



June 1, 2004

**BY ELECTRONIC TRANSMISSION**

The Honorable Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: California Independent System Operator Corporation  
Docket No. ER04-445-003**

**Pacific Gas and Electric Company  
Docket No. ER04-435-003**

**San Diego Gas & Electric Company  
Docket No. ER04-441-002**

**Southern California Edison Company  
Docket No. ER04-443-002**

Dear Secretary Salas:

Enclosed for electronic filing please find Motion for Leave to File Answer and Answer of the California Independent System Operator Corporation to Motions to Intervene and Protests in the above-referenced docket.

Thank you for your assistance in this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Gene L. Waas", is written over a horizontal line. The signature is fluid and cursive.

Gene L. Waas

Counsel for the California Independent  
System Operator Corporation

Enclosures  
cc: All parties of record

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corporation	)	Docket No. ER04-445-003
	)	
Pacific Gas and Electric Company	)	Docket No. ER04-435-003
	)	
San Diego Gas & Electric Company	)	Docket No. ER04-441-002
	)	
Southern California Edison Company	)	Docket No. ER04-443-002
	)	

**MOTION FOR LEAVE TO FILE ANSWER AND ANSWER OF THE  
CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR CORPORATION  
TO MOTIONS TO INTERVENE AND PROTESTS**

**I. INTRODUCTION**

On April 26, 2004, The California Independent System Operator Corporation (“ISO”) filed a revised *pro forma* Large Generator Interconnection Procedures (“LGIP”) in compliance with, and in response to, the Commission’s order on rehearing with respect to the Standardization of Interconnection Agreements and Procedures, which granted rehearing of certain provisions of Order 2003.<sup>1</sup> On that same date the ISO, jointly with the three Participating Transmission Owners<sup>2</sup> (“Participating TOs”) named above, also filed a revised *pro forma* Large Generator Interconnection Agreement (“LGIA”) pursuant to

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<sup>1</sup> See, 106 FERC ¶ 61,220 (“Order 2003-A”)

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meaning set forth in the Master Definitions Supplement, Appendix A to the ISO Tariff.

Order 2003-A.<sup>3</sup> The ISO had earlier, on January 20, 2004, and the ISO and the Participating TOs had earlier, on February 9, 2004, filed in compliance with the Final Rule on the Standardization of Generator Interconnection Agreements and Procedures<sup>4</sup> and the ISO had provided an answer to commenters on those filings. This filing responds only to those pleadings addressing the 2003-A Compliance Filings.

A small number of parties have moved to intervene in the present phase of this proceeding.<sup>5</sup> Some of the motions to intervene include protests concerning the Order 2003-A Compliance Filings.<sup>6</sup> Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213, the ISO hereby requests leave to file an answer, and files its answer, to the motions to intervene and protests submitted with respect to the 2003-A Compliance Filings.<sup>7</sup> The ISO does not oppose the intervention of parties that have sought to intervene in this proceeding. In addition, as stated in footnote 6, only one party raises issues that relate to the Order 2003-A

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<sup>3</sup> Collectively, the revised LGIP and LGIA are referred to herein as the "Order 2003-A Compliance Filings."

<sup>4</sup> See, 104 FERC ¶ 61,103 ("Order 2003")

<sup>5</sup> Motions to intervene, comments, and protests were filed by the following entities: Calpine Corporation ("Calpine"), Dynegy Power Marketing, Inc., ("Dynegy") and PPM Energy ("PPM").

<sup>6</sup> The Dynegy intervention raises no substantive issues whatever. The intervention and protest of PPM merely incorporates the language of the PPM's February 27<sup>th</sup> protest in its current filing. PPM also asks that the Commission suspend approving the ISO's April 26th compliance filing until such time as the Commission addresses the requests for clarification and rehearing of Order 2003A. Only Calpine raises any "new" issues with respect to the amendment to the ISO Tariff following the Commission's order on rehearing.

<sup>7</sup> Some of the parties that have submitted filings concerning the revised compliance following the order on rehearing request affirmative relief in pleadings styled as protests. There is no prohibition on the ISO's responding to the assertions in these pleadings. Florida Power and Light, 67 FERC ¶ 61,315 (1994). Additionally, to the extent that this answer is deemed an Answer to protests, the ISO requests waiver of Rule 213 to permit it to make this answer. Good cause exists for the waiver here because the Answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., Entergy Services, Inc., 101 FERC ¶ 61,289,62163 (2002).

Compliance Filings. As explained below, the ISO believes that the 2003-A Compliance Filings should be accepted by the Commission in their entirety because it is absolutely essential that regional differences in the California market be recognized and that the interconnection of new generation to the ISO Controlled Grid continue to occur in an orderly and timely fashion.

## **II. ANSWER**

### **A. The Protest of Calpine**

As a part of its protest of the Order 2003-A Compliance Filings (“Calpine Protest”), Calpine has included a matrix of proposed changes to both the LGIP and the LGIA that it feels are necessary. Appendices A and B to the ISO’s answer contain detailed responses to most of Calpine’s proposed language changes.<sup>8</sup>

### **B. The Protest of PPM**

PPM asks that the Commission suspend the consideration and approval of the ISO’s April 26, 2004 LGIP compliance filing until after it acts on requests for clarification and rehearing of Order No. 2003-A<sup>9</sup> in Docket RM02-01.<sup>10</sup> The ISO believes that the Commission should act expeditiously, while at the same time not wasting either corporate or Commission resources. To the extent that the ISO’s LGIP compliance filing is adequate in the opinion of the Commission and any order on rehearing does not impact what the ISO has filed, it should be approved.

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<sup>8</sup> The ISO has omitted from Appendices A and B those revisions proposed by Calpine regarding which the ISO has no position.

<sup>9</sup> PPM also requests that the language from its February 27, 2004 protest of the ISO’s compliance filing relative to Order 2003 be incorporated by reference.

<sup>10</sup> PPM protest at 3.

### III. CONCLUSION

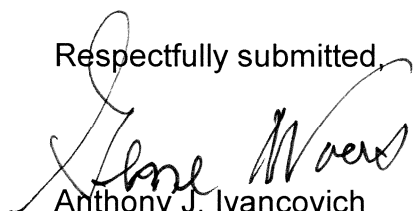
The ISO respectfully requests that the Commission accept this answer in response to the protests of PPM and Calpine with respect to the Order 2003-A Compliance Filings.

David B Rubin  
Michael Kunselman

Swidler, Berlin, Shereff  
and Friedman, LLP  
3000 K Street, Ste. 300  
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Telephone: (202) 424-7500

Date: June 1, 2004

Respectfully submitted,

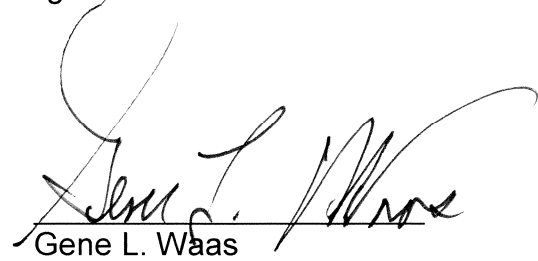


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**CERTIFICATE OF SERVICE**

I hereby certify that I have on this 1st day of June 2004, served copies of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.



