

188 FERC ¶ 61,225  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Willie L. Phillips, Chairman;  
Mark C. Christie, David Rosner,  
Lindsay S. See and Judy W. Chang.

California Independent System Operator Corporation      Docket No. ER24-2671-000

ORDER ON TARIFF REVISIONS

(Issued September 30, 2024)

1. On August 1, 2024, the California Independent System Operator Corporation (CAISO) submitted, pursuant to section 205 of the Federal Power Act (FPA)<sup>1</sup> and Part 35 of the Commission’s regulations,<sup>2</sup> proposed revisions to CAISO’s Open Access Transmission Tariff (Tariff) to amend its generator interconnection procedures. CAISO states that the filing proposes reforms essential for CAISO to adapt to the recent dramatically increased levels of requests to interconnect to the CAISO-controlled grid. In this order, we accept CAISO’s proposed Tariff revisions, effective October 1, 2024, as requested, subject to the Commission’s action on CAISO’s Order No. 2023 Compliance Filing.<sup>3</sup> We also direct CAISO to file informational reports for Clusters 15 and 16, as discussed below.

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<sup>1</sup> 16 U.S.C. § 824d.

<sup>2</sup> 18 C.F.R. pt. 35 (2024).

<sup>3</sup> On May 16, 2024, CAISO submitted its proposed Tariff revisions to comply with Order No. 2023 in Docket No. ER24-2042-000, with a requested effective date of May 17, 2024 (Order No. 2023 Compliance Filing). As discussed further below, CAISO’s Order No. 2023 Compliance Filing is pending before the Commission. In Order No. 2023-A, the Commission stated that “transmission providers may propose effective dates in their compliance filings that align with their existing queue processing dates, such as the start of a new processing window,” which the Commission will consider and may grant “on a case-by-case basis.” *Improvements to Generator Interconnection Procs. & Agreements*, Order No. 2023, 184 FERC ¶ 61,054, *order on reh’g*, 185 FERC ¶ 61,063 (2023), *order on reh’g*, Order No. 2023-A, 186 FERC ¶ 61,199, at P 669, *errata notice*, 188 FERC ¶ 61,134 (2024).

## I. Background

### A. Overview of CAISO's Generator Interconnection Process, as Revised by CAISO's Order No. 2023 Compliance Filing

2. CAISO's Tariff, as revised by CAISO's Order No. 2023 Compliance Filing, sets forth generally applicable Tariff provisions regarding generator interconnection<sup>4</sup> and other generator interconnection procedures, including the Generator Interconnection and Delivery Allocation Procedures (GIDAP)<sup>5</sup> and the Resource Interconnection Standards (RIS), which were proposed in CAISO's Order No. 2023 Compliance Filing.<sup>6</sup> The GIDAP and the RIS address CAISO's primary process for studying interconnection requests, the Queue Cluster study process. The GIDAP, which was recently revised by CAISO's Order No. 2023 Compliance Filing (Revised GIDAP), applies to Clusters 5 through 14, and contains a separate section with unique procedures applicable to Cluster 15.<sup>7</sup> The RIS will apply to Cluster 15 and subsequent clusters.<sup>8</sup>

3. In the Queue Cluster study process, interconnection requests must be submitted during an annual two-week cluster application window, with interconnection requests submitted during any given window grouped together as a Queue Cluster.<sup>9</sup> Cluster studies identify the interconnection facilities and network upgrades necessary to integrate new resources seeking interconnection to the transmission system, estimate the costs of

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<sup>4</sup> CAISO, CAISO eTariff, § 25 (Interconnection of Generating Units And Facilities) (0.0.0).

<sup>5</sup> CAISO, CAISO eTariff, app. DD, Generator Interconnect & Deliverability Allocation Procedure (7.0.0).

<sup>6</sup> CAISO, CAISO eTariff, app. KK, Resource Interconnection Standards (RIS) (0.0.0).

<sup>7</sup> Cluster 15 interconnection requests were submitted in April 2023 and are on pause. *Cal. Indep. Sys. Operator Corp.*, 184 FERC ¶ 61,069, at PP 2, 19 (2023) (Order Pausing Cluster 15).

<sup>8</sup> Transmittal at 10.

<sup>9</sup> CAISO, CAISO eTariff, app. DD, § 3 (Interconnection Requests) (17.0.0), § 3.3; *id.* § 6 (Initial Activities & Phase I of the Interconnection Study Process for Queue Clusters) (21.0.0), *id.* § 7 (Activities in Preparation for Phase II) (17.0.0); *id.* app. KK, § 3 (Interconnection Requests) (0.0.0), § 6 (Cluster Study Process) (0.0.0).

those upgrades, and allocate those costs among interconnection customers sharing upgrades.<sup>10</sup>

4. The Revised GIDAP and the RIS include provisions describing how: (1) project developers submit interconnection requests by the close of the annual cluster application window; (2) CAISO validates and studies the interconnection requests; (3) CAISO determines cost responsibility for developers whose projects are selected based on the studies; and (4) CAISO and developers enter into generator interconnection agreements for the selected projects.<sup>11</sup>

5. The Revised GIDAP and the RIS also set forth processes for allocating Transmission Plan deliverability (TP deliverability) for interconnection requests.<sup>12</sup> An

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<sup>10</sup> Transmittal at 10, n.9. *See also* CAISO, CAISO eTariff, app. DD, § 6 (Initial Activities & Phase I of the Interconnection Study Process for Queue Clusters) (21.0.0), *id.* § 7 (Activities in Preparation for Phase II) (17.0.0), *id.* § 8 (Phase II Interconnection Study & TP Deliverability Allocation Processes) (20.0.0), *id.* § 9 (Additional Deliverability Assessment Options) (5.0.0), *id.* § 10 (Cost Responsibility for Interconnection Customers) (5.0.0); *id.* app. KK, § 6 (Cluster Study Process) (0.0.0); *id.* § 7 (Annual Reassessment, Custer Restudy, & Activities in Preparation for the Interconnection Facilities Study) (0.0.0); *id.* § 8 (Interconnection Facilities Study & TP Deliverability Allocation Processes) (0.0.0); *id.* § 9 (Additional Deliverability Assessment Options) (0.0.0); *id.* § 10 (Cost Responsibility for Interconnection Customers) (0.0.0).

<sup>11</sup> Transmittal at 10.

<sup>12</sup> CAISO states that “deliverability” refers to the transmission capacity to deliver a generator’s energy to load during different system conditions at peak demand. *Id.* at 1 (citing CAISO, CAISO eTariff, app. A (Deliverability) (0.0.0)). “TP deliverability” means the capability, measured in megawatts (MW), of the CAISO-controlled grid as modified by transmission upgrades and additions modeled or identified in the annual CAISO transmission plan to support the interconnection with full capacity deliverability status or partial capacity deliverability status of additional generating facilities in a specified geographic or electrical area of the CAISO-controlled grid. *Id.* at 11, n.14 (citing CAISO, CAISO eTariff, app. A (TP Deliverability) (0.0.0)). CAISO states that an interconnection customer with full capacity deliverability status or partial capacity deliverability status, rather than energy-only deliverability status, qualify the generator’s deliverable output to count toward meeting a load serving entity’s (LSE) resource adequacy capacity requirements in California. *Id.* at 11, n.16. LSEs seek deliverable generators to meet their resource adequacy requirements. *Id.* at 11. CAISO states that deliverability is intentionally finite. CAISO further states that to protect ratepayers,

interconnection customer seeking TP deliverability is assigned financing costs for delivery network upgrades.<sup>13</sup> Delivery network upgrades relieve transmission constraints on the CAISO-controlled grid so the generating facility is eligible to provide resource adequacy capacity.<sup>14</sup> CAISO states that all interconnection requests submitted to CAISO in Clusters 10-15 have sought TP deliverability.<sup>15</sup>

6. Under the Revised GIDAP and the RIS, an interconnection customer seeking TP deliverability must select one of two options. Option (A) means the interconnection customer's generating facility requires TP deliverability to continue to commercial operation and the customer must make a deposit for the cost responsibility assigned to it in the study process for network upgrades. Option (B) means the interconnection customer will assume cost responsibility for network upgrades without cash repayment for the construction of interconnection facilities and network upgrades to the extent that sufficient TP deliverability is not allocated to the generating facility to provide its requested deliverability status.<sup>16</sup> After CAISO issues interconnection study reports, CAISO then allocates TP deliverability to Option (A) and Option (B) generating facilities that meet specified eligibility requirements.<sup>17</sup>

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CAISO's transmission plan approves the construction of area delivery network upgrades based on local regulatory authority load forecasts and resource plans. *Id.* at 3.

<sup>13</sup> CAISO explains that under the Tariff, upgrades are classified as either distribution upgrades or network upgrades. There are two types of network upgrades: (1) delivery network upgrades, which relieve transmission constraints on the CAISO-controlled grid; and (2) reliability network upgrades, which are needed to interconnect generation safely and reliably on the CAISO-controlled grid. *Id.* at 11 n.17 (citing CAISO, CAISO eTariff, app. A (Definitions), Delivery Network Upgrades (2.0.0); *id.* Reliability Network Upgrades (3.0.0)).

<sup>14</sup> *Id.* at 11.

<sup>15</sup> *Id.* CAISO additionally notes that there are two interconnection requests in Cluster 15 for energy-only deliverability status that did not initially request that deliverability status. *Id.* at 11 n.18.

<sup>16</sup> *Id.* at 11-12 (citing CAISO, CAISO eTariff, app. DD, § 7 (Activities in Preparation for Phase II) (17.0.0), § 7.2; *id.* app. KK, § 7 (Annual Reassessment, Cluster Restudy, & Activities in Preparation for the Interconnection Facilities Study) (0.0.0), § 7.2).

<sup>17</sup> *Id.* at 12 (citing CAISO, CAISO eTariff, app. DD, § 8 (Phase II Interconnection Study & TP Deliverability Allocation Processes) (20.0.0), §§ 8.9 – 8.9.9; *id.* app. KK, § 8

## **B. Increase in Generator Interconnection Requests**

7. CAISO states that there has been a recent dramatic increase in projects requesting interconnection service and seeking finite deliverable capacity from planned transmission projects.<sup>18</sup> CAISO explains that these increases have been driven by state regulatory requirements and policies, such as California Senate Bill 100 (SB 100), a 2018 California law that requires renewable energy and zero-carbon resources to supply 100% of electric retail sales to end-use customers in California by the end of 2045, and accelerates California's renewables portfolio standard requirements to 50% renewable energy by the end of 2026 and 60% renewable energy by the end of 2030.<sup>19</sup> CAISO explains that the pace for new transmission development in current and future planning cycles has dramatically accelerated to allow the decarbonized resource mix required by SB 100 to be deliverable to consumers.<sup>20</sup>

8. CAISO further explains that California's ambitious decarbonization goals and the large quantities of renewable energy and zero-carbon resources required to meet them have caused CAISO to receive unprecedented numbers of interconnection requests from interested resource developers, including many requests in areas that have not been prioritized in the state's resource planning, as well as increases in the volume of gigawatts (GW) included in those requests.<sup>21</sup> CAISO states that the volume of interconnection requests has dramatically increased in recent years.<sup>22</sup> According to CAISO, its interconnection queue now contains more than three times the capacity expected to achieve the policy objectives established by California state legislation, with

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(Interconnection Facilities Study & TP Deliverability Allocation Processes) (0.0.0), §§ 8.9 – 8.9.9).

<sup>18</sup> *Id.* at 2.

<sup>19</sup> *Id.* at 12.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at 13.

<sup>22</sup> *Id.* at 13-14. There were 155 interconnection requests in Cluster 13 (with 91 GW of active projects in Cluster 13 and earlier clusters); 373 interconnection requests in Cluster 14 (representing 94 GW of active projects in Cluster 14); and 541 interconnection requests in Cluster 15 (representing 347 GW of active projects in Cluster 15). *Id.*

viable and needed generating facilities to address those objectives unable to be processed in a timely manner.<sup>23</sup>

9. CAISO further states that, in addition to an unsustainable strain on planning and engineering resources, interconnection study results lose accuracy, meaning, and utility when the level of cluster interconnection request capacity is multiple times the existing or planned transmission capacity for an area. CAISO asserts that it is impossible to allocate deliverability to all the interconnection requests currently in the queue.<sup>24</sup>

### **C. Response to the Increase in Interconnection Requests**

10. In 2022, CAISO, the California Public Utilities Commission (CPUC), and the California Energy Commission (CEC) executed a Memorandum of Understanding (MOU) seeking to tighten linkages among resource and transmission planning activities, interconnection processes, and resource procurement.<sup>25</sup> CAISO states that, to help ensure it has sufficient transmission in place to achieve the resource transition reliably and cost-effectively, it coordinates with the state's primary energy and planning regulatory entities pursuant to this MOU to implement a more strategic and proactive approach to resource procurement, transmission planning, and generator interconnections overall.

11. The MOU sets forth a number of expectations, including that CPUC will provide clear direction to its jurisdictional LSEs to concentrate procurement in key transmission zones, that procurement will focus on the expected quantities enabled by the planned transmission development set forth in the CAISO Transmission Planning Process,<sup>26</sup> and that state and local agencies – including agencies not subject to CPUC jurisdiction – and LSEs' resource planning and procurement will continue to significantly inform CAISO's Transmission Planning Process.<sup>27</sup>

12. CAISO states that this approach is necessary because of the long development timeframe of transmission relative to many energy supply resources. CAISO explains

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<sup>23</sup> *Id.* at 14.

<sup>24</sup> *Id.* at 14-15.

<sup>25</sup> *Id.* at 2.

<sup>26</sup> CAISO states that its annual Transmission Planning Process studies new transmission facilities being constructed for inclusion in the CAISO-controlled grid. *Id.* at 9 (citing CAISO, CAISO eTariff, § 24 (Comprehensive Transmission Planning Process) (1.0.0), *et seq.*).

<sup>27</sup> *Id.* at 12-13.

that procurement of new energy supply must consider the availability of transmission to ensure reliable delivery of power to the grid. Additionally, CAISO states that supply resources will be stranded if they are developed before this infrastructure is planned, approved, permitted, and constructed.<sup>28</sup>

13. Since 2021, CAISO has filed, and the Commission has accepted, several Tariff revisions to address the rapid increase in interconnection requests. The most recent Tariff revisions accepted by the Commission paused Cluster 15 pending completion of Cluster 14, and did not open an interconnection request window for Cluster 16.<sup>29</sup> CAISO states that these previous approaches to reforming CAISO's interconnection processes have not sufficiently addressed the unprecedented interconnection queue volumes and associated challenges those volumes present.<sup>30</sup> In February 2023, CAISO established the Interconnection Process Enhancements Stakeholder Initiative (2023 IPE Initiative) as part of its ongoing review and enhancement process to address the issues with the current interconnection queue. CAISO states that the 2023 IPE Initiative is part of a larger set of foundational framework improvements being coordinated among CPUC, CEC, and CAISO to help meet California's energy policy objectives in a timely and efficient manner. CAISO states that it has also engaged in numerous discussions with other local regulatory authorities, utilities, and LSEs that are not CPUC-jurisdictional to ensure CAISO's planning reflects their needs.<sup>31</sup>

14. The stakeholder process for Phase 1 of the 2023 IPE Initiative<sup>32</sup> has three separate but related tracks: Track 1 resulted in CAISO's Tariff revisions to extend the remaining interconnection study deadlines for Cluster 14 and pause Cluster 15; Track 2 resulted in the enhancements presented in the instant filing; and Track 3 is underway and will

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<sup>28</sup> *Id.* at 13.

