

Decision on FERC Order 1000 Compliance – Phase 2 (Interregional Requirements)

Summary of Submitted Comments

Stakeholders have submitted four rounds of written comments to the ISO:

- Round One: Issue Paper posted September 17, 2012; comments received October 2, 2012
- Round Two: Comments received October 18, 2012
- Round Three: Straw Proposal posted November 21, 2012; comments received December 5, 2012
- Round Four: Draft Final Proposal posted February 20, 2013; comments received March 7, 2013

Parties that submitted written comments: California Department of Water Resources (“CDWR”), California Public Utilities Commission (“CPUC”), Interstate Renewable Energy Council (“IREC”), Pacific Gas and Electric (“PG&E”), Six Cities¹, Southern California Edison (“SCE”), TransWest Express (“TransWest”), and the combined comments of the Natural Resources Defense Council, Western Resources Advocates, and The Vote Solar Initiative (“NRDC/WRA/Vote Solar”).

Other parties that participated in meetings or conference calls, but did not submit written comments: Bonneville Power Administration, Brightsource Energy, California Energy Commission, California Municipal Utilities Association, California Wind Energy Association, Center for Energy Efficiency and Renewable Technologies, Citizens Energy, Clean Line Energy, Commerce Energy, Customized Energy Solutions, CPUC Division of Ratepayer Advocates, Duke Energy, Element Power, Exelon, Federal Energy Regulatory Commission, Iberdrola, Independent Energy Producers, LCG Consulting, Los Angeles Department of Water and Power, LS Power, Montana Public Service Company, Noble Americas, Northern Tier Transmission Group, Power Engineers, Powerex, Sacramento Municipal Utility District, San Diego Gas & Electric, Sempra USGP, Southern California Gas Company, Sun Anderson, Terra-Gen Power, Trans Bay Cable, Transmission Agency of Northern California, Turlock Irrigation District, WestConnect, Western Independent Transmission Group, and ZGlobal.

Stakeholder comments are posted at:

<http://www.caiso.com/Documents/FERC%20Order%201000%20compliance%20stakeholder%20comments>

Other stakeholder efforts include:

- One stakeholder meeting: November 28, 2012 to discuss the Straw Proposal.
- Three stakeholder web conferences: September 25, 2012 to discuss the Issue Paper; October 11, 2012 to discuss activities at the interregional level; and February 27, 2013 to discuss the Draft Final Proposal.
- Numerous client services outreach calls.

¹ Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (“Six Cities”).

Management Proposal	Participating Transmission Owners	Other Stakeholders	Management Response
<p>1. Overall support for Draft Final Proposal -Stakeholders were asked to select one of the following options to indicate their organization’s overall level of support for the Draft Final Proposal: (1) Fully support, (2) Support with qualification, or (3) Oppose.</p>	<p><u>PG&E</u> – Support with qualification. <u>SCE</u> – Support with qualification.</p>	<p><u>CDWR</u> – No position. <u>CPUC</u> – Support with qualification. <u>IREC</u> – Support with qualification. <u>Six Cities</u> – Fully support. <u>TransWest</u> – Support with qualification. <u>NRDC/WRA/VoteSolar</u> – Support with qualification.</p>	<p>Management appreciates the support and constructive participation it has received from stakeholders in this initiative, and has attempted to address issues qualifying this support, as discussed further in the matrix. Management believes its proposal meets the compliance requirements of Order 1000.</p>
<p>2. Interregional Coordination – Proposed process includes an annual exchange of interregional information and an annual interregional coordination meeting open to stakeholders to discuss that interregional information.</p>	<p><u>SCE</u> – Suggests that the process should be sufficiently flexible to allow for additional interregional coordination meetings and information exchanges. <u>PG&E</u> – Requests further clarification and detail regarding the interaction between the timing of the ISO’s transmission planning process and the biannual interregional transmission project submittals.</p>	<p><u>CPUC</u> – Supports the general design but believes that greater specificity needs to be added when tariff language is developed. <u>NRDC/WRA/VoteSolar</u> – Requests ample advanced notice of annual meetings, clarification on how joint evaluation meetings will be open and transparent, and clarification on use of WECC data. <u>Six Cities</u> – Supports the proposed approach. <u>TransWest</u> – Proposed process should make use of transmission planning information developed under the auspices of the WECC Transmission Expansion Planning Policy Committee (“TEPPC”) and the DOE-sponsored Regional Transmission Expansion Planning (“RTEP”) initiative.</p>	<p>Management appreciates the desire for additional details beyond that described in the proposal and intends to address the need for additional details in the tariff development and business practice manual stakeholder processes. In response to SCE, Management agrees and believes that the proposed process is sufficiently flexible to allow for additional interregional coordination meetings and information exchanges. In response to the issues raised concerning use of WECC data, Management believes that the proposed process is sufficiently flexible to take this transmission planning information into consideration. Management also notes that the ISO is an active participant and contributor to TEPPC’s annual congestion study and RTEP efforts and utilizes the data bases from these efforts in its own economic planning studies as part of its planning process.</p>
<p>3. Joint evaluation of interregional transmission projects – For proposed interregional transmission projects submitted into the regional transmission planning process of each relevant planning region.</p>	<p><u>SCE</u> – Suggests it would be beneficial to have additional detail regarding the timing and interaction between planning regions once each planning region has completed its assessment of an interregional transmission project’s benefits. <u>PG&E</u> – Does not support the proposed approach the proposed</p>	<p><u>CPUC</u> – Requests additional detail in tariff language regarding how the evaluation of interregional transmission projects will occur within the ISO’s transmission planning process and whether that will occur within the ISO’s transmission planning process and whether that will occur under existing or modified structure and timelines. <u>IREC</u> – Encourages ISO to participate in the joint evaluation of a proposed interregional transmission</p>	<p>Management intends to address these details in the tariff development and business practice manual stakeholder processes. Management points out that per Order 1000 each planning region has a responsibility to ensure that its regional transmission planning process is open and transparent and that it provides for meaningful stakeholder participation. In</p>

