of a failure to meet LRA-specified retention criteria on the part of a Distributed Generation Facility that was previously assigned Deliverability Status under this Section 40.4.6.3 and had not yet achieved commercial operation.~~

Upon receipt of this information the CAISO will validate that the Utility Distribution Company's or Metered Subsystem's ~~LRA's~~ assignments of Deliverability Status to specific Distributed Generation Facilities is consistent with (i) the MW quantities of Potential DGD available to that Utility Distribution Company or Metered Subsystem at specific Nodes; ~~that were apportioned to the LRA and with~~ (ii) the CAISO's methodology for associating the Deliverability Status of a specific generating resource type with a MW

quantity of Potential DGD, as set forth in Section 40.4.6.3.2.1; and (iii) the time limit on a Distributed Generation Facility's expected future Commercial Operation date, as set forth in Section 40.4.6.3.2.2. If the CAISO identifies an inconsistency between a Utility Distribution Company's or Metered Subsystem's assignment of Deliverability Status to a Distributed Generation Facility and any of these requirements, the CAISO will notify the Utility Distribution Company or Metered Subsystem, and the Utility Distribution Company or Metered Subsystem in consultation with the CAISO will adjust its assignments of Deliverability Status as needed. The CAISO will then inform the Utility Distribution Company or Metered Subsystem that the validation process has been completed, and the Utility Distribution Company or Metered Subsystem will notify the Distributed Generation Facilities of their Deliverability Status assignments.

40.4.6.3.42.1 Associating MW of Potential DGD with Deliverability Status of a Distributed Generation Facility

As described further in ~~the Generator Interconnection a~~ Business Practice Manual, ~~the a Utility Distribution Company's or Metered Subsystem's~~ association of a MW quantity of Potential DGD at a specific Node with the Deliverability Status of a specific Distributed Generation Facility shall be commensurate with the MW Energy production level appropriate to the type of generating resource comprising the facility modeled in the Deliverability Assessment, the qualifying capacity determination method for that resource type, the installed capacity of the facility, and the Deliverability Status (Full Capacity or Partial Capacity) to be assigned to the facility, and shall be consistent with the CAISO's methodology for modeling resources in its deliverability studies. ~~If the CAISO identifies an inconsistency between an LRA's use of its apportioned Potential DGD to assign Deliverability Status to a Distributed Generation Facility and the CAISO's methodology for associating MW amounts of Potential DGD with the Deliverability Status of a Distributed Generation Facility, the CAISO will notify the LRA, and the LRA in consultation with the CAISO will adjust its assignments of Deliverability Status as needed.~~

40.4.6.3.2.2 Eligibility of Distributed Generation Facilities to Obtain Deliverability Status Assignment

To be eligible to receive a Deliverability Status assignment, a Distributed Generation Facility must satisfy the requirements of the applicable application process pursuant to this Section 40.4.6.3.2.2 and, if the

Distributed Generation Facility is not in Commercial Operation, it must have an expected Commercial Operation date set forth in its current interconnection request or interconnection agreement that is no later than three (3) years from the last date on which applications may be submitted for the current DG Deliverability Assessment cycle.

40.4.6.3.2.2.1 Eligibility to Obtain Deliverability Status Assignment from IOU Participating Transmission Owners

Distributed Generation Facilities interconnected, or seeking interconnection, to the Distribution System of an IOU Participating Transmission Owner may apply to the applicable IOU Participating Transmission Owner and the CAISO to be eligible to receive a Deliverability Status assignment in the current DG Deliverability Assessment cycle as follows:

- (i) Distributed Generation Facilities that are already in Commercial Operation and interconnected to the Distribution System of an IOU Participating Transmission Owner that do not have Deliverability Status may submit an application to be eligible for Full or Partial Capacity Deliverability Status, and those that have Partial Capacity Deliverability Status may apply to be eligible for a higher level of Partial Capacity Deliverability Status or Full Capacity Deliverability Status.
- (ii) Distributed Generation Facilities with an active interconnection request in the interconnection queue of an IOU Participating Transmission Owner that have not requested Deliverability Status in the underlying interconnection process but have received their Phase I Interconnection Study results may submit an application to be eligible to receive Partial Capacity Deliverability Status or Full Capacity Deliverability Status.
- (iii) Distributed Generation Facilities with an active interconnection request in the interconnection queue of an IOU Participating Transmission Owner that have not received their Phase I Interconnection Study results, irrespective of whether they requested Deliverability Status in their interconnection request, may submit an application to be eligible to receive Partial Capacity Deliverability Status or Full Capacity Deliverability Status.