<sup>29</sup> Order Pausing Cluster 15, 184 FERC ¶ 61,069; *Cal. Indep. Sys. Operator Corp.*, 186 FERC ¶ 61,241 (2024) (accepting Tariff revisions to forego a new interconnection request window for Cluster 16 in 2024). *See also Cal. Indep. Sys. Operator Corp.*, 176 FERC ¶ 61,207 (2021) (accepting revisions to generator interconnection procedures for Cluster 14); *Cal. Indep. Sys. Operator Corp.*, 180 FERC ¶ 61,143 (2022) (accepting revisions to reduce queue volumes before Cluster 15).

<sup>30</sup> Transmittal at 3.

<sup>31</sup> *Id.* at 16.

<sup>32</sup> CAISO states that the 2023 IPE Initiative consists of two phases, only the first one of which is in progress. CAISO states it will start the second phase in the future. *Id.* at 16 n.35.

consider additional issues raised by stakeholders regarding the allocation of TP deliverability and intra-cluster prioritization for Cluster 14 and earlier.<sup>33</sup>

## II. Instant Filing

15. CAISO states its proposed revisions to its generator interconnection procedures will enable CAISO to adapt to unprecedented levels of interconnection requests in CAISO. According to CAISO, the proposed revisions to its queue cluster study process, which build upon its pending Order No. 2023 compliance revisions, will identify the most viable and needed generating facilities to address both reliability and public policy objectives and enable them to advance through CAISO's generator interconnection study process in those zones where transmission capacity will be available, providing sufficient resource availability and diversity within the interconnection queue.<sup>34</sup>

16. CAISO's proposal consists of two related primary components, discussed in further detail below: (1) the implementation of a zonal approach to cluster studies to determine where new generation is able to be deliverable based on available transmission capacity; and (2) the establishment of four sets of cluster study criteria that interconnection customers must satisfy to proceed to the cluster study, depending on the objectives of the interconnection request (e.g., seeking deliverability vs. energy-only status).

17. CAISO requests an effective date for the proposed Tariff revisions of October 1, 2024, when CAISO proposes to begin processing Cluster 15 subject to the reforms proposed in this filing. CAISO states that the instant filing includes, as baseline Tariff language, the changes proposed in its Order No. 2023 Compliance Filing.<sup>35</sup>

18. CAISO submitted its Order No. 2023 Compliance Filing on May 16, 2024, requesting an effective date of May 17, 2024. According to CAISO, its Order No. 2023 Compliance Filing completely adopts the central reforms of Order No. 2023 by, among other revisions, adopting the Commission's prescribed timelines and eliminating the reasonable efforts standard.<sup>36</sup>

19. CAISO states that it does not require an order on its Order No. 2023 Compliance Filing before re-engaging with Cluster 15. CAISO asserts that because CAISO proposed

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<sup>33</sup> *Id.* at 16.

<sup>34</sup> *Id.* at 1.

<sup>35</sup> *Id.* at 2, 9 n.6, 54.

<sup>36</sup> *Id.* at 9 n.6, 54 n.165.



a May 17, 2024 effective date for its Order No. 2023 revisions, it has given Cluster 15 interconnection customers notice that the Order No. 2023 compliance revisions will be the filed rate applicable to the cluster study for Cluster 15. CAISO states that if the Commission issues an order requiring revisions to CAISO's Order No. 2023 Compliance Filing, it expects those revisions also will be effective back to May 17, 2024, regardless of when the order is issued.<sup>37</sup>

### **III. Notice and Responsive Pleadings**

20. Notice of CAISO's filing was published in the *Federal Register*, 89 Fed. Reg. 64,903 (Aug. 8, 2024) with protests and interventions due on or before August 22, 2024.

21. The following entities submitted timely motions to intervene: Advanced Energy United; AES Clean Energy Development LLC; American Clean Power Association; Arevon Energy, Inc.; California Energy Storage Alliance; California Department of Water Resources; California Municipal Utilities Association; Calpine Corporation (Calpine); CEERT; City of Santa Clara, California; EDF Renewables, Inc.; ENGIE North America, Inc.; Golden State Clean Energy; GridStor LLC; Invenergy Wind Development LLC and Invenergy Solar Development LLC (jointly); Large-Scale Solar Association; Longroad Energy Holdings, LLC; MN8 Energy LLC; Modesto Irrigation District; Natural Resources Defense Council and Sustainable FERC Project (jointly); Northern California Power Agency; San Diego Gas and Electric Company; Six Cities CA (Six Cities);<sup>38</sup> Solar Energy Industries Association; and Terra-Gen, LLC.

22. CPUC submitted a notice of intervention and comments.

23. Timely motions to intervene and comments or protests were filed by Aypa Power, LLC (Aypa Power); California Community Choice Association (CalCCA); Clean Energy Associations (CEA);<sup>39</sup> Clearway Energy Group LLC (Clearway); Electric Power Supply Association (EPSA); Joint Interconnection Customers;<sup>40</sup> NextEra Energy Resources,

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<sup>37</sup> *Id.* at 54 n.165.

<sup>38</sup> Six Cities consist of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

<sup>39</sup> CEAs consist of American Clean Power Association, California Energy Storage Alliance, Large-Scale Solar Association, and the Solar Energy Industries Association.

<sup>40</sup> Joint Interconnection Customers consist of ENGIE North America Inc., GridStor LLC, MN8 Energy LLC, and Terra-Gen, LLC.

LLC (NextEra); Joint Publicly Owned Utility Intervenors (Joint POU);<sup>41</sup> Pacific Gas and Electric Company (PG&E); Public Interest Organizations (PIO);<sup>42</sup> Southern California Edison Company (SoCal Edison); Shell Companies;<sup>43</sup> and Vistra Corp. and Dynegy Marketing and Trade, LLC (jointly) (Vistra).

24. On September 3, 2024, CAISO filed a motion for leave to answer and answer to the comments and protests. On September 9, 2024, Joint POU's filed a motion for leave to answer and answer to certain protests and CAISO's answer. On September 13, 2024, Aypa Power filed a motion for leave to answer and answer to CAISO's answer. On September 17, 2024, Calpine filed a motion for leave to answer and filed a supplemental protest and answer, and Vistra filed a motion for leave to answer and answer to CAISO's answer. On September 18, 2024, EPSA, Clearway, and Shell Companies filed motions for leave to answer and answers to CAISO's answer. On September 20, 2024, CalCCA filed a motion for leave to answer and answer to certain answers and protests, PG&E filed a motion for leave to answer and answer to certain answers and supplemental protests, and CAISO filed a motion for leave to answer the answers and out-of-time protests. On September 24, 2024, Joint Interconnection Customers filed a motion for leave to answer and limited answer to CAISO's answer.

25. On September 17, 2024, the Independent Energy Producers Association (IEP) filed a motion to intervene out-of-time and a limited protest.

26. On September 20, 2024, Clean Power Alliance of Southern California (CPA) filed a motion to intervene out-of-time and motion for leave to answer and answer to certain protests.

#### **IV. Discussion**

##### **A. Procedural Matters**

27. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2024), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

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<sup>41</sup> Joint POU's consist of Six Cities, Northern California Power Agency, and the City of Santa Clara, d/b/a Silicon Valley Power.

<sup>42</sup> PIO's consists of Center for Energy Efficiency and Renewable Technologies, Natural Resources Defense Council, Sierra Club, and Sustainable FERC Project.

<sup>43</sup> Shell Companies consist of Shell Energy North America (US), L.P., Shell New Energies US, LLC, and Savion, LLC.

28. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214, we grant IEP's and CPA's late-filed motions to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

29. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2024), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answers because they have provided information that assisted us in our decision-making process.

## **B. Substantive Matters**

### **1. General Considerations**

#### **a. Comments**

30. SoCal Edison, PG&E, CPUC, PIOs, and CalCCA support CAISO's proposal and ask the Commission to accept it in its entirety.<sup>44</sup> CPUC asserts that making the interconnection process more efficient and more tied to California's long-term integrated resource planning will help ensure the timely onboarding of historic amounts of resources needed to address plans for new renewable generation and storage resources. CalCCA contends that the revisions advance needed transformations to the cluster study and queue management processes while maintaining open access.<sup>45</sup> PG&E and PIOs assert that the status quo is not sustainable and there is urgency to act now.

31. Other commenters broadly support the proposal but ask the Commission to sever and reject portions of CAISO's proposal, as discussed in greater detail below. EPSA urges the Commission to accept CAISO's proposal with the exception of the commercial interest scoring criterion.<sup>46</sup> EPSA states that the remaining reforms will relieve some of the congestion and backlog in the queue, while prioritizing projects based on near-term reliability and longer-term needs. IEP similarly states that it supports most of CAISO's filing but asks the Commission to reject certain components of the commercial interest criterion, including the provision of commercial interest points to LSEs.<sup>47</sup> Clearway claims that the proposal's elements work together to create a queue intake process that is

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<sup>44</sup> CalCCA Comments at 2; CPUC Comments at 2; PG&E Comments at 1; PIOs Comments at 1; SoCal Edison Comments at 3.

<sup>45</sup> CalCCA Comments at 3.

<sup>46</sup> EPSA Protest at 2-3.

<sup>47</sup> IEP Protest at 1.

just and reasonable and predictable for developers, with the exception of: (1) the treatment of resources seeking partial deliverability; and (2) the lack of guidance in the Tariff to LSEs for commercial interest point allocation.<sup>48</sup> Joint Interconnection Customers request that the Commission accept the proposal aside from the scoring criteria. Shell Companies believe that CAISO's proposed Tariff changes, other than the commercial interest LSE points weighting, the inability for interconnection customers to switch between deliverability options, and the requirement for a customer to change their point of interconnection within 10 days of the close of the cluster application window, could strike a reasonable balance between stakeholder concerns about the congested and delayed status of the CAISO interconnection queue and California's renewable energy objectives.<sup>49</sup> Joint POUs support the proposal with the exception of the cap on the LSE points allocated under the commercial interest criterion, which they claim will not allow small LSEs to meaningfully participate in the interconnection process.<sup>50</sup>

32. Other protesters, such as Aypa Power, CEAs, and NextEra, ask the Commission to reject the proposal in its entirety. We address those protests below in the discussion of each component of CAISO's proposal.

33. Comments pertaining to severability are addressed in the relevant sections below.

**b. CAISO Answer**

34. CAISO asserts that the comments submitted represent a remarkable level of support from multiple groups of stakeholders for an undertaking as inherently contentious as interconnection process reform. CAISO states that, of the 14 submissions, five commenters support CAISO's proposal in its entirety, six commenters support the core elements of CAISO's proposal and seek to have only discrete elements of the proposed reforms severed or modified, and only three developer pleadings oppose CAISO's filing in its entirety.<sup>51</sup> CAISO notes that all ratepayer representatives commenting in this proceeding support CAISO's proposed reforms. CAISO further notes that the three parties fully opposing CAISO's proposal disregard the fact that all CAISO

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<sup>48</sup> Clearway Comments at 2; Clearway Answer at 2.

<sup>49</sup> Shell Companies Protest at 2.

<sup>50</sup> Joint POUs Protest at 3-4.

<sup>51</sup> CAISO Answer at 2-3.

interconnection customers are seeking deliverability and that there must be some process to allocate this scarce deliverability.<sup>52</sup>

35. CAISO further notes that no commenter disputes the facts upon which CAISO's proposed reforms are premised – that the current interconnection queue is greatly oversubscribed and reforms specific to the CAISO region are needed to make the queue more manageable and to produce study results that are meaningful.<sup>53</sup> CAISO states that the alternative to the proposed reforms is to have endless delays and inefficiencies in the interconnection process and to have the resources that actually reach commercial operation determined by potentially arbitrary factors, an alternative that would be detrimental to the interests of end-use consumers.<sup>54</sup> CAISO also notes that rejecting the proposed filing would mean that CAISO could not resume Cluster 15 on October 1, 2024 as it proposes, which would result in cascading adverse impacts on project development in the CAISO region. CAISO contends that the interconnection requests in Cluster 15 would remain subject to delay and uncertainty, and developers would not be able to propose to interconnect projects in future clusters until Cluster 15 resumes.<sup>55</sup>

36. CAISO asserts that the interconnection process Tariff revisions proposed in its filing reflect a just and reasonable compromise that pragmatically balances the interests of different groups of stakeholders and allows the interconnection queue to timely move forward in a meaningful way. CAISO emphasizes that the filing was part of a package of reforms among CAISO, CPUC, CEC, LSEs, local regulators, developers, transmission owners, and other stakeholders to align procurement, transmission planning, and generation development. CAISO contends that rejecting the filing would adversely affect CAISO's interconnection queue and would frustrate the broader reforms that the filing is a part of.<sup>56</sup>

37. CAISO also commits to monitoring the efficacy of the Tariff revisions proposed in the instant filing, and to discuss potential Tariff enhancements with stakeholders based on

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<sup>52</sup> *Id.* at 3.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.* at 4.

<sup>55</sup> *Id.* at 5.

<sup>56</sup> *Id.*

its experience, leaving open the possibility of further improving the procedures if necessary.<sup>57</sup>

38. In response to arguments that the filing in its entirety, or in part, is not just and reasonable, CAISO notes that no party has disputed that the interconnection queue is greatly oversubscribed or that the Tariff needs to be improved to make the queue more manageable. CAISO argues that its proposal will accomplish that purpose and allow the study process to resume, which CAISO argues renders it just and reasonable. CAISO states that under FPA section 205, the filing need not be an optimal set of terms and conditions, and the Commission need not consider the merits of alternative proposals.<sup>58</sup>

**c. Commission Determination**

39. As discussed below, we accept CAISO's proposed Tariff revisions, subject to the Commission's action on CAISO's Order No. 2023 Compliance Filing. We find that CAISO's proposed Tariff revisions implementing reforms to its generator interconnection process are just and reasonable and not unduly discriminatory or preferential, and accomplish the purposes of the Commission's final rules on generator interconnection, including Order Nos. 2003<sup>59</sup> and 2023 by helping to ensure that interconnection customers are able to interconnect to the transmission system in a reliable, efficient, transparent, and timely manner.<sup>60</sup> Therefore, we find that CAISO's proposed Tariff revisions meet the independent entity variation standard. We note, however, that CAISO's Order No. 2023 Compliance Filing is pending before the Commission, and our order in the instant proceeding is subject to the outcome of the compliance filing

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<sup>57</sup> *Id.* at 5-6.

<sup>58</sup> *Id.* at 7-9 (citing *Cal. Indep. Sys. Operator Corp.*, 140 FERC ¶ 61,168, at P 17 (2012); *New Eng. Power Co.*, 52 FERC ¶ 61,090, at 61,336 (1990); *Town of Norwood v. FERC*, 962 F.2d 20, 22 (D.C. Cir. 1992); *Louisville Gas & Elec. Co.*, 114 FERC ¶ 61,282, at P 29 (2006) (the just and reasonable standard under the FPA is not so rigid as to limit rates to a "best rate" or "most efficient rate" standard, but rather a range of different approaches often may be just and reasonable)).