Gene L. Waas

# **Appendix A** **ISO Response to [Calpine's] Proposed Changes to LGIP**

CHANGE NO.	LGIP SECTION	[CALPINE'S] PROPOSED LGIP MODIFICATION	[CALPINE'S] RATIONALE	ISO RESPONSE
1.	1.2.3	<del>(a) Unless the context otherwise requires, if the provisions of this LGIP and the ISO Tariff conflict, the ISO Tariff will prevail to the extent of the inconsistency.</del>	As the ISO conceded in its March 8, 2004, Answer, at page 22: "if the Commission accepts the LGIP, the LGIP will become part of the ISO Tariff and stand on equal ground with all other parts of the ISO Tariff. No other specific part of the ISO Tariff receives favored treatment over another part."	The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. This item previously appeared in the comments of Calpine, and the ISO's answer of March 9, 2004 ("March 9 <sup>th</sup> answer") sets forth the reasons that Calpine's proposed revision should be rejected.
2.	3.2 (a)	<p><del>The ISO will review the economic viability of Network Upgrades in accordance with LGIP Section 3.4.2.</del></p> <p>The ISO and Participating TO will coordinate with Affected System Operators in accordance with LGIP Section 3.7.</p>	<p>Eliminates economic test added by the Filing Parties that violates the interconnection pricing terms of Order Nos. 2003 and 2003-A.</p> <p>As conceded by the ISO, the Participating TO is the party with the historical and technical studies, including coordination with Affected Systems. Failure to require the Participating TO to assist in this matter would provide an unfair advantage to Interconnection Customers that are Affiliates of a TO and have access to TO expertise when coordinating with Affected Systems.</p>	<p>The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. The ISO's March 9<sup>th</sup> answer to Calpine's protest sets forth the reasons that Calpine's proposed revision should be rejected.</p> <p>The ISO manages the interconnection process, including coordination with Affected System Operators, and supervises the performance of technical studies. Therefore, it is unnecessary to reference the Participating TO in this provision, and Calpine's proposed revision should be rejected.</p>
3.	3.3.2	The Interconnection Studies will also identify necessary Delivery Network Upgrades to allow full output of the proposed Large Generating Facility under a variety of potential system conditions, and the maximum allowed output, under a variety of potential system conditions, of the interconnecting Large Generating Facility without <del>all or some of the</del> Delivery Network Upgrades.	Provides the parties with the flexibility to study the deliverability of the full output of the Large Generating Facility if all, none, or a sub-set of the Delivery Network Upgrades are funded.	The LGIP filed by the ISO fits the "standardized" interconnection policy for California's unique situation. Specifically, the procedures for assessing the deliverability of the Large Generating Facility are consistent with FERC's pro forma LGIP because the Interconnection Customer would have the ability to assess and attain deliverability of its resource.

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				<p>These procedures provide for two benchmarks: one benchmark assessment provides only the Reliability Network Upgrades necessary for interconnection, and the other benchmark assessment provides the Delivery Network Upgrades necessary for 100% deliverability of the Large Generating Facility operating at full output.</p> <p>In addition, the Interconnection Customer has the flexibility to receive additional information regarding the partial deliverability of its resource by requesting an Optional Interconnection Study. Thus, these procedures allow the Interconnection Customer to receive an assessment for <b>any</b> specific deliverability benchmark within the 0% to 100% range, but not for <b>every</b> possible benchmark because that could require innumerable studies and could cause significant delays. The proposed revision would simply confuse matters and should be rejected.</p>
4.	3.3.3.1	Thus, the Deliverability Assessment results will provide the Interconnection Customer <u>three</u> <del>two</del> data points on the scale of deliverability: 1) a deliverability level with no Network Upgrades, <del>and</del> 2) the required Network Upgrades to support 100% deliverability, <del>and</del> 3) a <u>deliverability level less than 100% deliverability selected by the Interconnection</u>	Provides the parties with the flexibility to study the full output of the Large Generating Facility if all, none, or a sub-set of the Delivery Network Upgrades are funded.	The ISO's March 9 <sup>th</sup> answer responded generally to concerns about the Deliverability Assessment. As explained in the previous item, the ISO believes its LGIP offers the Interconnection Customer appropriate flexibility to request additional benchmarks for partial deliverability. Thus, the proposed revision is unnecessary and



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		<u>Customer ("Developer's Choice").</u>		inappropriate and should be rejected.
5.	3.3.3.2	<p>The Deliverability Assessment will identify the facilities that are required to enable the Interconnection Customer's Large Generating Facility to meet the requirements for deliverability, <del>and as a general matter, that such</del> <u>The Large Generating Facility's interconnection is also</u> shall be studied with the ISO Controlled Grid at peak load, <del>under a variety of severely stressed conditions,</del> to determine whether, <del>with the Large Generating Facility at full output,</del> the aggregate of generation in the local area can be delivered to (i) the aggregate of load on the ISO Controlled Grid, and/or (ii) one or more sub-areas or the ISO Control Area (e.g. San Francisco Bay area, San Diego area, LA Basin area, Fresno area, NP15, SP15, etc), consistent with the ISO's reliability criteria and procedures <u>when the Large Generating Facility is at (i) full output; and/or (ii) a specified level of output less than full output selected by the Interconnection Customer,.</u></p>	<p>Instead of providing two levels of interconnection service (Energy or Network), the ISO has committed to allow each Interconnection Customer to specify the level or quality of interconnection service it desires from a "continuum" of deliverability. In other words, Interconnection Customers have the flexibility to select from a portfolio of Network Deliverability upgrades to ensure the selective deliverability of generation to meet only certain contractual power sale obligations. The proposed language here clearly defines this Interconnection Customer option.</p> <p>Moreover, the term "variety of severely stressed conditions" is vague and ambiguous, thereby risking abused of discretion. In the alternative, the conditions for testing must be specifically defined.</p>	<p>This item was discussed in Calpine's earlier comments and was answered in the ISO's March 9<sup>th</sup> answer at least as to the general tenor of the comment.</p> <p>The term "variety of severely stressed conditions" originated in Section 3.2.2 of FERC's pro forma LGIP, where the Network Resource Interconnection Service is described, and the ISO believes this phrase is an appropriate part of the general description of the Deliverability Assessment.</p> <p>In its March 9<sup>th</sup> answer, the ISO agreed with Calpine's suggestion for additional public technical meetings on the methodology and assumptions for this Deliverability Assessment. The CPUC is conducting an extensive stakeholder process to define more specifically the deliverability standard within California, and the ISO is participating intensively along with Calpine and other market participants. Thus, the proposed revisions are at best premature and should be rejected as inappropriate at this time.</p>

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6.	3.4.3	<del>other than the amount by which the cost of those Network Upgrades is in excess of the benefits of those Network Upgrades, as determined by the economic test performed pursuant to LGIP Section 3.4.2.</del>	Eliminates economic test added by the Filing Parties that violates the interconnection pricing terms of Order No. 2003-A.	The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. The ISO discussed the value of the economic test in its March 9 <sup>th</sup> answer, and believes that that pleading, along with its original LGIP filing, adequately sets forth the reasons that Calpine's proposed revision should be rejected.
7.	3.4.1	<del>Subject to the economic test in LGIP section 3.4.2</del>	Eliminates economic test added by the Filing Parties that violates the interconnection pricing terms of Order Nos. 2003 and 2003-A.	The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. The ISO responded to Calpine's concerns about the economic test in its March 9 answer.
8.	3.4.2	<del>The ISO will review the economic viability of Network Upgrades where the estimated cost of such upgrades exceeds the lesser of \$20 million in costs or \$200,000 per MW of installed capacity. An economic test will be performed to determine whether the overall benefits of their costs. As part of the Interconnection Studies, the ISO will work with the Interconnection Customer and the Participating TO to determine the appropriate costs and benefits to be included in the ISO's economic test.</del>	The Uneconomic Network Upgrade Test violates the Commission's clear directive to eliminate cases-specific determinations of the benefits of a particular transmission network upgrade: "... our well-established precedent regarding what constitutes Network Upgrades does not require a case-specific determination that all users benefit from Network Upgrade, instead we look only as whether the upgrade is at all beyond the Point of Interconnection." Order No. 2003 at ¶ 66.	The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. The ISO believes that the language deleted by Calpine's proposal is essential in connection with the application of the economic test and that Calpine's revision should therefore be rejected.

