



California Independent  
System Operator Corporation

August 20, 2013

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

Re: California Independent System Operator Corporation,  
Docket No. ER13-103-xxx  
Order No. 1000 Regional Compliance Filing

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) is electronically re-submitting the tariff filing made on Friday, August 16, 2013 which, due to a clerical error, did not include tariff records for the eTariff system. This filing is being made in compliance with the Federal Energy Regulatory Commission’s April 18, 2013 Order On Compliance Filing in the above-referenced proceeding.<sup>1</sup>

Respectfully submitted,

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<sup>1</sup> *Ca. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,057 (2013) (“April 18 Order”).

August 16, 2013

The Honorable Kimberly D. Bose  
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Re: California Independent System Operator Corporation,  
Docket No. ER13-103-000  
Order No. 1000 Regional Compliance Filing

Dear Secretary Bose:

The California Independent System Operator Corporation (“ISO”) electronically submits this filing in compliance with the Federal Energy Regulatory Commission’s April 18, 2013 Order On Compliance Filing in the above-referenced proceeding.<sup>1</sup> The April 18 Order accepted the ISO’s filing to comply with the regional transmission planning requirements of Order No. 1000 subject to a further compliance filing.

## I. Background

### A. Procedural History

On October 11, 2012, the ISO filed revisions to its tariff to comply with the local and regional transmission and cost-allocation requirements of Order No. 1000.<sup>2</sup> In the April 18 Order, the Commission accepted the ISO’s compliance filing effective October 1, 2013, subject to the ISO’s submission of a further compliance filing within 120 days of the order. The instant filing is intended to satisfy the ISO’s compliance obligations arising from April 18 Order.

The ISO notes that the tariff revisions proposed herein are black-lined against the tariff language included in the ISO’s October 11, 2012 Order No. 1000 regional

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<sup>1</sup> *Ca. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,057 (2013) (“April 18 Order”).

<sup>2</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh’g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

compliance filing (“October 11 Compliance Filing”) that was approved by the Commission conditional on this compliance filing. Consistent with the April 18 Order, the ISO is proposing an effective date of October 1, 2013 for the proposed tariff revisions.

## **B. Compliance Filing Stakeholder Process**

In order to receive input from stakeholders and avoid protracted proceedings by resolving any issues prior to the filing, the ISO conducted a stakeholder process for the compliance filing tariff language. The ISO posted an initial draft of compliance tariff language on June 26, 2013, and provided stakeholders with an opportunity to provide written comments and edits. Southern California Edison Company was the only stakeholder that submitted comments regarding the first draft of the tariff language. The ISO held a stakeholder conference call on July 10 to discuss the compliance tariff provisions and comments. Stakeholders were then given an additional week to provide further written comments to the ISO. Stakeholders who provided comments in response to this opportunity were Southern California Edison Company, the California Public Utilities Commission’s Department of Ratepayer Advocates, and the Imperial Irrigation District. After consideration of these comments, the ISO posted a revised draft of the tariff language on July 25, 2013. The ISO held another stakeholder conference call on July 29, 2013 to discuss the revised compliance tariff provisions. The ISO then provided stakeholders with a third opportunity to submit written comments on the proposed compliance tariff language. The ISO only received two sets of comments, one from the Natural Resources Defense Council (“NRDC”)<sup>3</sup> and another set that were not attributed to a specific company, agency, or association.<sup>4</sup>

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<sup>3</sup> As discussed *infra*, the ISO has adopted NRDC’s recommendation that tariff section 24.1 indicate that alternatives to transmission solutions are referred to as non-transmission solutions or solutions. However, the remainder of NRDC’s recommended modifications pertained to (1) adding requirements that the ISO conduct specific stakeholder meetings to address non-transmission solutions in section 24.3.3(b), (2) referencing WECC’s Environmental Data Task Force, and (3) discussing environmental mitigation measures in section 24.4.6.7. These recommendations go beyond the compliance directives in the April 18 Order, and would thus be inappropriate for inclusion in the compliance provisions. Nonetheless, the ISO wishes to make clear that it is committed to actively and effectively considering non-transmission solutions in its transmission planning process. As promised in its Answer to Protests in this proceeding, the ISO has already conducted one stakeholder meeting this year pertaining solely to the treatment of non-transmission alternatives and is in the process of developing a whitepaper regarding the consideration of non-transmission alternatives that the ISO will discuss with stakeholders in future stakeholder meetings.

<sup>4</sup> The second set of comments received by the ISO recommended that the ISO add language in section 24.4.6.7-Economic Studies and Mitigation Solutions (1) specifying distributed generation as a non-transmission alternative, and (2) stating that the benefits of mitigation solutions may include the progress toward the renewable portfolio standard achieved through distributed generation. The Commission did not direct the ISO to make these specific modifications (or any similar modifications to section 24.4.6.7) in its compliance filing and, thus, they are beyond the scope of the compliance filing. Also, the instant recommendation was not the subject of any request for rehearing of the April 18 Order. In any event, distributed generation already is fully encompassed by the ISO’s reference in section 24.4.6.7 to non-transmission solutions. Moreover, this tariff section pertains to transmission and non-transmission solutions to meet identified economic needs. The recommended reference in this section to “meeting the

## II. Proposed Tariff Modifications On Compliance

### A. Universal Tariff Modifications

In the April 18 Order, the Commission accepted the ISO's proposal to review its transmission planning tariff provisions to ensure that the terms "project," "solution," "element," "upgrade," and "addition" are clear and consistent and directed the ISO to clarify the meaning of these terms and ensure their consistent usage.<sup>5</sup> To comply with this directive, the ISO is proposing numerous tariff changes throughout section 24 of its tariff, *i.e.*, the transmission planning provisions.

First, the ISO has eliminated the use of the terms "project" and "element." These concepts are remnants from the ISO's revised transmission planning process that the Commission approved in Docket No. ER10-1401.<sup>6</sup> In the tariff provisions governing that process, the ISO used the term "project" to refer, *inter alia*, to needed transmission facilities identified in the comprehensive Transmission Plan for which Participating Transmission Owners had construction responsibility. "Elements" were those transmission facilities that the ISO found to be needed and which were subject to the competitive solicitation process. These distinctions no longer apply under the Order No. 1000 planning framework where all needed Regional Transmission Facilities identified in the comprehensive Transmission Plan are subject to competitive solicitation, except those that constitute upgrades or additions to existing Participating Transmission Owner facilities.

In place of these terms, the ISO is using the term "transmission solution" which is defined in proposed section 24.1 as either an entirely new transmission facility or an upgrade to an existing facility that is suggested, proposed and/or identified as needed in Phase 2 of the transmission planning process to meet a need identified by the ISO. Consistent with Order No.1000-A, the ISO is using the term upgrade to mean only an improvement to, addition to, or a replacement of an existing transmission facility, and not an entirely new transmission facility.<sup>7</sup> The ISO uses the term "non-transmission" solution to refer to an alternative to a transmission solution to meet a need identified by the ISO. In a few sections, the ISO uses the term "solution" to refer to either a transmission solution or a non-transmission solution or where the ISO has referred to either a transmission solution or to a non-transmission solution in the immediately preceding text of the section. Finally, in limited situations the ISO uses the generic term "facility" rather than the term "transmission solution" or "solution" when

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RPS goals achieved through distributed generation" as an economic benefit is misplaced because this benefit is more in the nature of a policy benefit that is considered under the public policy category of transmission, not an economic benefit like congestion mitigation or reduced energy costs.

<sup>5</sup> April 18 Order at P 118.

<sup>6</sup> *Cal. Indep. Sys. Operator Corp.*, 133 FERC ¶ 61,224 (2010) ("RTPP Order"), *order on reh'g*, 137 FERC ¶ 61,002 (2011) ("RTPP Reh'g Order").

<sup>7</sup> Order 1000-A at P 426; *see also*, April 18 Order at P 120.

referring to the actual physical facility that constitutes all or part of the solution, or where use of the term “solution” is inapt.

## **B. Tariff Modifications Pertaining To Phase 1 Of The ISO’s Transmission Planning Process**

In the April 18 Order, the Commission directed the ISO to make three tariff modifications pertaining to Phase I of the ISO’s transmission planning process. First, the Commission directed the ISO to clarify its tariff to indicate that policy directives and requirements for potential consideration in the transmission planning process include municipal and county directives.<sup>8</sup> On compliance, the ISO is reflecting this change in proposed sections 24.1, 24.3.2, and 24.3.3.

Second, with respect to the policy directives and requirements the ISO must consider, the Commission directed the ISO to remove from its existing tariff the phrase “that are not inconsistent with the Federal Power Act.”<sup>9</sup> The ISO has made these changes in proposed sections 24.1 and 24.3.3.

Third, the Commission directed the ISO to modify its existing tariff provisions to state that the ISO “shall”, rather than “may,” evaluate transmission upgrades or additions to address an identified transmission need driven by a public policy requirement.<sup>10</sup> The ISO has incorporated this change in proposed section 24.4.6.6.

## **C. Tariff Modifications Pertaining To Phase 2 Of The ISO’s Transmission Planning Process**

The Commission directed the ISO to revise sections 24.4.6.2 and 24.4.6.4 to use the standard “the more efficient or cost effective manner” instead of “the most prudent and cost-effective manner” for purposes of identifying the transmission facility that is needed in the comprehensive Transmission Plan during Phase 2.<sup>11</sup> The ISO has proposed the required revisions to these sections.

## **D. Tariff Modifications Pertaining To Phase 3 Of The ISO’s Transmission Planning Process**

### **1. Renumbering and Reorganization of Phase 3 Tariff Provisions**

The April 18 Order requires several new tariff provisions to implement the following directives: (1) to set forth the information requirements in the tariff and distinguish them from the qualification criteria;<sup>12</sup> (2) to establish steps for notifying

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<sup>8</sup> *Id.* at P 85.

<sup>9</sup> *Id.* at PP 86-87.

<sup>10</sup> *Id.* at P 96.

<sup>11</sup> *Id.* at P 54.

<sup>12</sup> *Id.* at P 153.

project sponsors of deficient applications and qualification deficiencies, providing an opportunity to cure any deficiencies, and posting those project sponsors who are qualified before commencing the comparative project sponsor selection analysis;<sup>13</sup> (3) to move the first two project sponsor qualification criteria contained in section 25.5.2.1 of the tariff submitted with the October 11 Compliance Filing to a different section;<sup>14</sup> (4) to add language further clarifying the qualification criteria<sup>15</sup> and posting key selection criteria;<sup>16</sup> and (5) to eliminate provisions in former section 24.5.2.2(b) (now section 24.5.3.5) that allow a state siting agency to select the approved project sponsor to build a needed transmission solution identified in the comprehensive Transmission Plan and to assign that responsibility to the ISO.

Because implementation of the Commission's directives adds steps to the competitive solicitation process and requires several new tariff sections, the ISO has re-organized and re-numbered the tariff sections applicable to the Phase 3 competitive solicitation process. This will ensure that the tariff reflects all of the requirements imposed by the Commission in an orderly and chronological manner. The ISO notes that as a result of re-numbering and re-organization, much of the Phase 3 tariff language shows up as redline, but the only substantive changes the ISO has made to the Phase 3 tariff provisions are those necessary to comply with the specific directives in the April 18 order. Those specific revisions are discussed *infra*.

Proposed section 24.5.1 contains (1) existing tariff provisions regarding the competitive solicitation, (2) the posting of the key selection criteria, which occurs early in the process (*i.e.*, after the posting of the draft comprehensive Transmission Plan);<sup>17</sup> and (3) treatment of upgrades to existing Participating Transmission Owner transmission facilities, which originally was contained in section 24.5.2 of the October 11 Compliance Filing approved by the Commission.

Proposed section 24.5.2 includes only tariff language clarifying that a project sponsor does not first have to be qualified to be eligible in order to submit an application to compete to build and own a needed transmission solution subject to competitive solicitation.

Proposed section 24.5.2.1 contains only new provisions setting forth the project sponsor information requirements that the Commission directed be included in the tariff. These provisions generally reflect the information requirements currently contained in section 5.2.1 of the BPM for Transmission Planning. The ISO has moved the provisions

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<sup>13</sup> *Id.* at P 149.

<sup>14</sup> *Id.* at P 147.

<sup>15</sup> *Id.* at PP 146, 148.

<sup>16</sup> *Id.* at PP 230, 247.

<sup>17</sup> In the ISO's October 11 Compliance Filing, the ISO included the posting of key selection criteria in tariff section 24.5.2.3 (d). As a result of the reorganization and renumbering of the Phase 3 tariff provisions, this step is now reflected more chronologically in the tariff based on where it actually occurs in the Phase 3 process.

contained in section 24.5.2.1 of the October 11 compliance filing to either proposed section 24.5.3.1 or proposed section 24.5.3.2.

Proposed section 24.5.2.2 contains provisions regarding the posting of information regarding sufficient applications and providing an opportunity to cure any informational deficiencies in the project sponsor applications.

Proposed section 24.5.2.3 now pertains solely to the opportunity for project sponsor collaboration, which is a separate step in the Phase 3 process. These provisions previously were contained in section 24.5.2.3(b) of the tariff submitted with the October 11 Compliance Filing. The proposal reflects this step in chronological order to reflect where collaboration actually occurs in the Phase 3 process.

Proposed section 24.5.3.1 is a new tariff section that sets forth the project sponsor qualification provisions. Relatedly, proposed section 24.5.3.2 sets forth the qualification requirements applicable to project sponsors' proposals. As directed by the Commission, the ISO has proposed to create a new section 24.5.3.3, which contains provisions regarding the posting of qualified project sponsors and proposals and provides for an opportunity to cure any deficiencies.

Proposed section 24.5.3.4 contains provisions applicable to Single Qualified Project Sponsors and Proposals and Multiple Qualified Project Sponsors and Proposals. The provisions were previously set forth in sections 24.5.3.2.2 and 24.5.2.3(d), and 24.5.2.4 of the October 11 Compliance Filing.

## **2. Qualification and Information Related Tariff Changes**

The Commission directed the ISO to file revised tariff sheets that (1) include procedures for timely notifying project sponsors that are competing to build needed transmission solutions whether they satisfy the qualification criteria, (2) provide an opportunity to remedy any deficiencies in their applications, and (3) set forth nondiscriminatory or preferential qualification criteria for determining a project sponsor's eligibility to submit a proposal in the competitive solicitation process that are clearly distinguishable from the information requirements to submit a proposal, which currently are set forth in section 5.2.1 of the Transmission Planning BPM.<sup>18</sup>

To comply with directives (1) and (2) above, the ISO is proposing revisions in sections 24.5.2.2 and 24.5.3.3. Among other revisions, proposed section 24.5.2.2 provides that the ISO, within the timeline provided in the Transmission Planning BPM, will notify each project sponsor whether its application is complete or additional information is required. The tariff also states that the ISO will give project sponsors an opportunity to cure any deficiencies in their application submission in accordance with the schedule set forth in the Transmission Planning BPM. At the end of the cure period, the ISO will post to its website a list of all project sponsors whose applications include

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<sup>18</sup> *Id.* at PP 146-51; 153; 164-65.

sufficient information to enable the ISO to proceed to determine whether a project sponsor is qualified to be selected as a Project Sponsor, subject to any applicable confidentiality requirements.

The ISO is including in proposed section 24.5.3.3 provisions comparable to those contained in section 24.5.2.2, that require the ISO to post to its website a list of qualified project sponsors and proposals and provide project sponsors who do not meet the project sponsor qualification criteria or whose proposals do not meet the proposal qualification criteria, with an opportunity to cure any deficiencies. Thus, whereas proposed section 24.5.2.2 pertains to the curing of information insufficiency in project sponsors applications, proposed section 24.5.3.3 provides project sponsors with an opportunity to cure any deficiency with respect their actual qualifications or whether their proposals meet certain minimum, basic requirements.

The ISO is also proposing a number of tariff revisions pertaining to directive (3) above. First, in response to the finding in the April 18 Order that it “is unclear what qualification criteria a transmission provider must meet to submit a proposal in the ISO’s competitive solicitation process,”<sup>19</sup> the ISO proposes to add language to section 24.5.2 stating that **any** entity may submit a project sponsor application to construct, own, operate, and maintain a regional transmission facility subject to the competitive solicitation process, and there is no requirement that an applicant first be found qualified before it is eligible to submit a project sponsor application with respect to a particular needed transmission solution. This is consistent with the statements the ISO made in its October 11 Compliance Filing and its Answer to Protests<sup>20</sup> that any interested transmission developer is permitted to submit a project sponsor application for any transmission solution that is subject to competitive solicitation.

Second, in response to the Commission’s statement that the ISO must clearly distinguish in its tariff between qualification criteria and project sponsor application information requirements (which are currently contained in the Transmission Planning BPM), the ISO is proposing two separate tariff sections: (1) section 24.5.2.1 which sets forth the general information requirements that a project sponsor must provide information in its application; and (2) tariff section 24.5.3.1 which separately sets forth the project sponsor qualification criteria.

Third, the provisions in proposed section 24.5.3.1 are intended to comply with the directive that the ISO revise its tariff to include not unduly discriminatory or preferential qualification criteria that provide each project sponsor with the opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop, construct, own, operate and maintain transmission facilities that are clearly distinguishable from information requirements. The ISO notes that its qualification

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<sup>19</sup> April 18 Order at PP 146-47. 153.

<sup>20</sup> October 11 Compliance Filing, Transmittal Letter at 45 (Oct. 11, 2012) (“October 11 Compliance Filing”); ISO’s Answer to Protests and Comments at 41, 44 (Dec. 21, 2012) (“Answer to Protests”).

criteria are similar to those that the Commission approved for PJM,<sup>21</sup> and almost identical to those that the Commission approved for ISO New-England<sup>22</sup> (except that the ISO's proposed tariff language includes additional detail further clarifying such qualification criteria). Proposed section 24.5.3.1 also indicates which of the general information requirements in proposed section 24.5.2.1 the ISO will assess for purposes of determining whether a project sponsor is qualified and its proposal meets minimum requirements necessary for further consideration.

Fourth, the ISO is proposing a new tariff section 24.5.3.2 to address the Commission's statements in Paragraph 147 of the April 18 Order that the following two qualification criteria "appear to be related to the ISO's evaluation of a proposal a potential project sponsor would submit after it has qualified rather than to address whether a potential transmission developer is eligible to submit a proposal in the first place": (1) whether the proposed design of the facilities is consistent with needed transmission facilities identified in the comprehensive Transmission Plan; and (2) whether the proposed design of the facilities satisfies Applicable Reliability Criteria.

The ISO agrees with the Commission that the two aforementioned criteria do not pertain to the qualifications of the project sponsor *per se*. However, these are minimum criteria that a project sponsor's proposal must satisfy before the ISO begins its comparative analysis of the degree of difference between the competing project sponsors in meeting the qualification and selection criteria. Accordingly, the ISO is proposing to add a new section 24.5.3.2 entitled Proposal Qualification which includes the two former project sponsor qualification criteria identified above. This section recognizes that under the ISO's Phase 3 framework approved by the Commission, project sponsors (1) submit only a single application in the competitive solicitation process, and (2) as discussed *infra*, are only competing to construct and own the specific transmission solution and facilities identified by the ISO in the comprehensive Transmission Plan and are not proposing different or alternative facilities or solutions. It would be inefficient and a waste of resources for the ISO to undertake its comparative analyses of project sponsors and their proposals if the proposal is, in the first place, inconsistent with the transmission solution identified in the comprehensive Transmission Plan or fails to meet basic reliability and planning standards. Thus, the ISO needs to be assured that a project sponsor's proposed facilities are consistent both with the transmission solution(s) identified in the comprehensive Transmission Plan and with Applicable Reliability Criteria and ISO Planning Standards.<sup>23</sup> The ISO has concluded

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<sup>21</sup> *PJM Interconnection, LLC*, 142 FERC ¶ 61,214 at PP 274-78 (2013); PJM, Intra-PJM Tariffs, OA, Schedule 6, section 1.58 (a), (e), and (f).

<sup>22</sup> *ISO New England Inc.*, 143 FERC ¶ 61,150 at PP 248, 267-70(2013); ISO New England FERC Electric Tariff, Attachment K, Section 4B and 4B.3.

<sup>23</sup> To effectively address the Commission concerns, the ISO is eliminating use of the term "project proposal" because that term could be erroneously interpreted as suggesting that project sponsors are submitting proposals to build the transmission solution of their choice; not the specific transmission solution identified in the comprehensive Transmission Plan. As indicated above, that is not the case. Project sponsors are submitting applications only for the purpose of competing to build the transmission solutions that the ISO determines are needed and identified in the comprehensive Transmission Plan;

that this is best done through use of a separate proposal qualification process, in addition to the project sponsor qualification process. Because these two criteria essentially require a “thumbs up or thumbs down” determination and are not really well-suited to a comparative analysis, a separate project sponsor proposal qualification process is a more appropriate and efficient process than considering these criteria as individual selection criteria in the comparative analysis used to select an approved project sponsor. Similar to the project sponsor qualifications, project sponsors will be given the opportunity to remedy any deficiency in meeting the proposal qualification requirements.

### **3. Selection Criteria Tariff Changes**

Parties argued that during the project sponsor selection process the ISO should not give weight during the selection process to whether or not a siting authority will impose cost containment measures on a project sponsor and the extent of imposing such measures historically. The Commission directed the ISO to revise the selection criterion to state that the ISO will only consider this factor where none of the competing project sponsors proposes specific, binding cost control measures.<sup>24</sup> The ISO has incorporated this change in proposed section 24.5.4 (j) under the reorganized and renumbered Phase 3 tariff provisions, which was formerly section 24.5.2.4(j) of the tariff submitted with the October 11 Compliance Filing.

The Commission also directed the ISO to revise section 24.5.2.4(c) to provide that a project sponsor should indicate whether it will incur any incremental costs in connection with placing new facilities or additional facilities on existing rights-of-way.<sup>25</sup> The ISO had agreed to make this change in its Answer to Protests. The instant compliance filing reflects this change in proposed section 24.5.4(c), which is the new number for the pre-existing tariff section 24.5.2.4 (c).

With the exception of the aforementioned two tariff revisions, the remaining selection criteria reflect the language approved by the Commission in the April 18 Order.

### **4. Other Modifications Pertaining To The Competitive Solicitation Process**

#### **a. The ISO Makes All Project Sponsor Selection Decisions**

The Commission directed the ISO to eliminate provisions in 24.5.2.3(b) of the tariff submitted with the October 11 Compliance Filing that allow a siting authority to

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they are not permitted to submit project proposals for alternative solutions or facilities. To eliminate any potential lack of clarity, the tariff now refers only to proposals.