<sup>59</sup> *Standardization of Generator Interconnection Agreements & Procs.*, Order No. 2003, 104 FERC ¶ 61,103, at PP 26, 827 (2003), *order on reh'g*, Order No. 2003-A, 106 FERC ¶ 61,220, *order on reh'g*, Order No. 2003-B, 109 FERC ¶ 61,287 (2004), *order on reh'g*, Order No. 2003-C, 111 FERC ¶ 61,401 (2005), *aff'd sub nom. Nat'l Ass'n of Regul. Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

<sup>60</sup> Order No. 2023, 184 FERC ¶ 61,054 at P 1.

docket.<sup>61</sup> The Commission will evaluate CAISO's compliance with each requirement of Order No. 2023 in that proceeding, and nothing in this order prejudices the outcome of that evaluation. Finally, we acknowledge CAISO's commitment to monitor the efficacy of its proposed Tariff revisions,<sup>62</sup> and we expect that CAISO will continue to engage in discussions with stakeholders regarding further enhancements to improve the interconnection process as needed. We discuss each element of CAISO's instant proposal in detail below.

## 2. Zonal Approach to Cluster Studies

### a. CAISO Filing

40. To prioritize interconnection requests in areas where transmission capacity exists or has been approved for development, CAISO proposes to divide the CAISO-controlled transmission system into Transmission Zones for purposes of processing interconnection requests. A Transmission Zone is defined as a study area determined in the transmission plan and used in the Transmission Planning Process and interconnection studies, based on electrically proximate constraints, transmission, load, and supply resources.<sup>63</sup> CAISO proposes to categorize the Transmission Zones as either Deliverable Zones (Transmission Zones with at least 50 MW of available deliverability before the cluster application window) or Merchant Zones (Transmission Zones with less than 50 MW of available deliverability before the cluster application window). All of the CAISO-controlled grid will be in either a Deliverable Zone or a Merchant Zone.<sup>64</sup>

41. CAISO proposes to make the determination of Deliverable Zone or Merchant Zone based on the availability of transmission capacity associated with the known constraints within each Transmission Zone. Upon the close of the cluster application window, CAISO will conduct an initial constraint check to ensure that projects seeking to interconnect in Deliverable Zones are not located behind known constraints where there

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<sup>61</sup> CAISO, Order No. 2023 Compliance Filing, Docket No. ER24-2042-000 (filed May 16, 2024).

<sup>62</sup> CAISO Answer at 5-6.

<sup>63</sup> Transmittal at 20 (citing CAISO, CAISO eTariff, app. A (Definitions), Transmission Zone (0.0.0)).

<sup>64</sup> *Id.* at 20-21.

is no available deliverability because of sub-zonal constraints affecting the project's proposed individual point of interconnection.<sup>65</sup>

42. CAISO proposes two interconnection options, which are associated with a corresponding Transmission Zone type. Each type of Transmission Zone is associated with a corresponding option for a prospective transmission customer: Deliverable Zones are associated with the Deliverable Option, and Merchant Zones are associated with the Merchant Option.

43. Interconnection customers seeking deliverability to interconnect in a Deliverable Zone select the Deliverable Option, whereby the interconnection customer may receive cash reimbursement for the cost of constructing needed network upgrades. Under this option, there is no guarantee of deliverability – an interconnection customer elects to compete for the finite amount of available deliverability the CAISO transmission plan has determined will meet ratepayers' needs in a given area (e.g., a local capacity area), and will therefore provide benefits. The Deliverable Option replaces Option (A) under the RIS,<sup>66</sup> and RIS provisions that formerly applied to Option (A) will apply to the Deliverable Option.<sup>67</sup>

44. Interconnection customers seeking deliverability to interconnect in a Merchant Zone select the Merchant Option, whereby the interconnection customer foregoes any cash reimbursement for any area deliverability network upgrade costs (i.e., the interconnection customer will self-fund associated network upgrades needed to deliver the generating facilities' energy to load). These interconnection customers will instead receive merchant transmission congestion revenue rights (CRR)<sup>68</sup> for transmission

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<sup>65</sup> *Id.* at 21 n.51.

<sup>66</sup> The GIDAP version that predates CAISO's Order No. 2023 Compliance Filing includes Options (A) and (B). *See* CAISO, CAISO eTariff, app. DD, § 7 (Activities in Preparation for Phase II) (16.0.0), § 7.2. In its Order No. 2023 Compliance Filing, CAISO proposed to include Options (A) and (B) in §§ 7.2 and 7.5 of the new RIS. *See* CAISO, CAISO eTariff, app. KK, § 7 (Annual Reassessment, Custer Restudy, & Activities in Preparation for the Interconnection Facilities Study) (0.0.0), §§ 7.2, 7.5.

<sup>67</sup> Transmittal at 5-6, 22-23.

<sup>68</sup> CAISO explains that CRRs are financial instruments that market participants can acquire through a CAISO-administered allocation and auction process or through a secondary registration system. The primary purpose of CRRs is to hedge day-ahead market congestion costs, allowing market participants to address congestion risk. Merchant transmission CRRs are incremental CRRs that are created by the addition of a merchant transmission facility. Merchant transmission CRRs are effective for 30 years or for the pre-specified intended life of the facility, whichever is less. Transmittal at 23 n.58



capacity added to the system, pursuant to the allocation provisions set forth in the Tariff. Merchant Option projects will self-fund all of the delivery network upgrades required, without reducing the available deliverability from other delivery network upgrades needed for Deliverable Option projects. Thus, projects electing the Merchant Option will not compete for TP deliverability. The Merchant Option replaces Option (B) under the RIS, and the RIS provisions that formerly applied to Option (B) will apply to the Merchant Option.<sup>69</sup>

45. CAISO states that the Merchant Option enables interconnection customers to build delivery network upgrades beyond what the CAISO transmission plan has designated. The Merchant Option ensures that projects seeking to interconnect in Transmission Zones with no available deliverable capacity have a path forward to become deliverable by providing the opportunity for such projects to build and fund any required area delivery network upgrades as merchant transmission projects.<sup>70</sup>

46. CAISO states that it will not accept Merchant Option interconnection requests within Transmission Zones that have available or planned transmission capacity. However, CAISO states that any Deliverable Zone where the available capacity is less than 50 MW will be studied as a Merchant Zone.<sup>71</sup>

47. CAISO states that to prevent arbitrage, interconnection customers will be prohibited from submitting interconnection requests as Deliverable Option projects and later switching to the Merchant Option if those projects are not selected to be studied using the scoring process explained below. Similarly, under the proposal, if a Deliverable Option project is selected and studied, but is unable to receive a deliverability allocation, it is not eligible to convert to the Merchant Option. CAISO explains that this restriction prevents interconnection customers from circumventing the proposed screens and rules and unfairly prejudicing the interconnection customers that passed them.<sup>72</sup> CAISO states that although much of the information necessary for developers to yield informed interconnection requests prior to the opening of the cluster application window is currently available through independent documents and workbooks, CAISO proposes

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(citing generally CAISO, CAISO eTariff, § 36 (Congestion Revenue Rights) (0.0.0); *id.* app. A (Definitions), Merchant Transmission CRRs (0.0.0)).

<sup>69</sup> *Id.* at 5-6, 23.

<sup>70</sup> *Id.* at 23-24.

<sup>71</sup> *Id.* at 24.

<sup>72</sup> *Id.*

to consolidate the information for easier access.<sup>73</sup> To supplement the “heatmap” data required by Order No. 2023<sup>74</sup> and inform the preparation of interconnection requests under the proposed cluster study criteria, CAISO proposes to publish the following information on the CAISO website (with any confidential information redacted): (1) single-line diagrams of each Transmission Zone with the local regulatory authority portfolio resources identified at the substations to which the local regulatory authority has mapped resources in its bus bar mapping process; (2) any area deliverability constraints in each Transmission Zone, the amount of any available deliverability, area delivery network upgrades to increase deliverability, and the estimated cost and time to construct identified area delivery network upgrades; (3) single-line diagrams identifying the points of interconnection studied for each area deliverability constraint; (4) a list of current substations within each Transmission Zone; (5) for each deliverability constraint, the points of interconnection for current interconnection customers; (6) the TP deliverability already allocated for each area deliverability constraint; and (7) the value of local capacity area resource deficiencies in local capacity areas.<sup>75</sup> CAISO states that it has already provided this information for use by interconnection customers in Cluster 15.<sup>76</sup>

48. CAISO proposes to revise the existing definition of the term “deliverability” to clarify that it means transmission capacity enabling the delivery of energy to the aggregate of load on the CAISO controlled grid at peak load, under a variety of modeled stressed conditions. CAISO also proposes to revise the definition of deliverability to specify that it includes TP deliverability. CAISO explains that these revisions do not change the meaning of deliverability, but simply make it easier to find and understand the defined terms.<sup>77</sup>

49. Under the RIS, a scoping meeting occurs within the customer engagement window (and after the cluster application window). In accordance with the zonal approach,

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<sup>73</sup> *Id.* at 18.

<sup>74</sup> A heatmap consists of publicly posted available information pertaining to generator interconnection. Order No. 2023 required transmission providers to provide certain information as outputs at each point of interconnection, such as the distribution factor and the MW impact (based on the proposed project size and the distribution factor). Order No. 2023, 184 FERC ¶ 61,054 at P 135.

<sup>75</sup> Transmittal at 18-19.

<sup>76</sup> *Id.* at 19.

<sup>77</sup> *Id.* at 24-25 (citing CAISO, CAISO eTariff, app. A (Definitions), Deliverability (1.0.0)).

CAISO has revised these provisions to specify that scoping meetings will be segregated by Transmission Zone and cluster study criteria.<sup>78</sup>

**b. Comments**

50. CPUC and Joint POU support CAISO's proposed zonal approach. CPUC supports CAISO's approach for aligning the interconnection process with CPUC's integrated resource planning and Transmission Planning Process.<sup>79</sup> CPUC states that aligning the interconnection process with Integrated Resource Planning busbar mapping, which includes detailed mapping of Integrated Resource Plan portfolios to specific points of interconnection (i.e., substations) for analysis by CAISO in the annual Transmission Planning Process, is an important step for addressing where long-term transmission is needed in the existing system.<sup>80</sup> Joint POU argue that, because the resource portfolio used for the Transmission Planning Process is the portfolio of CPUC-jurisdictional LSEs, the needs of Joint POU as non-CPUC jurisdictional entities are not considered.<sup>81</sup> CPUC states that CAISO's use of a zonal approach and heatmap will help consolidate information to help inform market participants.<sup>82</sup> Joint POU state that they support the zonal approach as part of a reasonable and equitable package, provided CAISO adheres to its commitment to improve inclusion of non-CPUC-jurisdictional LSE needs in the Transmission Planning Process.<sup>83</sup>

51. Aypa Power argues that the zonal approach to determining which projects can enter the queue to compete for deliverability in Deliverable Zones reflects a return to central planning that uses unduly discriminatory criteria to restrict entry.<sup>84</sup> Aypa Power argues that CAISO's proposal uses public policy to undermine competitive and robust system planning.<sup>85</sup> According to Aypa Power, CAISO's proposal will limit project

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<sup>78</sup> *Id.* at 22 (citing CAISO, CAISO eTariff, app. KK, § 3 (Interconnection Requests) (1.0.0), § 3.5.2; *id.* § 6, (Cluster Study Process) (1.0.0), § 6.1.2.)).

<sup>79</sup> CPUC Comments at 4.

<sup>80</sup> *Id.*

<sup>81</sup> Joint POU's Protest at 19-20.

<sup>82</sup> CPUC Comments at 4.

<sup>83</sup> Joint POU's Protest at 23.

<sup>84</sup> Aypa Power Protest at 3-4.

<sup>85</sup> *Id.* at 5.

choice and competition. Aypa Power argues that under the proposed framework, there is no reason for a resource to participate in the CAISO interconnection process if it is not in a Deliverability Zone since there is no meaningful market for energy-only interconnection and the cost of self-funding network upgrades is prohibitive.<sup>86</sup> Aypa Power states that even in zones where deliverability is nominally available, CAISO's process is based on current deliverability, which will not necessarily remain available to a project once it has been added to a cluster. Aypa Power argues that this effectively forces developers to speculate about future deliverability.<sup>87</sup>

52. Shell Companies protest the lack of transparency in CAISO's studies to determine Transmission Zones. Shell Companies argue that the lack of a clear and firm Tariff commitment to provide additional information about the scope of Transmission Zones and critical study data could result in the creation of barriers to entry.<sup>88</sup> Likewise, CEAs assert that the definitions of Deliverable Zones and Merchant Zones are unreasonably vague and that CAISO has not justified its selection of 50 MW as the cutoff for whether a constraint is considered to have headroom. For instance, CEAs state that CAISO has not clearly defined or justified which constraints should be used to screen projects.<sup>89</sup> Shell Companies argue that interconnection customers must be able to "reverse engineer" modeling assumptions underlying CAISO's proposed determination of the Transmission Zones to ensure that rates, terms, and conditions of generator interconnection are just, reasonable and not unduly discriminatory.<sup>90</sup>

53. Shell Companies state that because it is not clear how much notice interconnection customers will have of CAISO's zonal determinations, the Commission should direct CAISO to establish a firm deadline for the designation of Deliverable and Merchant Zones at least six months prior to each cluster application window and provide information used to make the designations including underlying models.<sup>91</sup> Shell Companies additionally state that CAISO must further explain how CPUC's evaluation of the need for generation in a specific geographic area translates into the scope and

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<sup>86</sup> *Id.* at 6.

<sup>87</sup> *Id.*

<sup>88</sup> Shell Companies Protest at 3.

<sup>89</sup> CEAs Protest at 17.

<sup>90</sup> Shell Companies Protest at 3.

<sup>91</sup> *Id.* at 9.

engineering analysis that CAISO proposes to use when assessing transmission constraints and determining zone designation.<sup>92</sup>

54. Vistra also argues for greater transparency in the implementation of CAISO's proposal. Vistra states that CAISO's approach to administering the queue has the potential to foreclose or restrict interconnection access in certain transmission zones. According to Vistra, transparency from CAISO in its implementation of the proposal and the availability of information regarding the proposal's effects is necessary to ensure that interconnection customers continue to have reasonable access to the CAISO system, that the interconnection framework is not impairing the timely development of resources needed to preserve system reliability, and that other serious concerns of stakeholders do not materialize. Vistra requests that the Commission condition acceptance of the instant filing on CAISO filing reports with the Commission within 120 days of the completion of each study cycle to provide transparency into the implementation and efficacy of CAISO's proposals.<sup>93</sup>

55. CEAs state that CAISO's framework would impose a major inequity on Deliverable Zone projects seeking interconnection and deliverability at points-of-interconnection with no TP deliverability in a Deliverable Zone. CEAs argue that under CAISO's proposal, if a project is within a Merchant Zone and behind a point of interconnection without capacity, the interconnection request will automatically be rejected for study regardless of any project viability attributes, even if it could reasonably accept cost allocation necessary to complete the network upgrade.<sup>94</sup> CEAs argue that CAISO has not justified its selection of 50 MW as the differentiator between Deliverable Zones and Merchant Zones – a restriction that is extremely restrictive and may prevent relatively large projects from being considered for study.<sup>95</sup> To illustrate this point, CEAs provide a hypothetical example concerning a 400 MW project that has a 10% distribution factor rating over one area constraint with 49 MW of headroom, which CEAs assert could easily be able to interconnect without overloading the constraint and triggering an area upgrade. CEAs argue that under CAISO's proposal, because the constraint in its example has less than 50 MW of headroom, this project would not even be considered for study.<sup>96</sup>

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<sup>92</sup> *Id.*

<sup>93</sup> Vistra Protest at 3-4.

