

Stakeholder Process: Decision on FERC Order No. 1000 Compliance Filing

Summary of Submitted Comments

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

- Round One: Issue Paper posted February 29, 2012; comments received March 26, 2012
- Round Two: Straw Proposal posted May 22, 2012; comments received June 15, 2012
- Round Three: Draft Final Proposal posted July 10, 2012; comments received July 26, 2012
- Round Four: Tariff language posted August 8, 2012; comments received August 15, 2012

Parties that submitted written comments: California Consumers Alliance (CCA), California Department of Water Resources (CDWR), California Public Utilities Commission (CPUC), Center for Energy Efficiency and Renewable Technologies (CEERT), LS Power, National Resources Defense Council (NRDC), Pacific Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E), Sierra Club, Southern California Edison (SCE), Transwest Express, Western Independent Transmission Group (WITG)

Other parties that participated in meetings or conference calls, but did not submit written comments: Abengoa Solar, APX Power, Bonneville Power Administration, Brightsource Energy, California Energy Commission, California Wind Energy Association, City of Anaheim, City of Riverside, City of San Francisco, Clean Coalition, Customized Energy Solutions, Cogeneration Association of California, Critical Path Transmission, Earth Justice, Exelon, Federal Energy Regulatory Commission, First Solar, GenOn Energy, Independent Energy Producers, Navigant Consulting, Northern California Power Agency, NextEra Energy, NV Energy, NRG, Powerex, Sacramento Municipal Utility District, Shell, Southern California Gas Company, Starwood Energy Group, Sunpower, Thompson Coburn, Trans Bay Cable, Transmission Agency of Northern California, The Vote Solar Initiative, Turlock Irrigation District, Western Area Power Administration, ZGlobal

Stakeholder comments are posted at:

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

Other stakeholder efforts include:

- One stakeholder meeting: March 15, 2012 to discuss issue paper
- Three stakeholder web conferences: June 5, 2012 to discuss straw proposal; July 17, 2012 to discuss draft final proposal; and August 21, 2012 to discuss draft tariff language
- Numerous client services outreach calls

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>PG&E – Supports with qualification. SDG&E – Supports with qualification. SCE – Supports with qualification.</p>	<p>CPUC – Supports with qualification. NRDC – Supports with qualification. CCA – Does not have enough information to support. Sierra Club - Opposes. Proposal fails to cure deficiencies that Sierra Club identified regarding public policy requirements process. Disagrees with ISO's position on intervenor funding.</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 No. 1000.</p>
<p>2. Applicability - Provisions would apply only after FERC approval and only to new transmission facilities on a going-forward basis. Existing transmission and transmission already approved through transmission planning and generator interconnection processes would not be affected.</p>	<p>SCE – Supports.</p>	<p>CPUC – Supports. CDWR – Supports. LS Power – Even if ISO receives FERC approval in March 2013, new rules should still apply to competitive solicitation phase of the ISO transmission planning process.</p>	<p>Management expects that the ISO would be required to apply any tariff amendments to new transmission projects or elements found to be needed in the 2012-2013 transmission planning process, provided FERC issues an order approving the ISO compliance filing without significant modification by February 2013. Receiving an order beyond that point would make it impractical to apply changes to new projects or elements approved in the 2012-2013 transmission plan as that plan must be submitted to the ISO Board for approval in March 2013 and any competitive solicitation process would commence immediately following Board approval.</p>
<p>3. Local versus regional transmission facilities - Retain present 200-kV criterion as basis for local versus regional split and revise tariff to (1) make clear that “high voltage” (at or above 200-kV) transmission facilities are synonymous with regional transmission facilities and that “low voltage” (below 200-kV) transmission facilities are synonymous with local transmission facilities, and (2) add requirement from Order 1000 that a local facility must also be located within retail distribution service territory or footprint of a transmission provider. Going forward, annual transmission plan will describe/identify resulting transmission as either local or regional.</p>	<p>PG&E – Suggests minor revisions to definition of local facilities. SDG&E – Supports. SCE – Supports.</p>	<p>CPUC – Supports. CDWR – Transmission facilities below 200-kV should be classified as local. LS Power – If a project is not solely in a single retail distribution territory or footprint, then it is a “regional” project regardless of voltage level. If any portion of a project is regionally allocated, then it is a regional project. NRDC – Process of incorporating non-transmission alternatives could be outlined more clearly in proposed language.</p>	<p>Management suggests that refinements to tariff definitions for local and regional facilities are best addressed in tariff language development process with stakeholders.</p>