<sup>24</sup> *Id.* at P 235.

<sup>25</sup> *Id.* at P 238.

select the sponsor of a needed transmission facility identified in the regional transmission plan for purposes of cost allocation.<sup>26</sup> The ISO has eliminated this language. The remainder of old section 24.5.2.3 appears in proposed section 24.5.3.5.

### **b. Schedule For Posting Key Selection Criteria**

The Commission accepted the ISO's agreement in its Answer to Protests to clarify that the deadline for submitting proposals is at least three months after the posting of the key selection criteria.<sup>27</sup> Consistent with that directive, the ISO is revising the language of former tariff section 24.5.2.3 (d), which now appears in proposed section 24.5.1, to state that within 30 days after the CAISO posts the draft comprehensive Transmission Plan [as opposed to 30 days after the CAISO posts the *revised* draft comprehensive Transmission Plan] to its website the CAISO will post, for informational purposes only, for each regional transmission facility that is subject to competitive solicitation, those qualification criteria and selection factors, in addition to any binding cost containment commitments, which the ISO believes are key for purposes of selecting an approved project sponsor for the particular transmission solution.<sup>28</sup> Under the ISO's planning framework, the ISO posts a draft comprehensive Transmission Plan before it posts a revised draft comprehensive Transmission Plan.<sup>29</sup> The ISO is also proposing to add tariff language expressly stating that project sponsors will have at least 90 days after the posting of the key selection criteria to submit their project sponsor proposals.

### **c. The Posting Of The Key Selection Criteria**

In its October 11 Compliance Filing, in order to "add even more transparency to the process and offer guidance to project sponsors in the preparation of their project proposals," the ISO proposed that following the posting of the revised draft comprehensive Transmission Plan it would post those factors and considerations, in addition to any binding cost containment commitments, that the ISO believes are key for the purposes of selecting an approved project sponsor for each regional transmission facility that is subject to competitive solicitation.<sup>30</sup> The tariff language indicated that the

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<sup>26</sup> *Id.* at P 224.

<sup>27</sup> *Id.* at P 243.

<sup>28</sup> The draft comprehensive Transmission Plan is posted not less than 120 days after the results of the ISO's technical studies are posted and not less than six weeks after the request window closes. See tariff section 24.4.9 (b) and (c). This typically will occur around the end of January. The ISO notes that the language that the ISO had agreed to change in its Answer to Protests, and which the Commission directed the ISO to change, was included in tariff section 24.5.2.3 (d) of the tariff submitted with the ISO's October 11 Compliance Filing. As a result of the Phase 3 section renumbering, the revised language is now reflected in new tariff section 24.5.1.

<sup>29</sup> Tariff section 24.4.9 (c).

<sup>30</sup> October 11 Compliance Filing, Transmittal Letter at 53. In its Answer to Protests (p. 75), the ISO stressed that it was not adding new selection criteria or posting criteria that were more specific. The ISO again stressed that the key factors would be consistent with the comparative analysis standard set forth in former tariff section 24.5.2.3 (c), now tariff section 24.5.4.

posting must be consistent the ISO's comparative analysis standard in section 24.5.2.3 (c) and the project sponsor qualification and selection criteria. This provision recognized and attempted to address the fact that the range of transmission solutions identified in the comprehensive Transmission Plan and eligible for competitive solicitation will be extremely varied and that the important considerations for selecting an approved project sponsor will be different for each individual solution.

In its April 18 Order, the Commission found that the ISO's proposed revisions would "help enhance the transparency of the evaluation and selection process" and that the ISO's proposal was "consistent with its Commission-approved evaluation and selection methodologies."<sup>31</sup> The Commission also found that the ISO had defined a reasonable framework for the selection process which allows the ISO "the necessary flexibility in conducting its analysis and applying the criteria, while not granting undue discretion."<sup>32</sup> The Commission noted that the process of identifying and approving a needed transmission facility must consider the relative efficiency and cost effectiveness of a proposal and expressed concern that the ISO's proposal to post key project sponsor selection factors did not go far enough in explaining how the ISO will measure the relative efficiency and cost-effectiveness of a proposed bid. In Paragraph 230, the Commission required the ISO to provide more information on how it will make the determination regarding which criteria are key for a particular Regional Transmission Facility subject to competitive solicitation.<sup>33</sup> The Commission also required the ISO to explain in its compliance filing how it will ensure that the key project sponsor selection factors for each transmission facility will result in a regional transmission plan with the more efficient or cost-effective transmission solutions.<sup>34</sup>

In determining the appropriate and necessary tariff revisions to comply with the Commission's directive, the ISO took into consideration all of the related findings, statements, and approvals from the April 18 Order so that all of the relevant tariff sections, when read together, would not be internally inconsistent or inconsistent with the Commission's approval of other tariff provisions regarding the standards, requirements, and steps applicable to the ISO's transmission planning process and competitive solicitation process. For example, during Phase 2 of the planning process (not Phase 3), the ISO determines which transmission solution constitutes the "more efficient and cost effective solution" and identifies such solution in the comprehensive Transmission Plan. Phase 2 culminates with the ISO Board's approval of a final comprehensive Transmission Plan, which sets forth the transmission solutions that transmission developers will be competing to build in Phase 3 (as well as any transmission solutions that are not subject to competitive solicitation). In Phase 3 of the transmission planning process, which pertains solely to the competitive solicitation, transmission developers are competing to build and own **only** the transmission solution

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<sup>31</sup> April 18 Order at P 230.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.*

(and the facilities that comprise the transmission solution) adopted by the ISO in Phase 2 and identified in the comprehensive Transmission Plan as the more efficient or cost-effective solution, and are not permitted to propose facilities, solutions, or transmission alternatives other than those identified in the comprehensive Transmission Plan. Thus, the ISO determines which transmission solution is the more efficient or cost-effective solution in Phase 2 prior to conducting the competitive solicitation, not in Phase 3. The April 18 Order expressly acknowledged all of the aforementioned basic characteristics of the ISO's Transmission Planning Process, and the Commission approved this framework in the April 18 Order.<sup>35</sup>

Thus, under the Commission-approved tariff language, the ISO does not produce a comprehensive Transmission Plan after the conclusion of the Phase 3 competitive solicitation; the comprehensive Transmission Plan is approved in Phase 2.<sup>36</sup> Likewise, the planning framework approved by the Commission in the April 18 Order also does not include a requirement or a process step that the ISO go back after the conclusion of Phase 3 and amend the comprehensive Transmission Plan (and obtain new Board approvals) to replace the more efficient or cost-effective transmission solution that the ISO Board has already approved in Phase 2 with some other solution.

It is difficult to reconcile this Commission-approved framework with the directive in Paragraph 230 that the posting of key selection criteria must result in a comprehensive Transmission Plan with the more efficient or cost effective transmission solution. That result will already have been achieved in Phase 2 of the planning process. The key selection criteria apply only to the Phase 3 competitive solicitation process, *i.e.*, to project sponsor selection, not to the ISO's Phase 2 determination and identification in the comprehensive Transmission Plan of the more efficient or cost-effective transmission solution.

A second set of findings and approvals that needs to be taken into account in drafting tariff language to comply with the directives of Paragraph 230, while avoiding any inherent inconsistency in the tariff or including tariff language that is contrary to other express Commission determinations in the April 18 Order, are those that pertain to the applicable standards for the ISO's Phase 2 and Phase 3 determinations. As indicated above, the applicable Commission-approved standard for purposes of determining in Phase 2 which transmission solution(s) should be identified in the comprehensive Transmission Plan for purposes of meeting an identified need is "the more efficient or cost-effective" solution. On the other hand, the applicable standard that the Commission approved for purposes of selecting an approved project sponsor in Phase 3 of the planning process -- through use of a comparative analysis of all competing project sponsors on each and every of the qualification and selection criteria

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<sup>35</sup> *Id.* at PP 42, 54, 119, 142, 178, 200, 202, 219, 233; RTPP Order at PP 50, 200, 274. See also October 11 Compliance Filing, Transmittal Letter at 11, 45, 59-60; Answer to Protests at PP13-15, 38-39, 42-43, 47-48, 56-57, 62-63; see RTPP Order at PP 9-11, 200, 217, 224, and n. 165; see also, Commission-approved tariff sections 24.4.7, 24.4.8, 24.4.9, 24.4.10, 24.5.1, and 24.5.2.1, now section 24.5.3.2.

<sup>36</sup> Tariff section 24.4.10.

-- to build, own, operate, and maintain the more efficient or cost-effective solution identified by the ISO is as follows:

Taking into account all regional transmission elements [now “solutions” per this compliance filing] for which the competing Project Sponsors are seeking approval, the qualified Project Sponsor that is best able to design, finance, license, construct, maintain, and operate the regional transmission element(s) [now “facilities”] in a cost-effective, prudent, reliable and capable manner over the lifetime of the transmission element(s) [now “solution(s)”], while maximizing overall benefits and minimizing the risk of untimely project [now transmission “solution(s)”] completion, project [now transmission facility] abandonment, and future reliability, operational and other relevant problems, consistent with Good Utility Practice, applicable reliability criteria, and CAISO Documents.<sup>37</sup>

The April 18 Order and the RTPP Order thus indicate that the standard for determining the best Project Sponsor is not only different than the standard for determining what transmission solution best meets an identified need – *i.e.*, the “more efficient or cost-effective alternative” -- but it also involves far more (and many different) considerations than the “more efficient or cost-effective standard.”<sup>38</sup> In that regard, the Order No. 1000 tariff language approved by the Commission requires the ISO, in selecting a project sponsor, to undertake a comparative analysis of the differing degrees to which each competing project sponsor meets 13 qualification and selection criteria. Thus, as the Commission has recognized, the ISO’s project sponsor selection analysis involves far more than a simply looking at the “more efficient or cost-effective solution,” especially given that project sponsors are not permitted to propose alternative solutions or facilities in their applications, but are limited to competing to build only the specific transmission solutions identified in the comprehensive Transmission Plan.<sup>39</sup> Also, the April 18 Order and the RTPP Order both recognize that Phase 2 and Phase 3 are wholly separate, distinct, and independent phases in the planning process, which involve different analyses, standards, and determinations.<sup>40</sup> The Commission expressly found in the April 18 Order that the ISO’s production of the comprehensive Transmission Plan in Phase 2

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<sup>37</sup> *Id.* at PP 172, 173, 221, n. 309.

<sup>38</sup> *Id.* at PP 42,171-73, 200, 203, 229-30, 233-34, 241, n. 309, 393; RTPP Order at PP 214, 217, 219-20, 234, n. 157, 158, 165; RTPP Reh’g Order at PP 25, 27.

<sup>39</sup> April 18 Order at P 219.

<sup>40</sup> *Id.* at PP 42, 54, 119,142, 178, 200, 202, 219, 233. RTPP Order at PP 10-11, 200, 217, 224. For example, as noted in the April 18 Order, the selection of the more efficient or cost-effective transmission solution in Phase 2 and project sponsor selection in Phase 3 are two separate decision making processes, and qualification criteria are irrelevant to the identification of the needed transmission solution. April 18 Order at PP 142, 148. The ISO assumes the Commission did not intend to undermine the Order No. 1000 framework that it approved in the April 18 Order by its directive in Paragraph 230 regarding the posting of the key project sponsor selection criteria. *Id.* at P 178.

satisfies Order No. 1000's requirement that the regional transmission planning process must result in a regional transmission plan that reflects the determination of the set of transmission facilities that more efficiently or cost-effectively meet the region's transmission needs.<sup>41</sup> Given that the applicable, Commission-approved standard for selecting an approved project sponsor in Phase 3 is different than identifying the "more efficient or cost effective" transmission solution which is done in Phase 2, the ISO had to ensure that in complying with the Commission's directives regarding the posting of the key project sponsor selection criteria in Phase 3, it was not developing tariff language that was inconsistent with the Commission-approved standard for selecting an approved project sponsor.

In addition, in the April 18 Order, the Commission rejected requests that the ISO assign weights to selection criteria, utilize some formula for selecting an Approved Project Sponsor, and treat cost considerations as the primary factor in project sponsor selection decisions.<sup>42</sup> Rather, the Commission stated, consistent with its generally applicable rulings in Order No. 1000 and 1000-A, that the ISO needed to retain flexibility in making these decisions.<sup>43</sup> In drafting tariff language to comply with Paragraph 230 of the April 18 Order and ensure internal consistency among all of the Commission-approved tariff provisions, the ISO had to develop tariff language that clearly and effectively reconciles these express Commission findings with the statement in Paragraph 230 that the ISO explain how, in posting the key selection criteria, the ISO will **measure** the relative efficiency and cost effectiveness of the proposal. Stated differently, the ISO had to avoid tariff language suggesting that the ISO is assigning weights to specific criteria, relying on a formulaic approach or treating cost as the primary driver in its project sponsor selection decisions.

To ensure that all of the aforementioned Commission findings, statements, directives, and approvals are reconciled and reflected in the tariff in a manner that ensures internal consistency in the tariff, and do not undermine the Commission's approval of specific aspects of the ISO's Order No. 1000 transmission planning framework, process, and standards, the ISO is proposing several changes to its tariff language related the posting of key selection factors. First, the ISO is adding language to section 24.5.1 to make it clear that (1) the posting of key selection criteria does not eliminate or replace the requirement that, in its project sponsor selection comparative analysis, the ISO must assess **all** of the existing qualification and selection criteria set forth in the tariff, not just the key factors, (2) the ISO cannot post key selection criteria that are different than or unrelated to the existing qualification and selection criteria that are the subject of the comparative analysis, and (3) the key selection factors must be

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<sup>41</sup> April 18 Order at PP 54-55.

<sup>42</sup> *Id.* at PP 182-84, 199-201, 218, 229-34,

<sup>43</sup> *Id.* at P 230.

consistent with the approved project sponsor selection standard and criteria in section 24.5.4 and the qualification criteria in section 24.5.3.1.

The Commission has already found that the existing project sponsor selection process, the standard for selecting an approved project sponsor, and the applicable qualification and selection criteria are just and reasonable and not unduly discriminatory, are sufficiently detailed to provide transmission developers with an understanding of how their proposals will be evaluated, satisfy all of the requirements of Order No. 1000,<sup>44</sup> and adequately and effectively take into account costs and cost effectiveness.<sup>45</sup> By affirmatively stating in tariff language that the posting of the key selection criteria does not replace or eliminate the ISO's obligation to comparatively assess project sponsors with regard to all of the approved qualification and selection criteria, and that the key selection criteria must be consistent with the existing qualification and selection criteria and not undermine the previously approved comparative analysis evaluation process and selection standard, the ISO is ensuring the posting of the key selection criteria likewise will be consistent with Order No. 1000 and adequately and effectively consider costs and cost-effectiveness. The proposed revisions described above are consistent with the ISO's original intent in agreeing to post the key selection criteria.<sup>46</sup>

Second, in section 24.5.1, the ISO proposes to further clarify, also consistent with the ISO's original intent, that the posting of the key selection criteria is for informational purposes only and is intended merely to provide guidance to competing project sponsors in the preparation of their applications, and identify those areas of the application where they should pay particular attention. The posting does not replace the comparative assessment standard and criteria that the Commission both approved for Phase 3 and found adequately considers costs.

Third, the ISO proposes to add the word "efficient" to the project sponsor selection standard set forth in section 24.5.4. This will ensure that the project sponsor selection standard -- and the posted key selection criteria -- capture both the efficiency and cost-effectiveness concepts.

Fourth, the ISO proposes to add tariff language to address the Commission's directive to provide more information on how it will make determinations regarding the key selection criteria for a particular transmission solution. Specifically, the ISO proposes tariff language in section 24.5.1 providing that, in determining the key criteria for each transmission solution subject to competitive solicitation, the ISO shall consider (1) the nature, scope

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<sup>44</sup> *Id.* at P 230.

<sup>45</sup> *Id.* at P 233. In particular, the Commission stated that the ISO's planning framework in Phases 2 and 3 effectively considers cost and cost effectiveness.

<sup>46</sup> Answer to Protests at 74-79.

and urgency of the need for the transmission solution, (2) the expected severity of siting or permitting challenges, (3) the size of the transmission solution, expected capital cost magnitude, cost overrun likelihood, and the ability of the Project Sponsor to contain costs, (4) the degree of siting/permitting, construction, operation, and maintenance difficulty, (5) risks associated with the construction, operation, and maintenance of the transmission solution, (6) technical and engineering design difficulty, or whether specific expertise in design or construction is needed, (7) special circumstances or difficulty associated with topography, terrain, or configuration, (8) specific technologies or materials associated with the transmission solution, (9) binding cost containment measures including cost caps, (10) abandonment risk, and (11) whether the overall cost of the proposal could impact the ISO's prior Phase 2 determination (and inclusion in the approved comprehensive Transmission Plan) of the "more efficient or cost-effective" transmission solution. In particular, this last consideration is intended to address the Commission's concern that the posted criteria ensure the adoption of transmission solutions that are more efficient or cost-effective. Specifically, this provision ensures that the posting of the key selection criteria is consistent with the ISO's Phase 2 determination as to what solution is "more efficient or cost effective" and should be included in the final comprehensive Transmission Plan approved by the ISO Board at the end of Phase 2.

Finally, the ISO is proposing to add language in proposed section 24.5.1 expressly stating that the posting of key project sponsor selection criteria shall not undermine the ISO's decision in Phase 2 that the approved transmission solution constitutes the more efficient or cost-effective transmission solution. The ISO proposes to add language clarifying that if the ISO determines in Phase 2 that more than one transmission solution could constitute the more efficient and cost effective solution for meeting an identified need depending on the outcome of the competitive solicitation, the ISO has the authority to identify more than one potential transmission solution in the comprehensive Transmission Plan approved in Phase 2, and that the ISO will make its final determination as to which of the alternative solutions identified in the comprehensive Transmission Plan is the more efficient or cost-effective transmission solution during Phase 3. These modifications ensure that the comprehensive Transmission Plan will always reflect the more efficient or cost-effective transmission solution and that the posting of the key criteria will not undo that fact, while recognizing that under the Commission-approved planning framework, the comprehensive Transmission Plan is approved in Phase 2 before the start of the competitive solicitation process and is not subsequently amended after that process.

#### **E. Other Tariff Modifications Ordered By The Commission**

The Commission directed the ISO to remove the proposed provision requiring the applicable participating transmission owner to submit mitigation measures to NERC and WECC in the event of possible delay in reliability projects because NERC and WECC

already impose similar requirements.<sup>47</sup> As directed, the ISO has eliminated this language from proposed section 24.6.3.

The Commission directed the ISO to explicitly state in its tariff that, if an approved project sponsor abandons an economic or public policy project, it will consider the reasons why the project was abandoned and consider alternatives to the project, including whether the project is still needed, before directing a Participating Transmission Owner to construct the project that is abandoned by the original approved transmission developer.<sup>48</sup> The ISO has added language addressing this directive in proposed section 24.6.4.

Finally, the Commission found that the ISO only partially complied with Cost Allocation Principle #4 of Order No. 1000. The Commission directed the ISO to provide for the identification of the consequences of a transmission facility selected in the regional transmission planning process for purposes of regional cost allocation for other regions, such as other upgrades that may be required in the other region.<sup>49</sup> The Commission ruled that the ISO must also describe whether the ISO planning region has agreed to bear the costs associated with any required upgrade in another transmission planning region and, if so, how such costs will be allocated within the ISO planning region.<sup>50</sup>

The ISO has responded to these directives in proposed section 24.10 (which also retains some existing tariff language), which provides that in the regional transmission planning process, the ISO will identify the impacts that any Regional Transmission Facilities have on neighboring planning regions or balancing authority areas. To the extent the ISO finds that such Regional Transmission Facilities could cause impacts on neighboring planning regions or balancing authority areas, the ISO will coordinate with such neighbors to reassess and redesign the Regional Transmission Facilities to be constructed. If the impacts caused by the Regional Transmission Facilities proposed to be added to the ISO-Controlled Grid can be mitigated through new, different, or redesigned facilities on the ISO-Controlled Grid or through operational adjustments, the costs of such mitigation shall be recovered through the ISO's Regional Access Charge as part of the costs of the transmission solution. However, the ISO will not pay for the costs of upgrades on or additions to neighboring transmission systems, whether identified by the ISO or the neighboring transmission system, unless the ISO voluntarily agrees to do so via a written agreement. In response to stakeholder input, the ISO has added tariff language providing that before the ISO can voluntarily agree to bear such costs, it must discuss the matter with stakeholders and provide them with an opportunity to comment. To the extent the ISO agrees to bear the costs of transmission facilities required in a neighboring transmission system to address impacts caused by new

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<sup>47</sup> April 18 Order at P 269.

<sup>48</sup> *Id.* at P 267.

<sup>49</sup> *Id.* at P 302.

<sup>50</sup> *Id.*

Regional Transmission Facilities on the ISO's system, the ISO would recover such costs through the Regional Access Charge, which is the charge used for the recovery of the cost of both interregional and regional transmission facilities. The ISO notes that the ISO proposed provisions are consistent with, and generally modeled after, the provisions that MISO, PJM, and the New York ISO recently filed to comply with Cost Allocation Principle #4, except that the ISO is providing an express opportunity for stakeholder input on this specific matter.<sup>51</sup>

In its comments during the stakeholder process, the Imperial Irrigation District proposed that language be added to Section 24.10 to require the ISO (1) to participate in any WECC project coordination and path rating process for the Regional Transmission Facilities, and (2) to recover through the Regional Access Charge any upgrades or additions on a neighboring system if such mitigation is required by WECC. Order No.1000 does not require these changes, and, to the best of the ISO's knowledge, no other ISO's or RTO's tariff provisions include comparable provisions, nor should they. While WECC oversees the project coordination and path rating process, it does not regulate the ISO's rates and terms and conditions of service. The ISO should not be forced to involuntarily cede -- nor can it be forced to cede -- its section 205 rights to a third party that does not regulate the ISO.