<sup>94</sup> CEAs Protest at 17-18.

<sup>95</sup> *Id.* at 18.

<sup>96</sup> *Id.* at 18 n.52.

c. Answers

56. CAISO reiterates that the proposed zonal approach is consistent with the MOU among CAISO, CPUC, and CEC. CAISO explains that, under the MOU, CPUC will provide clear direction to the jurisdictional LSEs to concentrate procurement in key Transmission Zones, and that the procurement will focus on the expected quantities enabled by the planned transmission development set forth in CAISO's Transmission Planning Process. According to CAISO, state and local regulatory authorities and LSEs' resource planning and procurement will continue to significantly inform CAISO's Transmission Planning Process over the long development timeframe of transmission relative to many energy supply resources.<sup>97</sup> CAISO argues that the benefits of the zonal approach, such as aligning the interconnection process with CPUC's Integrated Resource Plan and transmission planning in California, thereby helping ensure the timely onboarding of new generation and storage resources, make it just and reasonable.<sup>98</sup> Joint POU's note that rising transmission costs remain a concern for all LSEs and support CAISO's position that building more transmission beyond planned needs should not be presumed to be in the interests of ratepayers.<sup>99</sup>

57. CAISO dismisses Aypa Power's concerns that the zonal approach is problematic insofar as it requires developers to invest time and effort in project development before they have a sense of whether deliverability will be available in the zone where a project is located. CAISO states that prior to the cluster application window, CAISO will provide prospective interconnection customers with timely access to information that identifies areas with available deliverability and provides transparent and accessible information that will serve as the basis for CAISO's determination as to a zone's Merchant or Deliverable status.<sup>100</sup> CAISO states that this information has already been published for Cluster 15. CAISO additionally argues that what Aypa Power asserts is problematic is actually a strength of CAISO's proposed reforms: rather than submitting interconnection requests agnostic to transmission planning and where prior clusters have already subscribed all available deliverability, developers will instead have the ability to prepare their interconnection requests informed by these processes, which will provide quality submissions in the queue, and ultimately benefit ratepayers.<sup>101</sup>

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<sup>97</sup> CAISO Answer at 13.

<sup>98</sup> *Id.*

<sup>99</sup> Joint POU's Answer at 6.

<sup>100</sup> CAISO Answer at 12-13.

<sup>101</sup> *Id.* at 14.

58. CAISO asserts that, contrary to CEAs' arguments, the definitions of Deliverable Zones and Merchant Zones are sufficiently clear as indicated by the fact that no other intervenor argues they should be clarified. CAISO additionally states that it has clearly explained and justified how transmission constraints will be used to screen projects.<sup>102</sup> CAISO states that the transmission constraints used to screen projects are area deliverability constraints as defined in the GIDAP and the GIDAP business practice manual. CAISO states that it posts on the CAISO market participant portal the specific area deliverability constraints defined in the cluster study reports prepared pursuant to the GIDAP.

59. CAISO also states that CEAs have misunderstood the proposal regarding the definitional dividing line between Deliverable Zones and Merchant Zones, and the 400 MW hypothetical example given by CEAs would not be screened out – it would be included in the Deliverable Zone. CAISO explains that its definition of a Deliverable Zone includes any Transmission Zone where a 50 MW generation project can be dispatched at any node in the Transmission Zone without exceeding an area constraint limit; thus, in CEAs' example where the 400 MW project would not exceed the constraint, the project would not be screened out.<sup>103</sup>

60. In response to Shell Companies' argument that CAISO should publish its zonal designations at least six months prior to each application window, CAISO explains that the precise amount of deliverability in each zone—and thus its designation—will not be known until after the immediately preceding annual interconnection facilities study and corresponding TP deliverability allocation process. CAISO states that it commits to providing all data as soon as possible following this process.<sup>104</sup> CAISO also notes that because it is an independent transmission planner, it must account for all LSEs' needs simultaneously, which means planning the transmission system differently than each LSE would plan the transmission system for its needs alone.<sup>105</sup>

61. In response to Joint POU's comment that the zones should include the needs and resource plans of non-CPUC jurisdictional LSEs, CAISO agrees, stating that it has always sought to account for those needs, regardless of any LSE's regulator. CAISO states that historically these LSEs have elected not to participate directly in CAISO's Transmission Planning Process, instead providing their resource plans to the CEC, which incorporates those plans into CPUC's Integrated Resource Plan, where they informed

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<sup>102</sup> *Id.* at 14-15.

<sup>103</sup> *Id.* at 15-16.

<sup>104</sup> *Id.* at 16.

<sup>105</sup> *Id.* at 16-18.

CAISO's transmission plan. CAISO states that it is working to improve the coordination of this process. CAISO additionally argues that because the status quo is untenable, the Commission should accept the proposal as a just and reasonable step toward aligning procurement, planning, and interconnection, affording CAISO the opportunity to work with all utility sectors to enhance these processes together.<sup>106</sup>

62. In response to Shell Companies' argument, CAISO states that allowing changes to deliverability status within an interconnection cluster would eliminate the benefits of CAISO's proposal. Switching from the Deliverable Option to the Merchant Option within the same cluster would harm those interconnection customers that are allocated scarce deliverability after CAISO completes its screening and scoring process; funding network upgrades after the deadline cannot be accommodated without an impact on deliverability awarded to customers that passed screens and followed the applicable rules; and it may not be possible to accommodate additional network upgrades in a zone without harming reliability or degrading the deliverability available to other customers. Post-deadline switches would, at minimum, require re-studies, depriving other interconnection customers of commercial certainty in the near-term, and would delay the deliverability of needed resources to end-use consumers. CAISO states that there is no reason to impair CAISO's interconnection enhancements by adding such a complication, especially given that interconnection customers have historically never selected the Merchant Option.<sup>107</sup>

63. CAISO disagrees with Shell Companies' claim that CAISO has not provided sufficient transparency as to how it will determine Transmission Zones. CAISO states it has already provided ample information informing how it will determine Transmission Zones, and other commenters have highlighted the extent of CAISO's transparency. CAISO indicates that Shell Companies' concern about the availability of deliverability models is based on a misunderstanding because all of the relevant data underlying deliverability models and reliability study models are posted on CAISO's market participant portal.<sup>108</sup> In response, Shell Companies reiterate that the information CAISO intends to provide is insufficient and claim that CAISO misstates the modeling information it intends to provide.<sup>109</sup> Shell Companies assert that, in order to replicate the results of CAISO's planning studies, interconnection customers need access to the actual base case models and supporting data that CAISO uses to designate the TP deliverability

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<sup>106</sup> *Id.* at 16-17.

<sup>107</sup> *Id.* at 49-50.

<sup>108</sup> *Id.* at 55-56.

<sup>109</sup> Shell Answer at 6 (citing Shell Answer app. A).



allocation rather than Shell Companies claim that CAISO has indicated that it will not provide the necessary base case models due to confidentiality concerns.<sup>110</sup>

64. CAISO also disagrees with Vistra's suggestion that the Commission require CAISO to file reports within 120 days of completion of each study cycle because there is no need to impose such a requirement – the Commission should not impose additional monitoring or reporting obligations. CAISO states that it has committed to monitoring the results of various components of the interconnection request intake process and coordinating with CPUC, local regulatory authorities, and stakeholders to ensure competition and open access for Cluster 15 and subsequent clusters. CAISO states that it also already has a strong track record of monitoring interconnection procedures and producing public documentation of performance and potential areas of improvement.<sup>111</sup>

65. In response to CAISO's answer, Aypa Power asserts that CAISO's new zonal process will raise costs for developers and result in higher prices for consumers.<sup>112</sup> Aypa Power also contends that a developer will need to secure land to secure status with LSEs, and to incur other expenses in getting an application prepared, without certainty as to whether a project will be able to enter the queue now or in a future cluster. Aypa Power contends that developers will have to speculate about which zones will have future deliverability under the proposal.

66. In response to CAISO's answer, Vistra asserts that CAISO's commitment to monitor its implementation of the proposal is no substitute for a binding requirement that CAISO regularly file information about key performance indicators.<sup>113</sup> According to Vistra, it is critically important that interconnection customers, the Commission, and other interested parties have the information necessary to understand whether the proposal is functioning as intended. Finally, Vistra urges the Commission to condition its acceptance of CAISO's proposal on it committing to make its zonal determination within 60 days of the completion of the preceding annual interconnection facilities study and corresponding TP deliverability allocation process or by September 1, whichever is earlier.<sup>114</sup>

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<sup>110</sup> *Id.* at 7-8.

<sup>111</sup> CAISO Answer at 57-58.

<sup>112</sup> Aypa Power Answer at 4.

<sup>113</sup> Vistra Answer at 13-14.

<sup>114</sup> *Id.* at 15.

**d. Commission Determination**

67. We accept CAISO's proposal to divide its footprint into zones based on the availability of TP deliverability and to apply its proposed cluster study criteria, discussed in detail further below, to interconnection requests in Deliverable Zones on the basis of the availability of TP deliverability. We find that this subgrouping based on TP deliverability links the CAISO interconnection process with the Transmission Planning Process and resource planning process, ensuring that interconnection requests in zones with sufficient deliverability to serve them are prioritized, which will improve certainty for developers while addressing queue backlogs.

68. Additionally, we find that the Merchant Zone process, requiring interconnection customers to self-fund network upgrades in areas where adequate transmission does not exist in exchange for transmission rights, is consistent with the Commission's interconnection pricing policy. The Commission has previously allowed RTOs or ISOs with locational pricing to require interconnection customers to bear the cost of all facilities and upgrades not needed but for the interconnection, stating that providing reimbursements or service credits for network upgrades that would not be needed but for the interconnection mutes the incentive for a customer to make an efficient siting decision that accounts for transmission costs.<sup>115</sup> As such, we find that CAISO's approach of reimbursing for network upgrades in Deliverable Zones but requiring interconnection customers to self-fund upgrades in exchange for CRRs in Merchant Zones builds on CAISO's existing cost-reimbursement policies for area delivery network upgrades beyond what the CAISO transmission plan has designated<sup>116</sup> and is consistent with the goal of encouraging efficient siting decisions.

69. Contrary to the claims of protestors who argue that CAISO's proposed differentiation between Deliverable and Merchant Zones is not just and reasonable and is unduly discriminatory, we find that the distinction between interconnection customers seeking to interconnect in Transmission Zones with adequate transmission and those seeking to interconnect in zones without adequate transmission is a reasonable distinction between entities that are not similarly situated. Interconnection requests in zones with TP deliverability reasonably differ from those in zones without TP deliverability since they are likely to require significantly fewer network upgrades to obtain deliverability. As

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<sup>115</sup> Order No. 2003, 104 FERC ¶ 61,103 at P 695.

<sup>116</sup> See CAISO, CAISO eTariff, app. DD, § 7 (Activities in Preparation for Phase II) (16.0.0), § 7.2. CAISO's existing Option (B) process requires that the interconnection customer assume cost responsibility without cash reimbursement for local deliverability network upgrades and area deliverability network upgrades in exchange for CRRs. *Id.*

such, we agree with CAISO that designating Transmission Zones as Deliverable Zones or Merchant Zones based on available transmission capacity does not violate Commission principles or precedent regarding open access or undue discrimination.<sup>117</sup> We also find that CAISO's proposed definitions of Merchant and Deliverable Zones are sufficiently clear, contrary to CEAs' claims, because the definitions specify the relevant factor that determines a Transmission Zone's designation as a Merchant Zone or Deliverable Zone (i.e., whether there is more or less than 50 MW of available deliverability before the cluster application window).<sup>118</sup> We find CAISO's proposal to identify area deliverability constraints in each transmission zone and post the deliverability at each constraint on the CAISO participant portal provides sufficient clarity to prospective interconnection customers and find that it is not necessary for CAISO to provide its full deliverability models to interconnection customers as Shell Companies suggest.<sup>119</sup> Further, we find that, as part of CAISO's zonal approach, CAISO's selection of 50 MW of deliverability is a reasonable proxy for determining that a given zone has sufficient available transmission capacity, including planned capacity that will be available for allocation in the TP deliverability allocation process.

70. Likewise, as to Shell Companies' and Vistra's concerns about the transparency of the proposed zonal approach, we find that CAISO's proposal to publish supplemental information on its website such as any area deliverability constraints in each Transmission Zone,<sup>120</sup> single-line diagrams identifying the points of interconnection studied for each area deliverability constraint, and the TP deliverability already allocated for each area deliverability constraint, along with CAISO's commitments to provide

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<sup>117</sup> *E.g., Calpine Corp. v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,035, at P 318 (2020) ("As the Commission has previously explained, the FPA forbids 'undue' preferences, advantages, and prejudices. Whether a rate or practice is unduly discriminatory depends on whether it provides different treatment to different classes of entities and turns on whether those classes of entities are similarly situated.") (citations omitted); *Town of Norwood v. FERC*, 202 F.3d 392, 402 (1st Cir. 2000) ("[D]ifferential treatment does not necessarily amount to *undue* preference where the difference in treatment can be explained by some factor deemed acceptable to regulators (and the courts).") (emphasis in original); *Cities of Newark v. FERC*, 763 F.2d 533, 546 (3d Cir. 1985) ("[D]ifferences in rates are justified where they are predicated upon factual differences between customers.").

<sup>118</sup> See CAISO, CAISO eTariff, app. A (Definitions), Deliverable Zone (0.0.0), *id.* Merchant Zone (0.0.0).

<sup>119</sup> CAISO Answer at 14-15.

<sup>120</sup> *Id.*

information about its zonal determinations, provides sufficient transparency to inform the preparation of interconnection requests under the proposed cluster study criteria. In light of this finding, we decline Vistra's request to condition acceptance on CAISO filing a report with the Commission within 120 days of the conclusion of each study cycle. Further, we need not address Shell Companies' alternative transparency proposals, such as directing CAISO to establish a deadline for the designation of Deliverable and Merchant Zones at least six months prior to each cluster application window.<sup>121</sup>

### 3. Cluster Study Criteria

#### a. CAISO Filing

71. CAISO proposes to establish cluster study criteria that all interconnection requests must satisfy to proceed to the cluster study. Any interconnection requests that do not meet the criteria or fail to comply with the requirements specified will be deemed withdrawn without a cure period, the interconnection customer's application fee will be forfeited, and CAISO will return the interconnection customer's deposits.<sup>122</sup>

72. Under the proposal, each interconnection request can proceed to the cluster study based on only one of the following four sets of cluster study criteria, which is elected by the interconnection customer:

Cluster Study Criteria 1: Deliverability in Deliverable Zones; eligible for cash reimbursement for area delivery network upgrades;

Cluster Study Criteria 2: Deliverability in Merchant Zones; ineligible for cash reimbursement for area delivery network upgrades;

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<sup>121</sup> See *Cities of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (when determining whether a proposed rate was just and reasonable, the Commission properly did not consider whether a proposed rate schedule was "more or less reasonable than alternative rate designs"); *Midcontinent Indep. Sys. Operator, Inc.*, 180 FERC ¶ 61,141, at P 79 (2022) (RTO bears the burden of showing that its filing under FPA section 205 is a just and reasonable proposal, but need not show that is the best or most just and reasonable option) (citations omitted); *Petal Gas Storage, L.L.C. v. FERC*, 496 F.3d 695, 703 (D.C. Cir. 2007) ("[The Commission] is not required to choose the best solution, only a reasonable one.").