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	<p>approach of requiring that all proposed interregional transmission projects be subject to the two-year joint evaluation process. PG&E would prefer an alternative process be available for the evaluation of certain interregional transmission projects, such as those interconnecting PG&E with a non-PTO already interconnected with the ISO controlled grid (e.g., SMUD and Western). More specifically, PG&E would prefer that these projects be evaluated in one annual cycle of the ISO's regional transmission planning process without requiring they be subject to the proposed two-year evaluation.</p>	<p>project even if the ISO determines that it will not meet any of its regional transmission needs. <u>NRDC/WRA/VoteSolar</u> – Wants to ensure that all aspects of the joint evaluation are open and transparent. <u>Six Cities</u> – Supports the proposed approach. In particular, supports the application of each planning region's approved criteria for regional transmission planning in evaluating the potential benefits of interregional transmission project proposals.</p>	<p>response to the CPUC and the public interest groups, Management is committed to an open and transparent evaluation of interregional transmission projects and believes that the ISO's regional transmission planning process already provides for that. In response to PG&E, Management's view is that such projects would constitute the interregional transmission projects contemplated in Order 1000 and therefore require a careful evaluation of the extent to which they can meet one or more identified regional needs of the ISO planning region more efficiently or cost effectively than regional solutions identified to meet those needs. Management's proposed process is intended to do precisely that and does not believe it is in ratepayers' interest to cut short the two-year evaluation process. That said, it is not Management's intention to create an inflexible process. In cases where the evaluation does not necessarily require two annual cycles, Management believes its proposed process contains sufficient flexibility to address these situations.</p>
<p>4. Interregional cost allocation – Proposed process for each relevant planning region to determine its benefits (ISO will use an avoided cost approach to assessing benefits) and its assigned pro rata share of projected costs for those interregional transmission projects requesting interregional cost allocation from all relevant planning regions.</p>	<p><u>SCE</u> – Questions whether the proposal for each planning region to have its own unique (not common) benefits assessment methodology is consistent with Order 1000. <u>PG&E</u> – An interregional transmission project proponent should be afforded the opportunity to provide analysis supporting project benefits that are not otherwise considered in a region's own evaluation process.</p>	<p><u>IREC</u> -- Questions whether the proposal for each planning region to have its own unique (not common) benefits assessment methodology is consistent with Order 1000. <u>CDWR</u> – Concerned about the potential for cost overruns of selected interregional transmission projects. <u>CPUC</u> – The potential benefits of a proposed interregional transmission project should be calculated based on the same methodology that the ISO uses in evaluating economic driven projects in its regional transmission planning process. <u>NRDC/WRA/VoteSolar</u> – Express concern about</p>	<p>In response to SCE and IREC, Management has a five-part response. First, Management believes that Order 1000 is quite clear that a common benefits assessment methodology is not required but that a common methodology for allocating the costs of interregional transmission projects among the relevant regions is required. Second, a significant starting assumption agreed to by the planning regions in developing a common compliance proposal was that each planning region's regional compliance filing</p>