In any event, the recommended changes go far beyond the requirements of Order No.1000 or the specific compliance directives in the April 18 Order. Nowhere does Order No. 1000 or the April 18 Order require the ISO or any other public utility to involuntarily cede authority to WECC or otherwise extend WECC authority over it with respect to the determination which facilities costs it should include in its regional transmission rates. As the Commission has recognized, the ISO is not required to include regional or sub-regional entities in the development of the ISO's comprehensive Transmission Plan,<sup>52</sup> and coordination does not require the ISO to relinquish its responsibilities.<sup>53</sup> In Order No. 890-A the Commission stated that it would not be appropriate to allow third parties that do not bear the responsibility for tariff compliance to have equal control over the planning process.<sup>54</sup> Similarly, in Order No. 1000, the

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<sup>51</sup> Midcontinent Independent Transmission System Operator, *et al.*'s July 22, 2013 Compliance Filing, Docket Nos. ER13-187, *et al.*, MISO FERC Electric Tariff, Attachment FF, Section II.D; New York Independent System Operator's Order No 1000 Interregional Compliance Filing, Transmittal Letter at 28, 40, Proposed Joint Operating Agreement Sections 35.10.2 (g) and 35.10.6, NYISO OATT, Attachment Y, Sections 31.2.2.7, 31.3.1.6, and 31.4.4.1; PJM Compliance Filing, Docket No. ER13-198, Transmittal Letter at 51-54 (July 22, 2013). Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection LLC. See PJM Interconnection LLC Rate Schedule 45 and NYISO OATT 35, Attachment CC; Operating Agreement between PJM Interconnection LLC and SERTP, Schedule 6-A, sections 1.1 and 2.1, Docket No. ER13-1936; Joint Operating Agreement between MISO and PJM. Sections 9.4.1, 9.4.2; Submission of Interregional Transmission Coordination Procedures between PJM Interconnection LLC and New York Independent System Operator, Inc., sections 35.10.7.2, 35.10.7.3(a), (b) and (d) (Docket No ER13-1947).

<sup>52</sup> RTPP Order at P 295.

<sup>53</sup> *California Independent System Operator Corp.*, 123 FERC ¶61,283 at PP 143, 142 (2008).

<sup>54</sup> Order No. 890-A, 121 FERC ¶61,297 at P 188 (2007).

Commission declined to require a multilateral evaluation process, inter-connection-wide planning, or an interconnection-wide cost allocation, or to dictate how regions should define themselves.<sup>55</sup> In Order No. 1000-A, the Commission clarified further that allowing one region to allocate costs to entities in another region would effectively and inappropriately impose an affirmative burden on stakeholders to actively monitor transmission planning process in numerous other regions.<sup>56</sup> This would essentially result in interconnection-wide planning with corresponding cost allocation, albeit conducted in a highly inefficient manner.<sup>57</sup> The Commission stressed that public utility transmission providers in neighboring transmission planning regions may negotiate an agreement to share the costs of a particular facility located solely in one region with ratepayers in another region, but they could not involuntarily be allocated such costs.<sup>58</sup>

The ISO's proposal is fully consistent with these principles. Nothing in the April 18 Order requires the ISO to allow WECC to determine which upgrades are required in another region as the result of facilities constructed within the ISO region and to determine the costs of such upgrades in another region should be allocated to ISO ratepayers. Indeed, such a requirement would be inconsistent with Order No. 1000's Cost Allocation Principle #4 that costs of a facility located solely in one region should be allocated solely within that region and not be involuntarily allocated to another region unless such region voluntarily agrees to bear such costs.<sup>59</sup>

### **III. Materials Provided In This Compliance Filing**

The following documents, in addition to this transmittal letter, support the instant filing:

Attachment A: Revised ISO tariff sheets – clean

Attachment B: Revised ISO tariff sheets – blackline

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<sup>55</sup> Order No. 1000 at PP 416, 420; 660; Order No. 1000-A at PP 502, 708.

<sup>56</sup> Order No. 1000-A at P 503.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.* at PP 503-04.

<sup>59</sup> *Id.* at PP 704-11.

#### **IV. Conclusion**

The ISO respectfully requests that the Commission accept this filing as complying with the directives of the Commission's April 18 Order.

Respectfully submitted,

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August 16, 2013

## 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 Folsom, CA this 20<sup>th</sup> day of August, 2013.

/s/ Sarah M. Garcia  
Sarah M. Garcia

**Attachment A – Clean**

**Order No. 1000 Regional Compliance Filing**

**California Independent System Operator Corporation**

**August 16, 2013**

## **24. Comprehensive Transmission Planning Process**

### **24.1 Overview**

The CAISO will develop a comprehensive Transmission Plan and approve transmission solutions using the Transmission Planning Process set forth in this Section 24. For purposes of this Section 24, transmission solutions include both entirely new transmission facilities and upgrades or additions to existing transmission facilities that are proposed, considered, and/or specified in the comprehensive Transmission Plan during Phase 2 to meet an identified need determined by the CAISO. Alternatives to transmission solutions are referred to as non-transmission solutions. Solutions to meet an identified need can be either transmission solutions or non-transmission solutions. The CAISO will analyze the need for transmission solutions in accordance with the methodologies and criteria set forth in this Section 24, the Transmission Control Agreement, and the applicable Business Practice Manuals. The comprehensive Transmission Plan will identify Merchant Transmission Facilities meeting the requirements for inclusion in the Transmission Plan and transmission solutions needed (1) to maintain System Reliability; (2) to satisfy the requirements of a Location Constrained Resource Interconnection Facility; (3) to maintain the simultaneous feasibility of allocated Long-Term CRRs; (4) as additional components or expansions to LGIP Network Upgrades are identified pursuant to Section 24.4.6.5; (5) to meet state, municipal, county and federal policy requirements and directives , including renewable portfolio standards policies; and (6) to reduce congestion costs, production supply costs, transmission losses, or other electric supply costs resulting from improved access to cost-effective resources. For purposes of this Section 24, the term “the year X/(X+1) planning cycle” will refer to the Transmission Planning Process initiated during year X to complete a comprehensive Transmission Plan in year X+1.

**24.1.1 [NOT USED]**

**24.1.2 [NOT USED]**

**24.1.3 [NOT USED]**

**24.1.4 [NOT USED]**

### **24.2 Nature of the Transmission Planning Process**

The CAISO will develop the annual comprehensive Transmission Plan and approve transmission solutions using a Transmission Planning Process with three (3) phases. In Phase 1, the CAISO will develop and complete the Unified Planning Assumptions and Study Plan and, in parallel, begin development of a conceptual statewide plan. In Phase 2, the CAISO will complete the comprehensive Transmission Plan. In Phase 3, the CAISO will evaluate proposals to construct and own certain transmission solutions specified in the comprehensive Transmission Plan. The Transmission Planning Process shall, at a minimum:

- (a) Coordinate and consolidate in a single plan the transmission needs of the CAISO Balancing Authority Area for maintaining the reliability of the CAISO Controlled Grid in accordance with Applicable Reliability Criteria and CAISO Planning Standards, in a manner that promotes the economic efficiency of the CAISO Controlled Grid and considers federal and state environmental and other policies affecting the provision of Energy;
- (b) Reflect a planning horizon covering a minimum of ten (10) years that considers previously approved transmission upgrades and additions, Demand Forecasts, Demand-side management, capacity forecasts relating to generation technology type, additions and retirements, and such other factors as the CAISO determines are relevant;
- (c) Seek to avoid unnecessary duplication of facilities and ensure the simultaneous feasibility of the CAISO Transmission Plan and the transmission plans of interconnected Balancing Authority Areas, and coordinate with other Planning Regions and interconnected Balancing Authority Areas in accordance with, but not limited to, the Order 1000 Common Interregional Coordination and Cost Allocation Tariff Language in Section 24.18;
- (d) Identify existing and projected limitations of the CAISO Controlled Grid's physical, economic or operational capability or performance and identify

transmission solutions , including alternatives thereto, deemed needed to address the existing and projected limitations;

- (e) Account for any effects on the CAISO Controlled Grid of the interconnection of Generating Units, including an assessment of the deliverability of such Generating Units in a manner consistent with CAISO interconnection procedures; and
- (f) Provide an opportunity for Interregional Transmission Projects submitted to the CAISO as a Relevant Planning Region to be evaluated as potential transmission solutions to CAISO regional transmission needs.

**24.2.1 [NOT USED]**

**24.2.2 [NOT USED]**

**24.2.3 [NOT USED]**

**24.2.4 [NOT USED]**

**24.2.5 [NOT USED]**

**24.3 Transmission Planning Process Phase 1**

Phase 1 consists of two (2) parallel processes: (1) the development of the Unified Planning Assumptions and Study Plan; and (2) initiation of the development of the statewide conceptual transmission plan, as discussed in Section 24.4.4.

**24.3.1 Inputs to the Unified Planning Assumptions and Study Plan**

The CAISO will develop Unified Planning Assumptions and a Study Plan using information and data from the approved Transmission Plan developed in the previous planning cycle. The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan:

- (a) WECC base cases, as may be modified for the relevant planning horizon;
- (b) Transmission solutions approved by the CAISO in past Transmission Planning Process cycles, including solutions which the CAISO has determined address transmission needs in the comprehensive Transmission Plan developed in the previous planning cycle;
- (c) Category 2 policy-driven transmission solutions from a prior planning cycle as described in Section 24.4.6.6;
- (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3;
- (e) Network Upgrades identified pursuant to Section 25, Appendix U, Appendix V, Appendix Y or Appendix Z relating to the CAISO's Large Generator Interconnection Procedures and Appendices S and T relating to the CAISO's Small Generator Interconnection Procedures that were not otherwise included in the comprehensive Transmission Plan from the previous annual cycle;
- (f) Operational solutions validated by the CAISO in the Local Capacity Technical Study under Section 40.3.1;
- (g) Policy requirements and directives, as appropriate, including programs initiated by state, federal, municipal and county regulatory agencies;
- (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;
- (i) Demand response programs that are proposed for inclusion in the base case or assumptions for the comprehensive Transmission Plan;
- (j) Generation and other non-transmission alternatives that are proposed for inclusion in long-term planning studies as alternatives to transmission solutions;

- (k) Beginning with the 2011/2012 planning cycle, Economic Planning Study requests submitted in comments on the draft Unified Planning Assumptions and Study;
- (l) Planned facilities in interconnected Balancing Authority Areas; and
- (m) The most recent Annual Interregional Information provided by other Planning Regions.

#### **24.3.2 Contents of the Unified Planning Assumptions and Study Plan**

The Unified Planning Assumptions and Study Plan shall, at a minimum, provide:

- (a) The planning data and assumptions to be used in the Transmission Planning Process cycle, including, but not limited to, those related to Demand Forecasts and distribution, potential generation capacity additions and retirements, and transmission system modifications;
- (b) A description of the computer models, methodology and other criteria used in each technical study performed in the Transmission Planning Process cycle;
- (c) A list of each technical study to be performed in the Transmission Planning Process cycle and a summary of each technical study's objective or purpose;
- (d) A description of significant modifications to the planning data and assumptions as allowed by Section 24.3.1(a) and consistent with Section 24.3.2;
- (e) The identification of any entities directed to perform a particular technical study or portions of a technical study;
- (f) A proposed schedule for all stakeholder meetings to be held as part of the Transmission Planning Process cycle and the means for notification of any changes thereto, the location on the CAISO Website of information relating to the technical studies performed in the Transmission Planning Process cycle, and the

name of a contact person at the CAISO for each technical study performed in the Transmission Planning Process cycle;

- (g) To the maximum extent practicable, and where applicable, appropriate sensitivity analyses, including project or solution alternatives, to be performed as part of the technical studies;
- (h) Descriptions of the High Priority Economic Planning Studies as determined by the CAISO under Section 24.3.4.2; and
- (i) Identification of state or federal, municipal or county requirements or directives that the CAISO will utilize, pursuant to Section 24.4.6.6, to identify policy-driven transmission solutions.

### **24.3.3 Stakeholder Input - Unified Planning Assumptions/Study Plan**

- (a) Beginning with the 2011/2012 planning cycle and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will provide a comment period during which Market Participants, electric utility regulatory agencies and all other interested parties may submit the following proposals for consideration in the development of the draft Unified Planning Assumptions and Study Plan:
  - (i) Demand response programs for inclusion in the base case or assumptions;
  - (ii) Generation and other non-transmission alternatives, consistent with Section 24.3.2(a) proposed as alternatives to transmission solutions; and
  - (iii) State, municipal, county or federal policy requirements or directives.
- (b) Following review of relevant information, including stakeholder comments submitted pursuant to Section 24.3.3(a), the CAISO will prepare and post on the CAISO Website a draft of the Unified Planning Assumptions and Study Plan.

The CAISO will issue a Market Notice announcing the availability of such draft, soliciting comments, and scheduling a public conference(s) as required by Section 24.3.3(c);

- (c) No less than one (1) week subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one (1) public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice;
- (d) Interested parties will be provided a minimum of two (2) weeks following the first public meeting to provide comments on the draft Unified Planning Assumptions and Study Plan. Such comments may include Economic Planning Study requests based on the comprehensive Transmission Plan from the prior cycle. All comments on the draft Unified Planning Assumptions and the Study Plan will be posted by the CAISO to the CAISO Website;
- (e) Following the public conference(s), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The final Unified Planning Assumptions and Study Plan will include an explanation as to the public policy requirements or directives that were selected for consideration in the current planning cycle as well as the suggested public policy requirements and directives that were not selected for consideration and the reasons therefor. The CAISO will post the base cases to be used in the technical studies to its secured

website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published;

- (f) A public policy requirement or directive selected for consideration in a transmission planning cycle will be carried over into subsequent transmission planning cycles unless the ISO determines that such public policy requirement or directive has been eliminated, modified, or is otherwise not applicable or relevant for transmission planning purposes in a current transmission planning cycle. The ISO will provide an explanation of any decision not to consider a previously identified public policy requirement or directive from consideration in the current transmission planning process cycle.

#### **24.3.4 Economic Planning Studies**

##### **24.3.4.1 CAISO Assessment of Requests for Economic Planning Studies**

Following the submittal of a request for an Economic Planning Study, the CAISO will determine whether the request shall be designated as a High Priority Economic Planning Study for consideration in the development of the comprehensive Transmission Plan. In making the determination, the CAISO will consider:

- (a) Whether the requested Economic Planning Study seeks to assess Congestion not identified or identified and not mitigated by the CAISO in previous Transmission Planning Process cycles;
- (b) Whether the requested Economic Planning Study addresses delivery of Generation from Location Constrained Resource Interconnection Generators or network transmission facilities intended to access Generation from an Energy Resource Area or similar resource area assigned a high priority by the CPUC or CEC;

- (c) Whether the requested Economic Planning Study is intended to address Local Capacity Area Resource requirements;
- (d) Whether resource and Demand information indicates that Congestion described in the Economic Planning Study request is projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (e) Whether the Economic Planning Study is intended to encompass the upgrades necessary to integrate new generation resources or loads on an aggregated or regional basis.

#### **24.3.4.2 Selection of High Priority Economic Planning Studies**

In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will post to the CAISO Website the list of selected High Priority Economic Planning Studies to be included in the draft Unified Planning Assumptions and Study Plan. The CAISO may assess requests for Economic Planning Studies individually or in combination where such requests may have common or complementary effects on the CAISO Controlled Grid. As appropriate, the CAISO will perform requested High Priority Economic Planning Studies, up to five (5); however, the CAISO retains discretion to perform more than five (5) High Priority Economic Planning Studies should stakeholder requests or patterns of Congestion or anticipated Congestion so warrant. Market Participants may, consistent with Section 24.3.1 and 24.3.2, conduct Economic Planning Studies that have not been designated as High Priority Economic Planning Studies at their own expense and may submit such studies for consideration in the development of the comprehensive Transmission Plan.

### **24.4 Transmission Planning Process Phase 2**

#### **24.4.1 Conducting Technical Studies**

- (a) In accordance with the Unified Planning Assumptions and Study Plan and with the procedures and deadlines in the Business Practice Manual, the CAISO will perform, or direct the performance by third parties of, technical studies and other

assessments necessary to develop the comprehensive Transmission Plan, including such technical studies and other assessments as are necessary in order to determine whether and how to include transmission solutions from the conceptual statewide transmission plan, Regional Transmission Facilities, or other alternatives identified by the CAISO during the Phase 2 studies in the comprehensive Transmission Plan. According to the schedule set forth in the applicable Business Practice Manual, the CAISO will post the preliminary results of its technical studies and proposed mitigation solutions on the CAISO Website. The CAISO's technical study results and mitigation solutions shall be posted not less than one-hundred and twenty (120) days after the final Unified Planning Assumptions and Study Plan are published, along with the results of the technical studies conducted by Participating TOs or other third parties at the direction of the CAISO;

- (b) All technical studies, whether performed by the CAISO, the Participating TOs or other third parties under the direction of the CAISO, must utilize the Unified Planning Assumptions for the particular technical study to the maximum extent practical, and deviations from the Unified Planning Assumptions for the particular technical study must be documented in results of each technical study. The CAISO will measure the results of the studies against Applicable Reliability Criteria, the CAISO Planning Standards, and other criteria established by the Business Practice Manual. After consideration of the comments received on the preliminary results, the CAISO will complete, or direct the completion of, the technical studies and post the final study results on the CAISO Website;
- (c) The CAISO technical study results will identify needs and proposed solutions to meet Applicable Reliability Criteria, CAISO planning standards, and other applicable planning standards. The CAISO and Participating TOs shall coordinate their respective transmission planning responsibilities required for compliance with the NERC Reliability Standards and for the purposes of

developing the annual Transmission Plan according to the requirements and time schedules set forth in the Business Practice Manual.

#### **24.4.2 Proposed Reliability Driven Transmission Solutions**

Pursuant to the schedule described in the Business Practice Manual and based on the technical study results, the CAISO, CEC, CPUC, and other interested parties may propose any transmission solutions deemed necessary to ensure System Reliability consistent with Applicable Reliability Criteria and CAISO Planning Standards through the Phase 2 Request Window. Participating TOs will submit such proposed transmission solutions through the Phase 2 Request Window within thirty (30) days after the CAISO posts its preliminary technical study results. The substantive description of reliability driven projects is set forth in Section 24.4.6.2.

#### **24.4.3 Phase 2 Request Window**

- (a) Following publication of the results of the technical studies, and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will open a Request Window during Phase 2 for the submission of proposed transmission solutions for reliability-driven needs identified in the studies, Location Constrained Resource Interconnection Facility projects, demand response or generation proposed as alternatives to transmission solutions to meet reliability needs, proposals for Merchant Transmission Facility projects, proposed transmission solutions needed to maintain the feasibility of long-term CRRs and efficient or cost effective Regional Transmission Facility alternatives for meeting identified needs. The CEC, CPUC, and interested parties may submit potential reliability transmission solutions within the same timeframe established for Participating TOs to submit reliability transmission solutions, but they are not required to do so to the extent the Business Practice Manual grants them a longer period of time.
- (b) All solutions proposed during the Request Window must use the forms and satisfy the information and technical requirements set forth in the Business

Practice Manual. Proposed transmission solutions must be within or connect to the CAISO Balancing Authority Area or CAISO Controlled Grid. The CAISO will determine whether each of these proposed solutions will be considered in the development of the comprehensive Transmission Plan. In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will notify the party submitting the proposed solution of any deficiencies in the proposal and provide the party an opportunity to correct the deficiencies. Such proposed solutions can only be considered in the development of the comprehensive Transmission Plan if the CAISO determines that:

- (i) the proposed solution satisfies the information requirements for the particular type of solution submitted as set forth in templates included in the Business Practice Manual; and
- (ii) the proposed solution is not functionally duplicative of transmission solutions that have previously been approved by the CAISO.

- (c) The duration of the Request Window will be set forth in the Business Practice Manual.

#### **24.4.4 Comment Period of Conceptual Statewide Plan**

Beginning in Phase 1, the CAISO will develop, or, in coordination with other regional or sub-regional transmission planning groups or entities, including interconnected Balancing Authority Areas, will participate in the development of a conceptual statewide transmission plan that, among other things, may identify potential transmission solutions needed to meet state and federal policy requirements and directives. The conceptual statewide transmission plan will be an input into the CAISO's Transmission Planning Process. The CAISO will post the conceptual statewide transmission plan to the CAISO Website and will issue a Market Notice providing notice of the availability of such plan. In the month immediately following the publication of the conceptual statewide transmission plan, the CAISO will provide an opportunity for interested parties to submit comments and recommend modifications to the conceptual statewide transmission plan or alternative solutions including potential interstate transmission

solutions and proposals for access to resources located in areas not identified in the conceptual statewide transmission plan.

#### **24.4.5 Determination of Needed Transmission Solutions**

To determine which transmission solutions should be included in the comprehensive Transmission Plan, the CAISO will evaluate the conceptual transmission facilities identified in the statewide conceptual transmission plan or other solutions identified by the CAISO during the Phase 2 studies, proposed solutions for reliability-driven needs, LCRIF project proposals, proposals required to maintain the feasibility of long term CRRs, proposed Network Upgrades pursuant to Section 24.4.6.5 and the results of Economic Planning Studies or other economic studies the CAISO has performed and will consider potential transmission solutions and non-transmission or generation alternatives proposed by interested parties. In determining which transmission solutions should be included in the comprehensive Transmission Plan, (1) the CAISO shall consider the degree to which a Regional Transmission Facility may be substituted for one or more Local Transmission Facilities as a more efficient or cost effective solution to identified needs, and (2) the CAISO will not give undue weight or preference to the conceptual statewide plan or any other input in its planning process.

#### **24.4.6 Categories of Transmission Solutions**

##### **24.4.6.1 Merchant Transmission Facility Proposals**

The CAISO may include a proposed Merchant Transmission Facility in the comprehensive Transmission Plan if a Project Sponsor demonstrates to the CAISO the financial capability to pay the full cost of construction and operation of the Merchant Transmission Facility. The Merchant Transmission Facility must mitigate all operational concerns identified by the CAISO to the satisfaction of the CAISO, in consultation with the Participating TO(s) in whose PTO Service Territory the Merchant Transmission Facility will be located, and ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms. To ensure that the Project Sponsor is financially able to pay the construction and operating costs, of the Merchant Transmission Facility, and where the Participating TO is not the Project Sponsor and is to construct the Merchant Transmission Facility under Section 24.4.1, the CAISO in cooperation

with the Participating TO may require (1) a demonstration of creditworthiness (e.g., an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the Merchant Transmission Facility.