Distributed Generation Facilities with an active interconnection request in the interconnection queue of an IOU Participating Transmission Owner that have already received Phase I Interconnection Study results are not eligible to be assigned Deliverability Status pursuant to Section 40.4.6.3 because their Deliverability Status is protected in accordance with the provisions of Section 40.4.6.3.1 and will be assigned through the applicable IOU Participating Transmission Owner's interconnection process. Applications from Distributed Generation Facilities in the eligible categories specified above must be submitted by the deadline specified in the schedule for the current DG Deliverability Assessment cycle in order for the Distributed Generation Facility to be treated as eligible to receive a Deliverability Status assignment in the current cycle. Distributed Generation Facilities that fail to apply in a timely manner will be assumed not to be seeking Deliverability Status in the current cycle. The CAISO will issue a Market Notice announcing the deadline for submitting applications. The deadline will be no earlier than thirty (30) days after the CAISO publishes the results of the DG Deliverability Assessment. The form of the application shall be specified in a Business Practice Manual. The application shall be submitted to both the applicable Participating Transmission Owner and the CAISO.

40.4.6.3.2.2 Eligibility to Obtain Deliverability Status Assignment from Utility Distribution

Companies and Metered Subsystems that are Not IOU Participating Transmission Owners

Distributed Generation Facilities interconnected, or seeking interconnection, to the Distribution System of a Utility Distribution Company or Metered Subsystem that is not an IOU Participating Transmission Owner may apply to the applicable Utility Distribution Company or Metered Subsystem to be eligible to receive a Deliverability Status assignment in the current DG Deliverability Assessment cycle pursuant to individual interconnection procedures of the Utility Distribution Company or Metered Subsystem.

40.4.6.3.2.3 Assignment of Deliverability Status to Distributed Generation Facilities by IOU Participating Transmission Owners

Utility Distribution Companies that are also IOU Participating Transmission Owners will assign Deliverability Status on a first-come, first-served basis to those Distributed Generation Facilities either interconnected or seeking interconnection to their Distribution Systems at each applicable Node, and that are eligible for assignment pursuant to Section 40.4.6.3.2.2.1, in the following priority order:

(1) Distributed Generation Facilities already in Commercial Operation and interconnected to the Distribution System of the applicable IOU Participating Transmission Owner as of the deadline for submitting applications pursuant to Section 40.4.6.3.2.2.1, in order of the date they achieved Commercial Operation, from earliest to most recent. At Nodes where there is insufficient Potential DGD indicated in the DG Deliverability Assessment to fulfill all Deliverability Status applications received during the current cycle from Distributed Generation Facilities already in Commercial Operation, and two or more such Distributed Generation Facilities next in order to obtain the last remaining increment of Potential DGD at a Node have the same Commercial Operation date, each such resource shall receive a pro rata share of the remaining Potential DGD in proportion to its MW Energy production level as modeled by the CAISO for the purpose of the CAISO's Deliverability Assessment methodology, in accordance with the level of Deliverability Status applied for in the current cycle.

(2) Distributed Generation Facilities with an active interconnection request in the interconnection queue of the applicable IOU Participating Transmission Owner that have submitted an application pursuant to Section 40.4.6.3.2.2.1 to obtain Deliverability Status through the process set forth in Section 40.4.6.3, in order of their queue position in the applicable interconnection process. At Nodes where there is insufficient Potential DGD indicated in the DG Deliverability Assessment to provide Deliverability Status to eligible Distributed Generation Facilities with active interconnection requests, and two or more such Distributed Generation Facilities next in order to obtain the last remaining increment of Potential DGD have the same interconnection queue position, the remaining amount of Potential DGD will be allocated in order of expected Commercial Operation date, from earliest to furthest in the future. For purposes of this determination, the expected Commercial Operation date shall be the Commercial Operation date specified in the Distributed Generation Facility's interconnection agreement, or if no interconnection agreement has yet been executed, the Distributed Generation Facility's application submitted pursuant to Section 40.4.6.3.2.2.1. If two or more such Distributed Generation

Facilities have the same expected Commercial Operation date, each such resource shall receive a pro rata share of the remaining Potential DGD in proportion to its expected MW Energy production level as modeled by the CAISO for the purpose of the CAISO's Deliverability Assessment methodology, in accordance with the level of Deliverability Status requested in the current cycle.

Pursuant to this process, an IOU Participating Transmission Owner shall, during each cycle, fully utilize the maximum amount of Potential DGD available at each Node to provide Deliverability Status to eligible Distributed Generation Resources. If, however, the total MW quantity associated with eligible Distributed Generation Resources at a particular Node is less than the available Potential DGD for that Node as indicated in the DG Deliverability Assessment for the current cycle, then the excess quantity of Potential DGD shall be treated as unassigned Potential DGD in accordance with Section 40.4.6.3.3.