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9.	3.4.3	<p><del>other than the amount by which the cost of those Network Upgrades is in excess of the benefits of those Network Upgrades, as determined by the economic test performed pursuant to LGIP Section 3.4.2</del></p> <p><u>Interconnection Customer's repayment of the cost of Network Upgrades, or any portion thereof, in accordance with Article 11.4.1, shall never convert to Firm Transmission Rights, Congestion Revenue Rights, or any other transmission capacity or transmission congestion rights without the written consent of the Interconnection Customer.</u></p> <p><u>If the zonal congestion management procedures are amended to a nodal congestion management procedure, Interconnection Customer shall at that time be provided a reasonable grace period in which to make a one-time election by written notice to the ISO to receive transmission congestion rights and/or transmission capacity rights as defined in and as available under the ISO Tariff at the time of the election in accordance with the ISO Tariff, in lieu of the remaining refund of the cost of Network Upgrades that is due to Interconnection Customer, or any portion thereof.</u></p>	<p>Eliminates economic test added by the Filing Parties that violates the interconnection pricing terms of October No. 2003 and 2003-A.</p> <p>Inserted language provides generation developers with additional certainty that transmission credits will not involuntarily convert into CRRs as part of ISO's comprehensive market re-design.</p> <p>Interconnection Customers should be permitted a grace period during which the Interconnection Customer may, at its sole option, convert all of a portion of its remaining transmission credits into Congestion Revenue Rights, or equivalent, when and if, Congestion Revenue Rights become available upon implementation of the comprehensive market re-design.</p>	<p>The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. Again, the ISO considers the economic test to be an essential part of these procedures.</p> <p>The ISO responded previously to concerns about the crediting policy, and its March 9<sup>th</sup> answer clearly states that the ISO's long-term goal is to convert to financial congestion rights as the only compensation permitted for Network Upgrades.</p> <p>The ISO expects that future events related to its market design and the state's resource adequacy requirement may require re-examination of the ISO's interconnection policy and procedures.</p> <p>For the foregoing reasons, all of Calpine's proposed revisions should be rejected.</p>

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10.	3.4.4	<del>Any repayment by the owner of the Affected System shall be in accordance with paragraphs 636-639 or FERC Order No. 2003-A (106 FERC 61,220).</del>	Repayment should be made in accordance with current law, including any future orders on re-hearing or other modifications of Order Nos. 2003 and 2003-A, and the other applicable case law, statutes, regulations, or contractual arrangements.	As noted in the Transmittal Letter and Matrix of Changes accompanying the revised LGIP, the ISO has carefully transferred the substantive changes in Order 2003-A LGIA Article 11.4 into the ISO's LGIP Section 3.4.4. It is necessary to cite the specific paragraphs in Order 2003-A to ensure that these substantive changes are instituted within this LGIP. Therefore, Calpine's proposed revision should be rejected.
11.	3.5.1	Such deposits <del>may</del> <u>shall</u> be applied toward any Interconnection Studies pursuant to the Interconnection Request.	Restores pro forma language. The Filing Parties provide no justification for not applying the deposits toward Interconnection Studies.	As noted in the LGIP Matrix of Changes, the Interconnection Customer is provided the option to use the deposit toward the cost of performing the Interconnection Studies. Calpine's proposed revision would limit the Interconnection Customer's options and should be rejected.
12.	3.7	<p>The <u>ISO and the Participating TO</u> will coordinate the conduct of any studies to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators Operators, <u>and with regional and national reliability organizations.</u></p> <p><u>The Participating TO shall use the same reasonable efforts to coordinate with Affected Systems and with regional and national reliability organizations as it would for itself, its subsidiaries or Affiliates, or other Interconnection Customers.</u></p> <p><u>If the Affected System or regional or national</u></p>	<p>Incorporates the Commission's findings, at Order No. 2003 at ¶¶ 120-121, into text of LGIA. Inserted language ensures that Participating TO will not delay or avoid Interconnection Customer's interconnection due to difficulties coordinating with an Affected System Operator.</p> <p>As conceded by the ISO, the Participating TO is the party with the historical and technical knowledge required to perform technical studies, including coordination with Affected Systems. Failure to require the Participating TO to assist in this matter would provide an unfair advantage to Interconnection Customers</p>	<p>The ISO manages the interconnection process and supervises the performance of technical studies. Therefore, it is unnecessary to reference the Participating TO in this provision.</p> <p>The ISO will coordinate the process with Affected Systems, and will notify Affected System Operators that may be affected by an interconnection to the ISO Controlled Grid. Therefore, it is unnecessary to reference the Participating TO in this provision.</p> <p>The ISO generally works closely with regional and national reliability organizations on interconnection and other issues. Therefore, it is</p>

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		<p><u>reliability organization declines to work with the Participating TO and the ISO, or it fails to provide information in a timely manner, the Participating TO and the ISO shall proceed in the interconnection process without taking into account the information that could have been provided by the Affected System or regional or national reliability organization.</u></p> <p><u>Unless the Interconnection Customer's Interconnection alone will endanger the reliability of an Affected System, a Transmission Provider may not require an Interconnection Customer, as a condition interconnection, to accept responsibility for Network Upgrades on other systems.</u></p>	that are Affiliates of a TO and have access to TO assistance when coordinating with Affected Systems.	<p>unnecessary to reference those reliability organizations in any greater detail in this provision.</p> <p>For the foregoing reasons, all of Calpine's proposed revisions should be rejected.</p>
13.	4.2	<p><del>At the ISO's option and with the concurrence of the applicable Participating TO</del> Interconnection Requests may be studies serially or in clusters...</p>	Requiring the concurrence of the Participating TO in this decision-making process potentially permits the TO to preference its new affiliate generation.	<p>As previously noted in the ISO's LGIP Matrix of Changes, the ISO will direct clustered studies to be performed in certain cases with the concurrence of the Participating TO. The ISO's overall management of the interconnection process should ensure that technical studies are performed fairly and without preference to a particular developer. Therefore, the proposed deletion is inappropriate and should be rejected</p>
14.	6.1	<p>If Interconnection Customer, Participating TO and ISO agree to forgo the Interconnection Feasibility Study, the applicable Participating TO will tender an Interconnection System Impact Study Agreement pursuant to the procedures specified in Section 7 of this</p>	Restores pro forma language. The ISO modification would require Interconnection Customers to provide an excessive deposit. The ISO provides no justification for requiring an excessive deposit.	<p>As previously noted in the Matrix of Changes accompanying the revised LGIP, the ISO believes its language is consistent with, but superior to Order 2003-A because it clarifies that any deposits made in accordance with Section 3.5.1 (including the deposit</p>

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		<del>LGIP and apply the deposits made in accordance with LGIP Section 3.5.1, in addition to the deposit made in accordance with LGIP Section 7, and apply the \$10,000 deposit towards the Interconnection System Impact Study.</del>		for site control) will be applied to future studies and that the full deposit for the Interconnection System Impact Study will be due even if the Interconnection Feasibility Study is not performed. Therefore, Calpine's proposed revisions should be rejected.
15.	6.4	<del>any other effective changes in information which necessitates a re-study</del>	Provides the Participating TO with unjustified discretion to require unnecessary re-studies, unjustifiably increase costs, and indefinitely delay interconnection of new generation.	As previously noted in the ISO's LGIP Matrix of Changes, the ISO believes that other information – such as a change to the electric system due to forced outages, significant events like earthquakes, retirement of lines, or retirement of power plants – may trigger a re-study. The ISO will oversee the performance of re-studies as part of its overall management of the interconnection process. Therefore, the proposed deletion is inappropriate and should be rejected.
16.	7.6	<del>any other effective change in information which necessitates a re-study</del>	Provides the Participating TO with unjustified discretion to require unnecessary re-studies, unjustifiably increase costs, and indefinitely delay interconnection of new generation.	As noted in the previous item, the ISO believes that other information – such as a change to the electric system due to forced outages, significant events like earthquakes, retirement of lines, or retirement of power plants – may trigger a re-study. The ISO will oversee the performance of re-studies as part of its overall management of the interconnection process. Therefore, the proposed deletion is inappropriate and should be rejected.

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17.	8.5	<del>any other effective change in information which necessitates a re-study</del>	Provides the Participating TO with unjustified discretion to require unnecessary re-studies, unjustifiably increase costs, and indefinitely delay interconnection of new generation.	As noted in the previous two items, the ISO believes that other information – such as a change to the electric system due to forced outages, significant events like earthquakes, retirement of lines, or retirement of power plants – may trigger a re-study. The ISO will oversee the performance of re-studies as part of its overall management of the interconnection process. Therefore, the proposed deletion is inappropriate and should be rejected.
18.	11.5	<del>The Interconnection Customer's Interconnection Facilities shall be designed, constructed, operated and maintained in accordance with the Participating TO's Interconnection Handbook.</del>	Deletes reference to Interconnection Handbook. The Handbooks are not Commission-approved documents and risk opening a loophole that will eliminate all the benefits of standardizing the interconnection process. In the alternative, if the Commission is convinced that more specific technical standards for interconnection are necessary, the Commission must require that all applicable Interconnection Handbooks: (1) be appended to the LGIA in an appendix; (2) be applied in a uniform and non-discriminatory manner; (3) be posted on the ISO web page; and (4) be subject to the approval of the ISO.	The ISO previously responded to concerns about Interconnection Handbooks in its March 16, 2004 answer to LGIA interventions.  To reiterate, these Interconnection Handbooks help clarify the proper operating and technical requirements to ensure a safe and reliable interconnection. They should not be used to delay or hinder the interconnection process, or significantly impact the rates, terms and conditions of service. The ISO supports the public posting of each Participating TO's Interconnection Handbook. Therefore, the proposed deletion is inappropriate and should be rejected.
19.	13.1.2	No Party shall release or disclose Confidential Information to any other person, except to its employees, consultants, Affiliates (limited by FERC Standards of Conduct requirements <del>set forth in Part 358 of FERC's Regulations, 18 C.F.R. 358</del> )	Deletes unnecessary language inserted by Filing Parties that may be misleading in the event that code citations change as result of amendment or reorganization.	The ISO believes the language proposed to be deleted is necessary to clarify that the confidential information shared with an Affiliate is limited by the Standard of Conduct set forth in Part 358 of FERC's Regulations, 18 C.F.R. 358.