#### **24.4.6.2 Reliability Driven Solutions**

The CAISO, in coordination with each Participating TO with a PTO Service Territory will, as part of the Transmission Planning Process and consistent with the procedures set forth in the Business Practice Manual, identify the need for any transmission solutions required to ensure System Reliability consistent with all Applicable Reliability Criteria and CAISO Planning Standards. In making this determination, the CAISO, in coordination with each Participating TO with a PTO Service Territory and other Market Participants, shall consider lower cost solutions, such as acceleration or expansion of existing transmission solutions, Demand-side management, Remedial Action Schemes, appropriate Generation, interruptible Loads, storage facilities or reactive support. The CAISO shall direct each Participating TO with a PTO Service Area, as a registered Transmission Planner with NERC, to perform the necessary studies, based on the Unified Planning Assumptions and Study Plan and any applicable Interconnection Study, and in accordance with the Business Practice Manual, to determine the solutions needed to meet all Applicable Reliability Criteria and CAISO Planning Standards. The Participating TO with a PTO Service Area shall provide the CAISO and other Market Participants with all information relating to the studies performed under this section, subject to any limitation provided in Section 20.2 or the applicable LGIP. The CAISO will determine the solution that meets the identified reliability need in the more efficient or cost effective manner.

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#### **24.4.6.4 Solutions to Maintain the Feasibility of Long Term CRRs**

The CAISO is obligated to ensure the continuing feasibility of Long Term CRRs that are allocated by the CAISO over the length of their terms. In furtherance of this requirement the CAISO shall, as part of its annual Transmission Planning Process cycle, test and evaluate the simultaneous feasibility of allocated

Long Term CRRs, including, but not limited to, when acting on the following types of projects: (a) planned or proposed transmission solutions; (b) Generating Unit or transmission retirements; (c) Generating Unit interconnections; and (d) the interconnection of new Load. Pursuant to such evaluations, the CAISO shall identify the need for any transmission solutions required to ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms and shall publish a Congestion Data Summary along with the results of the CAISO technical studies. In assessing the need for transmission solutions to maintain the feasibility of allocated Long Term CRRs, the CAISO, in coordination with the Participating TOs and other Market Participants, shall consider lower cost alternatives to the construction of transmission solutions, such as acceleration or expansion of existing transmission solutions; Demand-side management; Remedial Action Schemes; constrained-on Generation; interruptible Loads; reactive support; or in cases where the infeasible Long Term CRRs involve a small magnitude of megawatts, ensuring against the risk of any potential revenue shortfall using the CRR Balancing Account and uplift mechanism described in Section 11.2.4. As part of the CAISO's Transmission Planning Process, the Participating TOs and Market Participants shall provide the necessary assistance and information to the CAISO to allow it to assess and identify transmission solutions that may be necessary under Section 24.4.6.4. The CAISO will determine the solution that meets the identified need to maintain the feasibility of long-term CRRs in the more efficient or cost effective manner.

#### **24.4.6.5 LGIP Network Upgrades**

Beginning with the 2011/2012 planning cycle, Network Upgrades originally identified during the Phase II Interconnection Study or Interconnection Facilities Study Process of the Large Generation Interconnection Process as set forth in Section 7 of Appendix Y that are not already included in a signed LGIA may be assessed as part of the comprehensive Transmission Plan if these Network Upgrades satisfy the following criteria:

- (a) The Network Upgrades consist of new transmission lines 200 kV or above, and have capital costs of \$100 million or greater;
- (b) The Network Upgrade is a new 500 kV substation that has capital costs of \$100 million or greater; or,

(c) The Network Upgrades have a capital cost of \$200 million or more.

The CAISO will post a list of the Network Upgrades eligible for assessment in the Transmission Planning Process in accordance with the schedule set forth in the applicable Business Practice Manual. Network Upgrades included in the comprehensive Transmission Plan may include additional components not included in the Network Upgrades originally identified during the Phase II Interconnection Study or may be expansions of the Network Upgrades originally identified during the Phase II Interconnection Study if the CAISO determines during the Transmission Planning Process that such components or expansions are needed under Section 24.1. Network Upgrades identified in the LGIP Phase II studies but not assessed in the Transmission Planning Process will be included in Large Generator Interconnection Agreements, as appropriate. Network Upgrades assessed in the Transmission Planning Process but not modified or replaced will be included in Large Generator Interconnection Agreements, as appropriate. Construction and ownership of Network Upgrades specified in the comprehensive Transmission Plan under this section, including any needed additional components or expansions, will be the responsibility of the Participating TO if the Phase II studies identified the original Network Upgrade as needed and such Network Upgrade has not yet been set forth in an executed Large Generator Interconnection Agreement. To the extent that additional components or expansions to Network Upgrades remain the responsibility of the Participating TO and such Network Upgrades are subsequently abandoned, the Participating TO shall be presumed to be eligible, subject to prudence and any other applicable review by FERC, to include in its TRR the costs of such Network Upgrades if the costs attributable to the abandonment of such Network Upgrades (as modified, replaced or otherwise reconfigured in the Transmission Planning Process) exceed the amounts funded by Interconnection Customers pursuant to Appendix Y. This presumption shall not apply in the case of Network Upgrades which the applicable Participating TO agreed to up-front fund independent of any obligation to fund pursuant to the Transmission Planning Process. If, through the Transmission Planning Process, the CAISO identifies any additional components or expansions of Network Upgrades that result in the need for other transmission solutions, the responsibility to build and own such transmission solutions will be determined by this Section 24, according to the category of those other transmission solutions. Any decision in the Transmission Planning Process to modify Network Upgrades identified in the Large Generator Interconnection Process will not increase the cost

responsibility of the Interconnection Customer as described in Appendix Y, Section 7. Category 1 policy-driven transmission solutions identified under Section 24.4.6.7 could supplant the need for LGIP Network Upgrades that would be developed in subsequent Generator Interconnection Process cycles. To the extent that a Category 1 policy-driven transmission solution eliminates or downsizes the need for a Network Upgrade, the Interconnection Customer's cost responsibility for such Network Upgrade shall be eliminated or reduced. Any financial security posting shall be adjusted accordingly.

#### **24.4.6.6 Policy-Driven Transmission Solutions**

Once the CAISO has identified reliability-driven solutions, LCRIF projects eligible for conditional or final approval, solutions needed to maintain long-term CRR feasibility, qualified Merchant Transmission Facilities, and needed LGIP Network Upgrades as described in Section 24.4.6.5, the CAISO shall evaluate transmission solutions needed to meet state, municipal, county or federal policy requirements or directives as specified in the Study Plan pursuant to Section 24.3.2(i). Policy-driven transmission solutions will be either Category 1 or Category 2 transmission solutions. Category 1 transmission solutions are those which under the criteria of this section are found to be needed and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle. Category 2 transmission solutions are those that could be needed to achieve state, municipal, county or federal policy requirements or directives but have not been found to be needed in the current planning cycle based on the criteria set forth in this section. The CAISO will determine the need for, and identify such policy-driven transmission solutions that efficiently and effectively meet applicable policies under alternative resource location and integration assumptions and scenarios, while mitigating the risk of stranded investment. The CAISO will create a baseline scenario reflecting the assumptions about resource locations that are most likely to occur and one or more reasonable stress scenarios that will be compared to the baseline scenario. Any transmission solutions that are in the baseline scenario and at least a significant percentage of the stress scenarios may be Category 1 transmission solutions. Transmission solutions that are included in the baseline scenario but which are not included in any of the stress scenarios or are included in an insignificant percentage of the stress scenarios, generally will be Category 2 transmission solutions, unless the CAISO finds that sufficient analytic justification exists to

designate them as Category 1 transmission solutions. In such cases, the ISO will make public the analysis upon which it based its justification for designating such transmission solutions as Category 1 rather than Category 2. In this process, the CAISO will consider the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission solutions as evidenced by signed and approved power purchase agreements and interconnection agreements;
- (b) the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission solution as compared to the potential planning level costs of other transmission solutions;
- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission solutions themselves; the extent to which the transmission solutions will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the CAISO grid;
- (f) potential future connections to other resource areas and transmission facilities;
- (g) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
- (h) the potential for a particular transmission solution to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
- (i) the effect of uncertainty associated with the above criteria, and any other considerations, that could affect the risk of stranded investment; and

- (j) the effects of other solutions being considered for approval during the planning process.

#### **24.4.6.7 Economic Studies and Mitigation Solutions**

Once the CAISO has identified reliability-driven solutions, LCRIF projects eligible for conditional or final approval, qualified Merchant Transmission Facilities and policy-driven transmission solutions, the CAISO will conduct the High Priority Economic Planning Studies selected under Section 24.3.4 and any other studies that the CAISO concludes are necessary to determine whether additional transmission solutions are necessary to address:

- (a) Congestion identified by the CAISO in the Congestion Data Summary published for the applicable Transmission Planning Process cycle; and the magnitude, duration, and frequency of that Congestion;
- (b) Local Capacity Area Resource requirements;
- (c) Congestion projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (d) Integration of new generation resources or loads on an aggregated or regional basis.

In determining whether additional transmission solutions are needed, the CAISO shall consider the degree to which, if any, the benefits of the transmission solutions outweigh the costs, in accordance with the procedures set forth in the Business Practice Manual. The benefits of the solutions may include a calculation of any reduction in production costs, Congestion costs, Transmission Losses, capacity or other electric supply costs resulting from improved access to cost-efficient resources. The cost of the transmission solution must consider any estimated costs identified under Section 24.4.6.4 to maintain the simultaneous feasibility of allocated Long Term CRRs for the length of their term. The CAISO, in determining whether a particular solution is needed, shall also consider the comparative costs and benefits of viable alternatives to the particular transmission solution, including: (1) other potential transmission solutions, including those being considered or proposed during the Transmission Planning Process; (2) acceleration or expansion of any transmission solution already approved by the CAISO

Governing Board or included in any CAISO comprehensive Transmission Plan, and (3) non-transmission solutions, including demand-side management.

**24.4.6.8 [Not Used]**

**24.4.7 Description of Transmission Solutions**

The transmission solutions identified in the draft and final comprehensive Transmission Plan that are subject to the competitive solicitation process will provide sufficient engineering detail to permit Project Sponsors to submit complete proposals, under Section 24.5.1 to build the identified transmission solution.

As further described in the Business Practice Manual, such details may include, but are not limited to:

- (a) Minimum Conductor Ampacity;
- (b) Approximate Line impedance required;
- (c) Approximate Series compensation levels;
- (d) Substation bus and breaker configuration;
- (e) Breaker clearing times;
- (f) Transformer characteristics (capacity, impedance, tap range);
- (g) Minimum Shunt capacitor and reactor sizes;
- (h) Minimum FACTS device specifications;
- (i) SPS requirements;
- (j) Planning level cost estimates;
- (k) Projected in-service date.

**24.4.8 Additional Contents of Comprehensive Transmission Plan**

In addition to the detailed descriptions of specific needed transmission solutions, the draft and final comprehensive Transmission Plan may include: (1) the results of technical studies performed under the Study Plan; (2) determinations and recommendations regarding the need for identified transmission solutions and their identification as either Local or Regional Transmission Facilities; (3) assessments of solutions submitted as alternatives to the potential solutions to needs identified by the CAISO and studied during the Transmission Planning Process cycle; (4) results of Economic Planning Studies (except for the 2010/2011 cycle); (5) an update on the status of transmission solutions previously approved by the

CAISO, including identification of mitigation plans, if necessary, to address any potential delay in the anticipated completion of an approved transmission solution; (6) a description of transmission solutions with an estimated capital investment of \$50 million or more for which additional studies are required before being presented to the CAISO Governing Board for approval following completion of the studies; (7) a description of Category 2 transmission solutions recommended for consideration in future planning cycles; (8) identification of Interregional Transmission Projects that were submitted in the current planning cycle, could potentially meet regional needs, and will be evaluated in the next planning cycle; and (9) determinations and recommendations regarding the need for Interregional Transmission Projects that have been evaluated and found to be more cost effective and efficient solutions to regional transmission needs and that satisfy all requirements relevant to meeting such needs.

#### **24.4.9 Phase 2 Stakeholder Process**

- (a) According to the schedule and procedures set forth in the Business Practice Manual, the CAISO will schedule one (1) public meeting after the CAISO technical study results have been posted and Participating TOs have submitted (i) the results of technical studies conducted at the direction of the CAISO (if applicable); and (ii) reliability-driven solutions. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice. Interested parties will be provided a minimum two (2) week period to provide written comments regarding the technical study results and the proposals submitted by the Participating TOs.
- (b) The CAISO will schedule at least one (1) other public meeting before the draft comprehensive Transmission Plan is posted to provide information about any policy-driven transmission solution evaluations or economic planning studies that have been completed since the prior public meeting was held, as well as updated information about any studies or evaluations that are still in progress. Notice of such meeting, web conference or teleconference will be provided to stakeholders via Market Notice.

- (c) In accordance with the schedule and procedures in the Business Practice Manual, but not less than one-hundred and twenty (120) days after the results of the CAISO's technical studies are posted and not less than six (6) weeks after the Request Window closes, the CAISO will post a draft comprehensive Transmission Plan. The CAISO will subsequently conduct a public conference regarding the draft comprehensive Transmission Plan and solicit comments, consistent with the timelines and procedures set forth in the Business Practice Manual. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice and such notice shall be posted to the CAISO Website. After consideration of comments, the CAISO will post the revised draft comprehensive Transmission Plan to the CAISO Website.

#### **24.4.10 Transmission Plan Approval Process**

The revised draft comprehensive Transmission Plan, along with the stakeholder comments, will be presented to the CAISO Governing Board for consideration and approval. Upon approval of the plan, all needed transmission solutions and Interregional Transmission Projects, net of all transmission and non-transmission alternatives considered in developing the comprehensive Transmission Plan, will be deemed approved by the CAISO Governing Board. Following Governing Board approval, the CAISO will post the final comprehensive Transmission Plan to the CAISO Website. According to the schedule set forth in the Business Practice Manual, transmission solutions with capital costs of \$50 million or less can be approved by CAISO management and may proceed to permitting and construction prior to Governing Board approval of the plan. Such CAISO management approved transmission solutions may be subject to a competitive solicitation process, consistent with Section 24.5, on an accelerated schedule that will allow the approved Project Sponsor to proceed to permitting and construction prior to Governing Board approval of the plan. CAISO management may also expedite approval of a transmission solution ahead of the approval schedule for other solutions with capital costs of \$50 million or less if: (1) there is an urgent need for approval of the solution ahead of the schedule established in the

Business Practice Manual; (2) there is a high degree of certainty that approval of the transmission solution will not conflict with other solutions being considered in Phase 2; and (3) the need to accelerate a solution is driven by the CAISO's study process or by external circumstances. Should the CAISO find that a transmission solution with capital costs of \$50 million or less is needed on an expedited basis, after a stakeholder consultation process, CAISO management shall brief the Governing Board at a regularly-scheduled or special public session prior to approving the transmission solution and conducting a competitive solicitation, if appropriate. A Participating Transmission Owner will have the responsibility to construct, own, finance and maintain any Local Transmission Facility deemed needed under this Section 24 that is located entirely within such Participating Transmission Owner's PTO Service Territory or footprint, as well as any upgrade or addition to an existing transmission facility. The provisions of Section 24.5 will apply to a Regional Transmission Facility deemed needed under this Section 24. Section 24.5 will also apply to any transmission solutions that are associated with both Regional Transmission Facilities and Local Transmission Facilities but for which the CAISO determines that it is not reasonable to divide construction responsibility among multiple Project Sponsors. Construction and ownership of a selected Interregional Transmission Project shall be determined in accordance in Section 24.17.3.

## **24.5 Transmission Planning Process Phase 3**

### **24.5.1 Competitive Solicitation Process**

According to the schedule set forth in the Business Practice Manual, in the month following the CAISO Governing Board's approval of the comprehensive Transmission Plan, the CAISO will initiate a period of at least two (2) months that will provide an opportunity for Project Sponsors to submit specific proposals to finance, own, and construct the Regional Transmission Facilities subject to competitive solicitation identified in the comprehensive Transmission Plan. If the transmission solution adopted in Phase 2 involves an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility, the Participating TO will construct and own such upgrade, improvement, addition or replacement facilities unless a Project Sponsor and the Participating TO agree to a different arrangement.

For Regional Transmission Facilities with capital costs of \$50 million or less that were approved by CAISO management before Governing Board approval of the comprehensive Transmission Plan, the two month period will be initiated following management approval of the facility, and the Project Sponsor selection process may follow an accelerated schedule described in the Business Practice Manual. Such proposals must include plan of service details and supporting information as set forth in the Business Practice Manual sufficient to: (1) enable the CAISO to determine whether the Project Sponsor meets the qualification criteria specified in Section 24.5.3.1; (2) enable the CAISO to determine whether a Project Sponsor's proposal meets the proposal qualification criteria in Section 24.5.3.2; and (3) enable the CAISO, if there are multiple qualified Project Sponsors bidding on the same Regional Transmission Facility, to conduct a comparative analysis of the proposals and Project Sponsors and select an Approved Project Sponsor as described in Section 24.5.2.5. The project proposal will identify the authorized governmental body from which the Project Sponsor will seek siting approval for the project.

Within 30 days after the CAISO posts the draft comprehensive Transmission Plan to its website, for each Regional Transmission Facility identified in the comprehensive Transmission Plan that is subject to competitive solicitation, the CAISO will post, for informational purposes only, those existing qualification criteria and selection factors, in addition to any binding cost containment commitments, which the CAISO believes are key for purposes of selecting an Approved Project Sponsor for the particular transmission solution, consistent with the comparative analysis described in Section 24.5.4 and the project sponsor qualification and selection criteria specified in Sections 24.5.3.1 and 24.5.4, respectively. Thus, Project Sponsors will have a minimum of ninety (90) days after the posting of key selection criteria before the deadline for submitting proposals to construct, own, operate, and maintain a transmission solution subject to competitive solicitation. The posting of such key criteria is solely intended to provide information to Project Sponsors to assist them in the preparation of their applications and to highlight specific topics to which particular attention should be paid in the application given their importance in connection with a particular Regional Transmission Facility. The posting of the key selection criteria is not a replacement or substitute for the qualification and selection criteria set forth in Sections 24.5.3.1 and 24.5.4, and in its comparative analysis conducted in accordance with Section 24.5.4, the ISO is required to comparatively assess all of the qualification and selection criteria, not just those listed as key selection criteria. In its

posting of the key selection criteria, the ISO cannot add new or different criteria than those already specified in Sections 24.5.3.1 and 24.5.4. To determine the key criteria for each transmission solution subject to competitive solicitation, the ISO will consider: (1) the nature, scope and urgency of the need for the transmission solution; (2) expected severity of siting or permitting challenges; (3) the size of the transmission solution, potential financial risk associated with the transmission solution, expected capital cost magnitude, cost overrun likelihood and the ability of the Project Sponsor to contain costs; (4) the degree of permitting, rights-of-way, construction, operation and maintenance difficulty; (5) risks associated with the construction, operation and maintenance of the transmission solution; (6) technical and engineering design difficulty or whether specific expertise in design or construction is required; (7) special circumstances or difficulty associated with topography, terrain or configuration; (8) specific facility technologies or materials associated with the transmission solution; (9) binding cost containment measures, including cost caps; (10) abandonment risk; and (11) whether the overall cost of the transmission solution impacts the ISO's prior determination of, and inclusion in, the comprehensive Transmission Plan of the more efficient or cost effective solution during Phase 2 of the transmission planning process.

The posting of the key selection criteria shall not undermine the ISO's prior determination in Phase 2 of the transmission planning process of the more efficient or cost-effective transmission solution to be reflected in the comprehensive Transmission Plan, nor shall the posting of the key criteria replace or be inconsistent with the ISO's obligation under Section 24.5.4 to undertake a comparative analysis of each Project Sponsor with respect to each Project Sponsor qualification and selection criterion. If the CAISO determines in Phase 2 of the transmission planning process that more than one transmission solution could constitute the more efficient or cost-effective solution to meet a specific identified need depending on the outcome of the competitive solicitation, the CAISO shall have the authority to identify more than one potential transmission solution in the comprehensive Transmission Plan. Under those circumstances, based on the outcome of the competitive solicitation, the CAISO will make the final determination of which alternative transmission solution identified in the Board-approved comprehensive Transmission Plan constitutes the more efficient or cost-effective transmission solution to be selected for construction.

## **24.5.2 Project Sponsor Application and Information Requirements**

All project sponsors must submit a Project Sponsor application form as set forth in the Business Practice Manual and posted on the CAISO website. Any entity may submit a Project Sponsor application to finance, construct, own, operate and maintain a transmission solution identified in the comprehensive Transmission Plan subject to the competitive solicitation process. There is no requirement that a Project Sponsor first be qualified before it may submit a Project Sponsor application for such a transmission solution.

### **24.5.2.1 Project Sponsor Information Requirements**

The application to be submitted to the CAISO by an entity desiring to become an Approved Project Sponsor shall include the following general information (as well as related details) in response to the questions on the application form:

(a) The following financial information:

(i) A proposed financial plan demonstrating that adequate capital resources are available to the Project Sponsor to finance the transmission solution, and that constructing, operating and maintaining the facilities will not significantly impair the Project Sponsor's creditworthiness or financial condition;

(ii) A showing from the Project Sponsor's most recent audited financial statements that the Project Sponsor's assets are in excess of liabilities as a percentage of the total cost of the transmission solution;

(iii) Financial funding ratios from the most recent audited financial statements;

(iv) Credit arrangements between affiliated entities, including corporate parent, and compliance with regulatory restrictions and requirements; and,

- (v) Bankruptcy, dissolution, merger or acquisition history;
- (b) The credit rating from Moody's Investor Services and Standard & Poors of the Project Sponsor, or its parent company, controlling shareholder, or any other entity providing a bond guaranty or corporate commitment to the Project Sponsor,;
- (c) Information showing the Project Sponsor's ability to assume liability for major losses resulting from failure of, or damage to, the transmission facility, including damage after the facility has been placed into operation;
- (d) The projected in-service date of each transmission solution with a construction plan and timetable;
- (e) A description of the Project Sponsor's proposed engineering, construction, maintenance and management teams, including relevant capability and experience;
- (f) A description of the Project Sponsor's resources for operating and maintaining the transmission solution after it is placed in-service;
- (g) A discussion of the capability and experience of the Project Sponsor that would enable it to comply with all on-going scheduling, operating, and maintenance activities required for each transmission solution, including those required by the tariff, business practice manuals, policies, rules, guidelines, and procedures established by the CAISO;
- (h) Resumes for all key management personnel, including contractors, that will be involved in obtaining siting approval and other required regulatory approvals and for constructing, operating and maintaining each transmission solution;
- (i) A description of the Project Sponsor's business practices that demonstrate consistency with Good Utility Practice for proper licensing, designing and right-of-way acquisition for constructing, operating and maintaining transmission solutions that will become part of the CAISO Controlled Grid;

- (j) The Project Sponsor's previous record regarding construction, operation and maintenance of transmission facilities within and outside the CAISO Controlled Grid;
- (k) The Project Sponsor's pre-existing procedures and practices for acquiring and managing right of way and other land for transmission facility, or, in the absence of preexisting procedures or practices, a detailed description of its plan for right of way and other land acquisition;
- (l) A description of existing rights of way or substations upon which all or a portion of the transmission facility can be located and incremental costs, if any, that would be incurred in connection with placing new or additional facilities associated with the transmission solution on such existing rights of way;
- (m) The Project Sponsor's preexisting practices or procedures for mitigating the impact of the transmission solution on affected landowners and for addressing public concerns regarding facilities associated with the transmission solution. In the absence of such preexisting practices or procedures, the Project Sponsor shall provide a detailed plan for mitigating such impacts and addressing public concerns;
- (n) A description of the following and any related or relevant information regarding:
  - (i) the proposed structure types and composition, conductor size and type;
  - (ii) the proposed route and rights of way; and
  - (iii) a plan for addressing topography issues;
- (o) Cost containment capabilities and cost cap, if any;
- (p) Description of the Project Sponsor's plan for complying with standardized maintenance and operation practices and all applicable reliability standards;

- (q) Any other strengths and advantages that the Project Sponsor and its team may have to build and own the transmission solution, as well as any specific efficiencies or benefits demonstrated in its Project Sponsor proposal; and
- (r) The authorized government body from which the Project Sponsor will seek siting approval for the transmission solution and the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, as well as its history of imposing such measures.