40.4.6.3.2.4 Assignment of Deliverability Status to Distributed Generation Facilities by Utility Distribution Companies and Metered Subsystems that are not IOU Participating Transmission Owners

Utility Distribution Companies and Metered Subsystems that are not IOU Participating Transmission Owners will assign Deliverability Status to individual Distributed Generating Facilities interconnected, or seeking interconnection, to the Distribution System of such Utility Distribution Company or Metered Subsystem based on the Potential DGD available at applicable Nodes pursuant to their individual interconnection procedures. Such Utility Distribution Companies and Metered Subsystems may report assignments of Deliverability Status to the CAISO at any time. However, only those assignments of Deliverability Status that are reported to the CAISO in accordance with the assignment schedule established by the CAISO for the current DG Deliverability Assessment cycle will be eligible for inclusion in the CAISO's annual Net Qualifying Capacity determination as specified in Section 40.4.6.1 and thereby eligible to be designated as Resource Adequacy Resources for the next Resource Adequacy Compliance Year.

40.4.6.3.53 Unapportioned Potential DGD and Unassigned Deliverability Status Potential DGD

If an LRA does not nominate the full MW quantity of Potential DGD for which it is eligible under Section 40.4.6.3.2.1 as modified by any bilateral transfers, the CAISO will not apportion to the LRA any Potential

~~DGD beyond the amounts the LRA nominated and will not preserve any unapportioned amount of Potential DGD beyond the current cycle of this process. If an LRA a Utility Distribution Company or Metered Subsystem does not by the start of the next cycle, fully utilize the MW quantity of Potential DGD it was apportioned in the previous cycle available to assign Deliverability Status to specific Distributed Generation Facilities during an annual DG Deliverability Assessment cycle, the CAISO will preserve the apportioned but unassigned Potential DGD for that LRA Utility Distribution Company or Metered Subsystem through the next cycle. The CAISO will make reasonable effort in performing the process described in this Section 40.4.6.3 to enable each LRA to be apportioned its load ratio share of total CAISO system-wide Potential DGD on a cumulative basis through successive cycles. The CAISO cannot guarantee, however, that MW quantities of Potential DGD that were available but not apportioned to an LRA in one cycle will be fully available in the next cycle, due to changing conditions on the CAISO Controlled Grid and the need for this process to be coordinated with the CAISO's Transmission Planning Process, GIP and GIDAP.~~

40.4.6.3.64 Deliverability Status of Distributed Generation Facilities

~~Subject to the requirements specified in Section 40.4.6.3.7, once an LRA a Utility Distribution Company or Metered Subsystem has assigned Deliverability Status to a specific Distributed Generation Facility and reported such assignment to the CAISO, and the CAISO has validated and accepted the reported information as specified under Section 40.4.6.3.32, the Deliverability Status becomes an attribute of the Distributed Generation Facility to which it was assigned. A Distributed Generation Facility assigned Deliverability Status pursuant to an application submitted under Section 40.4.6.3.2.2.1(iii) will be subject to the provisions of Section 40.4.6.3 with regard to its assigned Deliverability Status and will continue through the interconnection process for all other purposes as a request for Energy-Only Deliverability Status.~~

~~Distributed Generation Facilities that are assigned Deliverability Status pursuant to Section 40.4.6.3 prior to achieving Commercial Operation must, in order to retain such assignment, achieve Commercial Operation no later than six months after the Commercial Operation date specified in the Distributed Generation Facility's interconnection agreement, or if no interconnection agreement had been executed at the time the assignment was made, the Distributed Generation Facility's application~~

submitted pursuant to Section 40.4.6.3.2.2. However, if the Distributed Generation Facility submitted its application pursuant to Section 40.4.6.3.2.2.1(ii), such assignment shall not be revoked if the Distributed Generation Facility's failure to achieve Commercial Operation within six months of its indicated Commercial Operation date is due to a delay in the Utility Distribution Company's or Metered Subsystem's completion of the upgrades necessary for the Distributed Generation Facility's interconnection. The applicable Utility Distribution Company or Metered Subsystem must report any such revocations and delays to the CAISO in accordance with the date set forth in a Business Practice Manual or in a Market Notice establishing the schedule for the annual DG Deliverability Assessment cycle.

With respect to a Distributed Generation Facility that meets this retention requirement, Once that Distributed Generation Facility has achieved Commercial Operation, it will retain that its assigned Deliverability Status for as long it remains in Commercial Operation. This also applies to Distributed Generation Facilities that were already in Commercial Operation at the time the assignment was made.