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CHANGE NO.	LGIP SECTION	[CALPINE'S] PROPOSED LGIP MODIFICATION	[CALPINE'S] RATIONALE	ISO RESPONSE
20.	13.1.2	<p><u>The ISO and Participating TO may provide an Affected System Operator or a regional or national reliability organization with Confidential Information, subject to the following conditions:</u></p> <p><u>(1) The Confidential Information is (a) provided in response to a request for review of the Interconnection Customer's Interconnection Request by an Affected System Operator or regional or national reliability organization; or (b) is provided as a necessary component of the ISO's fulfillment of its obligations as a control area operator;</u></p> <p><u>(2) the Affected System Operator and/or the reliability council requesting the Confidential Information have first been advised of the confidentiality provisions of Article 22 and have agreed to comply with such provisions in writing; and</u></p> <p><u>(3) The Confidential Information shall not be shared with individuals responsible for merchant or marketing functions for the Affected System.</u></p>	<p>As drafted LGIP Section 13.1.2 does not address the provision of Confidential Information to Affected Systems or reliability organizations, while LGIA Articles 22.1.10.1 and 22.1.11 permit disclosure to such organizations. Inserted language ensures that Affected Transmission Owners and the WECC maintain confidentiality of Confidential Information</p>	<p>The ISO has no position on the proposed revision, except to note that the existing provisions of the ISO Tariff already provide appropriate protections for all parties involved in the Interconnection process and that no stand-alone confidentiality agreement is necessary.</p>
21.	13.5	<p><del>All disputes arising out of or in connection with this LGIP whereby relief is sought by or from the ISO shall be settled in accordance with the ISO ADR Procedures. Disputes arising out of or in connection with this LGIP not subject to the ISO ADR Procedures shall be resolved as follows:</del></p>	<p>The ISO proposed to modify the pro forma disputes resolution process such that disputes between an Interconnection Customer and the ISO would be handled in a separate process than disputes involving a Participating TO. This plan is unworkable, since in most instances any dispute over interconnection will involve both the ISO and the Participating TO given their</p>	<p>The ISO inserted this provision for the reasons set forth in the LGIP Matrix of Changes, Attachment A to the January 20, 2004 filing of the LGIP. The ISO strongly disagrees with the proposed deletion of this language. As explained in the LGIP Change Matrix, all disputes involving the ISO that arise under the ISO Tariff are required to be settled under the ISO ADR Procedures, as detailed in</p>



**Appendix A**  
**ISO Response to [Calpine's] Proposed Changes to LGIP**

CHANGE NO.	LGIP SECTION	[CALPINE'S] PROPOSED LGIP MODIFICATION	[CALPINE'S] RATIONALE	ISO RESPONSE
			closely interrelated roles.	Article 13 of the ISO Tariff. Thus, the proposed deletion is inappropriate and should be rejected.
22.	Interconnection Feasibility Study Agreement, at Section 7	<del>Requests for review and input from Affected System Operators or the Western Electricity Coordinating Council may arrive at any time prior to interconnection, and a revision of the Interconnection Feasibility Study or re-study may be required in such event.</del>	This sentence is unjustifiably open-ended and may dramatically increase the cost and timing uncertainty of the interconnection process. As such, the provision must be stricken.	As part of its overall management of the interconnection process, the ISO will coordinate with Affected System Operators and the WECC in a way that minimizes delay and unnecessary revisions of studies or re-studies. Therefore, the proposed deletion is inappropriate and should be rejected.
23.	Interconnection System Impact Study Agreement, at Section 7	<del>Requests for review and input from Affected System Operator or the Western Electricity Coordinating Council may arrive at any time prior to interconnection, and a revision of the Interconnection System Impact Study or re-study may be required in such event.</del>	This sentence is unjustifiably open-ended and may dramatically increase the cost and timing uncertainty of the interconnection process. As such, the provision must be stricken.	As part of its overall management of the interconnection process, the ISO will coordinate with Affected System Operators and the WECC in a way that minimizes delay and unnecessary revisions of studies or re-studies. Therefore, the proposed deletion is inappropriate and should be rejected.
24.	Interconnection Facilities Study Agreement, at Section 7	<del>Requests for review and input from Affected System Operators or the Western Electricity Coordinating Council may arrive at any time prior to interconnection, and a revision of the Interconnection Facilities Study or re-study may be required in such event.</del>	This sentence is unjustifiably open-ended and may dramatically increase the cost and timing uncertainty of the interconnection process. As such, the provision must be stricken.	As part of its overall management of the interconnection process, the ISO will coordinate with Affected System Operators and the WECC in a way that minimizes delay and unnecessary revisions of studies or re-studies. Therefore, the proposed deletion is inappropriate and should be rejected.

**Appendix B**  
**ISO Response to Calpine Proposed Changes to LGIA**

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
1.	Art. 1 Definitions	<b>Base Case</b> shall mean the base case power flow, short circuit, and stability data bases used for the Interconnection Studies <u>by the Participating TO or Interconnection Customer.</u>	Reinstates pro forma language that clarifies that Interconnection Customer may undertake Interconnection Studies.	The ISO and the Participating TOs revised the definition for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revision would inappropriately omit the ISO from the provision. Calpine's revision is not needed for clarification and should either be rejected or revised to include the ISO if adopted.
2.	Art. 1 Definitions	<b>Distribution System</b> shall mean those non-ISO-controlled <del>transmission</del> and distribution facilities owned by the Participating TO <u>that are lower voltage facilities, not networked, and used to transmit electricity to ultimate usage points such as homes and industries.</u>	Reinstates pro forma and other language that clarifies limited meaning or Distribution System as that term is used in Order Nos. 2003 and 2003-A.	The ISO and the Participating TOs revised the definition for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revision should be rejected, as it is not needed for clarification, is also different from the FERC pro forma definition, and is likely to introduce more confusion than the definition proposed by the ISO and the Participating TOs to fit better with the actual use of that term in the ISO Control Area.
3.	Art. 1 Definitions	<b>Distribution Upgrades</b> shall mean the additions, modifications, and upgrades to the Participating TO's Distribution System <u>at or beyond the Point of Interconnection to facilitate interconnection of the Generating Facility and render the transmission service necessary to effect Interconnection Customer's wholesale sale of electricity in interstate commerce.</u>	Reinstates pro forma language that clarifies scope of Distribution Upgrades as that term is used in Order Nos. 2003 and 2003-A.	The ISO and the Participating TOs revised the definition for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revision should be rejected, as it is not needed for clarification and would reinstate the provisions proposed by the ISO and the Participating TOs for deletion because of their potential to create confusion in relation to the Interconnection Study process.