Additional details about the information that must be submitted is set forth in the Business Practice Manual and on the application form. On the CAISO's request, the Project Sponsor will provide additional information that the CAISO reasonably determines is necessary to conduct its qualification and selection evaluation with respect to the particular transmission solutions that are subject to competitive solicitation.

#### **24.5.2.2 Posting Applications With Sufficient Information**

Upon receipt of a Project Sponsor's application, the CAISO will review the application for completeness and will verify that the application contains sufficient information for the CAISO to determine whether the Project Sponsor is qualified to be selected as an Approved Project Sponsor. By the deadline set forth in the Business Practice Manual, the ISO will notify each Project Sponsor whether the application is complete or whether additional information is required. Project Sponsors will be given an opportunity to cure any deficiencies in their application submissions in accordance with the schedule set forth in the Business Practice Manual. After the end of the cure period, and subject to the confidentiality provisions set forth in Tariff Section 20, the CAISO will post to its Website a list of Project Sponsors whose applications contain sufficient information and have met the requirements set forth in the Business Practice Manual.

#### **24.5.2.3 Multiple Project Sponsor Proposals: Collaboration**

If two (2) or more Project Sponsors submit proposals to finance, own, and construct the same transmission solution, the CAISO will, upon request, facilitate an opportunity for the Project Sponsors to collaborate with each other to submit a joint proposal to meet such need. Following the collaboration

period, if any Project Sponsors submit a joint proposal, the CAISO will determine whether the joint Project Sponsors are qualified to finance, construct, own, operate and maintain the transmission solution in accordance with the qualification criteria described in Section 24.5.3.

### **24.5.3 Project Sponsor and Proposal Qualification**

#### **24.5.3.1 Project Sponsor Qualification**

After posting the list of information-sufficient applications and, if applicable, after the conclusion of any applicable collaboration process under Section 24.5.2.2, the CAISO will evaluate the information submitted by each Project Sponsor in response to the questions on the application pertaining to Sections 24.5.2.1(a)-(i) to determine whether the Project Sponsor has demonstrated that its team is physically, technically, and financially capable of (i) completing the needed transmission solution in a timely and competent manner; and (ii) operating and maintaining the transmission solution in a manner that is consistent with Good Utility Practice and applicable reliability criteria for the life of the project, based on the following qualification criteria:

- (a) whether the Project Sponsor has assembled a sufficiently-sized team with the manpower, equipment, knowledge and skill required to undertake the design, construction, operation and maintenance of the transmission solution;
- (b) whether the Project Sponsor and its team have sufficient financial resources, including, but not limited to, satisfactory credit ratings and other financial indicators as well as the demonstrated ability to assume liability for major losses resulting from failure of any part of the facilities associated with the transmission solution;
- (c) whether the Project Sponsor has (1) proposed a schedule for development and completion of the transmission solution consistent with need date identified by the CAISO; and (2) has the ability to meet that schedule;

- (d) whether the Project Sponsor and its team have the necessary technical and engineering qualifications and experience to undertake the design, construction, operation and maintenance of the transmission solution;
- (e) whether the Project Sponsor makes a commitment to become a Participating TO for the purpose of turning the Regional Transmission Facility that the Project Sponsor is selected to construct and own as a result of the competitive solicitation process over to the ISO's Operational Control , to enter into the Transmission Control Agreement with respect to the transmission solution, to adhere to all Applicable Reliability Criteria and to comply with NERC registration requirements and NERC and WECC standards, where applicable.

If the CAISO determines that a Project Sponsor meets these criteria, it shall be deemed a qualified Project Sponsor.

#### **24.5.3.2 Proposal Qualification**

After evaluating the Project Sponsor's qualifications as described in Section 24.5.3.1, the ISO will determine whether the transmission solution proposed by a Project Sponsor is qualified for consideration, based on the following criteria:

- (a) Whether the proposed design of the transmission solution is consistent with needs identified in the comprehensive Transmission Plan;
- (b) Whether the proposed design of the transmission solution satisfies Applicable Reliability Criteria and CAISO Planning Standards;

#### **24.5.3.3 Posting Qualified Project Sponsors and Proposals**

The CAISO will post a list of qualified Project Sponsors and proposals in accordance with the schedule set forth in the Business Practice Manual. Once the list has been posted, the CAISO will provide any Project Sponsors who did not meet the Project Sponsor qualification criteria or whose proposal did not meet the proposal qualification criteria a period within which to cure deficiencies in the application

submission, as set forth in the Business Practice Manual. The CAISO will evaluate any additional information provided by these Project Sponsors and will re-post the list of qualified Project Sponsors, if necessary, once the re-assessment has been completed and in accordance with the schedule in the Business Practice Manual.

#### **24.5.3.4 Single Qualified Project Sponsor and Proposal**

If only one (1) Project Sponsor, including joint Project Sponsors resulting from a collaboration, submits a proposal to finance, own, and construct a specific transmission solution and the CAISO determines that the Project Sponsor is qualified to own and construct the transmission solution under the criteria set forth in Section 24.5.3.1 and the proposal meets the proposal qualification criteria in Section 24.5.3.2, the Project Sponsor will be the Approved Project Sponsor and must initiate the process of seeking siting approval, and any other necessary approvals, from the appropriate authority or authorities within one-hundred twenty (120) days of CAISO approval.

#### **24.5.3.5 Multiple Qualified Project Sponsors and Proposals: Selection of Approved Project Sponsor**

If there are multiple qualified Project Sponsors and proposals for the same transmission solution, the CAISO will select one qualified Approved Project Sponsor based on a comparative analysis of the degree to which each Project Sponsor's proposal meets the qualification criteria set forth in Section 24.5.3.1 and the selection factors set forth in 24.5.4. The CAISO will engage an expert consultant to assist with the selection of the Approved Project Sponsor. Thereafter, the Approved Project Sponsor must initiate the process of seeking siting approval, and any other necessary approvals, from the appropriate authority or authorities within one-hundred twenty (120) days of CAISO approval.

#### **24.5.4 Project Sponsor Selection Factors and Comparative Analysis**

The CAISO will conduct a comparative analysis to select an Approved Project Sponsor from among multiple project sponsor proposals, as described in Section 24.5.3.5. The purpose of this comparative analysis is to take into account all transmission solutions being proposed by competing Project Sponsors seeking approval of their transmission solution and to select a qualified Project Sponsor which is best

able to design, finance, license, construct, maintain, and operate the particular transmission facility in a cost-effective, efficient, prudent, reliable, and capable manner over the lifetime of the facility, while maximizing overall benefits and minimizing the risk of untimely project completion, project abandonment, and future reliability, operational and other relevant problems, consistent with Good Utility Practice, applicable reliability criteria, and CAISO Documents. To conduct this comparative analysis, the CAISO will use the qualification criteria described in Section 24.5.3.1 as well as the following selection factors:

- (a) the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the solution;
- (b) the Project Sponsor's existing rights of way and substations that would contribute to the transmission solution in question;
- (c) the experience of the Project Sponsor and its team in acquiring rights of way, if necessary, that would facilitate approval and construction, and in the case of a Project Sponsor with existing rights of way, whether the Project Sponsor would incur incremental costs in connection with placing new or additional facilities associated with the transmission solution on such existing right of way;
- (d) the proposed schedule for development and completion of the transmission solution and demonstrated ability to meet that schedule of the Project Sponsor and its team;
- (e) the financial resources of the Project Sponsor and its team;
- (f) The technical and engineering qualifications and experience of the Project Sponsor and its team;

- (g) if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO Controlled Grid of the Project Sponsor and its team;
- (h) demonstrated capability to adhere to standardized construction, maintenance and operating practices of the Project Sponsor and its team;
- (i) demonstrated ability to assume liability for major losses resulting from failure of facilities of the Project Sponsor;
- (j) demonstrated cost containment capability of the Project Sponsor and its team, specifically, binding cost control measures the Project Sponsor agrees to accept, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude costs for the transmission solution above the cap from being recovered through the CAISO's Transmission Access Charge, and, if none of the competing Project Sponsors proposes a binding cost cap, the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, and its history of imposing such measures; and
- (k) any other strengths and advantages the Project Sponsor and its team may have to build and own the specific transmission solution, as well as any specific efficiencies or benefits demonstrated in their proposal.

#### **24.5.5 Notice to Project Sponsors**

The CAISO will notify Project Sponsors as to results of the project evaluation process in accordance with the schedule and procedures set forth in the Business Practice Manual. Within 10 Business Days after selecting an Approved Project Sponsor(s) for a needed transmission solution, the CAISO will post on the CAISO website a report regarding the selection of the Approved Project Sponsor(s). The report will set forth in a detailed manner the results of the comparative analysis undertaken by the CAISO, the reasons for the CAISO's decision(s), and how the CAISO's decision is consistent with the objectives identified in

Section 24.5.4. The report will specifically identify the role of the selection factors set forth in 24.5.4 in determining, or not determining, the ultimate selection of project sponsors.

## **24.6 Obligation to Construct Transmission Solutions**

The Approved Project Sponsor selected to construct the needed transmission solution or the applicable Participating TO where there is no Approved Project Sponsor, must make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of the required transmission solution. This obligation includes the Approved Project Sponsor's use of eminent domain authority, where provided by state law. A Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located shall be obligated to construct all regional transmission solutions included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor either from the first competitive solicitation or future competitive solicitations. The Approved Project Sponsor shall not sell, assign or otherwise transfer its rights to finance, construct and own the needed transmission solution, or any element thereof, before the facilities have been energized and, if applicable, turned over to the CAISO's Operational Control unless the CAISO has not approved such proposed transfer.

### **24.6.1 Approved Project Sponsor Reporting Requirements**

Starting one hundred and twenty (120) days after the Project Sponsor, or Participating TO with a service territory pursuant to Section 24.6 above, has been notified by the CAISO that it has been selected as an Approved Project Sponsor, such Approved Project Sponsor must submit a construction plan to the CAISO. At a minimum, and as further described in the Business Practice Manual, the construction plan will provide information on the following: land acquisition and permitting, materials procurement, and construction financing. Every ninety (90) days thereafter until the transmission solution has been energized and placed under CAISO Operational Control, the Approved Project Sponsor shall provide to the CAISO a construction plan status report. The status report shall conform to the format set forth in the Business Practice Manual and include, among other things, the following information: project schedule, status of obtaining necessary environmental permits and meeting licensing requirements, status of right-of-way acquisition, status of design and engineering, any changes in the continuing ability of the

Approved Project Sponsor to meet the design specifications of the transmission solution and the date upon which the transmission solution was found to be needed in the Transmission Plan. Unless the Approved Project Sponsor is the Participating TO in whose Participating TO service territory the project is wholly located, the CAISO shall provide a copy of the Approved Project Sponsor's status report to the Participating TO(s) in whose Participating TO service territory the transmission solution is fully or partially located and to any Participating TO with which the facilities interconnects. According to the schedule set forth in the Business Practice Manual, the CAISO shall, after providing the Participating TO(s) a copy of the report, hold a call with the Participating TO(s) to review whether the transmission solution completion date proposed by the Approved Project Sponsor can reasonably be expected to be met and to review any other items of concern to either the CAISO or the Participating TO(s).

#### **24.6.2 Delay in the Transmission Solution In-Service Date**

If the CAISO determines that the proposed completion date has been delayed beyond the date upon which the transmission solution was found to be needed, the CAISO shall issue a market notice stating that it is necessary for the CAISO, the Approved Project Sponsor (to the extent the Approved Project Sponsor has not abandoned the project), and the applicable Participating TO(s) to develop a plan to address potential NERC reliability standards violations as set forth in Section 24.6.3 as well as any other issues that may be of material concern arising from the delay of the transmission solution. If the potential NERC reliability standards violations, or other issues of material concern, cannot be promptly and adequately addressed, the CAISO will take appropriate action including but not limited to, determining that an alternate Approved Project Sponsor is necessary to complete the transmission solution as set forth in Section 24.6.4.

#### **24.6.3 Development and Submittal of Mitigation Plans**

If the CAISO determines that a delay in the date upon which a transmission solution is proposed to be energized may cause one or more Participating TO(s) or the CAISO to violate a NERC reliability standard, the CAISO shall identify the potential violation and direct the impacted Participating TO(s) to develop a mitigation plan. The CAISO or the impacted Participating TOs shall take any and all reasonable actions necessary to meet the requirements of the mitigation plan.

#### **24.6.4 Inability To Complete the Transmission Solution**

If the CAISO determines that the Approved Project Sponsor cannot secure necessary approvals or property rights or is otherwise unable to construct a transmission solution, or if the CAISO finds that an alternative Project Sponsor is necessary pursuant to Section 24.6.2, or if the Approved Project Sponsor determines that it is unable to proceed with construction of the transmission solution and so notifies the CAISO, the CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO and other affected Market Participants, to facilitate the development and evaluation of alternative solutions. In conducting such evaluation the CAISO will consider (1) the reasons that the Approved Project Sponsor was unable to construct the transmission solution; (2) whether the transmission solution is still needed; and (3) whether there are other solutions that could replace the original transmission solution as it was originally configured. For reliability driven transmission solutions, the CAISO may, at its discretion, direct the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located, to build the transmission solution, or the CAISO may open a new solicitation for Project Sponsors to finance, own, and construct the transmission solution. For all other transmission solutions, the CAISO shall open a new solicitation for Project Sponsors to finance, own, and construct the transmission solution. Where there is no Approved Project Sponsor, the CAISO shall direct the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution is located, to finance, own and construct the transmission solution. The previous Approved Project Sponsor shall be obligated to work cooperatively and in good faith with the CAISO, the new Approved Project Sponsor (if any) and the affected Participating TO, to implement the transition. The obligations of the Participating TO to construct the transmission solution will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of a Participating TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

\* \* \*

#### **24.10 Operational Review and Impact Analysis**

The CAISO will perform an analysis on the ISO Controlled Grid and an operational review of all Regional Transmission Facilities studied as part of the CAISO Transmission Planning Process that are proposed to be connected to, or made part of, the CAISO Controlled Grid to ensure that the solutions included in the comprehensive Transmission Plan provide for acceptable Operational Flexibility and meet all their requirements for proper integration with the CAISO Controlled Grid. This analysis includes identifying the impacts of Regional Transmission Facilities on neighboring Planning Regions or Balancing Authority Areas, including the resulting need, if any, for new solutions in such neighboring Planning Regions or Balancing Authority Areas. If the CAISO finds that a Regional Transmission Facility does not provide for acceptable Operational Flexibility, does not adequately integrate with the CAISO Controlled Grid or causes impacts on neighboring Planning Regions, transmission systems or Balancing Authority Areas, the CAISO shall coordinate with the operators of neighboring Balancing Authority Areas or transmission systems, if applicable, to reassess and redesign the Regional Transmission Facility to be constructed. If the impacts caused by Regional Transmission Facilities proposed to be added to the CAISO Controlled Grid can be mitigated through other solutions on the ISO Controlled Grid or through operational adjustments, the costs of such solutions shall be recovered through the CAISO's Regional Access Charge as part of the costs of the transmission solution. The CAISO shall not be responsible for compensating another transmission provider, Planning Authority, or Balancing Area Authority for the costs of any required solutions, or other consequences, on their systems associated with Regional Transmission Facilities, whether identified by the CAISO or the neighboring system, unless the CAISO voluntarily agrees to bear such costs pursuant to a written agreement with the neighboring system; provided that the CAISO will not agree to bear such costs until it first discusses the matter with stakeholders and provides stakeholders with an opportunity to submit comments. Transmission solutions that do not provide acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid cannot be included in the CAISO Transmission Plan or approved by CAISO management or the CAISO Governing Board, as applicable. Any costs of required transmission facilities in neighboring transmission systems associated with Regional Transmission Facilities that the CAISO agrees to bear will be recovered through the CAISO's Regional Access Charge, and all relevant tariff provisions pertaining to the calculation, billing, and recovery of the Regional Access Charge, and any related applicable

provisions, shall apply.

**Attachment B – Marked**

**Order No. 1000 Regional Compliance Filing**

**California Independent System Operator Corporation**

**August 16, 2013**

## 24. Comprehensive Transmission Planning Process

### 24.1 Overview

The CAISO will develop a comprehensive Transmission Plan and approve transmission ~~solutions upgrades or additions~~ using the Transmission Planning Process set forth in this Section 24. For purposes of this Section 24, transmission solutions include both entirely new transmission facilities and upgrades or additions to existing transmission facilities that are proposed, considered, and/or specified in the comprehensive Transmission Plan during Phase 2 to meet an identified need determined by the CAISO. Alternatives to transmission solutions are referred to as non-transmission solutions. Solutions to meet an identified need can be either transmission solutions or non-transmission solutions. The CAISO will analyze the need for transmission ~~solutions upgrades and additions~~ in accordance with the methodologies and criteria set forth in this Section 24, the Transmission Control Agreement, and the applicable Business Practice Manuals. The comprehensive Transmission Plan will identify Merchant Transmission Facilities meeting the requirements for inclusion in the Transmission Plan and transmission ~~upgrades or additions solutions~~ needed (1) to maintain System Reliability; (2) to satisfy the requirements of a Location Constrained Resource Interconnection Facility; (3) to maintain the simultaneous feasibility of allocated Long-Term CRRs; (4) as additional components or expansions to LGIP Network Upgrades are identified pursuant to Section 24.4.6.5; (5) to meet state, municipal, county and federal policy requirements and directives ~~that are not inconsistent with the Federal Power Act~~, including renewable portfolio standards policies; and (6) to reduce congestion costs, production supply costs, transmission losses, or other electric supply costs resulting from improved access to cost-effective resources ~~;~~ and (7) to reflect Merchant Facilities meeting the requirements for inclusion in the Transmission Plan. For purposes of this Section 24, the term “the year X/(X+1) planning cycle” will refer to the Transmission Planning Process initiated during year X to complete a comprehensive Transmission Plan in year X+1.

24.1.1 [NOT USED]

24.1.2 [NOT USED]

24.1.3 [NOT USED]

#### 24.1.4 [NOT USED]

### 24.2 Nature of the Transmission Planning Process

The CAISO will develop the annual comprehensive Transmission Plan and approve transmission ~~solutions upgrades or additions~~ using a Transmission Planning Process with three (3) phases. In Phase 1, the CAISO will develop and complete the Unified Planning Assumptions and Study Plan and, in parallel, begin development of a conceptual statewide plan. In Phase 2, the CAISO will complete the comprehensive Transmission Plan. In Phase 3, the CAISO will evaluate proposals to construct and own certain transmission ~~upgrades or additions~~ solutions specified in the comprehensive Transmission Plan.

The Transmission Planning Process shall, at a minimum:

- (a) Coordinate and consolidate in a single plan the transmission needs of the CAISO Balancing Authority Area for maintaining the reliability of the CAISO Controlled Grid in accordance with Applicable Reliability Criteria and CAISO Planning Standards, in a manner that promotes the economic efficiency of the CAISO Controlled Grid and considers federal and state environmental and other policies affecting the provision of Energy;
- (b) Reflect a planning horizon covering a minimum of ten (10) years that considers previously approved transmission upgrades and additions, Demand Forecasts, Demand-side management, capacity forecasts relating to generation technology type, additions and retirements, and such other factors as the CAISO determines are relevant;
- (c) Seek to avoid unnecessary duplication of facilities and ensure the simultaneous feasibility of the CAISO Transmission Plan and the transmission plans of interconnected Balancing Authority Areas, and coordinate with other Planning Regions and interconnected Balancing Authority Areas in accordance with, but not limited to, the Order 1000 Common Interregional Coordination and Cost Allocation Tariff Language in Section 24.18;

- (d) Identify existing and projected limitations of the CAISO Controlled Grid's physical, economic or operational capability or performance and identify transmission ~~solutions upgrades and additions~~, including alternatives thereto, deemed needed to address the existing and projected limitations;
- (e) Account for any effects on the CAISO Controlled Grid of the interconnection of Generating Units, including an assessment of the deliverability of such Generating Units in a manner consistent with CAISO interconnection procedures; and
- (f) Provide an opportunity for Interregional Transmission Projects submitted to the CAISO as a Relevant Planning Region to be evaluated as potential transmission solutions to CAISO regional transmission needs.

**24.2.1 [NOT USED]**

**24.2.2 [NOT USED]**

**24.2.3 [NOT USED]**

**24.2.4 [NOT USED]**

**24.2.5 [NOT USED]**

**24.3 Transmission Planning Process Phase 1**

Phase 1 consists of two (2) parallel processes: (1) the development of the Unified Planning Assumptions and Study Plan; and (2) initiation of the development of the statewide conceptual transmission plan, as discussed in Section 24.4.4.