Any loss of Deliverability Status granted pursuant to Section 40.4.6.3, due to either permanent cessation of commercial operation of a Distributed Generation Facility or revocation due to failure to meet the Commercial Operation date requirement set forth above, will be appropriately modeled by the CAISO in the next DG Deliverability Assessment cycle. Depending on other changes that may have occurred on the CAISO Controlled Grid and connected Distribution Systems, or in associated interconnection queues, additional Potential DGD may be available in the next cycle for assignment of Deliverability Status in accordance with the process set forth in Section 40.4.6.3.

~~Prior to the facility achieving Commercial Operation, however, the LRA may revoke the assignment of Deliverability Status if the facility fails to meet LRA-specified criteria for retaining such assignment, and may re-assign the Deliverability Status to another Distributed Generation Facility, provided that the new Distributed Generation Facility is connected to the Distribution System below the same Node on the CAISO Controlled Grid and utilizes no more MW of Potential DGD than the original Distributed Generation Facility. Each LRA that utilizes the provisions of this Section 40.4.6.3 shall provide to the CAISO a description of its retention criteria and its process for revoking an assignment of Deliverability Status from a facility that it determines has failed to meet such criteria. The CAISO will post these descriptions on its web site in conjunction with other documentation regarding the implementation~~

~~of this Section 40.4.6.3. The LRA must report any such revocations and reassignments to the CAISO, as provided in Section 40.4.6.3.3, and must identify for each such revocation the specific criteria on which the revocation was based.~~

~~40.4.6.3.7 — Additional Requirements~~

~~Assignment of Deliverability Status to any Distributed Generation Facility under this Section 40.4.6.3 is expressly conditioned upon the Distributed Generation Facility's interconnection customer submitting the appropriate interconnection request under the applicable CPUC Rule 21 or wholesale distribution access tariff, completion of such process and achieving Commercial Operation, and completion of all required Reliability Network Upgrades, Distribution Upgrades, or other mitigation that would be needed to safely and reliably interconnect to the Distribution System and deliver Energy from the Distribution System to the appropriate CAISO Controlled Grid Node. In addition, the amount of Resource Adequacy Capacity the Distributed Generation Facility may provide in any given Resource Adequacy Compliance Year is subject to annual Net Qualifying Capacity determination, as specified in Section 40.4.6.1.~~

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Appendix A

Master Definitions Supplement

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DG Deliverability Assessment

The annual Deliverability Assessment the CAISO will perform to determine nodal MW amounts of Potential DGD that will be available to Utility Distribution Companies and Metered Subsystems for assigning Deliverability Status to Distributed Generation Facilities, as set forth in Section 40.4.6.3.

**Attachment C – March 25 Paper on ISO Compliance Proposal
Resource Adequacy Deliverability for Distributed Generation
Compliance with November 16, 2012 FERC Order**

California Independent System Operator

Fifth Replacement FERC Electric Tariff

April 15, 2013



California ISO
Shaping a Renewed Future

Resource Adequacy Deliverability for Distributed Generation

Compliance with FERC Order Issued on 11/16/12

March 25, 2013

Market & Infrastructure Development

Resource Adequacy Deliverability for Distributed Generation:

Compliance with FERC Order Issued on 11/16/12

1 Introduction

On September 18, 2012 the ISO filed its proposed tariff amendment to implement a streamlined process for providing resource adequacy deliverability status to distributed generation resources¹ from transmission capacity identified in the ISO's annual transmission plan (the "DG Deliverability" initiative). As described in the September 18 filing, the proposed process would be comprised of two sequential parts, to be performed annually.

- First the ISO would perform a special deliverability study to determine MW amounts of Potential DG Deliverability ("Potential DGD") that can be used to assign deliverability status to distributed generation ("DG") resources at various network nodes on the ISO grid, without requiring additional network upgrades and without adversely affecting the deliverability status of existing generation or proposed generation in the transmission and distribution interconnection queues.
- Second, the ISO would apportion these nodal MW quantities to local regulatory authorities ("LRAs") that oversee procurement by their regulated load-serving entities ("LSEs"), who would in turn assign deliverability status to specific DG resources.

The ISO undertook this initiative with its stakeholders in response to a need, expressed by LSEs, developers of DG resources, and the California Public Utilities Commission ("CPUC"), to simplify and streamline the process whereby DG resources can become eligible to provide resource adequacy ("RA") capacity, and to extend this eligibility to DG resources interconnecting under the CPUC's Rule 21 as well as ones interconnecting under the investor-owned utilities' wholesale distribution access tariffs ("WDAT"). Such changes would help to facilitate bilateral contracting for renewable energy between LSEs and DG resources and thereby support the state policy goal of expanding the amount of DG capacity in California. The ISO developed the

¹ In the context of the DG Deliverability initiative, DG resources are generation resources connected to utility distribution systems. The ISO recognizes that, in some contexts, some parties use the term "distributed generation" to mean resources of certain technology types or below certain size thresholds, and may even include such categories of resources when they are connected to the transmission system. For this initiative, however, the term "distributed generation" encompasses *all* generation resources connected to *utility distribution systems*, without regard to size or resource type, and only such resources.