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		<p>how the planning regions will resolve any disagreements over the potential benefits and costs of a proposed interregional transmission project. <u>Six Cities</u> – Supports the proposed approach including, specifically, the ISO’s proposal to utilize the avoided cost approach in determining the benefits of interregional transmission project proposals and the proposal to allocate the costs for interregional transmission projects among the relevant regions in proportion to the benefits of the selected projects to each region.</p>	<p>would be accepted by FERC and that this includes each planning region’s respective methodology for assessing benefits. Third, another starting assumption was that the interregional requirements of Order 1000 are intended as an additional layer of process on top of the foundational regional transmission planning processes and, as such, material changes to those underlying regional transmission planning processes are unnecessary. Fourth, consideration of material changes to the underlying regional transmission planning processes would make it impossible to develop a common compliance proposal and still meet the filing deadline. Fifth, in assessing whether an interregional transmission project could eliminate one or more regional solutions, a planning region’s method for assessing the project’s benefits cannot be inconsistent with its own unique methodology for assessing the benefits of the regional solutions it may replace. In response to CDWR, Management views the potential for cost overruns to be just one example of a project implementation issue; the general topic of project implementation issues is addressed in topic 5. In response to PG&E, Management believes that its proposal does not preclude the provision of such supporting analysis and will address this detail in the tariff development and business practice manual stakeholder processes. In response to the CPUC, Management is not proposing an approach that <u>explicitly</u> assesses the benefits of a proposed interregional transmission project; rather, the assessment of the benefits is <u>implicit</u> in the avoided cost approach. This is because the</p>

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			interregional transmission project would have to provide at least the same benefits as the regional solution identified in the ISO's regional transmission plan that the interregional transmission project would eliminate or defer. In response to NRDC/WRA/VoteSolar, Management believes that the planning regions would seek to resolve such differences by conferring with the other planning regions and with stakeholders.
<p>5. Path forward for selected interregional transmission projects - Project implementation issues (such as project financing, ownership and construction, operational control, scheduling rights, and other matters) were not addressed in Order 1000 and are therefore outside the scope of the order. However, once an interregional transmission project has been selected in the ISO comprehensive transmission plan and the transmission plans of all relevant planning regions, Management proposes to coordinate with the project proponent and the other relevant planning regions to address project implementation issues.</p>	<p><u>SCE</u> – Recommends that the resolution of the project implementation issues be completed some number of year (e.g., seven) prior to the reliability need date identified for the project. <u>PG&E</u> – Supports proposal to continually assess the development progress of selected interregional transmission projects against the timing of ISO regional transmission needs. Interested in further detail in draft tariff language.</p>	<p><u>CPUC</u> – Agrees with proposal to assess progress of an approved interregional transmission project, and to pursue alternatives as justified by planning needs and circumstances. <u>CDWR, IREC, and NRDC/WRA/VoteSolar</u> – Recommend that further details be developed for addressing project implementation issues. <u>NRDC/WRA/VoteSolar</u> – Public policy benefits must be considered throughout the process. <u>Six Cities</u> – Generally supports the approach of addressing project implementation issues on a project-by-project basis. Although this gives rise to some uncertainties, it does not seem feasible to establish implementation protocols that will be suitable for all situations. <u>TransWest</u> – Recommends monitoring and development of contingency plans for regional transmission plans.</p>	<p>Management is committed to working further with stakeholders to address these issues in the tariff development and business practice manual stakeholder processes. In response to TransWest, the ISO tariff amendments filed in October 2012 to comply with the regional requirements of Order 1000 includes monitoring and development of contingency plans for the regional transmission plan.</p>
<p>8. Other comments – Stakeholders were asked to comment on any other aspect of the proposal.</p>		<p><u>IREC</u> – Encourages the ISO to consider a definition of interregional transmission projects that includes transmission facilities solely within the ISO footprint. <u>TransWest</u> – The proposal emphasizes compliance with Order 1000 by providing a response to a minimum set of requirements. Submits that an interregional transmission project should be evaluated on the basis of whether it provides net benefits for electricity consumers in the Western Interconnection. Believes that the proposal ignores</p>	<p>In response to IREC, Order 1000's interregional requirements do not require joint evaluation of the effects of a new transmission facility proposed to be located solely in a single planning region as that is the purpose of regional transmission planning processes. In response to TransWest, Management reviewed with stakeholders the requirements of Order 1000 and proposed</p>

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		<p>the benefits to California consumers of access to low-cost location-constrained resources.</p>	<p>modifications to the tariff that it believes are necessary to comply with the order. Management did not consider tariff modifications suggested by stakeholders that were unrelated to and beyond the scope of Order 1000 compliance. Management disagrees and responds that its proposed approach will identify benefits to California consumers of access to location-constrained resources outside the ISO planning region to the extent that the need to access those resources is established in the ISO transmission planning process based on the resource portfolios used.</p>