**Appendix B**  
**ISO Response to Calpine Proposed Changes to LGIA**

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
4.	Art. 1	<b><u>Interconnection Handbook</u></b> shall mean a handbook ... the terms in this LGIA shall apply.	Deletes reference to Interconnection Handbook. The Handbooks are not Commission-approved documents and risk opening a loophole that will eliminate all the benefits of standardizing the interconnection process.	<p>The ISO previously responded to concerns about Interconnection Handbooks in its March 16<sup>th</sup> answer to LGIA interventions.</p> <p>To reiterate, these Interconnection Handbooks help clarify the proper operating and technical requirements to ensure a safe and reliable interconnection. They should not be used to delay or hinder the interconnection process, or significantly impact the rates, terms and conditions of service. The ISO supports the public posting of each Participating TO's Interconnection Handbook. Therefore, the proposed deletion is inappropriate and should be rejected.</p>
5.	Art. 1 Definitions	<b>Interconnection Request</b> shall mean a request, in the form of Appendix 1 to the Standard Large Generator Interconnection Procedures, in accordance with ISO Tariff, to <u>interconnect a new Generating Facility, or to increase the capacity of, or make a Material Modification to the operating characteristics of, an existing Generating Facility that is interconnected with the Participating TO's Transmission System, but shall not include:</u>	Reinstates pro forma language to clarify scope of definition.	<p>The ISO and the Participating TOs revised the definition for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA.</p> <p>Calpine's proposed revision should be rejected, as it is not needed for clarification and has the potential to be more confusing than the definition proposed by the ISO and the Participating TOs as a result of the overlap of its provisions with the provision of the definition of this same term proposed to be added to the ISO Tariff.</p>

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**ISO Response to Calpine Proposed Changes to LGIA**

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
8.	2.4	Termination Cost. If this LGIA terminates pursuant to Article 2.3 above, <u>each Party the Interconnection Customer</u> shall pay all costs incurred or irrevocably committed to be incurred in association with the Interconnection Customer's Interconnection Request <del>interconnection</del> (including any cancellation costs relating to orders or contracts for Interconnection facilities and equipment) <del>and other expenses, including any Network Upgrades and Distribution Upgrades for which the Participating TO or ISO has incurred expenses and has not been reimbursed by the Interconnection Customer, that are the responsibility of the Terminating Party</del> as of the date of the other Parties' receipt of the notice of termination, subject to the limitations set forth in this Article 2.4	Conforms sentence to Order Nos. 2003 and 2003-A pro forma language.	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The costs in question would always be incurred at the request of the Interconnection Customer. There is no reason for entities other than the Interconnection Customer to pay such termination costs. Therefore, Calpine's proposed revisions are inappropriate and should be rejected.
9.	2.4.1	If an Interconnection Customer terminates this LGIA, it shall be responsible for all costs incurred in association with that Interconnection Customer's interconnection, including any cancellation costs relating to orders or contracts for Interconnection Facilities and equipment, and other expenses including any Network Upgrades for which the Transmission Provider has incurred expenses and has not been reimbursed by the Interconnection Customer.	Restores pro forma language.	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revision would reinstate duplicative provisions and should be rejected as unnecessary.

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**ISO Response to Calpine Proposed Changes to LGIA**

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
10.	3.2	Agreement Subject To ISO Tariff. <u>All Parties</u> <del>The Interconnection Customer</del> will comply with all applicable provisions of the ISO Tariff, including the LGIP.	Ensures Participating TO will comply with its obligations and duties to the Interconnection Customer pursuant to the LGIP.	<p>As explained in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA, the ISO and the Participating TOs purposely inserted this language to present a clear signal to the Interconnection Customer, who may not be a party to any other ISO contract, that compliance with the ISO Tariff is necessary.</p> <p>Referring to "All Parties" in this provision dilutes the sign post that is intended to inform the Interconnection Customer. Moreover, Calpine's proposed revision is unnecessary because the ISO manages the interconnection process and will ensure compliance with the ISO Tariff, and the ISO and the Participating TOs are already required to comply with the ISO Tariff.</p>
11.	4.1	To the extent Interconnection Customer wants to receive Interconnection Service, the Participating TO shall construct <u>the following facilities, as identified in Appendices A and C: that the Participating TO is responsible to construct</u> (1) <u>Interconnection Facilities which the Participating TO has the responsibility to construct;</u> (2) <u>Participating TO's Delivery Network Upgrades which the Participating TO has the responsibility to construct;</u> (3) <u>Participating TO's Reliability Network Upgrades which the Interconnection Customer has agreed to sponsor and</u>	Utilizes defined terms for network upgrades for increase clarity and more closely follows description of interconnection process outlined by ISO in stakeholder process and its transmittal letters. Add language that provides the Interconnection Customer with the flexibility to sponsor additional upgrades after the Effective Date of this LGIA.	<p>In its transmittal letter for its January 20, 2004 filing of the LGIP, the ISO advocated a clear distinction between Reliability Network Upgrades and Delivery Network Upgrades, but Calpine's proposed language appears to confuse the application of these defined terms. The proposed revision confuses which party is responsible for sponsoring each type of Network Upgrade, and which party is responsible for constructing each type of Network Upgrade.</p> <p>Moreover, Calpine's proposed language that would allow a 10-year time period in which the Interconnection Customer</p>

**Appendix B**  
**ISO Response to Calpine Proposed Changes to LGIA**

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
		<p><u>which the Participating TO has the responsibility to construct; and</u>  <u>(4) Participating TO's Distribution Upgrades.</u></p> <p><u>Appendix A shall separately list those Participating TO Reliability Network Upgrades which the Interconnection Customer has not agreed to sponsor on the date this LGIA was executed, but that the Interconnection Customer, at its sole discretion, may choose to sponsor within ten years of the Effective Date of this LGIA. To permit the Interconnection Customer to determine whether it shall sponsor a Participating TO's Reliability Network Upgrade, the Participating TO and the ISO shall provide the Interconnection Customer, upon written request, with the following information: power flow data, operating procedures, operating nomagrams, area load profiles for the local area, detailed transmission maps for the California transmission grid, and a load profile for the ISO system</u></p>		<p>could choose to sponsor Reliability Network Upgrades would severely disrupt the interconnection queue and have a harmful impact on other developers and the overall interconnection process. This proposed language goes far beyond FERC's pro forma language in Order 2003-A and should be rejected.</p>
12.	5.1.3	<p>If the Interconnection Customer elects to exercise its option to assume responsibility for the design, procurement and construction of the Participating T's Interconnection Facilities and Stand Alone Network Upgrades, it shall so notify the Participating TO within thirty (30) Calendar Days of receipt</p>	<p>The Interconnection Customer requires access to the design and real-estate requirements of the Participating TO in order to determine whether it is feasible for it to construct Interconnection Facilities and Stand Alone Upgrades. In the past, transmission owners have effectively blocked an Interconnection Customer's option to build</p>	<p>The technical information for the Interconnection Customer to determine whether it is feasible to construct its own Interconnection Facilities and Stand Alone Upgrades should be available in the Interconnection Handbooks. As previously stated in the ISO's March 16<sup>th</sup> answer, the ISO supports the public posting of the Participating</p>

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		of the following: (i) Participating TO's notification that the designated dates are not acceptable to the Participating TO; and (ii) <u>all standards and specifications necessary for Interconnection Customer to engineer, procure equipment, and construct the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades.</u>	by withholding this necessary information.	TOs' Interconnection Handbooks. Calpine's proposed revision should be rejected as unnecessary.
13.	5.2(1)	(a) the Interconnection Customer shall engineer, procure equipment, and construct the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades (or portions thereof) using Good Utility Practice and using standards and specifications provided in advance by the Participating TO;  (b) <u>the Participating TO shall provide the Interconnection Customer with all standards and specifications necessary for Interconnection Customer to engineer, procure equipment, and construct the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades (or portions thereof);</u>	The Interconnection Customer requires access to the design and real-estate requirements of the Participating TO in order to construct Interconnection Facilities and Stand Alone Upgrades. In the past, transmission owners have effectively blocked an Interconnection Customer's option to build by withholding this necessary information.	The technical information for the Interconnection Customer to determine whether it is feasible to construct its own Interconnection Facilities and Stand Alone Upgrades should be available in the Interconnection Handbooks. As previously stated in the ISO's March 16 <sup>th</sup> answer, the ISO supports the public posting of the Participating TOs' Interconnection Handbooks. Calpine's proposed revision should be rejected as unnecessary.
14.	5.3	<del>In no event shall the ISO have any responsibility or liability to the Interconnection Customer for liquidated damages pursuant to the provisions of this Article 5.3.</del>	Ensures that Interconnection Customer has a remedy available to it in the event that an "action or inaction by the ISO," for which the Participating TO is not liable, results in actual damages to the Interconnection Customer.	As explained in the Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA, the ISO shall not be subject to liquidated damages as it violates the spirit of the ISO Tariff and the notion that the ISO ADR Procedures shall