**24.3.1 Inputs to the Unified Planning Assumptions and Study Plan**

The CAISO will develop Unified Planning Assumptions and a Study Plan using information and data from the approved Transmission Plan developed in the previous planning cycle. The CAISO will consider the following in the development of the Unified Planning Assumptions and Study Plan:

- (a) WECC base cases, as may be modified for the relevant planning horizon;
- (b) Transmission ~~solutions upgrades and additions~~ approved by the CAISO in past Transmission Planning Process cycles, including ~~solutions upgrades and additions~~ which the CAISO has determined address transmission needs in the comprehensive Transmission Plan developed in the previous planning cycle;
- (c) Category 2 policy-driven transmission ~~solutions upgrades and additions~~ from a prior planning cycle as described in Section 24.4.6.6;
- (d) Location Constrained Resource Interconnection Facilities conditionally approved under Section 24.4.6.3;
- (e) Network Upgrades identified pursuant to Section 25, Appendix U, Appendix V, Appendix Y or Appendix Z relating to the CAISO's Large Generator Interconnection Procedures and Appendices S and T relating to the CAISO's Small Generator Interconnection Procedures that were not otherwise included in the comprehensive Transmission Plan from the previous annual cycle;
- (f) Operational solutions validated by the CAISO in the Local Capacity Technical Study under Section 40.3.1;
- (g) Policy requirements and directives, as appropriate, including programs initiated by state, federal, municipal and county regulatory agencies;
- (h) Energy Resource Areas or similar resource areas identified by Local Regulatory Authorities;

- (i) Demand response programs that are proposed for inclusion in the base case or assumptions for the comprehensive Transmission Plan;
- (j) Generation and other non-transmission alternatives that are proposed for inclusion in long-term planning studies as alternatives to transmission ~~solutions~~ additions or upgrades;
- (k) Beginning with the 2011/2012 planning cycle, Economic Planning Study requests submitted in comments on the draft Unified Planning Assumptions and Study;
- (l) Planned facilities in interconnected Balancing Authority Areas; and
- (m) The most recent Annual Interregional Information provided by other Planning Regions.

#### **24.3.2 Contents of the Unified Planning Assumptions and Study Plan**

The Unified Planning Assumptions and Study Plan shall, at a minimum, provide:

- (a) The planning data and assumptions to be used in the Transmission Planning Process cycle, including, but not limited to, those related to Demand Forecasts and distribution, potential generation capacity additions and retirements, and transmission system modifications;
- (b) A description of the computer models, methodology and other criteria used in each technical study performed in the Transmission Planning Process cycle;
- (c) A list of each technical study to be performed in the Transmission Planning Process cycle and a summary of each technical study's objective or purpose;
- (d) A description of significant modifications to the planning data and assumptions as allowed by Section 24.3.1(a) and consistent with Section 24.3.2;

- (e) The identification of any entities directed to perform a particular technical study or portions of a technical study;
- (f) A proposed schedule for all stakeholder meetings to be held as part of the Transmission Planning Process cycle and the means for notification of any changes thereto, the location on the CAISO Website of information relating to the technical studies performed in the Transmission Planning Process cycle, and the name of a contact person at the CAISO for each technical study performed in the Transmission Planning Process cycle;
- (g) To the maximum extent practicable, and where applicable, appropriate sensitivity analyses, including project or solution alternatives, to be performed as part of the technical studies;
- (h) Descriptions of the High Priority Economic Planning Studies as determined by the CAISO under section 24.3.4.2; and
- (i) Identification of state or federal, municipal or county-requirements or directives that the CAISO will utilize, pursuant to Section 24.4.6.6, to identify policy-driven transmission solutionelements.

### 24.3.3

#### **Stakeholder Input - Unified Planning Assumptions/Study Plan**

- (a) Beginning with the 2011/2012 planning cycle and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will provide a comment period during which Market Participants, electric utility regulatory agencies and all other interested parties may submit the following proposals for consideration in the development of the draft Unified Planning Assumptions and Study Plan:
  - (i) Demand response programs for inclusion in the base case or assumptions;

- (ii) Generation and other non-transmission alternatives, consistent with Section 24.3.2(a) proposed as alternatives to transmission ~~additions or upgrades solutions~~; and
- (iii) State, municipal, county or federal policy requirements or directives ~~that are not inconsistent with the Federal Power Act.~~

- (b) Following review of relevant information, including stakeholder comments submitted pursuant to Section 24.3.3(a), the CAISO will prepare and post on the CAISO Website a draft of the Unified Planning Assumptions and Study Plan. The CAISO will issue a Market Notice announcing the availability of such draft, soliciting comments, and scheduling a public conference(s) as required by Section 24.3.3(c);
- (c) No less than one (1) week subsequent to the posting of the draft Unified Planning Assumptions and Study Plan, the CAISO will conduct a minimum of one (1) public meeting open to Market Participants, electric utility regulatory agencies, and other interested parties to review, discuss, and recommend modifications to the draft Unified Planning Assumptions and Study Plan. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice;
- (d) Interested parties will be provided a minimum of two (2) weeks following the first public meeting to provide comments on the draft Unified Planning Assumptions and Study Plan. Such comments may include Economic Planning Study requests based on the comprehensive Transmission Plan from the prior cycle. All comments on the draft Unified Planning Assumptions and the Study Plan will be posted by the CAISO to the CAISO Website;

- (e) Following the public conference(s), and under the schedule set forth in the Business Practice Manual, the CAISO will determine and publish to the CAISO Website the final Unified Planning Assumptions and Study Plan in accordance with the procedures set forth in the Business Practice Manual. The final Unified Planning Assumptions and Study Plan will include an explanation as to the public policy requirements or directives that were selected for consideration in the current planning cycle as well as the suggested public policy requirements and directives that were not selected for consideration and the reasons therefor. The CAISO will post the base cases to be used in the technical studies to its secured website as soon as possible after the final Unified Planning Assumptions and Study Plan have been published;
- (f) A public policy requirement or directive selected for consideration in a transmission planning cycle will be carried over into subsequent transmission planning cycles unless the ISO determines that such public policy requirement or directive has been eliminated, modified, or is otherwise not applicable or relevant for transmission planning purposes in a current transmission planning cycle. The ISO will provide an explanation of any decision not to consider a previously identified public policy requirement or directive from consideration in the current transmission planning process cycle.

#### **24.3.4 Economic Planning Studies**

##### **24.3.4.1 CAISO Assessment of Requests for Economic Planning Studies**

Following the submittal of a request for an Economic Planning Study, the CAISO will determine whether the request shall be designated as a High Priority Economic Planning Study for consideration in the development of the comprehensive Transmission Plan. In making the determination, the CAISO will consider:

- (a) Whether the requested Economic Planning Study seeks to assess Congestion not identified or identified and not mitigated by the CAISO in previous Transmission Planning Process cycles;
- (b) Whether the requested Economic Planning Study addresses delivery of Generation from Location Constrained Resource Interconnection Generators or network transmission facilities intended to access Generation from an Energy Resource Area or similar resource area assigned a high priority by the CPUC or CEC;
- (c) Whether the requested Economic Planning Study is intended to address Local Capacity Area Resource requirements;
- (d) Whether resource and Demand information indicates that Congestion described in the Economic Planning Study request is projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (e) Whether the Economic Planning Study is intended to encompass the upgrades necessary to integrate new generation resources or loads on an aggregated or regional basis.

#### **24.3.4.2 Selection of High Priority Economic Planning Studies**

In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will post to the CAISO Website the list of selected High Priority Economic Planning Studies to be included in the draft Unified Planning Assumptions and Study Plan. The CAISO may assess requests for Economic Planning Studies individually or in combination where such requests may have common or complementary effects on the CAISO Controlled Grid. As appropriate, the CAISO will perform requested High Priority Economic Planning Studies, up to five (5); however, the CAISO retains discretion to perform more than five (5) High Priority Economic Planning Studies should stakeholder requests or patterns of Congestion or anticipated Congestion so warrant. Market Participants may, consistent with Section

24.3.1 and 24.3.2, conduct Economic Planning Studies that have not been designated as High Priority Economic Planning Studies at their own expense and may submit such studies for consideration in the development of the comprehensive Transmission Plan.

## **24.4 Transmission Planning Process Phase 2**

### **24.4.1 Conducting Technical Studies**

- (a) In accordance with the Unified Planning Assumptions and Study Plan and with the procedures and deadlines in the Business Practice Manual, the CAISO will perform, or direct the performance by third parties of, technical studies and other assessments necessary to develop the comprehensive Transmission Plan, including such technical studies and other assessments as are necessary in order to determine whether and how to include ~~elements~~transmission solutions from the conceptual statewide transmission plan, Regional Transmission Facilities, or other alternatives~~s-elements~~ identified by the CAISO during the Phase 2 studies in the comprehensive Transmission Plan. According to the schedule set forth in the applicable Business Practice Manual, the CAISO will post the preliminary results of its technical studies and proposed mitigation solutions on the CAISO Website. The CAISO's technical study results and mitigation solutions shall be posted not less than one-hundred and twenty (120) days after the final Unified Planning Assumptions and Study Plan are published, along with the results of the technical studies conducted by Participating TOs or other third parties at the direction of the CAISO;
- (b) All technical studies, whether performed by the CAISO, the Participating TOs or other third parties under the direction of the CAISO, must utilize the Unified Planning Assumptions for the particular technical study to the maximum extent practical, and deviations from the Unified Planning Assumptions for the particular technical study must be documented in results of each technical study. The CAISO will measure the results of the studies against Applicable Reliability

Criteria, the CAISO Planning Standards, and other criteria established by the Business Practice Manual. After consideration of the comments received on the preliminary results, the CAISO will complete, or direct the completion of, the technical studies and post the final study results on the CAISO Website;

- (c) The CAISO technical study results will identify needs and proposed solutions to meet Applicable Reliability Criteria, CAISO planning standards, and other applicable planning standards. The CAISO and Participating TOs shall coordinate their respective transmission planning responsibilities required for compliance with the NERC Reliability Standards and for the purposes of developing the annual Transmission Plan according to the requirements and time schedules set forth in the Business Practice Manual.

#### **24.4.2 ~~Submission of Proposed Reliability Driven Transmission Solutions Projects~~**

Pursuant to the schedule described in the Business Practice Manual and based on the technical study results, the CAISO, CEC, CPUC, and other interested parties may propose any transmission ~~solutions upgrades or additions~~ deemed necessary to ensure System Reliability consistent with Applicable Reliability Criteria and CAISO Planning Standards through the Phase 2 Request Window. Participating TOs will submit such proposed transmission solutions through the Phase 2 Request Window within thirty (30) days after the CAISO posts its preliminary technical study results. The substantive description of reliability driven projects is set forth in Section 24.4.6.2.

#### **24.4.3 Phase 2 Request Window**

- (a) Following publication of the results of the technical studies, and in accordance with the schedule set forth in the Business Practice Manual, the CAISO will open a Request Window during Phase 2 for the submission of proposed transmission solutions for reliability-driven needs identified in the studies, Location Constrained Resource Interconnection Facility projects, demand response or generation proposed as alternatives to transmission ~~solutions additions or upgrades~~ to meet reliability needs, proposals for Merchant Transmission Facility

projects, proposed transmission solutions ~~-~~needed to maintain the feasibility of long-term CRRs and efficient or cost effective Regional Transmission Facility alternatives for meeting identified needs. The CEC, CPUC, and interested parties may submit potential reliability transmission solutions within the same timeframe established for Participating TOs to submit reliability transmission solutions, but they are not required to do so to the extent the Business Practice Manual grants them a longer period of time.

- (b) All ~~solutionsfacilities~~ proposed during the Request Window must use the forms and satisfy the information and technical requirements set forth in the Business Practice Manual. Proposed transmission solutions must be within or connect to the CAISO Balancing Authority Area or CAISO Controlled Grid. The CAISO will determine whether each of these proposed solutions will be considered in the development of the comprehensive Transmission Plan. In accordance with the schedule and procedures set forth in the Business Practice Manual, the CAISO will notify the party submitting the proposed solution of any deficiencies in the proposal and provide the party an opportunity to correct the deficiencies. Such proposed solutions can only be considered in the development of the comprehensive Transmission Plan if the CAISO determines that:
- (i) the proposed solution satisfies the information requirements for the particular type of ~~solutionfacility~~ submitted as set forth in templates included in the Business Practice Manual; and
  - (ii) the proposed solution ~~-is~~ not functionally duplicative of transmission ~~solutions upgrades or additions~~ that have previously been approved by the CAISO.
- (c) The duration of the Request Window will be set forth in the Business Practice Manual.

Beginning in Phase 1, the CAISO will develop, or, in coordination with other regional or sub-regional transmission planning groups or entities, including interconnected Balancing Authority Areas, will participate in the development of a conceptual statewide transmission plan that, among other things, may identify potential transmission ~~solutions upgrade or addition elements~~ needed to meet state and federal policy requirements and directives. The conceptual statewide transmission plan will be an input into the CAISO's Transmission Planning Process. The CAISO will post the conceptual statewide transmission plan to the CAISO Website and will issue a Market Notice providing notice of the availability of such plan. In the month immediately following the publication of the conceptual statewide transmission plan, the CAISO will provide an opportunity for interested parties to submit comments and recommend modifications to the conceptual statewide transmission plan ~~or and~~ alternative ~~solutionstransmission elements~~, including potential interstate transmission ~~solutions lines~~ and proposals for access to resources located in areas not identified in the conceptual statewide transmission plan, ~~and non-transmission elements~~.

#### **24.4.5 Determination of Needed Transmission ~~SolutionsProjects and Elements~~**

To determine which ~~transmission solutionsprojects and additional elements~~ should be included in the comprehensive Transmission Plan, the CAISO will evaluate the conceptual transmission ~~facilitieselements~~ identified in the statewide conceptual transmission plan or other ~~alternative elements solutions~~ identified by the CAISO during the Phase 2 studies, ~~proposed solutions for~~ reliability-driven ~~needs project proposals~~, LCRIF projects proposals, ~~project~~ proposals required to maintain the feasibility of long term CRRs, proposed Network Upgrades pursuant to Section 24.4.6.5 and the results of Economic Planning Studies or other economic studies the CAISO has performed and will consider potential ~~alternative-transmission solutionsupgrade and addition elements~~ and non-transmission or generation ~~alternativessolutions~~ proposed by interested parties. In determining which ~~projects and additional elements transmission solutions~~ should be included in the comprehensive Transmission Plan, (1) the CAISO shall consider the degree to which a Regional Transmission Facility may be substituted for one or more Local Transmission Facilities as a more efficient or cost effective solution to identified needs, and (2) the CAISO will not give undue weight or preference to the conceptual statewide plan or any other

input in its planning process.

#### **24.4.6 Categories of Transmission ~~Solutions~~Projects**

##### **24.4.6.1 Merchant Transmission ~~Facility Project~~Proposals**

The CAISO may include a ~~proposed Merchant Transmission Facility~~~~transmission addition or upgrade~~ in the comprehensive Transmission Plan if a Project Sponsor ~~proposes a Merchant Transmission Facility~~ ~~and~~ demonstrates to the CAISO the financial capability to pay the full cost of construction and operation of the Merchant Transmission Facility. The Merchant Transmission Facility must mitigate all operational concerns identified by the CAISO to the satisfaction of the CAISO, in consultation with the Participating TO(s) in whose PTO Service Territory the Merchant Transmission Facility will be located, and ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms. To ensure that the Project Sponsor is financially able to pay the construction and operating costs, of the Merchant Transmission Facility, and where the Participating TO is not the Project Sponsor and is to construct the Merchant Transmission Facility under Section 24.4.1, the CAISO in cooperation with the Participating TO may require (1) a demonstration of creditworthiness (e.g., an appropriate credit rating), or (2) sufficient security in the form of an unconditional and irrevocable letter of credit or other similar security sufficient to meet its responsibilities and obligations for the full costs of the ~~Merchant Transmission Facility~~ ~~transmission addition or upgrade~~.

##### **24.4.6.2 Reliability Driven ~~Solutions~~Projects**

The CAISO, in coordination with each Participating TO with a PTO Service Territory will, as part of the Transmission Planning Process and consistent with the procedures set forth in the Business Practice Manual, identify the need for any transmission ~~solutions~~~~additions or upgrades~~ required to ensure System Reliability consistent with all Applicable Reliability Criteria and CAISO Planning Standards. In making this determination, the CAISO, in coordination with each Participating TO with a PTO Service Territory and other Market Participants, shall consider lower cost ~~solutions~~~~alternatives to the construction of~~ ~~transmission~~ ~~additions or upgrades~~, such as acceleration or expansion of existing ~~transmission~~ ~~solutions~~~~projects~~, Demand-side management, Remedial Action Schemes, appropriate Generation,

interruptible Loads, storage facilities or reactive support. The CAISO shall direct each Participating TO with a PTO Service Area, as a registered Transmission Planner with NERC, to perform the necessary studies, based on the Unified Planning Assumptions and Study Plan and any applicable Interconnection Study, and in accordance with the Business Practice Manual, to determine the ~~facilities~~solutions needed to meet all Applicable Reliability Criteria and CAISO Planning Standards. The Participating TO with a PTO Service Area shall provide the CAISO and other Market Participants with all information relating to the studies performed under this Section, subject to any limitation provided in Section 20.2 or the applicable LGIP. The CAISO will determine the solution, ~~transmission or non-transmission~~ that meets the identified reliability need in the most ~~efficient prudent and or~~ rest efficient prudent and or cost effective manner.

\* \* \*

#### **24.4.6.4 SolutionsProjects to Maintain the Feasibility of Long Term CRRs**

The CAISO is obligated to ensure the continuing feasibility of Long Term CRRs that are allocated by the CAISO over the length of their terms. In furtherance of this requirement the CAISO shall, as part of its annual Transmission Planning Process cycle, test and evaluate the simultaneous feasibility of allocated Long Term CRRs, including, but not limited to, when acting on the following types of projects: (a) planned or proposed transmission ~~solutions~~projects; (b) Generating Unit or transmission retirements; (c) Generating Unit interconnections; and (d) the interconnection of new Load. Pursuant to such evaluations, the CAISO shall identify the need for any transmission ~~solutions~~additions or upgrades required to ensure the continuing feasibility of allocated Long Term CRRs over the length of their terms and shall publish a Congestion Data Summary along with the results of the CAISO technical studies. In assessing the need for ~~transmission solutions~~ transmission ~~solutions~~ solutions additions or upgrades to maintain the feasibility of allocated Long Term CRRs, the CAISO, in coordination with the Participating TOs and other Market Participants, shall consider lower cost alternatives to the construction of transmission ~~solutions~~additions or upgrades, such as acceleration or expansion of existing ~~transmission solutions~~projects; Demand-side management; Remedial Action Schemes; constrained-on Generation; interruptible Loads; reactive support; or in cases where the infeasible Long Term CRRs involve a small magnitude of megawatts, ensuring against the risk of any potential revenue shortfall using the CRR Balancing Account and uplift

mechanism described in Section 11.2.4. As part of the CAISO's Transmission Planning Process, the Participating TOs and Market Participants shall provide the necessary assistance and information to the CAISO to allow it to assess and identify transmission ~~solutions~~additions or upgrades that may be necessary under Section 24.4.6.4. The CAISO will determine the solution that meets the identified need to maintain the feasibility of long-term CRRs in the ~~most prudent and~~more efficient or cost effective manner.

#### **24.4.6.5 LGIP Network Upgrades**

Beginning with the 2011/2012 planning cycle, Network Upgrades originally identified during the Phase II Interconnection Study or Interconnection Facilities Study Process of the Large Generation Interconnection Process as set forth in Section 7 of Appendix Y that are not already included in a signed LGIA may be assessed as part of the comprehensive Transmission Plan if these Network Upgrades satisfy the following criteria:

- (a) The Network Upgrades consist of new transmission lines 200 kV or above, and have capital costs of \$100 million or greater;
- (b) The Network Upgrade is a new 500 kV substation that has capital costs of \$100 million or greater; or,
- (c) The Network Upgrades have a capital cost of \$200 million or more.

The CAISO will post a list of the Network Upgrades eligible for assessment in the Transmission Planning Process in accordance with the schedule set forth in the applicable Business Practice Manual. Network Upgrades included in the comprehensive Transmission Plan may include additional components not included in the Network Upgrades originally identified during the Phase II Interconnection Study or may be expansions of the Network Upgrades originally identified during the Phase II Interconnection Study if the CAISO determines during the Transmission Planning Process that such components or expansions are needed ~~as additional elements~~ under section 24.1. Network Upgrades identified in the LGIP Phase II studies but not assessed in the Transmission Planning Process will be included in Large Generator Interconnection Agreements, as appropriate. Network Upgrades assessed in the Transmission Planning

Process but not modified or replaced will be included in Large Generator Interconnection Agreements, as appropriate. Construction and ownership of Network Upgrades specified in the comprehensive Transmission Plan under this section, including any needed additional components or expansions, will be the responsibility of the Participating TO if the Phase II studies identified the original Network Upgrade upgrade as needed and such Network Upgrade has not yet been set forth in an executed Large Generator Interconnection Agreement. To the extent that additional components or expansions to Network Upgrades remain the responsibility of the Participating TO and such Network Upgrades are subsequently abandoned, the Participating TO shall be presumed to be eligible, subject to prudence and any other applicable review by FERC, to include in its TRR the costs of such Network Upgrades if the costs attributable to the abandonment of such Network Upgrades (as modified, replaced or otherwise reconfigured in the Transmission Planning Process) exceed the amounts funded by Interconnection Customers pursuant to Appendix Y. This presumption shall not apply in the case of Network Upgrades which the applicable Participating TO agreed to up-front fund independent of any obligation to fund pursuant to the Transmission Planning Process. If, through the Transmission Planning Process, the CAISO identifies any additional components or expansions of Network Upgrades that result in the need for other ~~transmission solutions upgrades or additions~~, the responsibility to build and own such ~~transmission solutions additions or upgrades~~ will be determined by this Section 24, according to the category of those other ~~transmission solutions upgrades or additions~~. Any decision in the Transmission Planning Process to modify Network Upgrades identified in the Large Generator Interconnection Process will not increase the cost responsibility of the Interconnection Customer as described in Appendix Y, Section 7. Category 1 policy-driven ~~elements transmission solutions~~ identified under Section 24.4.6.7 could supplant the need for LGIP Network Upgrades that would be developed in subsequent Generator Interconnection Process cycles. To the extent that a Category 1 policy-driven transmission solution ~~element~~ eliminates or downsizes the need for a Network Upgrade, the Interconnection Customer's cost responsibility for such Network Upgrade shall be eliminated or reduced. Any financial security posting shall be adjusted accordingly.

