**Attachment B – Blacklines**

**Location Constrained Resource Interconnection Amendment Filing**

**October 31, 2007**

\* \* \*

**24 Transmission Expansion.**

A Participating TO shall be obligated to construct all transmission additions and upgrades that are determined to be needed in accordance with the requirements of this Section 24 and which: (1) are additions or upgrades to transmission facilities that are located within its PTO Service Territory, unless it does not own the facility being upgraded or added and neither terminus of such facility is located within its PTO Service Territory; or (2) are additions to existing transmission facilities or upgrades to existing transmission facilities that it owns, that are part of the ISO Controlled Grid, and that are located outside of its PTO Service Territory, unless the joint-ownership arrangement, if any, does not permit. A Participating TO’s obligation to construct such transmission additions and upgrades shall be subject to: (1) its ability, after making a good faith effort, to obtain all necessary approvals and property rights under applicable federal, state, and local laws and (2) the presence of a cost recovery mechanism with cost responsibility assigned in accordance with Section 24.7. The obligations of the Participating TO to construct such transmission additions or upgrades will not alter the rights of any entity to construct and expand transmission facilities as those rights would exist in the absence of the TO’s obligations under this ISO Tariff or as those rights may be conferred by the ISO or may arise or exist pursuant to this ISO Tariff.

**24.1 Determination of Need.**

A Participating TO or any other Market Participant may propose a transmission system addition or upgrade. The ISO will determine that a transmission addition or upgrade is needed where it will promote economic efficiency, or maintain System Reliability, or connect Location Constrained Resource Interconnection Generators to the ISO Controlled Grid, as set forth below.

\* \* \*

**24.1.3. Location Constrained Resource Interconnection Facility Projects.**

The CAISO, a Participating TO or any other Market Participant may propose a transmission addition as a Location Constrained Resource Interconnection Facility. A proposal shall include the following information, to the extent available:

(a) Information showing that the proposal meets the requirements of Section 24.1.3.1; and

(b) A description of the proposed facility, including the following information:

(1) Transmission studies demonstrating that the proposed facility satisfies the applicable ISO grid planning standards, including planning standards that are Applicable Reliability Requirements;

(2) Identification of the most feasible alternative transmission additions, which may include network upgrades, that would accomplish the objective of the proposal;

(3) A Planning level cost estimate for the proposed facility and all proposed alternatives;

(4) An assessment of the potential for the future connection of further transmission additions that would convert the proposed facility into a network transmission facility, including conceptual plans;

(5) The estimated initial energization date of the proposed facility; and

(6) A conceptual plan for connecting potential LCRIGs, if known, to the proposed facility.

**24.1.3.1 Criteria for Qualification as a Location Constrained Resource Interconnection Facility.**

(a) The ISO shall conditionally approve a facility as a Location Constrained Resource Interconnection Facility if the ISO determines that the facility is needed and all of the following requirements are met:

(1) The facility is to be constructed for the primary purpose of connecting to the ISO Controlled Grid two or more Location Constrained Resource Interconnection Generators in an Energy Resource Area that are owned by at least two entities that are not affiliated with one another;

(2) The facility will be a High Voltage Transmission Facility;

(3) At the time of its initial energization, the facility will not be a network facility and would not be eligible for inclusion in a Participating TO’s TRR other than as an LCRIF; and

(4) The facility meets applicable ISO grid planning standards, including standards that are Applicable Reliability Requirements.

(b) The proponent of a facility that has been determined by the ISO to meet the requirements of Section 24.1.3.1(a) shall provide the ISO with information concerning the requirements of this sub-section not less than ninety (90) days prior to the planned commencement of construction, and the facility shall qualify as a Location Constrained Resource Interconnection Facility if the ISO determines that both of the following requirements are met:

(1) The addition of the capital cost of the facility to High Voltage TRR of a Participating TO will not cause the aggregate of the net investment of all LCRIFs (net of the portions of the capital costs of LCRIFs credited to Participating TO’s TRRs pursuant to Section 26.6) included in the High Voltage TRRs of all Participating TOs to exceed fifteen percent (15%) of the aggregate of the net investment of all Participating TOs in all High Voltage Transmission Facilities reflected in their High Voltage TRRs in effect at the time of the CAISO’s evaluation of the facility; and

(2) Existing or prospective owners of LCRIGs have demonstrated their intention to connect LCRIGs to the transmission facility consistent with the requirements of Section 24.1.3.2.

