California ISO

Memorandum

To: ISO Board of Governors

From: Neil Millar, Vice President Transmission Planning and Infrastructure Development

Date: October 22, 2026

Re: **Response to FERC Large Loads Order to Show Cause**

This memorandum requires ISO Board of Governors action.

EXECUTIVE SUMMARY

The Large Load Enhancements draft final proposal and upcoming filing responds to the Federal Energy Regulatory Commission (FERC) Order to Show Cause on Large Loads. Taken together, the ISO and participating transmission owner filings provide the tariff-level clarity, customer protections, and operational tools the Order seeks. They represent evolution without requiring revolution. The result is a comprehensive near-term response to the Order that can accelerate viable large-load projects without compromising reliability, affordability, or non-discriminatory access.

In the draft final proposal, the ISO describes five key areas where ISO leadership and engagement is necessary to enable innovation while protecting customers and ensuring safe and reliable service:

1. Procedures to improve coordination related to load interconnection applications, studies, technical standards, and operational requirements for accurate long-term planning and near-term reliability.
2. A workable framework to prevent cost shifting, and through which the participating transmission owners can develop just and reasonable deposit, financing, and other cost allocation structures within their tariffs.
3. Parallel information and application requirements for co-located load and generation arrangements in the ISO's resource interconnection process to align with participating transmission owner load interconnection studies.

4. Flexible interim load interconnection (FILI) service to allow large loads to interconnect quickly to the transmission system while waiting for network upgrade completion.
5. Future policy development to study generating facilities serving large loads with electrically proximate generation.

FERC's Order and the ISO's draft final proposal respect the current assignment of responsibilities for the system in which participating transmission owners primarily manage the load interconnection study and financing, so the ISO's draft final proposal addresses topics that intersect with the ISO's core functions; proactive transmission planning, co-located generator interconnection, and operational reliability. The ISO expects additional complementary compliance information from participating transmission owners to ensure a coordinated and seamless process to interconnect new large loads.

> ***Moved, that the ISO Board of Governors approves the proposed large loads enhancements, as described in the memorandum dated October 22, 2026; and***
>
> ***Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposal, including any filings that implement the overarching initiative but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.***

DISCUSSION AND ANALYSIS

On June 18, 2026, the Federal Energy Regulatory Commission (FERC) issued six tailored orders to show cause under Section 206 of the Federal Power Act to each of the six regional grid operators under its jurisdiction, including the ISO. An order to show cause is a preliminary finding that a tariff may be unjust and unreasonable, placing the onus on the recipient to defend or modify its tariff as needed. The order to show cause (Order) directed the ISO/RTOs focuses on five central concerns, which the ISO addressed in its draft final proposal. The ISO also met the first of the Commission's compliance requirements with submission of an Informational Report on Resource Sufficiency,[1] describing recent attention to resource adequacy (RA), generation development, transmission expansion, and load and generator interconnection processes.

[1] *See* ISO Informational Report - Large Loads and Co-located Loads at https://www.caiso.com/documents/jul-20-2026-informational-report-large-loads-and-co-located-loads-el26-71.pdf.

As directed by FERC, the ISO is coordinating closely with state energy agencies to complement their regulatory proceedings, as well as with the participating transmission owners to ensure a fair and consistent application of requirements and procedures across the ISO system. Such complementarity is critical to enabling proactive planning, consistent study, faster connections, and reliable operations of large loads, all while protecting customers from unreasonable cost shifting.

The proposal addresses five key topics from the FERC Order.

1. **Load interconnection applications, studies, technical standards, and operational requirements.**

Management first proposes to define large loads as end users behind points of interconnection with peak load of 50 MW or greater and interconnecting to the transmission system, namely the ISO controlled grid. This definition respects FERC's jurisdictional authority over the interstate transmission system without infringing on the State's authority over retail service and the distribution system. Management recognizes that the ISO's proposed definition does not encompass all load connections that may connect through the distribution grid and impact the transmission system, nor would it include loads less than 50 MW that connect directly to the transmission system. As the ISO develops tariff provisions to address FERC's specific concerns for large load connections to the transmission system, Management is taking care to ensure those provisions are properly integrated into the overall tariff framework. For example, management clarifies that the ISO will continue to study impacts to the transmission system of any large load that connects to the distribution system or load that falls below the 50 MW peak load threshold but connects to the transmission system. The ISO will continue to work with NERC and other regulators to address smaller and distributed loads in the future.

The ISO also proposes enhanced and ongoing coordination with the participating transmission owners on the load and resource interconnection processes and expects the participating transmission owners to align their load application processes with the ISO's resource interconnection process to ensure sufficient visibility for the ISO to plan for new large loads and maintain reliability once they are interconnected.

The ISO will enhance its process for reviewing and documenting load interconnection requests through concurrence in the Transmission Planning Process to ensure reliability and consistency with long-term plans. Specifically, the ISO will review any specific out-of-cycle transmission additions or upgrades associated with large loads on a monthly

basis in order to accommodate FERC's 60-90 day process requirement for participating transmission owners' load interconnection studies.