#### **24.4.6.6 Policy-Driven Transmission Solutions ~~Elements~~**

Once the CAISO has identified ~~reliability-driven solutions~~~~projects needed to maintain reliability~~, LCRIF projects eligible for conditional or final approval, ~~solutions~~~~projects~~ needed to maintain long-term CRR feasibility, qualified Merchant Transmission Facilities~~es~~~~projects~~, and needed LGIP Network Upgrades as described in Section 24.4.6.5, the CAISO ~~shall~~~~may~~ evaluate transmission ~~solutions~~~~upgrade and addition elements~~ needed to meet state, municipal, county or federal policy requirements or directives as specified in the Study Plan pursuant to Section 24.3.2(i). Policy-driven transmission ~~solutions~~~~upgrade or addition elements~~ will be either Category 1 or Category 2 transmission solutions. Category 1 transmission solutions are those ~~facilities~~~~elements~~ which under the criteria of this section are found to be needed ~~elements~~ and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle. Category 2 transmission solutions are those ~~elements~~ that could be needed to achieve state, municipal, county or federal policy requirements or directives but have not been found to be needed in the current planning cycle based on the criteria set forth in this section. The CAISO will determine the need for, and identify such policy-driven transmission ~~solutions~~~~upgrade or addition elements~~ that efficiently and effectively meet applicable policies under alternative resource location and integration assumptions and scenarios, while mitigating the risk of stranded investment. The CAISO will create a baseline scenario reflecting the assumptions about resource locations that are most likely to occur and one or more reasonable stress scenarios that will be compared to the baseline scenario. Any transmission ~~solutions~~ ~~upgrade or addition elements~~ that are ~~included~~ in the baseline scenario and at least a significant percentage of the stress scenarios may be Category 1 transmission solutions~~elements~~. Transmission ~~solutions~~~~upgrades or additions~~ that are included in the baseline scenario case, but which are not included in any of the stress scenarios or are included in an insignificant percentage of the stress scenarios, generally will be Category 2 transmission solutions~~elements~~, unless the CAISO finds that sufficient analytic justification exists to designate them as Category 1 transmission solutions. In such cases, the ISO will make public the analysis upon which it based its justification for designating such transmission solutions ~~facilities~~ as Category 1 rather than Category 2. In this process, the CAISO will consider the following criteria:

- (a) commercial interest in the resources in the applicable geographic area (including renewable energy zones) accessed by potential transmission solutions~~elements~~

as evidenced by signed and approved power purchase agreements and interconnection agreements;

- (b) the results and identified priorities of the California Public Utilities Commission's or California Local Regulatory Authorities' resource planning processes;
- (c) the expected planning level cost of the transmission ~~solution~~element as compared to the potential planning level costs of other transmission solutions~~alternative transmission elements~~;
- (d) the potential capacity (MW) value and energy (MWh) value of resources in particular zones that will meet the policy requirements, as well as the cost supply function of the resources in such zones;
- (e) the environmental evaluation, using best available public data, of the zones that the transmission is interconnecting as well as analysis of the environmental impacts of the transmission ~~solution~~elements themselves; the extent to which the transmission ~~solution~~element will be needed to meet Applicable Reliability Criteria or to provide additional reliability or economic benefits to the CAISO grid;
- (f) potential future connections to other resource areas and transmission ~~facilities~~elements;
- (g) resource integration requirements and the costs associated with these requirements in particular resource areas designated pursuant to policy initiatives;
- (h) the potential for a particular transmission ~~solution~~element to provide access to resources needed for integration, such as pumped storage in the case of renewable resources;
- (i) the effect of uncertainty associated with the above criteria, and any other considerations, that could affect the risk of stranded investment; and
- (j) the effects of other solutions ~~additions or upgrades~~ being considered for approval during the planning process.

#### 24.4.6.7

#### Economic Studies and Mitigation Solutions

Once the CAISO has identified ~~reliability-driven solutions~~~~projects needed to maintain reliability~~, LCRIF projects eligible for conditional or final approval, qualified ~~M~~merchant ~~T~~transmission ~~Facilities~~~~projects~~ and policy-driven ~~transmission solution~~~~elements~~, the CAISO will conduct the High Priority Economic Planning Studies selected under Section 24.43.4 and any other studies that the CAISO concludes are necessary to determine whether additional transmission ~~solutions~~ ~~upgrades and additions~~, or ~~modifications to identified transmission projects or elements~~, are necessary to address:

- (a) Congestion identified by the CAISO in the Congestion Data Summary published for the applicable Transmission Planning Process cycle; and the magnitude, duration, and frequency of that Congestion;
- (b) Local Capacity Area Resource requirements;
- (c) Congestion projected to increase over the planning horizon used in the Transmission Planning Process and the magnitude of that Congestion; or
- (d) Integration of new generation resources or loads on an aggregated or regional basis.

In determining whether additional ~~transmission solution~~~~elements~~ are needed, the CAISO shall consider the degree to which, if any, the benefits of the ~~transmission~~ solutions outweigh the costs, in accordance with the procedures set forth in the Business Practice Manual. The benefits of the ~~mitigation~~-solutions may include a calculation of any reduction in production costs, Congestion costs, Transmission Losses, capacity or other electric supply costs resulting from improved ~~access~~ to cost-efficient resources. The cost of the ~~mitigation~~~~transmission~~ solution must consider any estimated costs identified under Section 24.4.6.4 to maintain the simultaneous feasibility of allocated Long Term CRRs for the length of their term. The CAISO, in determining whether a particular solution is needed, shall also consider the comparative costs and benefits of viable alternatives to the particular transmission ~~solution~~~~element~~, including: (1) other potential transmission ~~solutions~~~~upgrades or additions~~, including those being considered or proposed during the Transmission Planning Process; (2) acceleration or expansion of any transmission ~~solution~~~~upgrade or addition~~ already approved by the CAISO Governing Board or included in any CAISO ~~comprehensive annual~~ Transmission Plan, and (3) non-transmission ~~solutions~~~~alternatives~~, including

demand-side management.

#### 24.4.6.8 **[Not Used]**

#### 24.4.7 **Description of Transmission ~~Elements~~Solutions**

The transmission ~~solutions~~elements identified in the draft and final comprehensive Transmission Plan that are subject to the competitive solicitation process will provide sufficient engineering detail to permit Project Sponsors to submit complete proposals, under section 24.5.1 to build the identified transmission solution. ~~certain transmission elements.~~ As further described in the Business Practice Manual, such details may include, but are not limited to:

- (a) Minimum Conductor Ampacity;
- (b) Approximate Line impedance required;
- (c) Approximate Series compensation levels;
- (d) Substation bus and breaker configuration;
- (e) Breaker clearing times;
- (f) Transformer characteristics (capacity, impedance, tap range);
- (g) Minimum Shunt capacitor and reactor sizes;
- (h) Minimum FACTS device specifications;
- (i) SPS requirements;
- (j) Planning level cost estimates;
- (k) Projected in-service date.

#### 24.4.8 **Additional Contents of Comprehensive Transmission Plan**

In addition to the detailed descriptions of specific needed transmission ~~solutions~~additions and upgrades, the draft and final comprehensive Transmission Plan may include: (1) the results of technical studies performed under the Study Plan; (2) determinations and recommendations regarding the need for identified transmission ~~solutions~~upgrades and additions and their identification as either Local or Regional Transmission Facilities; (3) assessments of ~~transmission~~solutions~~upgrades and additions~~ submitted as alternatives to the potential solutions to ~~transmission~~ needs identified by the CAISO and studied during the Transmission Planning Process cycle; (4) results of Economic Planning Studies (except for the

2010/2011 cycle); (5) an update on the status of transmission ~~solutions upgrades or additions~~ previously approved by the CAISO, including identification of mitigation plans, if necessary, to address any potential delay in the anticipated completion of an approved transmission ~~solution upgrade or addition~~; (6) a description of transmission ~~solutions additions and upgrades~~ with an estimated capital investment of \$50 million or more -for which additional studies are required before being presented to the CAISO Governing Board for approval following completion of the studies; (7) a description of Category 2 transmission ~~solutions upgrades or additions~~ recommended for consideration in future planning cycles; (8) identification of Interregional Transmission Projects that were submitted in the current planning cycle, could potentially meet regional needs, and will be evaluated in the next planning cycle; and (9) determinations and recommendations regarding the need for Interregional Transmission Projects that have been evaluated and found to be more cost effective and efficient solutions to regional transmission needs and that satisfy all requirements relevant to meeting such needs.

#### **24.4.9 Phase 2 Stakeholder Process**

- (a) According to the schedule and procedures set forth in the Business Practice Manual, the CAISO will schedule one (1) public meeting after the CAISO technical study results have been posted and Participating TOs have submitted (i) the results of technical studies conducted at the direction of the CAISO (if applicable); and (ii) reliability-driven ~~projects and mitigation~~ solutions. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice. Interested parties will be provided a minimum two (2) week period to provide written comments regarding the technical study results and the proposals submitted by the Participating TOs.
- (b) The CAISO will schedule at least one (1) other public meeting before the draft comprehensive Transmission Plan is posted to provide information about any policy-driven ~~transmission solution element~~ evaluations or economic planning studies that have been completed since the prior public meeting was held, as well as updated information about any studies or evaluations that are still in

progress. Notice of such meeting, web conference or teleconference will be provided to stakeholders via Market Notice.

- (c) In accordance with the schedule and procedures in the Business Practice Manual, but not less than one-hundred and twenty (120) days after the results of the CAISO's technical studies are posted and not less than six (6) weeks after the Request Window closes, the CAISO will post a draft comprehensive Transmission Plan. The CAISO will subsequently conduct a public conference regarding the draft comprehensive Transmission Plan and solicit comments, consistent with the timelines and procedures set forth in the Business Practice Manual. Additional meetings, web conferences, or teleconferences may be scheduled as needed. All stakeholder meetings, web conferences, or teleconferences shall be noticed by Market Notice and such notice shall be posted to the CAISO Website. After consideration of comments, the CAISO will post the revised draft comprehensive Transmission Plan to the CAISO Website.

#### **24.4.10 Transmission Plan Approval Process**

The revised draft comprehensive Transmission Plan, along with the stakeholder comments, will be presented to the CAISO Governing Board for consideration and approval. Upon approval of the plan, all needed transmission ~~solutions-additions and upgrades~~, and Interregional Transmission Projects, net of all transmission and non-transmission alternatives considered in developing the comprehensive Transmission Plan, will be deemed approved by the CAISO Governing Board. Following Governing Board approval, the CAISO will post the final comprehensive Transmission Plan to the CAISO Website. According to the schedule set forth in the Business Practice Manual, transmission ~~solutions upgrades and additions~~—with capital costs of \$50 million or less can be approved by CAISO management and may proceed to permitting and construction prior to Governing Board approval of the plan. Such CAISO management approved transmission solutions may be subject to a competitive solicitation process, consistent with Section 24.5, on an accelerated schedule that will allow the approved Project Sponsor to proceed to permitting and construction prior to Governing Board approval of the plan. CAISO

management may also expedite approval of a transmission solution ahead of the approval schedule for other solutions with capital costs of \$50 million or less if: (1) there is an urgent need for approval of the solution ahead of the schedule established in the Business Practice Manual; (2) there is a high degree of certainty that approval of the ~~transmission solution upgrade or addition~~ will not conflict with other solutions being considered in Phase 2; and (3) the need to accelerate a solution is driven by the CAISO's study process or by external circumstances.

Should the CAISO find that a transmission solution with capital costs of \$50 million or less is needed on an expedited basis, after a stakeholder consultation process, CAISO management shall brief the Governing Board at a regularly-scheduled or special public session prior to approving the transmission solution and conducting ~~a the~~ competitive solicitation, if appropriate. A Participating Transmission Owner will have the responsibility to construct, own, finance and maintain any Local Transmission Facility deemed needed under this section 24 that is located entirely within such Participating Transmission Owner's PTO Service Territory or footprint, as well as any upgrade or addition to an existing transmission facility. The provisions of Section 24.5 will apply to a Regional Transmission Facility deemed needed under this section 24. Section 24.5 will also apply to any transmission solutions ~~upgrades or additions~~ that are associated with both Regional Transmission Facilities and Local Transmission Facilities but for which the CAISO determines that it is not reasonable to divide construction responsibility among multiple Project Sponsors. Construction and ownership of a selected Interregional Transmission Project shall be determined in accordance in Section 24.17.3.

## **24.5 Transmission Planning Process Phase 3**

### **24.5.1 Competitive Solicitation Process Submissions**

According to the schedule set forth in the Business Practice Manual, in the month following the CAISO Governing Board's approval of the comprehensive Transmission Plan, the CAISO will initiate a period of at least two (2) months that will provide an opportunity for Project Sponsors to submit specific

~~transmission project~~ proposals to finance, own, and construct the Regional Transmission Facilities subject to competitive solicitation identified in the comprehensive Transmission Plan. If the transmission solution

adopted in Phase 2 involves an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility, the Participating TO will construct and own such upgrade, improvement, addition or replacement facilities unless a Project Sponsor and the Participating TO agree to a different arrangement. For Regional Transmission Facilities solutions or elements with capital costs of \$50 million or less that were approved by CAISO management before Governing Board approval of the comprehensive Transmission Plan, the two month period will be initiated following management approval of the facilityelement or solution, and the Project Sponsor selection process maywill follow an accelerated schedule described in the Business Practice Manual. Such project proposals must include plan of service details and supporting information as set forth in the Business Practice Manual sufficient to: (1) enable the CAISO to determine whether the Project Sponsor meets the qualification criteria specified in section 24.5.3.1; (2) enable the CAISO to determine whether the a Project Sponsor's proposal meets the proposal qualification criteria specified in section 24.5.3.2.1 and 24.5.2.4; and (3) enable the CAISO, if there are multiple qualified Project Sponsors bidding on the same Regional Transmission Facility, to conduct a comparative analysis of the proposals and Project Sponsors and select an Approved Project Sponsor as described in section 24.5.2.5. The project proposal will identify the authorized governmental body from which the Project Sponsor will seek siting approval for the project.

Within 30 days after the CAISO posts the draft comprehensive Transmission Plan to its website, for each Regional Transmission Facility identified in the comprehensive Transmission Plan that is subject to competitive solicitation, the CAISO will post, for informational purposes only, those existing qualification criteria and selection factors, in addition to any binding cost containment commitments, which the CAISO believes are key for purposes of selecting an Approved Project Sponsor for the particular transmission solution, consistent with the comparative analysis described in section 24.5.4 and the project sponsor qualification and selection criteria specified in sections 24.5.3.1 and 24.5.4, respectively. Thus, Project Sponsors will have a minimum of ninety (90) days after the posting of key selection criteria before the deadline for submitting proposals to construct, own, operate, and maintain a transmission solution subject to competitive solicitation. The posting of such key criteria is solely intended to provide information to Project Sponsors to assist them in the preparation of their applications and to highlight specific topics to which particular attention should be paid in the application given their importance in connection with a

particular Regional Transmission Facility. The posting of the key selection criteria is not a replacement or substitute for the qualification and selection criteria set forth in sections 24.5.3.1 and 24.5.4, and in its comparative analysis conducted in accordance with section 24.5.4, the ISO is required to comparatively assess all of the qualification and selection criteria, not just those listed as key selection criteria. In its posting of the key selection criteria, the ISO cannot add new or different criteria than those already specified in sections 24.5.3.1 and 24.5.4. To determine the key criteria for each transmission solution subject to competitive solicitation, the ISO will consider: (1) the nature, scope and urgency of the need for the transmission solution; (2) expected severity of siting or permitting challenges; (3) the size of the transmission solution, potential financial risk associated with the transmission solution, expected capital cost magnitude, cost overrun likelihood and the ability of the Project Sponsor to contain costs; (4) the degree of permitting, rights-of-way, construction, operation and maintenance difficulty; (5) risks associated with the construction, operation and maintenance of the transmission solution; (6) technical and engineering design difficulty or whether specific expertise in design or construction is required; (7) special circumstances or difficulty associated with topography, terrain or configuration; (8) specific facility technologies or materials associated with the transmission solution; (9) binding cost containment measures, including cost caps; (10) abandonment risk; and (11) whether the overall cost of the transmission solution impacts the ISO's prior determination of, and inclusion in, the comprehensive Transmission Plan of the more efficient or cost effective solution during Phase 2 of the transmission planning process.

The posting of the key selection criteria shall not undermine the ISO's prior determination in Phase 2 of the transmission planning process of the more efficient or cost-effective transmission solution to be reflected in the comprehensive Transmission Plan, nor shall the posting of the key criteria replace or be inconsistent with the ISO's obligation under section 24.5.4 to undertake a comparative analysis of each Project Sponsor with respect to each Project Sponsor qualification and selection criterion. If the CAISO determines in Phase 2 of the transmission planning process that more than one transmission solution could constitute the more efficient or ~~and~~ cost-effective solution to meet a specific identified need depending on the outcome of the competitive solicitation, the CAISO shall have the authority to identify more than one potential transmission solution in the comprehensive Transmission Plan. Under those

circumstances, based on the outcome of the competitive solicitation, the CAISO will make the final determination of which alternative transmission solution identified in the Board-approved comprehensive Transmission Plan constitutes the more efficient or cost-effective transmission solution to be selected for construction.

#### **24.5.2 Project Sponsor Application and Information Requirements**

All project sponsors must submit a Project Sponsor application form as set forth in the Business Practice Manual and posted on the CAISO website. Any entity may submit a Project Sponsor application to finance, construct, own, operate and maintain a transmission solution identified in the comprehensive Transmission Plan subject to the competitive solicitation process. There is no requirement that a Project Sponsor first be qualified before it may submit a Project Sponsor application for such a transmission solution. At the end of the project submission period, the CAISO will post a list of proposed projects and Project Sponsors to its Website, subject to the confidentiality provisions set forth in Tariff section 20 and as further described in the Business Practice Manual, and will select projects and Approved Project Sponsors pursuant to this section 24.5.2. If the selected project involves an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility, the Participating TO will construct and own such upgrade, improvement, addition or replacement facilities unless the Project Sponsor and the Participating TO agree to a different arrangement.

#### **24.5.2.1 Project Sponsor ~~and Proposal Evaluation~~ Information Requirements**

The CAISO will evaluate the proposals to finance, own and construct Regional Transmission Facilities, other than those which are governed by section 24.5.2, that are included in the approved comprehensive Transmission Plan to determine whether they meet the following criteria:

- (a) whether the proposed project is consistent with needed transmission elements identified in the comprehensive Transmission Plan;
- (b) whether the proposed project satisfies Applicable Reliability Criteria and CAISO

~~Planning Standards; and~~

- ~~(c) whether the Project Sponsor and its team is physically, technically, and financially capable of (i) completing the project in a timely and competent manner; and (ii) operating and maintaining the facilities consistent with Good Utility Practice and applicable reliability criteria for the life of the project.~~

~~On the CAISO's request, the Project Sponsor will provide additional information that the CAISO reasonably determines is necessary to conduct its evaluation.~~

~~The application to be submitted to the CAISO by an entity desiring to become an Approved Project Sponsor shall include the following general information (as well as related details) in response to the questions on the application form:~~

~~(a) The following financial information:~~

~~(i) A proposed financial plan demonstrating that adequate capital resources are available to the Project Sponsor to finance the transmission solution; and that constructing, operating and maintaining the facilities will not significantly impair the Project Sponsor's creditworthiness or financial condition;~~

~~(ii) A showing from the Project Sponsor's most recent audited financial statements that the Project Sponsor's assets are in excess of liabilities as a percentage of the total cost of the transmission solution;~~

~~(iii) Financial funding ratios from the most recent audited financial statements;~~

~~(iv) Credit arrangements between affiliated entities, including corporate parent, and compliance with regulatory restrictions and requirements; and,~~

~~(v) Bankruptcy, dissolution, merger or acquisition history;~~

- (b) The credit rating from Moody's Investor Services and Standard & Poors of the Project Sponsor, or its parent company, controlling shareholder, or any other entity providing a bond guaranty or corporate commitment to the Project Sponsor.;
- (c) Information showing the Project Sponsor's ability to assume liability for major losses resulting from failure of, or damage to, the transmission facility, including damage after the facility has been placed into operation;
- (d) The projected in-service date of each transmission solution with a construction plan and timetable;
- (e) A description of the Project Sponsor's proposed engineering, construction, maintenance and management teams, including relevant capability and experience;
- (f) A description of the Project Sponsor's resources for operating and maintaining the transmission solution after it is placed in-service;
- (g) A discussion of the capability and experience of the Project Sponsor that would enable it to comply with all on-going scheduling, operating, and maintenance activities required for each transmission solution, including those required by the tariff, business practice manuals, policies, rules, guidelines, and procedures established by the CAISO;
- (h) Resumes for all key management personnel, including contractors, that will be involved in obtaining siting approval and other required regulatory approvals and for constructing, operating and maintaining each transmission solution;
- (i) A description of the Project Sponsor's business practices that demonstrate consistency with Good Utility Practice for proper licensing, designing and right-of-way acquisition for constructing, operating and maintaining transmission solutions that will become part of the CAISO Controlled Grid;
- (j) The Project Sponsor's previous record regarding construction, operation and maintenance of transmission facilities within and outside the CAISO Controlled Grid;

- (k) The Project Sponsor's pre-existing procedures and practices for acquiring and managing right of way and other land for transmission facility, or, in the absence of preexisting procedures or practices, a detailed description of its plan for right of way and other land acquisition;
- (l) A description of existing rights of way or substations upon which all or a portion of the transmission facility can be located and incremental costs, if any, that would be incurred in connection with placing new or additional facilities associated with the transmission solution on such existing rights- of- way;
- (m) The Project Sponsor's preexisting practices or procedures for mitigating the impact of the transmission solution on affected landowners and for addressing public concerns regarding facilities associated with the transmission solution. In the absence of such preexisting practices or procedures, the Project Sponsor shall provide a detailed plan for mitigating such impacts and addressing public concerns;
- (n) A description of the following and any related or relevant information regarding:
- (i) the proposed structure types and composition, conductor size and type;
  - (ii) the proposed route and rights of way; and
  - (iii) a plan for addressing topography issues;
- (o) Cost containment capabilities and cost cap, if any;
- (p) Description of the Project Sponsor's plan for complying with standardized maintenance and operation practices and all applicable reliability standards;
- (q) Any other strengths and advantages that the Project Sponsor and its team may have to build and own the transmission solution, as well as any specific efficiencies or benefits demonstrated in its Project Sponsor proposal; and

(r) The authorized government body from which the Project Sponsor will seek siting approval for the transmission solution and the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, as well as its history of imposing such measures.

Additional details about the information that must be submitted is set forth in the Business Practice Manual and on the application form. On the CAISO's request, the Project Sponsor will provide additional information that the CAISO reasonably determines is necessary to conduct its qualification and selection evaluation with respect to the particular transmission solutions that are subject to competitive solicitation.