<sup>122</sup> Transmittal at 28.

Cluster Study Criteria 3: Energy-Only deliverability status in a Transmission Zone with an energy-only procurement target and, therefore, eligible for cash reimbursement for reliability network upgrades; or

Cluster Study Criteria 4: Energy-Only deliverability status in a Transmission Zone without an energy-only procurement target and, therefore, not eligible for cash reimbursement for reliability network upgrades.<sup>123</sup>

73. CAISO proposes that each interconnection request can be evaluated under only one of these sets of cluster study criteria and interconnection customers may not select a different option after closure of the cluster application window. Interconnection requests for energy-only deliverability status (Cluster Study Criteria 3 or 4) may not obtain deliverability for that generating facility and any associated generating units thereafter, including through transfers, modifications, or the TP deliverability allocation process. CAISO explains that allowing otherwise would create exceptions that would swallow the rules, enabling interconnection customers to proceed under the less competitive energy-only Cluster Study Criteria 3 or 4 only to avoid competition, then receive deliverability later or after studies.<sup>124</sup>

74. CAISO states that these criteria are consistent with open access principles and will allocate scarce deliverability based on transparent and non-discriminatory criteria. As explained below, in applying Cluster Study Criteria 1 and 3, CAISO will use a scoring system to determine which interconnection requests should move forward to the cluster study and will be subject to a cap on interconnection requests. The highest-ranking projects under Cluster Study Criteria 1 and 3 will advance to the study phase in descending order of project scores until the available and planned transmission capacity for each constraint or Transmission Zone is filled to 150% of that capacity. Neither the scoring system, nor the cap, applies to Cluster Study Criteria 2 and 4.<sup>125</sup> Ties will be resolved using two tiebreaking methods described below, as applicable.

**b. Commission Determination**

75. We accept CAISO's proposed Cluster Study Criteria and discuss each of the individual sets of Cluster Study Criteria in detail below.

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<sup>123</sup> *Id.* at 28-29 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0)).

<sup>124</sup> *Id.* at 29.

<sup>125</sup> *Id.* at 6-7.

i. **Cluster Study Criteria 1 – Deliverability in Deliverable Zones.**

76. Under Cluster Study Criteria 1, interconnection requests in Deliverable Zones seeking deliverability will proceed to the cluster study based on the following considerations: (1) deliverability is available at the interconnection customer's point of interconnection; (2) the interconnection request is within 150% of available deliverability at the relevant transmission constraint; (3) overall score considering project viability, system need, and commercial interest; and (4) distribution factor and auction tiebreakers.

(a) **Cap on Interconnection Requests Studied**

(1) **CAISO Filing**

77. CAISO proposes a cap on the number of interconnection requests processed in each Deliverable Zone equal to 150% of the total available transmission capacity in the zone. Specifically, if other interconnection customers in the cluster are interconnecting in the same Deliverable Zone, and there is deliverability available at the interconnection customers' points of interconnection, only interconnection customers constituting 150% of the available deliverability at the relevant transmission constraint may proceed to the cluster study.<sup>126</sup> If two or more interconnection customers would exceed the 150% limit, interconnection requests will be selected according to the scoring criteria discussed below. CAISO may exceed the 150% limit only for the capacity of the last interconnection request that qualifies to reach the limit but which also would exceed it.<sup>127</sup>

78. CAISO states that a percentage-based cap is necessary to ensure more reasonable study volumes and thereby result in more meaningful and accurate study outcomes. CAISO explains that the percentage-based nature of the cap ensures that the studies are scaled to the resource and transmission planning completed by the state and local regulatory authorities, while still enabling competition. According to CAISO, studying a percentage above the capacity of each transmission zone will ensure sufficient availability of resources in and after the study process, preventing the possibility of insufficient resources in the queue to keep pace with procurement needs. Further, CAISO states that the 150% value ensures a sufficient supply of interconnection projects advancing through the study process will be competitively procured. CAISO explains

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<sup>126</sup> *Id.* at 6, 33.

<sup>127</sup> *Id.* at 34 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1).

that it analyzed a 150% cap on the projects in Cluster 15 and found that it reduced the number of requests to a figure that re-aligns with historic clusters.<sup>128</sup>

79. CAISO asserts that the 150% limit in Deliverable Zones is consistent with open access principles because it is based on inherent practical limitations on the transmission capacity available to deliver capacity from interconnecting resources to load.<sup>129</sup>

80. CAISO additionally distinguishes its proposed 150% limit from a recent Midcontinent Independent System Operator, Inc. (MISO) proposal to cap the total MW value of interconnection requests that may be studied in a cluster, which the Commission rejected.<sup>130</sup> CAISO asserts that the cap reflected under its proposal is different from the proposed MISO cap in meaningful ways: (1) the limit CAISO proposes is based on available deliverability at the relevant transmission constraint in a zone, not the total MW value of interconnection requests; (2) the 150% limit is not subject to exemptions that have the potential to undermine the reasons for imposing a limit; and (3) there is no potential disconnect between CAISO's filed Tariff language and the implementation formula.<sup>131</sup>

## (2) Comments and Protests

81. PG&E states that the cap is a key aspect of CAISO's proposed reforms that will enable timely processing of cluster studies and meaningful study results.<sup>132</sup> Clearway argues that CAISO's proposed caps on projects entering the study process under Cluster Study Criteria 1 and 3 are reasonable because detailed information will be provided upfront to developers to inform interconnection requests, and because the caps are grounded in rigorous, data-driven, and comprehensive resource planning and transmission planning processes that include transparent analysis and the opportunity for

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<sup>128</sup> *Id.* at 33-35 (citing Track 2 of the 2023 IPE Initiative Final Proposal at 40-41). CAISO states that it performed an analysis applying the 150% cap to Cluster 15, which showed a reduction of requests from 505 to 112—a figure that CAISO asserts re-aligns with historical clusters and CAISO states is possible to study within the Order No. 2023 timelines. *Id.* at 33-34.

<sup>129</sup> *Id.* at 35.

<sup>130</sup> See *Midcontinent Indep. Sys. Operator, Inc.*, 186 FERC ¶ 61,054 (2024) (MISO Order).

<sup>131</sup> Transmittal at 36.

<sup>132</sup> PG&E Comments at 2.

stakeholder input.<sup>133</sup> Clearway states that it disagrees with developers who believe there should be no limit on projects that progress to the cluster study process. Clearway argues that without a cap, cluster studies would produce unrealistic and distorted results that bear little relation to actual timelines and costs for projects that ultimately interconnect. Clearway asserts that this high degree of cost and schedule uncertainty would greatly increase risk to all project developers due to the likelihood that many projects withdraw from the queue after determining they are not commercially viable.<sup>134</sup> PIOs claim that the cap will ensure the most viable and cost-effective projects will progress at a reasonable pace.<sup>135</sup>

82. Aypa Power asserts that CAISO's proposed cap will unreasonably limit competition, which could result in unjust and unreasonable rates.<sup>136</sup> Joint Interconnection Customers similarly contend that CAISO's proposed rationing mechanism could conflict with open access policies.<sup>137</sup> CEAs, NextEra, and Aypa Power further claim that CAISO did not provide evidence to justify the 150% cap and failed to show that it will not harm resource adequacy.<sup>138</sup> CEAs assert that the Commission should reject the cap in light of its previous finding that a cap must account for resource adequacy needs.<sup>139</sup> In addition, CEAs contend that the proposed cap is problematic because it would reduce the number of projects in the queue that would inform CPUC that a given area deliverability upgrade should be triggered in its busbar mapping process.<sup>140</sup> Aypa Power claims that CAISO's selection of caps raises similar concerns to those the Commission expressed in rejecting MISO's proposal.<sup>141</sup> Joint Interconnection Customers claim that CAISO's proposed rationing mechanism would create a situation where one interconnection customer's gain necessarily comes at another's expense. Joint Interconnection Customers argue that the Commission has been clear that exceptions to open access (e.g., surplus interconnection

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<sup>133</sup> Clearway Comments at 2-3.

<sup>134</sup> *Id.* at 4.

<sup>135</sup> PIOs Comments at 2.

<sup>136</sup> Aypa Power Protest at 11.

<sup>137</sup> Joint Interconnection Customers Protest at 7-8.

<sup>138</sup> CEAs Protest at 2; Aypa Power Protest at 11; NextEra Protest at 5.

<sup>139</sup> CEAs Protest at 15-16 (citing MISO Order, 186 FERC ¶ 61,054 at PP 81-82).

<sup>140</sup> *Id.* at 16-17.

<sup>141</sup> Aypa Power Protest at 12.



capacity) do not result in other market participants losing access to interconnection opportunities.<sup>142</sup>

**(3) Answers**

83. CAISO asserts that the proposed 150% cap for determining eligibility to proceed to the cluster study process is supported by sufficient evidence and is consistent with the Commission's MISO Order. CAISO notes that most commenters, including the majority of developers, do not oppose the 150% cap.<sup>143</sup>

84. CAISO notes that its filing follows open access principles of ensuring open access to transmission systems through a fair and open, first-come, first-served process for interconnection.<sup>144</sup> CAISO asserts that open access does not guarantee every developer the ability to interconnect with deliverability from the finite delivery network upgrades identified as public policy upgrades in the CAISO transmission plan. CAISO claims that open access guarantees the "opportunity to seek deliverability status" which the instant filing provides, while recognizing that the transmission grid is built to meet consumer needs, not provide deliverability to every developer that might seek to interconnect.<sup>145</sup> CAISO argues that the costs of such an overbuild of the transmission grid would be unjust and unreasonable and excessive for end-use consumers.<sup>146</sup>

85. CAISO asserts that Aypa Power and CEAs are mistaken in their assertions that the cap will produce unjust and unreasonable rates and is not supported by evidence. According to CAISO, studying interconnection requests of 150% of transmission capacity in each Deliverable Zone will undeniably allow more resources to proceed to the cluster study than have historically achieved commercial operation based on prior clusters. CAISO states that unlimited interconnection requests or a higher percentage cap would mean the interconnection queue would continue to grow at an unsustainable rate, which would slow study processes and make the study results less meaningful for developers and LSEs. CAISO also states that it arrived at the 150% number by doing a test-run analysis on Cluster 15 – the largest cluster CAISO has seen so far. CAISO states

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<sup>142</sup> Joint Interconnection Customers Protest at 9.

<sup>143</sup> CAISO Answer at 18-19.

<sup>144</sup> *Id.* at 11 (citing *Cal. Indep. Sys. Operator Corp.*, 141 FERC ¶ 61,132, at P 47 (2012)).

<sup>145</sup> *Id.* at 12 (citing *Cal. Indep. Sys. Operator Corp.*, 140 FERC ¶ 61,070, at P 67 (2012)).

<sup>146</sup> *Id.*

that 150% is a level sufficient to ensure a competitive pool of projects for resource adequacy and procurement processes and is within the zone of reasonableness.<sup>147</sup>

86. CAISO characterizes as speculative Aypa Power's concerns regarding the 150% cap leading to inadequate capacity and unjust and unreasonable rates. CAISO states that the 150% cap will produce an annual surplus of project capacity in the queue, which is likely to withdraw under CAISO's Order No. 2023 escalating commercial readiness requirements.<sup>148</sup>

87. CAISO contends that the 150% cap will still allow the interconnection queue to inform generation resource portfolio creation by CPUC; merchant interconnection requests and unsuccessful interconnection requests can be used in the CPUC process as an indication of potential commercial interest beyond the 150% cap; and CAISO plans to continue to provide feedback to CPUC based on constraints identified within the Deliverable Zones and Merchant Zones. CAISO states that CPUC has already considered the impacts of CAISO's proposal on the feedback loop, and CPUC expresses no concerns that the zonal approach would negatively impact its processes.<sup>149</sup>

88. CAISO also disputes Aypa Power's and CEAs' assertions that the CAISO proposal does not align with the MISO Order. CAISO states that, as it explained in its initial filing, its proposal fully aligns with Commission guidance in the MISO Order because it takes into account integrated resource planning from California state and local regulatory agencies, uses scoring criteria to reflect the critical role of LSEs in meeting California's resource adequacy requirements, and is set at a level CAISO's test-run analysis shows is sufficient to ensure resource adequacy. CAISO further argues that unlike MISO's proposed caps, the caps in this proposal are designed to align the size of the queue with new capacity anticipated to meet system needs in ongoing resource and transmission planning processes, in collaboration with CPUC and other local regulatory authorities.<sup>150</sup>

89. CAISO states that although the use of the 150% cap is just and reasonable, if the possibility of needing to change the cap up or down becomes evident after implementing

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<sup>147</sup> *Id.* at 19-21.

<sup>148</sup> *Id.* at 21.

<sup>149</sup> *Id.* at 22.

<sup>150</sup> *Id.* at 23.

the proposed Tariff revisions, CAISO commits to discuss, with stakeholders, what adjustments might be appropriate and is willing to adjust the 150% cap if necessary.<sup>151</sup>

90. In response to CAISO's answer, Aypa Power reiterates that CAISO's 150% cap is likely to result in scarcity, especially in zones where only one or two projects will fall within the 150% cap.<sup>152</sup>

#### (4) Commission Determination

91. We accept CAISO's proposed cap on the study of interconnection requests under Cluster Study Criteria 1. Specifically, we find that the proposed cap will help to ensure that interconnection customers are able to interconnect to the transmission system in a reliable, efficient, transparent, and timely manner.<sup>153</sup> For example, consistent with CAISO's analysis of a 150% cap applied to the Cluster 15 interconnection requests, CAISO's proposed cap will help ensure the timeliness of interconnection to the transmission system by limiting the number of interconnection requests to a level that CAISO is capable of studying within the prescribed Order No. 2023 timelines.

92. We are not persuaded by protesters' assertions that CAISO's proposal raises similar concerns to those the Commission identified in the MISO Order, including concerns related to the Commission's open access requirements. In that proceeding, MISO proposed four exemptions to its proposed cap for interconnection requests: (1) where the applicable relevant electric retail regulatory authority for the location in which the generating facility identified in an interconnection request is to be located has requested that MISO include such project in the cluster study; (2) where an interconnection customer seeks to convert energy resource interconnection service for an existing generating facility to network resource interconnection service without an increase in service levels; (3) where an interconnection customer seeks to add incremental new service to a replacement generating facility, and (4) for a generating facility that has completed the requirements under the generator interconnection procedures to receive a provisional generator interconnection agreement. Notably, in the MISO Order, the Commission found that MISO's proposed cap exemptions had not been shown to be consistent with the Commission's open access requirements.<sup>154</sup> In rejecting MISO's proposal, the Commission found that MISO had not shown the unbounded cap exemptions to be consistent with the Commission's generator interconnection open

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<sup>151</sup> *Id.* at 24.