DG Deliverability proposal through a stakeholder initiative that started late in 2011 and concluded with ISO Board approval in May 2012. The proposal received broad stakeholder support both at the ISO Board meeting and in the FERC regulatory decision process.

On November 16, 2012 FERC issued its order on the DG Deliverability proposal. The order directed two significant changes. First, FERC directed the ISO to apportion Potential DGD directly to LSEs rather than to LRAs. Second, it required that FERC-jurisdictional LSEs assign deliverability status to DG resources on a first-come-first-served basis, subject only to interconnection clustering and operational considerations.² The ISO considered the required changes and determined that it would not be problematic or difficult to revise the procedures and the tariff provisions to apportion Potential DGD to LSEs, and that the apportioning process could incorporate this change fairly straightforwardly and would work effectively.

The second requirement appeared more complicated, however. A central objective of the original proposal was to allow LRAs (and their LSEs) the flexibility to assign deliverability status to DG resources in a manner that aligns with the results of their procurement processes. Imposing a first-come-first-served order on the assignment of deliverability status seemed to conflict with the intended flexibility, and even more significant, it called into question the meaning and benefit of apportioning Potential DGD to LSEs at all, if assignment of deliverability status to DG resources has to follow a priority order based on DG resources' positions in the interconnection queue. At the same time, the ISO recognized that the deliverability status attribute assigned to a generating resource is an attribute derived from transmission capacity on the ISO grid, irrespective of whether the generator is interconnected to the ISO grid or to the distribution system, and therefore its assignment to specific resources would need to follow open-access interconnection principles and rules.

Based on the above considerations, the ISO determined that it would be important to proceed carefully and to consult with stakeholders in developing its tariff revisions for complying with FERC's order, so that the resulting process would both achieve the original objectives of the initiative and comply with FERC's directives to ensure that open-access interconnection

² In addition to these changes, the November 16 order concluded that a specific issue raised by Six Cities in their filed comments on the ISO's original filing was rendered moot by FERC's directive to apportion Potential DGD to LSEs rather than to LRAs. The issue concerned a provision in the ISO's filed proposal to protect the ability of a small LRA that serves load at ISO grid nodes that are shared with a much larger LRA to effectively utilize all of its apportioned Potential DGD for DG resources close to its load, a provision described in the ISO's draft final proposal that was not captured correctly in the original filed tariff language. In replying to Six Cities' comment the ISO agreed to modify the tariff on compliance to make the appropriate correction. The November 16 order then incorrectly concluded that the same concern was no longer an issue with Potential DGD being apportioned directly to LSEs, but both Six Cities and NCPA challenged that conclusion in Requests for Rehearing they filed on December 17. The ISO agreed with Six Cities' and NCPA's observation on this point and authorized Six Cities to state in its filing that the ISO supported their request. At the present time, however, based on the approach described in this paper the ISO believes that the Six Cities concern and the provision in question are no longer relevant. The basis for this conclusion is explained later in this paper.

principles and rules are followed in assigning deliverability status to DG resources. As the ISO considered how best to meet these requirements, more than one approach initially appeared feasible, each possible approach had its advantages and disadvantages, but no single approach appeared clearly superior. The ISO therefore filed to request a 60-day extension of time to February 14, 2013 to make its compliance filing, which FERC granted. The ISO then posted an issue paper on January 11 for a stakeholder discussion on January 18, and received written comments from stakeholders on January 25. Shortly thereafter the ISO filed to request a further extension to April 15, 2013 to make the compliance filing, which FERC granted.

The present proposal provides the substance behind the tariff revisions the ISO intends to submit to FERC on April 15. It is based on the ISO's careful consideration of the comments submitted by stakeholders, and its efforts to balance the various concerns expressed and the objectives of the new DG Deliverability process. In addition, the ISO decided that it was important to file tariff revisions that are bounded by the requirements of compliance with FERC's November 16, 2012 order, rather than introducing design changes that would depart from the tariff provisions FERC approved in that order in a manner that was not demonstrably a direct result of the directives of the order. Although the ISO considered the merits of making more extensive design changes in the January 11 issue paper, the ISO subsequently decided not to take such an approach because it would extend the period of uncertainty for all parties interested in the new process. The present proposal therefore takes an approach that the ISO believes is fully compliant with the November 16 order.