In addition, the ISO proposes the following technical requirements:

- Require hourly forecasts, telemetry, and other operational data necessary to provide the ISO with sufficient operational visibility;
- Utilize communication protocols for the ISO to coordinate with the participating transmission owner to remotely disconnect large loads when necessary to maintain transmission system reliability, and;
- Establish requirements for maintaining communication channels between the ISO and transmission customers serving large loads.

For operational awareness, the ISO also proposes to require specific information from participating transmission owners during the interconnection process.

2. Cost transparency and customer protection

The ISO expects participating transmission owners to establish just and reasonable provisions in their tariffs in order to prevent cost shifting from one customer to another. The ISO is clarifying how proper implementation of the existing transmission access charges (TAC) will prevent unreasonable cost shifting between participating transmission owners' customer bases. Fair accounting of participating transmission owner revenue requirements and annual transmission revenue credits will ensure that only the revenue requirement net of contributions that participating transmission owners receive from large loads is used to determine the regional high-voltage TAC set by the ISO and recovered across all loads and exports.

In response to FERC's request for improved transparency around costs, the ISO will publicly post aggregate amounts of proposed large load additions in the ISO operating area; planned network upgrades needed to accommodate large loads; and cost estimates for each planned network upgrade identified as needed for large loads.

3. Enabling co-located large loads and generation

Management proposes to create a transparent pathway for the ISO and participating transmission owners to study co-located large loads and generation together. These procedures provide clarity for both greenfield projects and existing generators, enabling faster and more efficient studies for co-located facilities. Management proposes to document existing ISO and State rules that allow onsite generation without an ISO study so long as it only serves onsite load. On the other hand, generation that will inject energy onto the grid will require an ISO interconnection study to determine the impact

on the grid and any affected systems. However, the ISO generator study process will coordinate with the participating transmission owner's load study process to identify the most cost-effective transmission solutions for their shared interconnection.

In addition, to address concerns around generation withdrawing from the ISO market to serve onsite load, the ISO clarifies the recently developed policy requiring generators to notify the ISO if they intend to repower or retire from the ISO system so the ISO and others have full awareness and can understand the implications of such actions on Resource Adequacy.

Consistent with the Order, Management also proposes to require large loads co-located with generation to meter the load's demand independent of offsetting energy so they can be assessed their due charges for ancillary services.

4. Flexible Interim Load Interconnection (FILI) Service

Management proposes to create a flexible interim load interconnection (FILI) offering that would enable large loads to interconnect flexibly and receive service up to a certain level based on grid conditions and constraints until network upgrades are complete, at which time the large load would switch over to receiving firm interconnection service. This will likely be a bespoke option for each large load based on its point of interconnection and the constraints it faces, and to be developed through a contractual agreement with the participating transmission owner. This option provides flexibility to the participating transmission owners, ISO, and developers to customize solutions. The ISO is offering this framework, which will require customer-specific study results from the participating transmission owners to operationalize.

The ISO will explore a permanent flexible load interconnection option to enable large loads to operate flexibly in a future stakeholder initiative.

5. Future consideration of interconnection of large loads with electrically proximate generation

The ISO will explore provisions for interconnection customers to serve electrically proximate large loads in a future stakeholder initiative. Based on stakeholder feedback, the ISO intends to prioritize the more common stand-alone and co-located load and generator interconnections with this proposal and filing and will focus on proximate load and generation arrangements once the process for co-location is underway.

POSITIONS OF THE PARTIES

Parties were generally supportive of the ISO's straw proposal and draft final proposal. Parties emphasized the importance of developing additional detail on specific examples and processes to clarify the topics proposed in the draft final proposal. The ISO intends to convene working groups and develop additional guidance in the business practice manual over the coming months to clarify timing and implementation details. In addition, the ISO is coordinating closely with the participating transmission owners as they develop their tariff filings and expects to see additional detail on how their processes will align with FERC's direction and the ISO's proposal. FERC's order was clear that compliance should not disrupt existing commercial arrangements.

The ISO received comments from several parties, including Southern California Edison and Cal Advocates, suggesting that the ISO take an expanded role on several issues related to load interconnection studies and prevention of cost-shifting. Management believes the ISO has struck the right balance in terms of the division of responsibilities with the participating transmission owners.

Pacific Gas & Electric noted concerns with the scope of the ISO draft final proposal based on its interpretation of the ISO's definition of large loads. The ISO is committed to respecting FERC's jurisdictional considerations, and is working with PG&E, the CPUC, and other stakeholders on consensus tariff language that respects jurisdictional lines. PG&E's concerns with the definition carried through its comments on all other elements of the ISO's proposal, with support for various elements of the proposal conditioned upon PG&E's defense of their position on the definition.

In addition, several stakeholders sought commitments for a new stakeholder initiative to consider permanent flexible interconnection service for large loads seeking to operate flexibly in order to avoid network upgrades, as well as interconnection of electrically proximate loads and generation. The ISO has included a stakeholder initiative to address these items on its draft Infrastructure Policy Roadmap and expects to begin policy development in early 2027.

CONCLUSION

Management recommends approval of the large load draft final proposal and forthcoming 205 filing with FERC. This proposal will ensure continued proactive planning and study of large loads, protect customers from inappropriate cost shifting, enable faster interconnection of large loads, and ensure continued reliable operations as both loads and resources become more dynamic.