<sup>152</sup> Aypa Power Answer at 5.

<sup>153</sup> Order No. 2023, 184 FERC ¶ 61,054 at P 1.

<sup>154</sup> MISO Order, 186 FERC ¶ 61,054 at P 176.

access requirements because the cap would limit access to a queue cycle and exempted interconnection requests could enter the cycle regardless of the cap value.<sup>155</sup> The Commission stated that the exemptions would consequently create “priority access” to the interconnection process for the exempted classes. While CAISO’s and MISO’s proposals share some of the same objectives,<sup>156</sup> CAISO’s proposal explicitly accounts for those objectives through its competitive scoring criteria, which recognize the need to accommodate LSE procurement decisions, rather than through unlimited categorical exemptions to its cap.

93. In discussing MISO’s proposed cap exemptions, the Commission noted:

[A] cap on the MW to be included in a cluster cycle does not, in and of itself, pose open access concerns. Such a cap could provide all interconnection customers with a comparable ability to submit an interconnection request in time to enter the earliest queue study cycle (and to avoid being shut out of that cycle). Thus, such a cap could provide the same open access to the transmission system for interconnection customers as such customers in MISO currently possess.<sup>157</sup>

94. CAISO’s proposed cap does not present open access concerns because it provides all interconnection customers the “comparable ability” to submit an interconnection request and compete to be studied under one of CAISO’s sets of Cluster Study Criteria. While CAISO proposes to limit the amount of interconnection requests studied, CAISO’s proposed scoring criteria will prioritize those requests that are most viable, ready,<sup>158</sup> and needed, in contrast to MISO’s proposal which “create[d] priority access to the generator

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<sup>155</sup> *Id.*

<sup>156</sup> For instance, CAISO’s proposed system need criterion provides points to generating facilities that could be local capacity area resources where there are local capacity area resource deficiencies. MISO proposed to exempt an analogous set of resources from its proposed cap under cap exemption (1).

<sup>157</sup> MISO Order, 186 FERC ¶ 61,054 at P 176 n.408.

<sup>158</sup> *See* Order No. 2023, 184 FERC ¶ 61,054 at P 691 (“By reducing the number of speculative interconnection requests submitted into the interconnection queue and the number of late-stage withdrawals of interconnection requests, we believe that the commercial readiness deposit requirements that we adopt herein will also enable commercially viable interconnection requests to progress more quickly through the interconnection process. Transmission providers will be able to focus their resources on those interconnection requests most likely to achieve commercial operation, to the benefit of all interconnection customers.”).

interconnection process for the exempted classes of interconnection requests.”<sup>159</sup> Further, unlike the MISO proposal rejected by the Commission, CAISO proposes no cap on the amount of interconnection requests that may be submitted in a cluster. After ranking the interconnection requests received according to the scoring criteria, CAISO proposes to apply a cap to the MW value of interconnection requests that will be studied within a Deliverable Zone, based on available deliverability at the relevant transmission constraint in a zone. This structure will allow CAISO to limit its interconnection queue to more reasonable study volumes while also enabling competition and ensuring that CAISO studies the interconnection requests that are most viable and needed. In addition, while CAISO proposes a cap under Cluster Study Criteria 1, it does not limit interconnection requests to be studied under other Cluster Study Criteria. Therefore, all interconnection customers—even those that may be above the 150% cap—have access to the interconnection process under CAISO’s other Cluster Study Criteria.

95. We disagree with protesters who contend that any cap unreasonably limits competition or impedes open access. Nearly all commenters recognize that CAISO’s current interconnection process is unable to function with the unprecedented level of requests in the queue. Further, under the status quo, CAISO’s ability to timely and effectively review interconnection requests and deliver results is compromised, which could impede open access. We find that the proposed cap is a reasonable solution to address the problems that CAISO faces in managing an unsustainable interconnection queue, while ensuring interconnection customers are provided the comparable ability to access the transmission system through the interconnection process.

96. Next, we find unpersuasive protesters’ arguments that CAISO has not demonstrated that the cap will address resource adequacy. Protesters note that the Commission previously rejected MISO’s proposed cap on interconnection requests because of the resource adequacy concerns raised in the record of that proceeding. In that proceeding, protesters argued that MISO did not adequately explain, and its proposed tariff language did not reflect, how the cap would ensure that MISO could study new generation seeking to interconnect in a quantity and at a speed consistent with its future resource adequacy needs.<sup>160</sup> The Commission stated that any future section 205 filing to propose a study cycle cap must demonstrate how the cap ensures that MISO can study new generation seeking to interconnect in a manner that appropriately accounts for its future resource adequacy needs.<sup>161</sup> We find that, based on its design, CAISO’s proposal avoids these concerns. CAISO’s percentage-based cap accounts for established

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<sup>159</sup> MISO Order, 186 FERC ¶ 61,054 at P 176.

<sup>160</sup> *Id.* P 182.

<sup>161</sup> *Id.*

integrated resource planning from California state and local regulatory agencies and transmission planning processes, which themselves reflect California's resource adequacy needs.<sup>162</sup> We also agree with CAISO that its cap will still allow the interconnection queue to inform portfolio creation by CPUC. As CAISO explains, it will still have merchant interconnection requests and the unsuccessful interconnection requests to demonstrate potential interest beyond the 150% cap, and CAISO will provide feedback to CPUC based on the constraints identified within the Deliverable Zones and Merchant Zones.<sup>163</sup> In addition, CAISO's proposed option for interconnection customers to enter the cluster study queue via an alternate set of cluster study criteria, such as Cluster Study Criteria 2, will enable customers to acquire deliverability in Merchant Zones, which will increase resource availability and further address resource adequacy.

97. We find that CAISO's proposed Tariff revisions provide sufficient clarity and transparency with regard to the calculation of the caps, in contrast to MISO's rejected proposal. MISO proposed a requirement to determine its cap "using dispatch assumptions and models that reasonably approximate actual or expected system conditions including dispatch characteristics for Existing Generating Facilities and higher queued Interconnection Requests, as well as study region load."<sup>164</sup> However, the Commission found that it was not clear from MISO's explanation how the formula it proposed to use reflected this requirement. The Commission found that any future section 205 filing to propose a study cycle cap must demonstrate how MISO's implementation formula is consistent with the tariff language it proposes.<sup>165</sup> CAISO's 150% caps, in contrast, will be based on the resource needs and transmission capacity

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<sup>162</sup> Transmittal at 33 ("Use of a percentage also ensures scalability with resource portfolios from the CPUC and local regulatory authorities, and can therefore align with system need and associated planned and approved transmission capacity each year, even if these factors fluctuate from year to year."); *id.* at 36 ("The CAISO's proposal takes into account integrated resource planning from California regulatory agencies and local regulatory authorities, and uses scoring criteria to reflect the critical role of LSEs in meeting California resource adequacy requirements. As such, the CAISO's proposal will improve the ability of the region to address future resource adequacy needs."). In addition, CPUC states that the caps are "designed for scalability with procurement" and consistent with the strategic direction of the MOU which seeks to "enhance the coordination of resource planning and transmission planning to achieve state reliability and policy needs." CPUC Comments at 4.

<sup>163</sup> CAISO Answer at 22.

<sup>164</sup> MISO Order, 186 FERC ¶ 61,054 at P 180.

<sup>165</sup> *Id.*

that emerge from the Integrated Resource Planning process undertaken by CPUC and other local regulatory authorities, as well as the CAISO's Transmission Planning Process. Therefore, we agree with Clearway that CAISO's proposed Tariff revisions include sufficient clarity with respect to the calculation of the cap, which will provide predictability for interconnection customers.

98. While we find that CAISO's proposed queue cap is just and reasonable, for the reasons discuss above, to the extent circumstances change, we encourage CAISO to consider other avenues to manage its interconnection queue. We recognize that interconnection study tools are rapidly evolving and that these efforts have the potential to enable faster evaluation of interconnection requests than is possible today. We appreciate the attentiveness of CAISO and its stakeholders to these potential efficiencies as they continue to refine their interconnection process in the future.

**(b) Scoring Criteria**

**(1) CAISO Filing**

99. To the extent that there is insufficient transmission capacity to accommodate all interconnection requests in a Deliverable Zone, to determine which interconnection requests advance to the cluster study, CAISO states that it will use a weighted scoring system that emphasizes project readiness and competition for projects.<sup>166</sup>

100. The scoring system assigns points in three categories – (1) project viability (max 35 points), (2) system need (max 35 points), and (3) commercial interest (max 30 points) – and the interconnection customer's score will be the sum of its points across the three categories for a total maximum score of 100 points.<sup>167</sup> Each of these categories takes into consideration a number of factors worth a specified number of sub-points, and the maximum number of sub-points available in each category is 100. The number of sub-points is then weighted according to the value of the scoring category to determine the total number of points a project receives in that category.<sup>168</sup> CAISO states that it has balanced the weights of the categories so that commercial interest aligns with

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<sup>166</sup> Transmittal at 6.

<sup>167</sup> *Id.* at 6, 36 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.1).

<sup>168</sup> *Id.* at 37-41 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.1).

procurement directed by state and local regulatory authorities, while still factoring in project viability and system need as key components of project development.<sup>169</sup>

101. CAISO states that the scoring criteria provide an appropriate level of granularity and opportunities to measure development progress and can be readily validated.<sup>170</sup> Interconnection customers must submit documentation with their interconnection requests allowing CAISO to validate their scores, as well as self-assessment scoresheets summarizing their points. CAISO explains that it will receive LSE point allocations (explained below) directly from LSEs rather than from interconnection customers during the cluster application window.<sup>171</sup>

## (2) Comments and Protests

102. Joint Interconnection Customers request that the Commission reject CAISO's proposed use of scoring criteria. Joint Interconnection Customers claim that if the Commission severs and rejects the proposal to allocate commercial interest points to LSEs alone, the zonal/point of interconnection screen and tiebreakers would become the primary means by which interconnection requests are prioritized.<sup>172</sup> According to Joint Interconnection Customers, the most equitable way for an RTO/ISO to preserve open access while rationing interconnection requests is to establish prioritization criteria that interconnection customers can fulfill through their own decisions and actions (i.e., choices on locations for projects and levels of financial commitment). In contrast, Clearway argues that CAISO's proposed scoring criteria would be unjust and unreasonable if the Commission rejects the commercial interest criterion, because ties between interconnection customers would be more frequent and the proposed tiebreakers would be triggered more often.<sup>173</sup>

## (3) Answers

103. In response to Joint Interconnection Customers' opposition to the use of scoring criteria, CAISO states that, as explained at greater length in its Transmittal, the avalanche

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<sup>169</sup> *Id.* at 30.

<sup>170</sup> *Id.* at 6.

<sup>171</sup> *Id.* at 31 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.1.1).

<sup>172</sup> Joint Interconnection Customers Protest at 11; Joint Interconnection Customers Answer at 6-7.

<sup>173</sup> Clearway Comments at 7.



of pending interconnection requests and the limited transmission deliverability planned for the CAISO-controlled grid requires CAISO to apply some rational basis to limit the requests seeking deliverability to be studied in each cluster. CAISO asserts that no commenter has rebutted the need for some form of scoring criteria.<sup>174</sup>

104. Joint Interconnection Customers dispute CAISO's assertion that no commenter has rebutted the need for some form of scoring criteria. Joint Interconnection Customers state that in their protest, they rebutted the need for scoring criteria by explaining in detail how CAISO's Track 2 IPE proposal can be implemented without the need for any scoring criteria. Joint Interconnection Customers additionally assert that other stakeholders, such as CEAs, have called into question the need for scoring in both the instant proceeding and during the broader IPE stakeholder process.<sup>175</sup>

105. Joint Interconnection Customers clarify that CAISO's proposed scoring criteria is neither necessary nor consistent with the Commission's non-discriminatory open access and fair competition policies, proposing instead that the distribution factor tiebreak is a more appropriate prioritization than scoring criteria, because the distribution factor prioritizes projects that have the least impact on binding area deliverability constraints based on their modeled dispatch during the on-peak deliverability assessment. Joint Interconnection Customers assert that because CAISO assesses deliverability during peak reliability risk hours, resources' modeled dispatch is approximately equal to their resource adequacy value, and as a result, resources that would advance under CAISO's distribution factor tiebreak would be those that can deliver the most resource adequacy to the system given deliverability constraints. Joint Interconnection Customers argue that prioritizing projects based on distribution factor impact is preferable to scoring projects using an administratively determined rubric because the former ensures that as much resource adequacy capacity as possible is studied, and it sends a signal for interconnection customers to site and design projects to maximize the capability of the transmission system. Joint Interconnection Customers argue that this metric is easily implementable, objective, technology agnostic, and does not add administrative complexity or rely on subjective and premature judgments about project value and viability.<sup>176</sup>

#### (4) **Commission Determination**

106. We accept CAISO's proposal to apply transparent scoring criteria to evaluate all interconnection requests and determine which requests should be prioritized within the

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<sup>174</sup> CAISO Answer at 24 n.61.

<sup>175</sup> Joint Interconnection Customers Answer at 5-6.

<sup>176</sup> *Id.* at 6-7.

150% cap. As discussed below, because we find CAISO's proposed scoring criteria just and reasonable, we need not entertain alternative proposals such as using the distribution factor analysis instead of CAISO's proposed scoring criteria.<sup>177</sup> We discuss each of the three scoring criteria more fully below.

(c) **Project Viability Scoring (up to 35 points)**

(1) **CAISO Filing**

107. CAISO asserts that the scoring criteria for project viability will help ensure the most viable projects are studied, increasing the likelihood of projects making continued progress toward commercial operation. CAISO states that these criteria take into account significant factors indicating such progress and can be easily validated during the cluster application window.<sup>178</sup>

108. Under the proposal, an interconnection customer may receive up to 50 sub-points for an engineering design plan of the generating facility and up to 50 sub-points for expanding an existing generating facility.<sup>179</sup> Engineering design plans will receive sub-points based on the percent of the design plan's completeness as attested by a professional engineer, with each percentage complete constituting one sub-point (e.g., a plan that is 15% complete will receive 15 sub-points).<sup>180</sup> For expansion of a generating facility, CAISO states that an interconnection customer will receive 10 sub-points if it is an expansion for which the customer has executed a Generator Interconnection Agreement (GIA) and submitted a notice to proceed and commenced construction activities; 20 sub-points if it is an expansion of an online generating facility; or 50 sub-points if it is an expansion of a generating facility that has executed a GIA, submitted its notice to proceed, and the generating facility commenced construction activities or is online, and the facility's tie-line to the grid has sufficient surplus capacity to accommodate the sum of the maximum capacities of the extant generating facility and the expansion. CAISO states that awarding points to generating facility expansions

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<sup>177</sup> See *Cities of Bethany*, 727 F.2d at 1136; *Midcontinent Indep. Sys. Operator, Inc.*, 180 FERC ¶ 61,141 at P 79; *Petal Gas Storage, L.L.C.*, 496 F.3d at 703.

<sup>178</sup> Transmittal at 39.

<sup>179</sup> *Id.* (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.1).