(c) Each Participating Transmission Owner shall report annually to the ISO the amount of its net investment in LCRIFs, the portion of the capital costs of LCRIFs credited to its TRR, and its net investment in High Voltage Transmission Facilities reflected in its High Voltage TRR, to enable the ISO to make the determination required under Section 24.1.3.1(a)(1).

**24.1.3.2 Demonstration of Interest in a Location Constrained Recourse Interconnection Facility.**

A proponent of an LCRIF must demonstrate interest in the LCRIF equal to sixty percent (60%) or more of the capacity of the transmission facility in the following manner:

(a) the proponent’s demonstration must include a showing that LCRIGs that would connect to the transmission facility and would have a combined capacity equal to at least twenty-five percent (25%) of the capacity of the transmission facility have executed Large Generator Interconnection Agreements or Small Generator Interconnection Agreements, as applicable; and

(b) to the extent the showing pursuant to Section 24.1.3.2(a) does not constitute sixty percent (60%) of the capacity of the LCRIF, the proponent’s demonstration of the remainder of the required minimum level of interest must include a showing that additional LCRIGs have demonstrated interest in the LCRIF by either of the following methods:

(i) executing a firm power sales agreement for the output of the LCRIG for a period of five years or longer; or

(ii) paying a deposit to the ISO equal to the sum of the minimum deposits required of an Interconnection Customer for all studies performed in accordance with the Large Generator Interconnection Procedures or Small Generator Interconnection Procedures, as applicable to the LCRIG, less the amount of any deposits actually paid by the LCRIG for such studies. If the LCRIF is not approved or is withdrawn by the proponent, any deposit paid under this provision shall be refundable to the extent it exceeds costs incurred by the CAISO for such studies.

**24.1.3.3 Coordination With Transmission Additions Proposed by Non-Participating Transmission Owners.**

In the event that a transmission addition proposed as an LCRIF would connect to LCRIGs in an Energy Resource Area that would also be connected by a transmission facility that is in existence or is proposed to be constructed by an entity that is not a Participating Transmission Owner and that does not intend to place that facility under the Operational Control of the ISO, the ISO shall coordinate with the entity owning or proposing that transmission facility through any regional planning process to avoid the unnecessary construction of duplicative transmission additions to connect the same LCRIGs to the ISO Controlled Grid.

**24.1.3.4 Evaluation of Location Constrained Resource Interconnection Facilities.**

In evaluating whether a proposed LCRIF that meets the requirements of Section 24.1.3.1 is needed, and for purposes of ranking and prioritizing LCRIF projects, the CAISO will consider the following factors:

(a) Whether, and if so, the extent to which, the transmission facility exceeds applicable ISO grid planning standards, including standards that are Applicable Reliability Requirements.

(b) Whether, and if so, the extent to which, the transmission facility has the capability and flexibility both to interconnect potential LCRIGs in the Energy Resource Area and to be converted in the future to a network transmission facility.

(c) Whether the projected cost of the transmission facility is reasonable in light of its projected benefits, in comparison to the costs and benefits of other alternatives for connecting Generating Units or otherwise meeting a need identified in the ISO planning process, including alternatives that are not LCRIFs. In making this determination, the ISO shall take into account, among other factors, the following:

(1) The potential capacity of LCRIGs and the potential Energy that could be produced by LCRIGs in each Energy Resource Area;

(2) The capacity of LCRIGs in the ISO’s interconnection queue for each Energy Resource Area;

(3) The projected cost and schedule of the transmission facility in comparison with other transmission facilities that could connect LCRIGs to the ISO Controlled Grid;

(4) Whether, and if so, the extent to which the transmission facility would provide additional reliability or economic benefits to the ISO Controlled Grid; and

(5) Whether, and if so, the extent to which the transmission facility would create a risk of stranded costs.