Following the posting of this proposal on March 25, the ISO will host a web conference to discuss the proposal on April 3, will accept written comments from stakeholders up to close of business on April 10, and will file the revised tariff provisions on April 15.

The ISO notes that the November 16 order did not modify the first part of the proposal, the design of the special DG Deliverability study the ISO will perform annually to determine nodal amounts of Potential DGD. The ISO therefore proceeded to perform the study in accordance with the approved tariff provisions, has recently completed the study for the current cycle and on March 22 posted the study results. Upon the ISO's filing on April 15 of the compliance tariff provisions described in this paper, these provisions will apply to the assignment of deliverability status to DG resources utilizing the Potential DGD identified in the March 22 posted report.

2 Proposal

2.1 Preliminary Concepts

First, a fundamental principle underlying the ISO's approach for complying with the November 16 order is the fact that the deliverability status attribute assigned to a generating resource is an attribute derived from transmission capacity on the ISO grid, irrespective of whether the

generator in question is interconnected directly to the ISO grid or to a distribution system that is connected to the ISO grid. Therefore the assignment of deliverability status to specific resources needs to follow open-access interconnection rules and policies. On this point FERC's order states in the "Commission Determination" section: "The Commission's interconnection rules and policies, as embodied in Order Nos. 2003 and 2006, are largely predicated on ensuring open access to transmission systems through a fair and open, first-come, first-served process for interconnection. In this setting, we find that using the load-serving entities' existing interconnection processes, through their WDATs, satisfies the requirements for nondiscriminatory interconnection of DG resources." (paragraph 47)

Pursuant to the principle that assignment of deliverability status must follow open-access rules and policies, a key directive of the November 16 order states: "The Commission directs that the CAISO's compliance filing reflect that FERC-jurisdictional load-serving entities must assign DG deliverability among projects based on a first-come, first-served process, subject only to interconnection clustering and operational considerations." (paragraph 51)

Based on the above considerations, the ISO interprets "FERC-jurisdictional LSEs" as stated in the order to mean the three investor-owned utility participating transmission owners ("IOU PTOs"), who are the managers of the FERC-jurisdictional WDAT and the Rule 21 queues.

Thus the proposed approach views the IOU PTOs as having the responsibility, pursuant to ISO tariff provisions to be filed in compliance with the November 16 order, to establish first-come-first-served order for resources connected to their distribution systems and DG projects in their queues, assign deliverability status to DG resources, provide to the ISO the list of resources assigned deliverability status, and then monitor and enforce retention requirements on an annual basis until the DG resources assigned deliverability status achieve commercial operation, at which point their deliverability status is no longer revocable as long as the resource remains in commercial operation.

Under the proposed approach the municipal utility distribution companies and metered subsystems (collectively "muni UDCs") that manage interconnection of DG resources to their own distribution facilities will also be able to utilize Potential DGD to assign deliverability status to such resources when the ISO's DG Deliverability study finds that there is Potential DGD available at ISO grid nodes where muni UDC distribution facilities are located. The muni UDCs will not be subject to the first-come-first-served requirement, however, as they and their distribution interconnection procedures are not FERC-jurisdictional.

Second, building on the above approach for complying with FERC's requirement that the IOU PTOs assign deliverability status based on a first-come-first-served process, and the role of the IOU PTOs and the muni UDCs in performing such assignment, the element of the ISO's original proposal to apportion Potential DGD to LSEs is no longer relevant. The reason is that once the first-come-first-served order is established and deliverability status is assigned to DG resources,

there is no longer any scope or flexibility remaining for the LSEs to assign deliverability status. Essentially, once the IOU PTOs and muni UDCs assign deliverability status to DG resources, those resources will be eligible to provide resource adequacy capacity to LSEs and the LSEs are then free to contract for resource adequacy capacity with any of those resources without any need for rules or restrictions under the ISO tariff. The ISO will therefore, in the compliance filing, drop the LSE apportionment element from the process and provide the logic for why the first-come-first-served requirement and the linkage of deliverability status assignment to the distribution interconnection process renders this element of the original proposal moot.

Third, in stakeholder discussions the question was raised as to whether existing DG resources – i.e., resources already in commercial operation and no longer actively in an interconnection queue – would be eligible for assignment of deliverability status under this proposal. In fact, this question applies only to existing energy-only DG resources. Existing resources that already have deliverability status and are providing resource adequacy capacity will have their deliverability status protected by the design of the ISO's DGD study, and therefore have no need to obtain deliverability status through the new process. Under the proposed approach, existing energy-only DG resources will be eligible to receive deliverability status as described below.