<sup>180</sup> *Id.* at 39-40.

recognizes that these projects are not simply theoretical and have a head-start over projects that exist largely on paper.<sup>181</sup>

## (2) Comments and Protests

109. Some commenters argue that the project viability scoring criterion is unduly narrow, which rewards incumbent developers.<sup>182</sup> In the context of explaining the importance of retaining commercial interest scoring, Clearway states that most projects are likely to earn maximum design plan points but will not be eligible for project viability points associated with expansions.<sup>183</sup> Aypa Power explains that the project viability criterion is comprised of only two inputs: progress toward an engineering design plan, and whether the project is an expansion of an existing generating facility. Similarly, CEAs assert that the project viability criterion is extremely limited.<sup>184</sup> CEAs state that non-expansion projects can only receive engineering design points and notes that CAISO's rubric does not measure other important factors in determining the viability of a project, such as permitting, zoning, site control, tax incentives, community support, cost, and revenue. Aypa Power also contrasts CAISO's proposal to the approaches other RTOs/ISOs have used that account for matters like permitting, site control, zoning, and community support. Aypa Power states that, as a result, the first half of the project viability scoring is likely to be a box checking exercise while the second half of the possible project viability scoring unduly discriminates in favor of incumbents, and against newer, possibly cheaper projects, by rewarding unused deliverability.<sup>185</sup>

110. Joint Interconnection Customers argue that the scoring criterion for expansion of existing facilities or queued interconnection requests gives advantages to incumbents over new entrants and is thus unduly discriminatory. Joint Interconnection Customers assert that this aspect of CAISO's proposal contradicts the Commission's prior rulings that similarly situated projects should not receive differential market treatment based on the chronology of market entry.<sup>186</sup> Joint Interconnection Customers state that allowing

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<sup>181</sup> *Id.* at 40.

<sup>182</sup> Aypa Power Protest at 9-10; Clearway Comments at 7; NextEra Protest at 12.

<sup>183</sup> CEAs Protest at 4.

<sup>184</sup> *Id.* at 4.

<sup>185</sup> Aypa Power Protest at 9-10.

<sup>186</sup> Joint Interconnection Customers Protest at 6 (citing *PJM Interconnection, LLC*, 175 FERC ¶ 61,084, at PP 103, 108 (2021); *ISO New England Inc.*, 174 FERC ¶ 61,198, at P 68 (2020)).

CAISO to prioritize interconnection requests based on their connection to prior queue entries will create a self-reinforcing cycle of undue preference, a barrier to advancement in the forthcoming cluster study, and increasingly concentrated outcomes over multiple cluster cycles, as projects that advance to cluster study become valuable entry points for subsequent interconnection requests that expand on them.<sup>187</sup> Additionally, Joint Interconnection Customers argue that CAISO has not offered any evidence in either its transmittal or the stakeholder process to support its claim that expansion projects have a head start over other projects and can thus be permitted more quickly than new projects, and counter that expansion projects may face many of the same permitting challenges as new projects, particularly in California.<sup>188</sup>

### (3) Answers

111. CAISO states that the project viability criterion reflects pragmatic considerations in generation development, taking into account two significant factors that indicate the likelihood of projects making continued progress toward commercial operation. CAISO asserts that Aypa Power does not provide any evidence to support its argument that submission of an engineering design plan supported by an affidavit from a professional engineer will become a “check the box” exercise. CAISO contends that other factors Aypa Power asserts should be considered in determining project viability – such as permitting, zoning and community support – go beyond what CAISO proposes and may not be as easy to validate as a completed engineering design plan.<sup>189</sup>

112. Regarding Aypa Power’s and Joint Interconnection Customers’ arguments that the scoring criteria favors incumbent projects over new entrants, CAISO argues that this distinction reflects CAISO’s experience that projects expanding existing facilities tend to be more viable and likely to reach commercial operation than new projects. According to CAISO, in Order No. 1000-A, the Commission found that incumbents may have certain advantages in developing facilities but that the existence of such advantages does not result in undue discrimination. CAISO asserts that the same remains true today.<sup>190</sup>

113. Joint POUs explain that California resource adequacy market conditions are very tight and are reflective of genuine scarcity that requires additional capacity. According to

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<sup>187</sup> Joint Interconnection Customers Protest at 6-7.

<sup>188</sup> *Id.* at 7.

<sup>189</sup> CAISO Answer at 43-44.

<sup>190</sup> *Id.* at 44-45 (citing *Transmission Planning & Cost Allocation by Transmission Owning & Operating Publ Utils.*, Order No. 1000-A, 139 FERC ¶ 61,132, at P 88 (2012)).

Joint POU, existing projects, which can alleviate these conditions, can often be brought online in far less time than greenfield projects on undeveloped sites. Joint POU state that providing a limited amount of additional scoring to existing projects does not create undue discrimination because existing projects are not similarly situated to greenfield development projects.<sup>191</sup>

#### (4) Commission Determination

114. We accept CAISO's project viability scoring criterion. Specifically, we find that CAISO proposes to structure its Cluster Study Criteria 1 and Cluster Study Criteria 3 scoring criteria to give greater weight to projects that are further along in their technical planning and design. Specifically, prioritizing those interconnection requests that are more advanced in their technical planning and design can help CAISO eliminate speculative interconnection requests and identify potential interconnection customers that have completed more of their project development in advance of the cluster request window, and are therefore more likely to reach commercial operation.<sup>192</sup>

115. With regard to the project viability points, we further find that CAISO has supported its proposal to provide up to 50 sub-points for an engineering design plan, because an engineering design plan, supported by an affidavit from a professional engineer,<sup>193</sup> should serve as a strong indicator of the interconnection customer's progress and level of technical planning and investment into its project. Additionally, and contrary to Joint Interconnection Customers assertion that CAISO lacks evidence that expansion projects have a head start over other projects, we find that CAISO's proposed scoring of expanding generating facilities is reasonable because the weighting of the three demonstration options directionally correspond to the relative likelihood that interconnection customers making each demonstration will achieve commercial operation. For example, we find it reasonable to provide the highest point allocation (50 sub-points) to interconnection customers expanding an existing facility with surplus tie-line capacity because such expansions are more likely to achieve commercial operation given that constructing new network upgrades and/or interconnection facilities should require significantly less investment. Such an interconnection customer has already demonstrated significant progress toward project viability, which CAISO's proposal seeks to assess. Thus, we find it reasonable for CAISO's scoring to reflect that

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<sup>191</sup> Joint POU's Answer at 28-29.

<sup>192</sup> An interconnection customer may receive up to 35 points for project viability based on its ratio of sub-points to 100. Under this category, 50, 20, or 10 sub-points would respectively equal 17.5, 7, or 3.5 points in the overall score. *See* CAISO Transmittal, attach. F.

<sup>193</sup> CAISO Answer at 44.

interconnection customers with surplus tie-line capacity are more likely to achieve commercial operation for their expansion than those without surplus tie-line capacity.

116. Similarly, an interconnection customer who is the owner of an existing, online generating facility seeking to expand (20 sub-points) has already constructed its interconnection facilities and undergone major permitting and construction steps, as well as completed CAISO's interconnection process previously. Likewise, an interconnection customer with an executed GIA but whose generating facility is not yet in commercial operation (10 sub-points) has yet to complete construction of its interconnection facilities but has already completed its interconnection studies, acquired the necessary site control, and posted the deposit necessary to execute a GIA. We find that the relative sub-points allocations for these types of interconnection customers reflect the developers' experience and ability to navigate CAISO's interconnection process (in both cases) and experience and ability to obtain the necessary permits and complete construction of a generating facility (in the former case). Both types of interconnection customers are, as CAISO states, more likely to complete CAISO's study process and less likely to withdraw. We therefore find CAISO's project viability scoring criterion to be a reasonable means to assess project viability and in turn, allocate scarce deliverability to CAISO interconnection customers.

117. In response to arguments that the project viability scoring is unduly narrow or favors existing generators, we find that, by rewarding projects with complete engineering design plans, CAISO's proposed project viability criterion provides opportunity for new projects in the earlier stages of development that have demonstrated progress toward commercial operation to receive project viability points, as well as those that are much further along in development. More broadly, CAISO's other scoring criteria for commercial interest and system need, which account for up to 65 points of an interconnection customer's score, provide additional opportunities for new resources to receive points and compete on a level playing field with existing generators to advance to the cluster study under Cluster Study Criteria 1 and Cluster Study Criteria 3. We further agree with CAISO that additional scoring criteria, such as permitting, zoning, and community support, could be challenging for CAISO to validate. As CAISO describes, verifying whether an interconnection customer has obtained all necessary permitting and environmental certifications, which are standards unique to each project and location, and trying to quantify community support and assign it a point value, is impractical and could lead to subjective scoring.<sup>194</sup>

118. We find that it is reasonable for CAISO, in its effort to ensure that the most viable interconnection requests proceed to cluster study, to recognize that expansions of existing generating facilities have a greater likelihood of viability than other projects. As Joint

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<sup>194</sup> Transmittal at 39 n.121; CAISO Answer at 43-44.

POUs explain, interconnection customers submitting requests for expansions to existing projects are not similarly situated to interconnection customers submitting requests for greenfield projects, because expansions to existing projects can often be brought online in far less time than greenfield projects.<sup>195</sup>

**(d) System Need Scoring (Up to 35 Points)**

**(1) CAISO Filing**

119. CAISO states that the scoring criteria for system need will account for resources that present significant value by addressing resource needs on the CAISO-controlled grid and warrant consideration because they provide reliability or resource adequacy benefits to consumers, in addition to how system need is accounted for in zonal allocations.<sup>196</sup>

120. Under the proposal, an interconnection customer will receive 50 sub-points if the generating facility could be a local capacity area resource when the interconnection request is submitted and CAISO has projected a local capacity area resource deficiency in that local capacity area.<sup>197</sup> Alternatively, an interconnection customer will receive 100 sub-points if the generating facility is designated by a local regulatory authority as a long lead-time resource,<sup>198</sup> meets the requirements of the local regulatory authority resource portfolio, and either: (1) corresponds to approved network upgrades in

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<sup>195</sup> Joint POU's Answer at 28-29.

<sup>196</sup> Transmittal at 40.

<sup>197</sup> CAISO explains that local capacity area means a transmission-constrained area, as further detailed by the Tariff. Transmittal at 19, n.45 (citing CAISO, CAISO eTariff, § 40.3.1 (Local Capacity Technical Study) (6.0.0), *id.* § 40.3.2 (Allocation of Local Capacity Area Resource Obligations) (4.0.0), *id.* § 40.3.3 (Procurement of Local Capacity Area Resources by LSEs and CPE) (2.0.0); *id.* app. A, Local Capacity Area (0.0.0)). “Local capacity area resource” is defined as resource adequacy capacity from a generating unit listed in the technical study, or participating load or proxy demand resource or reliability demand response resource that is located within a local capacity area capable of contributing toward the amount of capacity required in a particular local capacity area. CAISO, CAISO eTariff, app. A, Local Capacity Area Resource (5.0.0).

<sup>198</sup> Neither the Transmittal nor the Tariff define or prescribe the characteristics of a “long-lead-time resource.” Rather, the local regulatory authority designates which resources are long-lead-time resources. Accordingly, CAISO states that it will confirm eligibility for these sub-points with CPUC or the applicable local regulatory authority. Transmittal at 41 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.1).

CAISO's transmission plan specifically designed to meet the long lead-time resource needs of the local regulatory authority, or (2) does not require additional transmission capacity. CAISO will confirm eligibility for these sub-points with the applicable local regulatory authority.<sup>199</sup>

## (2) Comments and Protests

121. Aypa Power argues that the system need criterion is unduly focused on long lead-time resources. Aypa Power asserts that the system need factor nominally addresses "resource needs on the CAISO controlled grid and warrant consideration because they provide reliability or resource adequacy benefits to consumers,"<sup>200</sup> but up to 50 of the 100 sub-points are only available to a facility designated as a long lead-time resource such as off-shore wind, out-of-state wind, and geothermal projects. Aypa Power argues that CAISO has not justified how delays for long lead-time resources are substantively different from delays caused by long lead-times for other required infrastructure.<sup>201</sup> Shell Companies echo this argument, stating that CAISO has not adequately justified its distinction between local resource adequacy and long lead-time resources for awarding system need points.<sup>202</sup> Aypa Power claims that if CAISO's goal is to develop generation within Deliverable Zones, it appears discriminatory to allot fewer sub-points to an interconnection customer that can provide local resource adequacy than to one that is dependent upon a transmission project that has not yet been constructed.<sup>203</sup> Clearway argues the system need criterion is too limited because its resources that provide system or flexible capacity cannot receive points under this category.<sup>204</sup>

## (3) Answer

122. CAISO responds that its proposal is appropriately tailored to address system needs as identified by state regulatory agencies and others. According to CAISO, state clean energy goals will require long lead-time resources, and therefore the proposal is not

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<sup>199</sup> Transmittal at 40-41 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.1).

<sup>200</sup> Aypa Power Protest at 10 (quoting Transmittal at 40).

<sup>201</sup> *Id.* at 10-11.

<sup>202</sup> Shell Companies Protest at 17.

<sup>203</sup> *Id.* at 17.

<sup>204</sup> Clearway Comments at 4.



unduly discriminatory.<sup>205</sup> CAISO notes that recent transmission plans already identify public policy network upgrades specifically designed to support the development of these resources based on state and LSE resource plans.

**(4) Commission Determination**

123. We accept CAISO’s proposed system need criterion. We find it is reasonable to reward interconnection customers that would provide reliability or resource adequacy benefits by addressing resource needs identified in state and local resource portfolios. In response to protesters’ concerns that the proposed system need scoring criterion unduly favors long lead-time resources, we find that CAISO has justified its proposal to prioritize interconnection requests for long lead-time resources approved by local regulatory authorities and for which public policy network transmission upgrades have been identified. We agree with CAISO that this factor reflects that state policies require the timely development of long lead-time resources. We further find it reasonable that CAISO’s interconnection process includes a mechanism for considering the needs of state and local regulatory authorities and using that information to improve the efficiency of its interconnection process.<sup>206</sup>

**(e) Commercial Interest Scoring (up to 30 Points)**

**(1) CAISO Filing**

124. CAISO states that although commercial interest is weighted slightly less heavily than project viability and system need, this criterion recognizes that commercial interest is still an important factor in determining viable interconnection requests.<sup>207</sup> CAISO notes that the Commission has previously accepted CAISO’s use of commercial interest to determine how to allocate deliverability to interconnection customers<sup>208</sup> and how to

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<sup>205</sup> CAISO Answer at 45-46.

<sup>206</sup> *Id.* See also Transmittal at 4 (“Consistent with the [MOU] among the CAISO, CPUC, and CEC, the tariff amendment is part of a broader effort to tighten linkages among resource and transmission planning activities, interconnection processes, and resource procurement, as the CAISO works with stakeholders and local, state, and federal authorities to accelerate development and deployment of critical resources.”).

<sup>207</sup> Transmittal at 37.