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### ISO Response to Calpine Proposed Changes to LGIA

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
				prevail as the appropriate mechanism for determining who is at fault in the ISO system. Therefore, Calpine's proposed revision should be rejected.
15.	5.10.3	<u>Any deviations from the relay settings, machine specifications, and other specifications originally submitted by the Interconnection Customer shall be assessed by the Participating TO and the ISO pursuant to the appropriate provisions of this LGIA and the LGIP.</u>	This issue is covered by Material Modification provisions of LGIA and LGIP.	Deviations from the relay settings, machine specifications and other specs are not mentioned in the Material Modification provisions of the LGIA or LGIP. The ISO believes this language would be helpful for clarification in cases where deviations to critical relays and machine components occur. Therefore, Calpine's proposed revision should be rejected.
16.	5.10.4	<u>Interconnection Customer to Meet Requirements of the Participating TO's Interconnection handbook. The Interconnection Customer shall comply with the Participating TO's Interconnection Handbook.</u>	Delete reference to Interconnection Handbook.	The same response as in No. 4 above applies.
22.	5.19.1	The Participating TO and the ISO shall determine if a Large Generating Facility Modification is a Material Modification in accordance with the LGIP.	<p>The LGIA often requires that a determination be made by both the Participating TO and the ISO without identifying the ultimate decision-maker in the event of a disagreement between those two parties. Calpine is concerned that, in the event of a disagreement between the ISO and the Participating TO, a log-jam in the interconnection process will be created for which the LGIA provides no speedy remedy.</p> <p>Calpine respectfully request that the Commission order</p>	<p>The ISO purposely chose to clarify that both the ISO and the Participating TO will determine whether a modification is a Material Modification because information and expertise from both entities is needed. The ISO does not anticipate delays in the interconnection process due to this joint determination.</p> <p>Moreover, the ISO and the Participating TOs have taken great care to specify joint responsibilities in the LGIA only where necessary. Where that is the case, the</p>



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CHANGE NO.	LGIA ARTICLE	[CALPINE’S] PROPOSED LGIA MODIFICATION	[Calpine’s] Rationale	ISO RESPONSE
			the Filing Parties to modify the LGIA such that either the ISO or the Participating TO is identified as the ultimate decision-maker in every LGIA article where the both the ISO and Participating TO are currently given discretion.	ISO does not consider it appropriate to specify that one entity can speak for another as the “ultimate decision-maker.”  For the foregoing reasons, Calpine’s proposed revisions should be rejected.
24.	8.1	Interconnection Customer shall maintain satisfactory operating communications with <b>[DELETE either (A) or (B): (A) the ISO in accordance with the provisions of the ISO Tariff and (B) with the Participating TO’s dispatcher or representative designated by the Participating TO]</b> . Interconnection Customer shall provide standard voice line, dedicated voice line and facsimile communications at its Large Generating Facility control room or central dispatch facility through use of either the public communication system that does not rely on the public telephone system. Interconnection Customer shall also provide the dedicated data circuit(s) necessary to provide Interconnection Customer data <b>[EITHER (A) or ISO and (B) the Participating TO]</b> as set forth in Appendix D, Security Arrangements Details. The data circuit(s) shall extend from the Large Generating Facility to the location(s) specified by <b>[Either (A) the ISO or (B) the Participating TO]</b> . Any required maintenance of such communications	Interconnection Customer should not be required to bear the expense of purchasing, operating, and maintaining duplicative communication equipment. Either the ISO or the Participating TO should be identified as the Interconnection Customer’s point of contact for purposes of the LGIA. While Article 8.1 imposes the most unreasonable equipment for duplicative communication equipment, throughout the LGIA, the Interconnection Customer is required to provide notice to both the ISO and Participating TO. A non-comprehensive list includes: Article 5.4 (“immediately notify the ISO and the Participating TO”); Article 8.2 (requiring duplicative telemetry); Article 9.6.2 (“promptly notify the ISO and the Participating TO”); Article 9.6.2.1 (“promptly notify the IOS and the Participating TO”); Article 9.7.1.2 (maintenance schedules concurrently submitted to ISO and Participating TO); <i>etc.</i>  Calpine respectfully requests that the Commission order the Filing Parties to modify the LGIA such that: either the ISO or the Participating TO is identified for purposes of communication or notice	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine’s proposed revisions would prevent either the ISO or the Participating TO from receiving critical operating information, which would be entirely unacceptable. However, in any particular situation the Interconnection Customer may be able to provide operating communications in a manner that provides the data to the ISO and the Participating TO simultaneously.  As for Calpine’s general concern with providing notices to both the ISO and the Participating TO in various circumstances, the ISO and Participating TOs have taken great care to require notice to both entities in the LGIA only where necessary. Where that is the case, the ISO does not consider it appropriate to specify that one entity is entitled to notice – particularly when both entities are full parties to the three-party LGIA.  For the foregoing reasons, Calpine’s proposed revisions should be rejected.

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**ISO Response to Calpine Proposed Changes to LGIA**

CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
		equipment shall be performed by Interconnection Customer. Operational communications shall be activated and maintained under, but no be limited to, the following events: system paralleling or separations, scheduled and unscheduled shutdowns, equipment clearances, and hourly and daily load data.	in each article that requires that a communication or notice be made.	
25.	9.7.1.2	The ISO shall compensate Interconnection Customer for any additional direct costs that the Interconnection Customer incurs as a result of having to reschedule maintenance <del>in accordance with the ISO Tariff, including any additional overtime, breaking of maintenance contracts or other costs above and beyond the cost the Interconnection Customer would have incurred absent the Transmission Provider's request to reschedule maintenance.</del>	Reinstates pro forma language that clarifies scope of direct costs to be repaid.	The ISO and the Participating TOs revised this provision because the ISO Tariff provisions regarding compensation of costs due to rescheduled outages are different than the costs identified in FERC's pro forma LGIA, as set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revisions should be rejected so the ISO can handle these kinds of direct costs in a consistent fashion for all Generators in the ISO Control Area.
26.	9.7.1.3	The Party that owns or controls the facility that is out of service shall provide the other Parties, to the extent such information is known, information on the nature of the outage <del>Emergency Condition, if the outage is caused by an Emergency Condition,</del> an estimated time of restoration, and any corrective actions required.	Corrects apparent typographical error in pro forma language and deletes ISO/PTO language that previously attempted to correct error. Provision of information on Emergency Conditions in discussed in Article 13. This article discusses outage, and undefined term.	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revision would increase the scope of the information reporting requirements inappropriately in a provision focused on outage <u>restoration</u> . While the ISO can provide information regarding Emergency Conditions consistent with its general procedures applicable to all Generators in the ISO Control Area, it could be

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CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
				quite burdensome to provide a special set of information just to Interconnection Customers that have entered into an LGIA. If FERC is disposed to consider Calpine's proposed revision, the ISO strongly urges the rejection of Calpine's proposed revision set forth in the next entry (#27) below – for the reasons set forth below.
27.	9.7.1.3	Initial verbal notice shall be followed up as soon as practicable with written notice explaining the nature of the outage, if <del>requested by a Party</del> , which may be provided by e-mail <u>electronic mail</u> or facsimile.	Eliminates extra step imposed on Interconnection Customer to obtain necessary information from Participating Transmission Owner that Interconnection Customer will always need for its records.	<p>As explained in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA, the ISO and the Participating TOs revised this provision because the ISO believes current practices for operating procedures should be followed wherever possible and because the ISO does not wish to add administrative burdens on operating personnel unless it is absolutely necessary.</p> <p>Moreover, Calpine's proposed revision would increase the scope of the information reporting requirements inappropriately in a provision focused on outage <u>restoration</u>. While the ISO can provide information regarding Emergency Conditions consistent with its general procedures applicable to all Generators in the ISO Control Area, it could be quite burdensome to provide a special set of information just to Interconnection Customers that have entered into an LGIA.</p>

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CHANGE NO.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
28.	9.7.2.3	Telephone notification shall be followed by written notification, <del>if requested by the Interconnection Customer,</del> as soon as practicable.	Eliminates extra step imposed on Interconnection Customer to obtain necessary information from Participating Transmission Owner that Interconnection Customer will always need for its records.	<p>As explained in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA, the ISO and the Participating TOs revised this provision because the ISO believes current practices for operating procedures should be followed wherever possible and because the ISO does not wish to add administrative burdens on operating personnel unless it is absolutely necessary.</p> <p>Moreover, Calpine's proposed revision would increase the scope of the information reporting requirements inappropriately in a provision focused on <u>outage restoration</u>. While the ISO can provide information regarding Emergency Conditions consistent with its general procedures applicable to all Generators in the ISO Control Area, it could be quite burdensome to provide a special set of information just to Interconnection Customers that have entered into an LGIA.</p>
29.	9.7.4.5	<del>and, if applicable, the requirements of the Participating TO's Interconnection Handbook</del>	Eliminates Interconnection Handbook references.	The same response as in No. 4 above applies.