#### **24.5.2.2 Posting Applications With Sufficient Information~~Single Qualified Project Proposal~~**

~~If only one (1) Project Sponsor submits a proposal to finance, own, and construct a specific regional transmission element that meets the criteria under section 24.5.1, and the CAISO determines that the Project Sponsor is qualified to own and construct the project under the criteria set forth in section 24.5.2.1, the Project Sponsor must initiate the process of seeking siting approval, and any other necessary approvals, from the appropriate authority or authorities within one hundred twenty (120) days of CAISO approval. Upon receipt of a Project Sponsor's application, the CAISO will review all of the applications for completeness and will verify that the application contains sufficient information for the CAISO to determine whether the Project Sponsor is qualified to be selected as an Approved Project Sponsor. By the deadline set forth in the Business Practice Manual, the ISO will notify each Project Sponsor -whether the application is complete or whether additional information is required. Project Sponsors will be given an opportunity to cure any deficiencies in their application submissions in accordance with the schedule set forth in the Business Practice Manual. After the end of the cure period, and subject to the confidentiality provisions set forth in Tariff section 20, the CAISO will post to its Website a list of Project Sponsors whose applications contain sufficient information and have met the requirements set forth in the Business Practice Manual.~~

#### **24.5.2.3 Multiple Project Sponsor Proposals: Collaboration**

~~(a) — If two (2) or more Project Sponsors submit proposals to finance, own, and construct the same regional transmission solution element or elements under section 24.5.1, the CAISO will, upon request, facilitate an opportunity for the Project Sponsors to collaborate with each other to submit a joint proposal project(s) to meet such need. Following the collaboration period, if any Project Sponsors submit a joint proposal, the CAISO will evaluate the remaining project proposal(s), including any joint proposal(s) determine whether the joint Project Sponsors are qualified to finance, construct, own, operate and maintain the transmission solution in accordance with the qualification criteria described in section 24.5.3. If there remains only a single, joint proposal, and the CAISO determines that the Project Sponsors are qualified to own and construct the joint project under the criteria set forth in section 24.5.2.1, then the provisions of section 24.5.2.2 shall apply. If two (2) or more project proposals remain, then the Project Sponsors will be subject to the provisions of either section 24.5.2.3 (b) or section 24.5.2.3 (c), whichever is applicable.~~

~~(b) — If the Project Sponsors are unable to collaborate on a single joint proposal and are applying to the same authorized governmental body to approve the project siting, the CAISO will determine whether the remaining Project Sponsors are qualified to own and construct the project under the criteria set forth in section 24.5.2.1. The qualified Project Sponsors must initiate the process of seeking siting approval within one hundred and twenty (120) days and the CAISO will accept the Project Sponsor determination by that authorized governmental authority.~~

~~(c) — If the Project Sponsors are unable to collaborate on a single joint proposal and are applying to different authorized governmental bodies for project siting approval, the CAISO will select one qualified Approved Project Sponsor based on a comparative analysis of the degree to which each Project Sponsor's proposal meets the criteria set forth in section 24.5.2.1 and the selection factors set forth in 24.5.2.4. The purpose of this comparative analysis will be to determine, taking into account all regional transmission elements for which the~~

~~competing Project Sponsors have been approved or are seeking approval, the qualified Project Sponsor which is best able to design, finance, license, construct, maintain, and operate the regional transmission element(s) in a cost-effective, prudent, reliable, and capable manner over the lifetime of the transmission element(s), while maximizing overall benefits and minimizing the risk of untimely project completion, project abandonment, and future reliability, operational and other relevant problems, consistent with Good Utility Practice, applicable reliability criteria, and CAISO Documents. The CAISO will engage an expert consultant to assist with the selection of the Approved Project Sponsor. Thereafter, the Approved Project Sponsor must initiate the process of seeking siting approval, and any other necessary approvals, from the appropriate authority or authorities within one hundred twenty (120) days of CAISO approval.~~

~~(d) Within 30 days after the CAISO posts the revised draft comprehensive Transmission Plan to its website, the CAISO will post, for each Regional Transmission Facility that is subject to competitive solicitation, those factors and considerations, in addition to any binding cost containment commitments, which the CAISO believes are key for purposes of selecting an Approved Project Sponsor for the particular transmission upgrade or addition, consistent with the comparative analysis purposes in section 24.5.2.3 (c) and the project sponsor selection criteria provisions of section 24.5.4.2.4.~~

#### ~~24.5.2.4 Project Sponsor Selection Factors~~

~~In selecting an Approved Project Sponsor from among multiple project sponsor proposals, as described in section 24.5.2.3(c), the CAISO shall consider the following criteria, in addition to the criteria set forth in section 24.5.2:~~

~~(a) the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life~~

of the project;

- (b) ~~the Project Sponsor's existing rights-of-way and substations that would contribute to the project in question;~~
- (c) ~~the experience of the Project Sponsor and its team in acquiring rights-of-way, if necessary, that would facilitate approval and construction;~~
- (d) ~~the proposed schedule for development and completion of the project and demonstrated ability to meet that schedule of the Project Sponsor and its team;~~
- (e) ~~the financial resources of the Project Sponsor and its team;~~
- (f) ~~the technical and engineering qualifications and experience of the Project Sponsor and its team;~~
- (g) ~~if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO Controlled Grid of the Project Sponsor and its team;~~
- (h) ~~demonstrated capability to adhere to standardized construction, maintenance and operating practices;~~
- (i) ~~demonstrated ability to assume liability for major losses resulting from failure of facilities;~~
- (j) ~~demonstrated cost containment capability, specific, binding cost control measures the Project Sponsor agrees to accept, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude project costs above the cap from being recovered through the CAISO's Transmission Access Charge, and the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, and its history of imposing such measures;~~
- (k) ~~any other strengths and advantages the Project Sponsor and its team may have~~

~~to build and own the specific project, as well as any specific efficiencies or benefits demonstrated in their proposal.~~

~~The information that Project Sponsors must submit to enable the CAISO to conduct its evaluation of these criteria shall be specified in the Business Practice Manual.~~

### **24.5.3 ~~Notice to Project Sponsors~~ and Proposal Qualification**

#### **24.5.3.1 Project Sponsor Qualification**

~~After posting the list of information-sufficient applications, and, if applicable, after the conclusion of any applicable collaboration process under Section 24.5.2.2, the CAISO will evaluate the information submitted by each Project Sponsor in response to the questions on the application pertaining to sections 24.5.2.1(a)-(i) to determine whether the Project Sponsor has demonstrated that its team is physically, technically, and financially capable of (i) completing the needed transmission solution in a timely and competent manner; and (ii) operating and maintaining the transmission solution in a manner that is consistent with Good Utility Practice and applicable reliability criteria -for the life of the project, based on the following qualification criteria:~~

- ~~(a) whether the Project Sponsor has assembled a sufficiently-sized team with the manpower, equipment, knowledge and skill required to undertake the design, construction, operation and maintenance of the transmission solution;~~
- ~~(b) whether the Project Sponsor and its team have sufficient financial resources, including, but not limited to, satisfactory credit ratings and other financial indicators as well as the demonstrated ability to assume liability for major losses resulting from failure of any part of the facilities associated with the transmission solution;~~
- ~~(c) whether the Project Sponsor has (1) proposed a schedule for development and completion of the transmission solution consistent with need date identified by the CAISO; and (2) has the ability to meet that schedule;~~

(d) whether the Project Sponsor and its team have the necessary technical and engineering qualifications and experience to undertake the design, construction, operation and maintenance of the transmission solution;

(e) whether the Project Sponsor makes a commitment to become a Participating TO for the purpose of turning the Regional Transmission Facility that the Project Sponsor is selected to construct and own as a result of the competitive solicitation process over to the ISO's Operational Control , to enter into the Transmission Control Agreement with respect to the transmission solution, to adhere to all Applicable Reliability Criteria and to comply with NERC registration requirements and NERC and WECC standards, where applicable.

If the CAISO determines that a Project Sponsor meets these criteria, it shall be deemed a qualified Project Sponsor.

#### **24.5.3.2 Project Proposal Qualification**

After evaluating the Project Sponsor's qualifications as described in section 24.5.3.1, the ISO will determine whether the transmission solution proposed by a Project Sponsor is qualified for consideration, based on the following criteria:

(a) Whether the proposed design of the transmission solution is consistent with needs identified in the comprehensive Transmission Plan;

(b) Whether the proposed design of the transmission solution satisfies Applicable Reliability Criteria and CAISO Planning Standards;

#### **24.5.3.3 Posting Qualified Project Sponsors and Proposals**

The CAISO will post a list of qualified Project Sponsors and proposals in accordance with the schedule set forth in the Business Practice Manual. Once the list has been posted, the CAISO will provide any Project Sponsors who did not meet the Project Sponsor qualification criteria or whose proposal did not meet the proposal qualification criteria, a period within which to cure deficiencies in the application

submission, as set forth in the Business Practice Manual. The CAISO will evaluate any additional information provided by these Project Sponsors and will re-post the list of qualified Project Sponsors, if necessary, once the re-assessment has been completed and in accordance with the schedule in the Business Practice Manual.

#### **24.5.3.4 Single Qualified Project Sponsor and Proposal**

If only one (1) Project Sponsor, including joint Project Sponsors resulting from a collaboration, submits a proposal to finance, own, and construct a specific transmission solution and the CAISO determines that the Project Sponsor is qualified to own and construct the transmission solution under the criteria set forth in section 24.5.3.1 and the proposal meets the proposal qualification criteria in section 24.5.3.2, the Project Sponsor will be the Approved Project Sponsor and must initiate the process of seeking siting approval, and any other necessary approvals, from the appropriate authority or authorities within one-hundred twenty (120) days of CAISO approval.

#### **24.5.3.5 Multiple Qualified Project Sponsors and Proposals: Selection of Approved Project Sponsor**

If there are multiple qualified Project Sponsors and proposals for the same transmission solution, the CAISO will select one qualified Approved Project Sponsor based on a comparative analysis of the degree to which each Project Sponsor's proposal meets the qualification criteria set forth in section 24.5.3.1 and the selection factors set forth in 24.5.4. The CAISO will engage an expert consultant to assist with the selection of the Approved Project Sponsor. Thereafter, the Approved Project Sponsor must initiate the process of seeking siting approval, and any other necessary approvals, from the appropriate authority or authorities within one-hundred twenty (120) days of CAISO approval.

#### **24.5.4 Project Sponsor Selection Factors and Comparative Analysis**

The CAISO will conduct a comparative analysis to select an Approved Project Sponsor from among multiple project sponsor proposals, as described in section 24.5.3.5. The purpose of this comparative analysis is to take into account all transmission solutions being proposed by competing Project Sponsors seeking approval of their transmission solution and to select a qualified Project Sponsor which is best

able to design, finance, license, construct, maintain, and operate the particular transmission facility in a cost-effective, efficient, prudent, reliable, and capable manner over the lifetime of the facility, while maximizing overall benefits and minimizing the risk of untimely project completion, project abandonment, and future reliability, operational and other relevant problems, consistent with Good Utility Practice, applicable reliability criteria, and CAISO Documents. To conduct this comparative analysis, the CAISO will use the qualification criteria described in section 24.5.3.1 as well as the following selection factors:

- (a) the current and expected capabilities of the Project Sponsor and its team to finance, license, and construct the facility and operate and maintain it for the life of the solution;
- (b) the Project Sponsor's existing rights of way and substations that would contribute to the transmission solution in question;
- (c) the experience of the Project Sponsor and its team in acquiring rights of way, if necessary, that would facilitate approval and construction, and in the case of a Project Sponsor with existing rights of way, whether the Project Sponsor would incur incremental costs in connection with placing new or additional facilities associated with the transmission solution on such existing right of way;
- (d) the proposed schedule for development and completion of the transmission solution and demonstrated ability to meet that schedule of the Project Sponsor and its team;
- (e) the financial resources of the Project Sponsor and its team;
- (f) The technical and engineering qualifications and experience of the Project Sponsor and its team;

- (g) if applicable, the previous record regarding construction and maintenance of transmission facilities, including facilities outside the CAISO Controlled Grid of the Project Sponsor and its team;
- (h) demonstrated capability to adhere to standardized construction, maintenance and operating practices of the Project Sponsor and its team;
- (i) demonstrated ability to assume liability for major losses resulting from failure of facilities of the Project Sponsor;
- (j) demonstrated cost containment capability of the Project Sponsor and its team, specifically, binding cost control measures the Project Sponsor agrees to accept, including any binding agreement by the Project Sponsor and its team to accept a cost cap that would preclude costs for the transmission solution above the cap from being recovered through the CAISO's Transmission Access Charge, and, if none of the competing Project Sponsors proposes a binding cost cap, the authority of the selected siting authority to impose binding cost caps or cost containment measures on the Project Sponsor, and its history of imposing such measures; and
- (kgf) any other strengths and advantages the Project Sponsor and its team may have to build and own the specific transmission solution, as well as any specific efficiencies or benefits demonstrated in their proposal.

#### **24.5.53**

#### **Notice to Project Sponsors**

The CAISO will notify Project Sponsors as to results of the project evaluation process in accordance with the schedule and procedures set forth in the Business Practice Manual. Within 10 Business Days after selecting an Approved Project Sponsor(s) for a needed ~~regional~~-transmission ~~solution~~element(s), the CAISO will post on the CAISO website a report regarding the selection of the Approved Project Sponsor(s). The report will set forth in a detailed manner the results of the comparative analysis undertaken by the CAISO, the reasons for the CAISO's decision(s), and how the CAISO's decision is

consistent with the objectives identified in section 24.5. ~~432-3 (c)~~. The report will specifically identify the role of the selection factors set forth in 24.5. ~~42-4~~ in determining, or not determining, the ultimate selection of project sponsors.

## **24.6 Obligation to Construct Transmission ~~Solutions~~Projects**

The Approved Project Sponsor selected to construct ~~the~~ needed transmission ~~solution~~facilities or the applicable Participating TO where there is no Approved Project Sponsor, must make a good faith effort to obtain all approvals and property rights under applicable federal, state and local laws that are necessary to complete the construction of the required transmission ~~solution~~additions or upgrades. This obligation includes the Approved Project Sponsor's use of eminent domain authority, where provided by state law. A Participating TO in whose PTO Service Territory or footprint either terminus of the ~~transmission~~ ~~solution~~element or elements being upgraded or added is located shall be obligated to construct all regional transmission ~~solutions~~additions and upgrade elements included in the comprehensive Transmission Plan for which there is no Approved Project Sponsor either from the first competitive solicitation or future competitive solicitations. The Approved Project Sponsor shall not sell, assign or otherwise transfer its rights to finance, construct and own the ~~needed transmission solution~~project, or any element thereof, before the ~~facilities have~~ project has been energized and, if applicable, turned over to the CAISO's Operational Control unless the CAISO has ~~not~~ approved such proposed transfer.

### **24.6.1 Approved Project Sponsor Reporting Requirements**

Starting one hundred and twenty (120) days after the Project Sponsor, or Participating TO with a service territory pursuant to section 24.6 above, has been notified by the CAISO that it has been selected as an Approved Project Sponsor, such Approved Project Sponsor must submit a construction plan to the CAISO. At a minimum, and as further described in the Business Practice Manual, the construction plan will provide information on the following: land acquisition and permitting, materials procurement, and construction financing. Every ninety (90) days thereafter until the ~~transmission solution~~project has been energized and placed under CAISO Operational Control, the Approved Project Sponsor shall provide to the CAISO a construction plan status report. The status report shall conform to the format ~~set forth~~ ~~specified~~ in the Business Practice Manual and include, among other things, the following information:

project schedule, status of obtaining necessary environmental permits and meeting licensing requirements, status of right-of-way acquisition, status of design and engineering, any changes in the continuing ability of the Approved Project Sponsor to meet the design specifications of the [transmission solutionproject](#) and the date upon which the [transmission solutionproject](#) was found to be needed in the Transmission Plan. Unless the Approved Project Sponsor is the Participating TO in whose Participating TO service territory the project is wholly located, the CAISO shall provide a copy of the Approved Project Sponsor's status report to the Participating TO(s) in whose Participating TO service territory the [transmission solution project or an element of the project](#) is fully or partially located and to any Participating TO with which the [facilities project](#) interconnects. According to the schedule set forth in the Business Practice Manual, the CAISO shall, after providing the Participating TO(s) a copy of the report, hold a call with the Participating TO(s) to review whether the [transmission solutionproject](#) completion date proposed by the Approved Project Sponsor can reasonably be expected to be met and to review any other items of concern to either the CAISO or the Participating TO(s).

#### **24.6.2 Delay in the [ProjectTransmission Solution](#) In-Service Date**

If the CAISO determines that the proposed completion date has been delayed beyond the date upon which the [transmission solution project](#) was found to be needed, the CAISO shall issue a market notice stating that it is necessary for the CAISO, the Approved Project Sponsor (to the extent the Approved Project Sponsor has not abandoned the project), and the applicable Participating TO(s) to develop a plan to address potential NERC reliability standards violations as set forth in Section 24.6.3 as well as any other issues that may be of material concern [arising from the delay of the transmission solution](#). If the potential NERC reliability standards violations, or other issues of material concern, cannot be promptly and adequately addressed, the CAISO will take appropriate action including but not limited to, determining that an alternate Approved Project Sponsor is necessary to complete the [transmission solutionproject](#) as set forth in Section 24.6.4.

#### **24.6.3 Development and Submittal of Mitigation Plans**

If the CAISO determines that a delay in the date upon which a [transmission solutionproject](#) is proposed to be energized may cause one or more Participating TO(s) or the CAISO to violate a NERC reliability

standard, the CAISO shall identify the potential violation and direct the impacted Participating TO(s) to develop a mitigation plan. The CAISO or the impacted Participating TOs shall take any and all reasonable actions necessary to ~~submit the mitigation plan to WECC and NERC and to~~ meet the requirements of the mitigation plan.

#### **24.6.4 ~~Consequences of Sponsor Inability To to~~ Complete the Transmission Solution Project**

If the CAISO determines that the Approved Project Sponsor cannot secure necessary approvals or property rights or is otherwise unable to construct a transmission ~~solution~~addition or upgrade, or if the CAISO finds that an alternative Project Sponsor is necessary pursuant to Section 24.6.2, or if the Approved Project Sponsor determines that it is unable to proceed with construction of the transmission solution and so notifies the CAISO, the CAISO shall take such action as it reasonably considers appropriate, in coordination with the Participating TO and other affected Market Participants, to facilitate the development and evaluation of alternative ~~solutions~~proposals. In conducting such evaluation the CAISO will consider (1) the reasons that the Approved Project Sponsor was unable to construct the transmission solution; (2) whether the transmission solution is still needed; and (3) whether there are other solutions that could replace the original transmission solution as it was originally configured. For reliability driven transmission ~~solutions~~facilities, the CAISO may, at its discretion, direct the Participating TO in whose PTO Service Territory or footprint either terminus of the ~~transmission solution~~facility being upgraded or added is located, to build the ~~element or element~~transmission solution, or the CAISO may open a new solicitation for Project Sponsors to ~~seek to~~ finance, own, and construct the transmission solution~~element or elements~~. For all other transmission solutions~~projects~~, the CAISO shall open a new solicitation for Project Sponsors to ~~seek to~~ finance, own, and construct the transmission solution~~element or elements~~. Where there is no Approved Project Sponsor, the CAISO shall direct the Participating TO in whose PTO Service Territory or footprint either terminus of the transmission solution~~facility being upgraded or added~~ is located, to finance, own and construct ~~build~~ the transmission solution~~element or elements~~. The previous Approved Project Sponsor shall be obligated to work cooperatively and in good

faith with the CAISO, the new Approved Project Sponsor (if any) and the affected Participating TO, to implement the transition. The obligations of the Participating TO to construct ~~the such~~-transmission ~~solution~~additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of a Participating TO's obligations under this CAISO Tariff or as those rights may be conferred by the CAISO or may arise or exist pursuant to this CAISO Tariff.

\* \* \*

#### **24.10 Operational Review and Impact Analysis**

The CAISO will perform an analysis on the ISO Controlled Grid and an operational review of all Regional Transmission Facilities studied as part of the CAISO Transmission Planning Process that are proposed to be connected to, or made part of, the CAISO Controlled Grid to ensure that the solutions included in the comprehensive Transmission Plan proposed facilities provide for acceptable Operational Flexibility and meet all ~~its~~their requirements for proper integration with the CAISO Controlled Grid. This analysis includes identifying the impacts of Regional Transmission Facilities on neighboring Planning Regions or Balancing Authority Areas, including the resulting need, if any, for new solutions in such neighboring Planning Regions or Balancing Authority Areas. If the CAISO finds that a Regional Transmission Facility does such facilities do not provide for acceptable Operational Flexibility, ~~or does~~ does not adequately integrate with the CAISO Controlled Grid or causes impacts on neighboring Planning Regions, transmission systems or Balancing Authority Areas, the CAISO shall coordinate with ~~the Project Sponsor and, if different, the Participating TO with the PTO Service Territory, or~~ the operators of neighboring Balancing Authority Areas or transmission systems, if applicable, ~~in which the facilities will be located~~ to reassess and redesign the Regional Transmission Facility facilities required to be constructed. If the impacts caused by Regional Transmission Facilities proposed to be added to the CAISO Controlled Grid can be mitigated through other solutions on the ISO Controlled Grid or through operational adjustments, the costs of such solutions shall be recovered through the CAISO's Regional Access Charge as part of the costs of the transmission solution. The CAISO shall not be responsible for compensating another transmission provider, Planning Authority, or Balancing Area Authority for the costs of any required

solutions, or other consequences, on their systems associated with Regional Transmission Facilities, whether identified by the CAISO or the neighboring system, unless the CAISO voluntarily agrees to bear such costs pursuant to a written agreement with the neighboring system; provided that the CAISO will not agree to bear such costs until it first discusses the matter with stakeholders and provides stakeholders with an opportunity to submit comments. Transmission ~~solutions~~upgrades or additions that do not provide acceptable Operational Flexibility or do not adequately integrate with the CAISO Controlled Grid cannot be included in the CAISO Transmission Plan or approved by CAISO management or the CAISO Governing Board, as applicable. Any costs of required transmission facilities in neighboring transmission systems associated with Regional Transmission Facilities that the CAISO agrees to bear will be recovered through the CAISO's Regional Access Charge, and all relevant tariff provisions pertaining to the -calculation, billing, and recovery of the Regional Access Charge, and any related applicable provisions, shall apply.