Finally, the issue raised by Six Cities in response to the ISO's original filing, which the November 16 order concluded was moot (paragraph 52) and on which Six Cities sought rehearing with ISO support, is no longer a concern under the current approach. The Six Cities complaint was based on the principle, in the ISO's original filing, that each LSE would be apportioned a load-ratio share of the system-wide Potential DGD available. But as explained above, under the present approach the apportionment to LSEs is no longer necessary or relevant. Rather, the IOU PTO or muni UDC that has distribution lines at the ISO grid nodes where there is Potential DGD will assign deliverability status to DG resources interconnected to their own distribution lines. At the vast majority of ISO grid nodes where Potential DGD is available, a single entity will assign deliverability status to DG resources connecting to the distribution facilities at the node, without regard to the specific LSEs that may be contracting for resource adequacy capacity with those DG resources. Thus there is no longer the concept of an LSE share of the system-wide Potential DGD, because the question of which entity gets to assign deliverability status to DG resources is completely determined by the nodal locations of available Potential DGD and the entities that manage distribution interconnections at those locations. There are a small number of ISO grid nodes that are shared, in the sense that more than one entity has distribution facilities below the same node. Typically such nodes are shared by an IOU PTO and one or more muni UDCs. In such cases each entity will be able to utilize its load-ratio share of Potential DGD at that node to assign deliverability status to resources interconnecting to its system.

2.2 Proposal Details

The ISO's proposal for complying with the directives of FERC's November 16, 2012 order follows what was called "Approach 2" in the ISO's January 11, 2013 Issue Paper and was described in the ISO presentation posted for the stakeholder conference call on January 18. Under this approach the IOU PTOs will establish first-come-first-served order among DG projects in their combined WDAT and Rule 21 interconnection queues and to existing energy-only DG resources already in commercial operation on their systems, based on rules described below. The IOU PTOs will then use this first-come-first-served order to assign deliverability status to DG resources connected below each ISO grid node where the ISO's DG Deliverability study determined that there is Potential DGD available to them. In addition, at ISO grid nodes where there is Potential DGD available and there is load served from the distribution systems of muni UDCs, these entities will be able to utilize the Potential DGD available to them to assign deliverability status to DG resources that interconnect to their distribution systems. The muni UDCs will not be required to follow the first-come-first-served provisions, in keeping with FERC's directive that the first-come-first-served process must be followed by FERC-jurisdictional entities.

1. By approximately the end of February of each year the ISO will complete its annual DG Deliverability study per original filing and will post results in the form of nodal MW amounts of Potential DGD. (Results were posted on March 22 for this first cycle.) The study report will identify (a) ISO grid nodes in each of the IOU service territories where the IOU PTOs can utilize 100 percent of the available Potential DGD to assign deliverability status to resources, (b) nodes where the muni UDCs can utilize 100 percent of the available Potential DGD to assign deliverability status to DG resources, and (c) shared nodes where an IOU PTO and one or more muni UDC has distribution facilities. For each shared node the DGD study report will indicate which entities will receive shares of the Potential DGD available.

The DG Deliverability study is performed in accordance with the methodology that was approved by FERC in the original filing. The study report will explain the methodology via a spreadsheet and flowchart, so that it is clear how the study protects deliverability status for existing DG resources that are providing resource adequacy already, as well as the deliverability status of DG resources in queue that have requested deliverability status in their interconnection requests.

2. Each IOU PTO will create first-come-first-served order of DG resources at each node where Potential DGD is available and where it has DG resources already interconnected to or requesting to interconnect to its distribution facilities.
 - a) All DG resources already in commercial operation or in an active interconnection queue will be eligible to participate, based on the following provisions:

- All resources in commercial operation that already have deliverability status and provide resource adequacy will have had their deliverability status protected in the study, so they have no need for this process.
 - All energy-only resources already in commercial operation at the time of the deliverability status assignment process, or resources in the queue with an energy-only interconnection request, must submit a request to be eligible to obtain deliverability status under this process. Similarly, a resource with a partial capacity deliverability status interconnection request that wants to be eligible for full capacity deliverability status or a higher level of partial capacity deliverability status through this process, must submit such a request. The ISO will issue a market notice in each annual performance of this process to announce a time period for submitting such requests. Requests must be submitted both to the IOU PTO to which the project is interconnected or has submitted its interconnection request, and to the ISO.
 - DG resources in the queue that requested full capacity or partial capacity deliverability status in their interconnection requests and simply want to obtain their requested level of deliverability status through this process do not need to submit a request to participate. The IOU PTO and the ISO will assume that such resources want to obtain their requested level of deliverability status through this process if possible.
 - The muni UDCs may determine eligibility to participate in accordance with their own distribution interconnection procedures.
- b) At each node where there is Potential DGD available, and for the IOU PTO that has distribution lines attached to this node, the first-come-first-served order will be as follows:
- Existing energy only DG resources that have requested eligibility for deliverability status, in order of their commercial operation dates;