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CHANGE No.	LGIA ARTICLE	[CALPINE'S] PROPOSED LGIA MODIFICATION	[Calpine's] Rationale	ISO RESPONSE
30.	9.7.4.6	<del>the standards and procedures of the Participating TO, including, if applicable, the requirements of the Participating TO's Interconnection Handbook.</del>	Eliminates Interconnection Handbook references.	The same response as in No. 4 above applies.
31.	9.7.5	<del>And, if applicable, the requirements of the Participating TO's Interconnection Handbook.</del>	Eliminates Interconnection Handbook references.	The same response as in No. 4 above applies.
32.	11.3.1	<p><b><u>Coordination With Affected Systems.</u></b></p> <p>(a) <u>The Participating TO and the ISO will conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators and with regional and national reliability organizations.</u></p> <p>(b) <u>The Participating TO shall use the same reasonable efforts to coordinate with Affected Systems and with regional and national reliability organizations as it would for itself, its subsidiaries or Affiliates, or other Interconnection Customers.</u></p> <p>(c) <u>If the Affected System or regional or national reliability organization declines to work with the Participating TO and the ISO, or it fails to provide information in a timely manner, the Participating TO and the ISO shall</u></p>	<p>Incorporates the Commission's findings, at Order No. 2003 at ¶¶ 120-121, into text of LGIA. Inserted language ensures that Participating TO will not delay or avoid Interconnection Customer's interconnection due to difficulties coordinating with an Affected System Operator.</p> <p>As conceded by the ISO, the Participating TO is the party with the historical and technical knowledge required to perform technical studies, including coordination with Affected Systems and reliability organizations. Failure to require the Participating TO to assist in this matter would provide an unfair advantage to Interconnection Customers that are Affiliates of a TO and have access to TO assistance when coordinating with Affected Systems.</p>	<p>The ISO manages the interconnection process and supervises the performance of technical studies.</p> <p>The ISO also will coordinate the process with Affected Systems, and will notify Affected System Operators that may be affected by an interconnection to the ISO Controlled Grid. Therefore, it is unnecessary to reference the Participating TO in this provision.</p> <p>The ISO generally works closely with regional and national reliability organizations on interconnection and other issues. Therefore, it is unnecessary to reference those reliability organizations in any greater detail in this provision.</p> <p>For the foregoing reasons, Calpine's proposed revisions should be rejected.</p>

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CHANGE NO.	LGIA ARTICLE	[CALPINE’S] PROPOSED LGIA MODIFICATION	[Calpine’s] Rationale	ISO RESPONSE
		<p><u>proceed in the interconnection process without taking into account the information that could have been provided by the Affected System or regional or national reliability organization.</u></p> <p><u>(d) Unless the Interconnection Customer’s Interconnection alone will endanger the reliability of an Affected System, a Transmission Provider may not require an Interconnection Customer, as a condition interconnection, to accept responsibility for Network Upgrades on other systems.</u></p>		
33.	11.4	<p><u>(a) Interconnection Customer’s repayment of the cost of Network Upgrades, or any portion thereof, in accordance with Article 11.4.1, shall never convert to Firm Transmission Rights, Congestion Revenue Rights, or any other transmission capacity or transmission congestion rights without the written consent of the Interconnection Customer.</u></p> <p><u>(b) No later than thirty (30) days prior to the Commercial Operation Date, the Interconnection Customer may make a one-time election by written notice to the ISO and the Participating TO to receive Firm Transmission Rights as defined in and as available under the ISO Tariff at the time of the election in</u></p>	<p>Inserted language provides generation developers with additional certainty that transmission credits will not involuntarily convert into CRRs as part of ISO’s comprehensive market re-design.</p> <p>Calpine supports the ISO’s recommended provision with the added clarification that an Interconnection Customer may choose to receive a portion of its refund in the form of Firm Transmission Rights and the remainder as transmission credits pursuant to Article 11.4.1.</p>	<p>The ISO responded previously to concerns about the crediting policy, and its March 9 answer to LGIP interventions clearly states the ISO’s long-term goal to convert to financial congestion rights as the only compensation permitted for Network Upgrades.</p> <p>The ISO expects that future events related to its market design and the state’s resource adequacy requirement may require re-examination of the ISO’s interconnection policy and procedures. However, the ISO would prefer to address those changes once they are implemented, rather than attempting to draft provisions to anticipate their outcome.</p>

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		<p>accordance with the ISO Tariff, in lieu of a refund of the cost of Network Upgrades, <u>or any portion thereof</u>, in accordance with Article 11.4.1.</p> <p>(c) If the zonal congestion management procedures in the ISO Tariff are <u>amended to a nodal congestion management procedure</u>, <u>Interconnection Customer shall at that time be provided a reasonable grace period in which to make a one-time election by written notice to the ISO to receive transmission capacity rights as defined in and as available under the ISO Tariff at the time of the election in accordance with ISO Tariff, in lieu of the remaining repayment of the cost of Network Upgrades that is due to Interconnection Customer, or any portion thereof.</u></p>	<p>Interconnection Customers should be permitted a grace period during which the Interconnection Customer may, at its sole option, convert all or a portion of its remaining transmission credits into Congestion Revenue Rights, or equivalent, when and if, Congestion Revenue Rights become available upon implementation of the comprehensive market re-design.</p>	
34.	11.4.1	<p><del>other than the amount by which the cost of those Network Upgrades is in excess of the benefits of those Network Upgrades, as determined by the economic test performed pursuant to LGIP Section 3.4.2.</del></p>	<p>Eliminates economic test added by the Filing Parties that violates the interconnection pricing terms of Order Nos. 2003 and 2003-A.</p>	<p>The ISO discussed the value of the economic test in its March 9 answer to LGIP interventions, which the ISO considers to set forth the reasons that Calpine's proposed revision should be rejected.</p>
35.	11.4.1	<p><del>Notwithstanding the foregoing, if this LGIA terminates within five (5) years from the Commercial Operation Date, the Participating TO's obligation to pay refunds to the Interconnection Customer shall cease as the date of termination.</del></p>	<p>Deletes Filing Parties' modification that would have improperly modified an interconnection pricing term or Order Nos. 2003 and 2003-A.</p>	<p>As explained in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA, the ISO and the Participating TOs revised this provision to provide business certainty and avoid an unclear obligation to monitor a possible successor to the original</p>

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				Interconnection Customer. Therefore, Calpine's proposed revision should be rejected.
36.	11.4.1	<u>If the Large Generating Facility fails to achieve commercial operation, but it or another Generating Facility is later constructed and makes use of the Network Upgrades, Transmission Provider and Affected System Operator shall at that time provide refunds to Interconnection Customer for the amount advanced for the Network Upgrades.</u>	Reinstates pro forma language to ensure Order Nos. 2003 and 2003-A pricing terms are implemented	As explained in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA, the ISO and the Participating TOs revised this provision to provide business certainty and avoid an unclear obligation to monitor a possible successor to the original Interconnection Customer. Therefore, Calpine's proposed revision should be rejected.
38.	11.6	If the ISO requests or directs Interconnection Customer to provide a service pursuant to Article 9.6.3 (Payment for Reactive Power), or 13.5.1 of this LGIA, the ISO shall compensate Interconnection Customer <u>consistent with payment calculation in</u> <del>in accordance with</del> the ISO Tariff, <u>Appendix G at G.2.1.1</u>	Identifies specific ISO Tariff section that demonstrates payment calculation for reactive power.	The ISO Tariff section that Calpine makes reference to (Appendix G at G.2.1.1) is subject to settlement. It is not appropriate to refer to this as final language at this time.
39.	12.1	<del>Each Party The Participating TO shall submit to the other party Interconnection Customer,</del> on a monthly basis, invoices....	Reinstates pro forma language describing how invoices are be submitted by all parties, including Interconnection Customer. Ensures consistency between this article and Article 25.5 ("The party that is owed money shall render an invoice ... pursuant to Article 12.")	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO is bound by its FERC approved ISO Tariff and the settlement process that is included therein and cannot reasonably be expected to create a separate settlement system solely for the very few charges or payments