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4. Exclusive right to build local facilities - Only the participating transmission owners would have right to build and own needed local facilities (competitive solicitation process applies to regional facilities but does not apply to local facilities).	SCE – Supports. PG&E – Supports. SDG&E – Supports.	CPUC – Supports. However, suggests that non-wires alternatives, including storage, should be made available for competitive development if they pass criteria regarding voltage and use of incumbents' existing facilities, regardless of whether they are deemed to substitute for local or regional transmission.	Management believes that its proposed approach is consistent with Order No. 1000. Management disagrees with CPUC's suggestion and reiterates that only non-transmission alternatives that are considered alternatives to a regional transmission facility will be subject to competitive solicitation.
5. Cost allocation - For facilities below 200-kV the costs would be applied to present Low voltage TAC (no regional cost allocation), and for facilities 200-kV and above costs would be applied to present High voltage TAC (regional cost allocation).	PG&E – Supports. SCE – Supports. SDG&E – Supports as long as revisions are not intended to modify existing ISO ratemaking protocols but rather only conform them to the terminology found in Order No. 1000.	CPUC – Supports. CDWR – Supports.	High voltage transmission access charge is appropriate for regional cost allocation as High voltage grid provides benefits across entire ISO region. Low voltage transmission access charge is utility-specific; charged by each participating transmission owner for service taken off of its local transmission. ISO believes existing tariff framework meets requirements and no additional changes are necessary. Proposed terminology changes reflect local/regional terminology of Order No. 1000.
6. Elimination of incumbents' exclusive right to build (often referred to as "right of first refusal") - Order No. 1000 calls for elimination of incumbents' right of first refusal for all projects subject to regional cost allocation, except for upgrades, improvements, additions or replacements of existing participating transmission owner facilities (discussed in Item 9 below).	SCE – Supports proposal as it is consistent with Order 1000. SDG&E – Does not oppose proposal.	CPUC – Supports.	Management believes this change complies with a major requirement of Order No. 1000 and notes that there is no stakeholder opposition to this change.
7. Large Generator Interconnection Procedures facilities and Location Constrained Resource Interconnection Facilities - Management is not proposing changes to who builds these two types of facilities.	SCE – Supports. SDG&E – Supports.	CPUC – Facilities that otherwise meet "regional" criteria, are funded through transmission access charge, and do not constitute upgrades to existing participating transmission owner facilities should be open to competitive development. LS Power – All transmission projects driven by the Large Generator Interconnection Procedures that will get finalized through transmission planning process should be considered	FERC ruled in Order No. 1000 that issues related to the Large Generator Interconnection process and interconnection cost recovery were beyond scope of Order No. 1000. FERC approved the Location Constrained Resource Interconnection Facilities tariff as a just and reasonable variation from Order No. 2003 generator interconnection procedures. Management believes that changes to these two tariff provisions are beyond scope of the compliance filing.

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		regional.	
8. Elimination of tariff language affirming right of first refusal for existing rights-of-way - Eliminate tariff provisions that provide participating transmission owners with exclusive right to build on their rights-of-way.	SCE – Does not support. Believes existing tariff language is consistent with Order No. 1000. SDG&E – Does not believe these tariff modifications are necessary to comply with Order No. 1000.	CPUC – Supports.	Management believes this change to the ISO's existing tariff language is consistent with Order No. 1000 statements (at paragraph 319) that an incumbent transmission provider's use and control of its existing rights-of-way is governed by state law.
9. Clarification of right of first refusal for existing facilities - Clarify ISO tariff provisions that provide participating transmission owners with the exclusive right to build upgrades on their existing facilities.	SCE – Supports.	LS Power – Reconductoring and tower change outs should be added to definition of existing facilities. Believes there is no right of first refusal on substations.	Management believes its proposed clarification is required so the ISO tariff becomes consistent with clarification provided by Order No. 1000-A at paragraph 426. Management points out the express clarification provided in Order No. 1000-A that identification of reconductoring and tower change outs are merely examples of potential actions that constitute upgrades to an existing transmission facility; Management does not propose to add such examples in ISO tariff. The ISO is not maintaining a right of first refusal for existing substations, but because substations and equipment located within them are existing transmission facilities, permitted right of first refusal for upgrades applies to any upgrade of, addition or improvement to, or replacement of an existing substation or equipment within an existing substation.
10. Selection criteria - Retain project section criteria in current tariff.	SCE – Supports. SDG&E – Supports.	CPUC – Supports. Urges after-the-fact transparency on how selection criteria were applied. LS Power and WITG – Believe the ISO's reliance on its current competitive solicitation process is not compliant with Order No. 1000. WITG – Need greater detail on selection process and in advance how ISO will evaluate competing proposals. After-the-fact explanations do not provide transparency. ISO should assign explicit evaluation weights to selection criteria. LS Power – Believes no nexus has been demonstrated between ISO's	Management disagrees with the opinion of some stakeholders that the ISO's current competitive solicitation process is not compliant with Order No. 1000. The current ISO competitive solicitation process is FERC-approved and FERC referred to it in Order No. 1000. Despite this, Management is proposing tariff modifications that will add clarity to and increase the transparency of the ISO's competitive solicitation process. Further, nothing in Order No. 1000 suggests that the ISO must modify the existing process to require specific weights to be accorded to each selection criteria. Nowhere in Order No. 1000 does FERC require—or even mention—the implementation of a mathematical