\* \* \*

**26 Transmission Rates and Charges.**

\* \* \*

**26.6 Location Constrained Resource Interconnection Facilities.**

The costs of an LCRIF shall be includable in a participating TO’s High Voltage Revenue Requirement. Any Participating TO that owns an LCRIF shall set forth in its TO Tariff a charge payable by LCRIGs connected to that facility. The charge shall require each LCRIG to pay on a going forward basis its pro rata share of the Transmission Revenue Requirement associated with the LCRIF which shall be calculated based on the maximum capacity of the LCRIG relative to the capacity of the LCRIF. Each Participating TO shall credit its High Voltage TRR with revenues received from LCRIGs with respect to such charges either by recording such revenues in its TRBA or through another mechanism approved by FERC.

* + 1. **Location Constrained Resource Interconnection Facilities that Become Network Facilities.**

If the construction of a new transmission facility or upgrade causes an LCRIF to become a network facility, then, beginning on the date that the LCRIF is determined to be a network facility, the LCRIGs connected to the LCRIF shall not be required to pay charges described in Section 26.6. The LCRIGs shall remain responsible for charges due prior to that date.

\* \* \*

**ISO TARIFF APPENDIX A**

**Master Definitions Supplement**

\* \* \*

|  |  |
| --- | --- |
| **Energy Resource Area (ERA)** | A geographic region certified by the California Public Utilities Commission and the California Energy Commission as an area in which multiple LCRIGs could be located, provided that, for the interim period before those agencies certify such areas and for LCRIFs that are proposed to connect LCRIGs located outside the State of California, an Energy Resource Area shall mean a geographic region that would be connected to the ISO Controlled Grid by an LCRIF with respect to which the ISO Board determines that all of the requirements of Section 24.1.3 are satisfied, except for the requirement that the LCRIGs to which the LCRIF would connect are located in an area certified as an ERA by those agencies. |

\* \* \*

|  |  |
| --- | --- |
| **High Voltage Transmission Facility** | A transmission facility that is owned by a Participating TO or to which a Participating TO has an Entitlement that is represented by a Converted Right, that is under the ISO Operational Control, and that operates at a voltage at or above 200 kilovolts, and supporting facilities, and the costs of which are not directly assigned to one or more specific customers, provided that the High Voltage Transmission Facilities of a Participating TO shall include any Location Constrained Resource Interconnection Facility of that Participating TO that has been turned over to the ISO’s Operational Control. |

\* \* \*

|  |  |
| --- | --- |
| **Location Constrained Resource Interconnection Facility (LCRIF)** | A High Voltage Transmission Facility that has been determined by the ISO to satisfy all of the requirements of Section 24.1.3. |

\* \* \*

|  |  |
| --- | --- |
| **Location Constrained Resource Interconnection Generator (LCRIG)** | A Generating Unit that (a) uses a primary fuel source or source of energy that is in a fixed location and cannot practicably be transported from that location; and (b) is located in an Energy Resource Area. Generating Units meeting criterion (a) shall include, but not be limited to, wind, solar, geothermal, hydroelectric, digester gas, landfill gas, ocean wave and ocean thermal tidal current Generating Units. |

\* \* \*

|  |  |
| --- | --- |
| Transmission Revenue Credit | For an Original Participating TO, the proceeds received from the ISO for Wheeling service, FTR auction revenue and Usage Charges, plus the shortfall or surplus resulting from (a) the proceeds received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such proceeds against the Original Participating TO’s TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO’s rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. For a New Participating TO during the 10-year transition period described in Section 4 of Schedule 3 of Appendix F, the proceeds received from the ISO for Wheeling service and Net FTR Revenue, plus (a) the proceeds received from any LCRIG with respect to an LCRIF, unless FERC has approved an alternative mechanism to credit such proceeds against the New Participating TO’s TRR, and (b) the shortfall or surplus resulting from any cost differences between Transmission Losses and Ancillary Service requirements associated with Existing Rights and the ISO’s rules and protocols, minus any Low Voltage Access Charge amounts paid for the use of the Low Voltage Transmission Facilities of a Non-Load-Serving Participating TO pursuant to Section 26.1 and Appendix F, Schedule 3, Section 13. After the 10-year transition period, the New Participating TO Transmission Revenue Credit shall be calculated the same as the Transmission Revenue Credit for the Original Participating TO. |

\* \* \*