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				with which it might potentially be involved only with LGIA signatories pursuant to the LGIA. Thus, it is not appropriate for the ISO to be included in this language.
40.	12.3	Invoices shall be rendered to <del>the Interconnection Customer</del> <u>paying Party</u> at the address specified in Appendix F. The Party <del>Interconnection Customer</del> receiving the invoice shall pay, or Participating TO shall refund, the amount due within thirty (30) Calendar Days of <del>Interconnection Customer's</del> receipt of the invoice.	Reinstates pro forma language describing how invoices are submitted by all parties, including Interconnection Customer. Ensures consistency between this article and Article 25.5 ("The Party that is owed money shall render an invoice ... pursuant to Article 12.")	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO is bound by its FERC approved ISO Tariff and the settlement process that is included therein and cannot reasonably be expected to create a separate settlement system solely for the very few charges or payments with which it might potentially be involved only with LGIA signatories pursuant to the LGIA. Thus, it is not appropriate for the ISO to be included in this language.
42.	12.4	<del>Notwithstanding the foregoing, any billing dispute between the ISO and another Party shall be resolved in accordance with the provisions of Article 27 of this LGIA.</del>	Deleted language inserted by the Filing Parties is unnecessary.	The ISO and the Participating TOs inserted this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. Calpine's proposed revision should be rejected because the ISO is bound by the provisions of its FERC approved ISO Tariff and cannot reasonably be expected to create a separate billing dispute system solely for the very few charges in which it might potentially be involved pursuant to the LGIA.

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44.	18.3.5	The Commercial General Liability Insurance, Business Automobile Insurance and Excess Public Liability Insurance policies shall name the other Parties, their parent, associated and Affiliate companies and their respective directors, officers, agents, servants, and employees ("Other Party Group") as additional insured <u>to the extent of the indemnity obligations assumed hereunder.</u>	Clarifies that requirement to procure insurance does not exceed indemnify obligations.	The ISO is concerned that the obligations to indemnify may not properly specify the full insurance requirement of the Interconnection Customer. Therefore, Calpine's proposed revision should be rejected.
46.	22.1.3	No Party shall release or disclose Confidential Information to any other person, except to its Affiliates (limited by the <u>FERC</u> Standards of Conduct requirements <del>set forth in Part 358 of FERC's Regulations, 18 C.F.R. 358</del> ), subcontractors, employees, consultants, or to parties who may be or considering providing financing to or equity participation with Interconnection Customer, or to potential purchasers or assignees of Interconnection Customer, on a need-to-know basis in connection with this LGIA, unless such person has first been advised of the confidentiality provisions of this Article 22 and has agreed to comply with such provisions.	Deletes unnecessary language inserted by Filing Parties.	The ISO believes this language is necessary to clarify that the confidential information shared with an Affiliate is limited by the Standard of Conduct set forth in Part 358 of FERC's Regulations, 18 C.F.R. § 358.

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47.	22.1.3	<u>The ISO and Participating TO may provide an Affected System Operator or a regional or national reliability organization with Confidential Information, subject to the following conditions: (1) The Confidential Information is (a) provided in response to a request for review of the Interconnection Customer's Interconnection Request by an Affected System Operator or regional or national reliability organization; or (b) is provided as a necessary component of the ISO's fulfillment of its obligations as a control area operator. (2) the Affected System Operator and/or the reliability council requesting the Confidential Information have first been advised of the confidentiality provisions of Article 22 and have agreed to comply with such provisions in writing; and (3) The Confidential Information shall not be shared with individual responsible for merchant or marketing functions for the Affected System.</u>	Ensures that Affected Transmission Owners and the WECC maintain confidentiality of Confidential Information.	The ISO has no position on the proposed revision, except to note that the existing provisions of the ISO Tariff already provide appropriate protections for all parties involved in the Interconnection process and that no stand-alone confidentiality agreement is necessary.
48.	22.1.11	<u>Subject to the exceptions in Article 22.1.10 and Article 22.1.10.1, Confidential Information shall not be disclosed ... (iv) necessary to fulfill its obligations under this LGIA or as a transmission service provider or a Control Area operator including disclosing the Confidential Information</u>	Stricken language has been moved, with additional clarification, to new Article 22.1.10.1.	The ISO believes that the confidentiality requirement should be aligned to the FERC pro forma LGIA and supplemented by the ISO Tariff. In addition, Calpine's proposed revision does not include the new Article referred to. Thus, this proposed revision is further improper and should be rejected.

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		to an TRO or ISO or to a regional or national reliability organization.		
50.	25.3.1	<del>The Interconnection Customer and the Participating TO Each Party</del> shall each have the right....	Restores pro forma language to ensure that audit rights are consistent for Interconnection Customer, Participating TO, and ISO.	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO is bound by its FERC approved ISO Tariff and cannot reasonably be expected to create a separate set of audit procedures solely for LGIA signatories. Thus the words "each party" should be rejected.
51.	25.3.2	<del>Notwithstanding anything to the contrary in Article 25.3, each Party's rights to audit the ISO's accounts and records shall be as set forth in Article 12 of the ISO Tariff.</del>	Deletes modification to ensure that audit rights are consistent for Interconnection Customer, Participating TO, and ISO.	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO is bound by its FERC approved ISO Tariff and cannot reasonably be expected to create a separate set of audit procedures solely for LGIA signatories. Thus, the proposed change should be rejected.
52.	25.5	If an audit by a <del>Party the Interconnection Customer or the Participating TO</del> determines that an overpayment or an underpayment has occurred....	Restores pro forma language to ensure that audit rights are consistent for Interconnection Customer, Participating TO, and ISO.	The ISO and the Participating TOs revised this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO is bound by its FERC approved ISO Tariff and cannot reasonably be expected to create a separate set of audit procedures solely for LGIA signatories. Thus, the proposed change

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				is inappropriate should be rejected.
53.	25.5.1	<del>Notwithstanding anything to the contrary in Article 25.5, the Interconnection Customer's and Participating TO's rights to audit the ISO's accounts and records shall be set forth in Article 12 of the ISO Tariff, and the ISO's process for remedying an overpayment or underpayment shall be set forth in the ISO Tariff.</del>	Deletes modified language to ensure that audit rights are consistent for Interconnection Customer, Participating TO, and ISO.	The ISO and the Participating TOs inserted this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO is bound by its FERC approved ISO Tariff and cannot reasonably be expected to create a separate set of audit procedures solely for LGIA signatories. Thus, the deletion is not appropriate for the ISO and should be rejected.
54.	27	<del>All disputes arising out of or in connection with this LGIA whereby relief is sought by or from the ISO shall be settled in accordance with the provisions of Article 13 of the ISO Tariff, except the references to the ISO Tariff in such Article 13 of the ISO Tariff shall be read as references to this LGIA. Disputes arising out of or in connection with this LGIA not subject to provisions of this Article 13 of the ISO Tariff shall be resolved as follows:</del>	To stream-line the dispute resolution process, which in most instances will involve the ISO as well as the Participating TO, all disputes related to the LGIA should be resolved consistent with the pro forma dispute resolution procedures laid out in Order No. 2003.	The ISO and the Participating TOs inserted this provision for the reasons set forth in the LGIA Matrix of Changes, Attachment A to the February 9, 2004 filing of the LGIA. The ISO strongly disagrees with the proposed deletion of this language. As explained in the LGIA Change Matrix, all disputes involving the ISO that arise under the ISO Tariff are required to be settled under the ISO ADR Procedures, as detailed in Article 13 of the ISO Tariff. The ISO is bound by its FERC approved ISO Tariff. Thus, the proposed deletion should be rejected.