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		competitive bid selection factors and FERC's Order for ISO to select most efficient or cost-effective projects. Believes Order No. 1000 requires clarity and transparency in how winners will be selected and not just a list of factors. ISO must outline in tariff how it will evaluate among competing solutions and resources. Least cost projects should be selected.	methodology for selecting project sponsors that contains pre-established weights in the applicable selection criteria. However, to address stakeholder concerns, the ISO proposal also includes a provision where the ISO will announce before the start of each competitive solicitation process the key factors that will be considered when evaluating proposals for each project.
11. Consideration of public policy requirements – The ISO's current transmission planning process already provides for the identification and consideration, with stakeholder input, of public policy directives and requirements that affect infrastructure needs.		Sierra Club – Disagrees that existing ISO tariff complies with requirements of Order 1000 regarding consideration of public policy requirements. Believes that the ISO's existing tariff erroneously focuses solely on compliance with renewable portfolio standard objectives even though there are other policy objectives that impact the state's approach to clean energy. Suggests that the ISO's planning process does not permit stakeholders to participate in the identification of public policies that should be assessed in the planning process.	Management disagrees. The Sierra Club does not correctly characterize the ISO's current transmission planning process. The ISO's transmission planning tariff provisions do not limit evaluation of policy directives and requirements to renewable portfolio standard goals. The ISO's transmission planning process provides numerous opportunities for stakeholders to participate in identification of public policy objectives that the ISO should consider. Despite this, Management will propose additional tariff language regarding stakeholder opportunities to propose public policy requirements and directives and will include a commitment to provide a public explanation as to why specific public policies were selected for consideration and others rejected.
12. Information requirements during permitting and construction - Additional tariff provisions are needed providing project progress reporting requirements and to address situation in which an approved project sponsor is failing to meet its milestones.	SCE – Supports. SDG&E – Supports.	CPUC – Supports. LS Power – For reliability projects with a delay of more than six months of a critical path milestone and there is material evidence of abandonment or lack of commercially reasonable competence by the project sponsor to advance the project, then project could be taken to ISO Board for reassignment to another project sponsor.	Management believes it is critical that the tariff addresses the need for regular reporting from approved project sponsors as well as a process for addressing possible reliability violations due to project delays. Management will develop this process with stakeholders through the tariff language development process.
13. Backstop obligations of participating transmission owners - The ISO tariff currently provides that if an approved project	SCE – Opposes participating transmission owners having a backstop obligation for economic	CPUC – Supports.	Management has made the following change to its proposal to address SCE's concern: For reliability-driven transmission

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<p>sponsor is unwilling or unable to complete a project, the ISO may, at its discretion, either direct the participating transmission owner to build it or hold a competitive solicitation.</p>	<p>or policy transmission projects, which Order No. 1000 does not require. Recommends a solicitation for abandoned economic- or policy-driven projects in which participating transmission owner with a service territory could participate if they so desired. If FERC rejects a request for abandoned plant cost recovery for a backstop project, then participating transmission owner should no longer be required to build the project. SDG&E – Supports.</p>		<p>facilities, the ISO may, at its discretion, direct the participating transmission owner to build the facility or the ISO may open a new solicitation. For all other projects, the ISO shall open a new solicitation. Where there remains no approved project sponsor, the ISO shall direct the participating transmission owner to build it. Management does not consider it appropriate to incorporate references to abandoned plant protection in its tariff. However, Management proposes that in the instance an approved project sponsor's abandoned plant cost recovery request is denied by FERC, the ISO would take such action as it reasonably considers appropriate, in coordination with the participating transmission owners and other affected market participants, to facilitate the development and evaluation of alternative proposals.</p>
<p>14. Intervener funding - The ISO does not propose to incorporate a mechanism in its tariff to provide funding for interveners.</p>	<p>SCE – Supports PG&E – Supports.</p>	<p>CDWR – Supports. Sierra Club and NRDC – Disagree with ISO's position. Support interverter funding for stakeholders. CCA – Requests that ISO reconsider its current position on the need for an interverter funding mechanism.</p>	<p>Order No. 1000 does not require interverter funding. Management does not see a current need for such a mechanism. Management offers that ISO staff is available to explain its study results to interested stakeholders and answer questions about planning assumptions and other details. If non-market participants believe it would be helpful, the ISO can provide additional, less technical descriptions of its studies and extent to which alternatives were considered. The ISO's stakeholder process is open, transparent and compliant with the requirements of FERC Orders No. 890 and No. 1000. It may also be the case that transmission approved for cost recovery through ISO process will be submitted to CPUC for permitting and the CPUC process will involve an examination of ISO's studies and findings. Interested parties may avail themselves of interverter compensation in the CPUC process.</p>