At a node where the amount of such resources exceeds the amount of available Potential DGD and where two or more energy-only DG resources next in order for the last remaining increment of Potential DGD have the same commercial operation date, each such resource will receive a pro rata share of the Potential DGD proportional to its Net Qualifying Capacity (NQC) level as specified by the ISO for the purpose of deliverability assessment (see explanation below).
 - Projects in the IOU PTO interconnection queue in order of their queue position, including energy-only projects that have submitted requests to participate, and full capacity and partial capacity deliverability status projects

At a node where the amount of such resources exceeds the amount of available Potential DGD and where two or more DG resources next in order for the last remaining increment of Potential DGD have the same queue position, deliverability status will be assigned based on the commercial operation date in the resource's active interconnection request or interconnection agreement, starting with the earliest commercial operation date.

- The muni UDCs may establish the order for assigning deliverability status to eligible DG resources in accordance with their own distribution interconnection procedures.
3. The IOU PTO will assign deliverability status to DG resources in first-come-first-served order, based on each resource's NQC level as specified by the ISO for the purpose of deliverability assessment, until each node's MW amount of Potential DGD is used up. For non-intermittent resources, the appropriate NQC level is the actual qualifying capacity (QC) for existing resources and the installed capacity for new resources that do not yet have QC values. For intermittent resources, the NQC level used by the ISO in the deliverability assessment is the installed capacity multiplied by a factor that represents the 50 percent to 20 percent exceedance level, depending on the resource type.³

Although the muni UDCs will not be required to follow first-come-first-served order, they will have to observe these NQC levels in the same manner as the IOU PTOs, to ensure that the amount of deliverability status they assign to DG resources is consistent with the amount of Potential DGD available.

The IOU PTOs and the muni UDCs will then report the resulting deliverability status assignments to the ISO. This process will be completed approximately in early June of each year, so that the ISO can include in its annual NQC list all DG resources that have been assigned deliverability status under this process and will be commercially operating and eligible to provide resource adequacy capacity in the upcoming resource adequacy compliance year.

4. A DG resource that was still in queue and not yet in commercial operation at the time it was assigned deliverability status under this process will be required to achieve the commercial operation date specified in the interconnection request or interconnection agreement that was effective at the time of the deliverability status assignment, with a grace period of six months, or it will lose its deliverability status assignment. This provision applies both to the IOU PTOs and the muni UDCs. It is needed to minimize the incentive for projects to submit unrealistic commercial operation dates in their interconnection requests in order to increase their chances of being assigned deliverability status. Extension of a resource's

³ A full description of the ISO's deliverability assessment methodology is available at: <http://www.caiso.com/Documents/On-PeakDeliverabilityAssessmentMethodology.pdf>

commercial operation date subsequent to the assignment of deliverability status under this process will not relax the requirement to comply with this retention criterion. That is, the resource must achieve commercial operation within six months of the expected commercial operation date that was applicable at the time of the assignment of deliverability status under this process or lose the deliverability status assignment, even if the resource is granted a commercial operation date extension by the relevant IOU PTO or muni UDC. The only exception to this rule would be in cases where the PTO or UDC requires the extension to complete facility upgrades necessary for the DG resource's interconnection. The relevant IOU PTO or muni UDC will review compliance with this retention requirement on an annual basis, and will report any instances of resources losing their deliverability status to the ISO by a date to be specified in the ISO business practices manual or an annual ISO market notice.

- a) Resources that were in commercial operation at the time of the assignment of deliverability status under this process, and resources that were in queue at the time of deliverability status assignment and then achieved their commercial operation date consistent with the above retention criterion, will not subsequently be subject to the above retention criterion and will retain the assigned deliverability status as long as they remain in commercial operation.
 - b) Any loss of a DG resource's deliverability status due to either retirement of the resource that had deliverability status or withdrawal of a deliverability status assignment for failure of the resource to meet the retention requirement will be appropriately modeled by the ISO in the next DG Deliverability study cycle and may, depending on other changes that may have occurred on the transmission or distribution systems or in the respective interconnection queues, result in additional Potential DGD available for assignment of deliverability status to other DG resources under this process.
5. Once the list of DG resources with deliverability status is established and incorporated into the ISO's annual NQC report, they will be eligible to provide resource adequacy capacity to LSEs in the upcoming resource adequacy compliance year. The ISO tariff will not impose any geographic or other restrictions under this proposal regarding which LSEs may contract for resource adequacy capacity with which DG resources.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 15th day of April, 2013.

/s/ Bradley R. Miliauskas
Bradley R. Miliauskas