<sup>208</sup> *Id.* (citing CAISO, CAISO eTariff, app. DD, § 8 (Phase II Interconnection Study & TP Deliverability Allocation Processes) (20.0.0), § 8.9.2; *id.* app. KK, § 8 (Interconnection Facilities Study & TP Deliverability Allocation Processes) (0.0.0), § 8.9.2). CAISO states that the deliverability allocation process first awards available

retain deliverability if a customer lingers in the interconnection queue.<sup>209</sup> CAISO states that the Commission has recognized that studying interconnection requests for projects that are not commercially viable can have an adverse impact on interconnection processes.<sup>210</sup>

125. In evaluating commercial interest, CAISO will incorporate preliminary, non-binding feedback on specific projects from LSEs. CAISO will provide an opportunity for non-LSE off-takers, such as corporate and industrial commercial customers, to express interest in specific projects, and will award points to these projects that can demonstrate such interest from non-LSE off-takers. These commercial selections will improve the scores of certain projects, increasing the likelihood of those projects advancing to the study process and ultimately competing for TP deliverability and off-take agreements.<sup>211</sup>

126. CAISO states that it proposes a flexible approach that provides two opportunities for an interconnection customer to obtain up to 30 points in the commercial interest category: (1) an LSE allocation process; and (2) an opportunity to demonstrate commercial interest by a non-LSE off-taker (e.g., corporate or industrial commercial customer).<sup>212</sup> An interconnection customer's sub-points may consist of (a) LSE point allocations (up to 100 sub-points)<sup>213</sup> or an LSE full allocation (100 sub-points); and (b) an affidavit from one counterparty that is not an LSE (up to 25 sub-points). Points from multiple LSEs may be combined to achieve up to 100 sub-points. Interconnection

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deliverability to those interconnection customers with PPAs, then to those negotiating or shortlisted for PPAs, and then to other projects. *Id.* at 37 n.112.

<sup>209</sup> *Id.* (citing CAISO, CAISO eTariff, app. DD, § 6 (Initial Activities & Phase I of the Interconnection Study Process for Queue Clusters) (21.0.0), § 6.7.4; *id.* app. KK, § 6 (Cluster Study Process) (0.0.0), § 6.7.4). CAISO states that commercial viability criteria requires interconnection customers to have an executed PPA to retain deliverability if they seek to remain in queue beyond seven years. *Id.* at 37 n.113.

<sup>210</sup> *Id.* (citing Order No. 2023, 184 FERC ¶ 61,054 at P 47).

<sup>211</sup> *Id.* at 6-7.

<sup>212</sup> *Id.* at 37.

<sup>213</sup> *Id.* at 38. An interconnection customer can receive up to 100 sub-points based on the ratio of its requested interconnection service capacity to the number of points allocated to it from the LSE (e.g., if the LSE awards a capacity amount to a project that equals the interconnection customer's requested interconnection service capacity, the interconnection customer will receive 100 sub-points).

customers may not combine affidavits from multiple counterparties that are not LSEs, but may combine point allocations from LSEs with an affidavit from a counterparty that is not an LSE.<sup>214</sup>

127. To determine available Deliverable Option commercial interest points for allocation to LSEs, CAISO will take the aggregate available MW of deliverability in each Transmission Zone and multiply it by a scaling factor of 0.5 to ensure that LSEs are selective in point allocation. CAISO will then allocate shares of points to each LSE based upon its load ratio share of the CAISO system resource adequacy obligation for the coming year provided by the CEC, based on its most recent coincident peak demand forecast. LSEs are not required to allocate all of their available points, and CAISO will not redistribute forgone or otherwise unused points to other LSEs.<sup>215</sup>

128. CAISO states that the difference in permissible sub-points between LSEs and non-LSEs reflects the fact that LSEs carry an obligation to provide resource adequacy and must therefore be studied for sufficient deliverability in the study process. In contrast, non-LSEs are not required to provide resource adequacy but nevertheless are actively procuring resources that seek to use the available TP deliverability needed for resource adequacy.<sup>216</sup> To receive commercial interest points based on interest from a non-LSE, interconnection customers must submit an affidavit from the non-LSE that attests that, among other things, the counterparty is supporting the interconnection request in support of corporate policy goals on sustainability and that the capacity of the interconnection request aligns with the non-LSE counterparty's individual needs.<sup>217</sup>

129. At least two months prior to the opening of the cluster application window, LSEs electing to participate in the points allocation process must provide CAISO written notice of intent to participate and publish the selection criteria or consideration factors for awarding points as well as the contact information for the person or department conducting LSE points allocation. CAISO will then publish that information on its own website.<sup>218</sup>

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<sup>214</sup> *Id.* at 37-38 (citing CAISO, CAISO eTariff, app. KK, § 6 (Cluster Study Criteria) (1.0.0), § 4.1.1).

<sup>215</sup> *Id.* at 42.

<sup>216</sup> *Id.* at 38.

<sup>217</sup> *Id.* at 38, n.114.

<sup>218</sup> *Id.* at 41.

130. CAISO proposes that LSEs may allocate points to the greater of (1) three interconnection requests from affiliates, or (2) no more than 25% of its points to interconnection requests from affiliates based on their requested interconnection service capacity. CAISO states that this provision is intended to avoid preferential treatment of LSE-owned resources in the LSE allocation process, thereby ensuring continued healthy levels of competition and to maintain historical trends regarding LSE-owned and independently developed projects in the queue.<sup>219</sup>

131. CAISO proposes that an LSE may decide to indicate a “full allocation” to an interconnection request in lieu of allocating any of its points in that cluster application window (if, for instance, an LSE lacks sufficient points to match the capacity of one project). The interconnection service capacity of the interconnection customer receiving the LSE’s “full allocation” may not exceed 150% of that LSE’s points allocation. Multiple LSEs may jointly exercise the “full allocation” option jointly for a single interconnection request totaling less than 150% of their aggregate points.<sup>220</sup> CAISO explains that the purpose of this option is to enable LSEs with small load shares to ensure sufficient resource availability in the study process. It is designed for circumstances where an LSE’s need significantly exceeds its capacity allocation (e.g., due to a large resource retirement or the expiration of a PPA that accounts for a significant portion of an LSE’s load). CAISO states that it does not expect LSEs with large load shares to use this option, as they likely will have sufficient capacity to award full capacity to more than one project.<sup>221</sup>

132. CAISO claims that it has carefully designed the LSE requirements to reflect the roles of LSEs and their local regulatory authorities in procurement. CAISO explains that its intent was to avoid dictating how and why LSEs should prefer one project over another, an area in which CAISO lacks both expertise and jurisdiction. CAISO states that its proposed Tariff requirements ensure a transparent, competitive process that local regulatory authorities can easily monitor and regulate. Likewise, CAISO states that generation developers will be aware of each LSE that intends to participate and their criteria for awarding points.<sup>222</sup>

133. CAISO states that two elements of its Cluster Study Criteria 1 proposal are severable from each other and from the full proposal: (1) the commercial interest points

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<sup>219</sup> *Id.* at 42. CAISO notes that it sees very few interconnection requests from utilities, unlike other regions. *Id.*

<sup>220</sup> *Id.* at 38-39.

<sup>221</sup> *Id.* at 39.

<sup>222</sup> *Id.* at 43.

provisions;<sup>223</sup> and (2) the limits on LSEs' awarding of commercial interest points to affiliates.<sup>224</sup>

## (2) Comments and Protests

134. Several commenters support CAISO's proposed commercial interest criterion and claim it is an essential component of CAISO's proposal. For instance, Clearway argues that these provisions serve as an important indicator of project readiness and a mechanism to differentiate among projects.<sup>225</sup> PIOs believe that this process will prioritize projects that are in fact ready for financing and construction and ensure that CAISO's studies are not wasted.<sup>226</sup> While PIOs are concerned that LSE allocation creates the potential for undue discrimination, PIOs recognize the importance of this type of factor and the steps CAISO has taken to limit that potential and ensure the process is not dominated by LSE-affiliated projects (e.g., lowering the weighting of the commercial interest criterion and requiring published selection criteria). Therefore, PIOs believe the public interest will be better served by the inclusion of this criterion than by its exclusion from the proposal.<sup>227</sup> If the Commission were to sever and reject the commercial interest criterion, Clearway contends that the remaining scoring criteria would lead to more ties and excess reliance on the proposed tiebreakers and would result in a skewed portfolio of projects that would not align with state policy or meet resource adequacy needs.<sup>228</sup>

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<sup>223</sup> Cluster Study Criteria 3, discussed below, also contains severable commercial interest points provisions. CAISO states that, while it would significantly diminish the value of its proposal and result in more ties if the Commission rejected commercial interest points, it could evaluate proposals under Cluster Study Criteria 1 and 3 based on project viability and system need and use distribution factors and auctions as tiebreakers. *Id.* at 55.

<sup>224</sup> *Id.* at 55-57. CAISO states that historically, there has been almost no generation development from LSEs or incumbent utilities in CAISO, and CAISO's proposed limits on awarding LSEs' awarding commercial interest points to their affiliates are based on the historic levels that were presumably just and reasonable, having never been an issue previously. *Id.* at 56.

<sup>225</sup> Clearway Comments at 5.

<sup>226</sup> PIOs Comments at 3.

<sup>227</sup> *Id.*

<sup>228</sup> Clearway Comments at 6. Clearway asserts that if commercial interest points were removed from the scoring criteria, the points for long lead-time resources would

CalCCA argues that without an LSE interest-scoring criterion, CAISO would risk a queue that is not aligned with resource and transmission planning processes and could therefore compromise reliability.<sup>229</sup> PG&E contends that CPUC-jurisdictional LSEs in CAISO's balancing area have been given procurement orders by CPUC requiring resources with certain operating characteristics, and the LSE commercial interest points will help them meet CPUC requirements and their own portfolio needs.<sup>230</sup>

135. CPUC supports the use of LSEs' allocation of points because it will encourage the engagement of LSEs and commercial off-takers to directly indicate interest in projects, which is necessary to ensure consideration of CPUC-driven procurement efforts and those of local regulatory authorities.<sup>231</sup> CPUC further supports the limit on LSEs' use of the LSE allocation process to prevent preferential scoring of LSE-owned resources. CPUC claims that CAISO's proposal will allow LSEs to accurately assign value to LSE-owned resources, while preventing undervaluation that might occur if LSE-owned resources were excluded from point allocations altogether. Likewise, CalCCA supports CAISO's objective of a fair and transparent point allocation process, which is reflected in publicly posted selection criteria and other requirements for opting into the allocation process. PIOs assert that CAISO and CPUC must monitor and coordinate oversight of the LSE allocation process and report any discriminatory behaviors that arise.

136. CalCCA states that it is open to continuing to work with CAISO and developers to improve the LSE point allocation process as LSEs, CAISO, and developers gain experience. PG&E commits to engaging with developers and others with information on the process and considerations used to review projects interested in receiving commercial interest points and notes that it plans for all projects to go through the same process (whether utility-owned or independent). PG&E notes that LSEs will have no input on the majority of projects that proceed to the cluster study, because two-thirds of cumulative capacity that will be studied will not be able to receive points from the LSE commercial interest category.<sup>232</sup>

137. Joint POUs support the use of the commercial interest criterion as an essential component of CAISO's scoring mechanism, but raise concerns regarding the 150% cap.

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provide undue preference for projects that are unavailable to meet the CAISO system's near to mid-term resource adequacy needs. *Id.* at 7.

<sup>229</sup> CalCCA Comments at 3.

<sup>230</sup> PG&E Comments at 3.

<sup>231</sup> CPUC Comments at 5.

<sup>232</sup> PG&E Comments at 3.

Specifically, Joint POU's argue that the proposed 150% cap on LSEs' point allocation places small LSEs at a competitive disadvantage. Joint POU's additionally state that the 150% cap on the "full allocation" election should be rejected by the Commission as "ultra vires," because CAISO included the cap as a last-minute change after the CAISO Board's approval of the proposal, and it is inconsistent with CAISO's verbal commitments to Joint POU's.<sup>233</sup> Joint POU's claim that larger LSEs are expected to have enough points to allocate multiple projects of different sizes; however, small LSEs may not receive enough points to allocate to even a single project because of their small load ratio shares. Joint POU's claim the cap does not reflect the practical reality of procurement for small LSEs, which often require periodic procurement of larger projects rather than small projects each year. Similarly, if the Commission does not direct CAISO to remove the cap on LSE point allocations, Joint POU's request the Commission reject the whole filing as unjust and unreasonable.<sup>234</sup>

138. In contrast, several protesters argue that the proposed commercial interest criterion may not be an accurate measure of commercial viability, is unduly discriminatory, will reduce competition, and should be rejected. Vistra, for instance, broadly claims that CAISO has not shown the allocation of commercial interest points is a reliable or even rational basis for evaluating commercial viability.<sup>235</sup> CEAs, Joint Interconnection Customers, Vistra, EPSA, IEP, and Calpine argue that self-interested utilities would be granted too much discretion, which could potentially result in undue discrimination.<sup>236</sup>

139. EPSA claims this unchecked preference is the "antithesis of open access."<sup>237</sup> NextEra similarly argues that it would be impossible for CAISO to comply with Order

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<sup>233</sup> Joint POU's Protest at 6-9.

<sup>234</sup> *Id.* at 14.

<sup>235</sup> Vistra Protest at 19-20. Vistra notes that in Order No. 2023, the Commission declined to require interconnection customers to provide an executed offtake agreement to participate in a facilities study out of concern that purchasers would enter into "contracts with interconnection customers whose generating facilities will later be determined to be commercially non-viable." Vistra Protest at 20 (quoting Order No. 2023, 184 FERC ¶ 61,054 at P 698).

<sup>236</sup> CEAs Protest at 8-9; Calpine Answer and Supplemental Protest at 3-4; Joint Interconnection Customers Protest at 1-2; EPSA Protest at 5-6; IEP Protest at 6; Vistra Protest at 2.

<sup>237</sup> EPSA Protest at 4.

No. 2003 and administer the LSE points system at the same time.<sup>238</sup> Vistra similarly claims the proposed criterion represents the return to a model in which incumbent utilities act as gatekeepers to the transmission system.<sup>239</sup> Vistra contends that the Commission has found that tariff provisions providing transmission-owning utilities the opportunity to favor affiliates and erect barriers to competitors are unjust and unreasonable.<sup>240</sup> Joint Interconnection Customers further raise concerns that transmission-owning LSEs would have access to non-public information relevant to understanding costs and schedules, giving them an informational advantage over interconnection customers.<sup>241</sup> According to Joint Interconnection Customers, because LSEs are not required to allocate all of their available points, they can concentrate points on their own projects while withholding them from competitors. Calpine asserts that developers must trust that an LSE will make its commercial evaluation while acting as nothing more than a customer buying power in a competitive marketplace, not as a competitor who controls access to the grid or a buyer with significant power over pricing and terms.<sup>242</sup> Aypa Power, NextEra, and CEAs assert that LSE commercial interest point assignments will likely be determinative in whether a resource is studied.

140. Relatedly, Vistra and Shell Companies argue that CAISO has not justified assigning a lower score to customers that demonstrate interest from non-LSE off-takers.<sup>243</sup> Vistra and Shell Companies argue that CAISO's proposal favors one business model (development supported by long-term sales to an LSE) over

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<sup>238</sup> NextEra Protest at 5.

<sup>239</sup> Vistra Protest at 2, 5.

<sup>240</sup> *Id.* at 6-9 (citing Order No. 2003, 104 FERC ¶ 61,103 at P 696; *E.ON Climate & Renewables N. Am., LLC v. Midwest Indep. Transmission Sys. Operator, Inc.*, 137 FERC ¶ 61,076, at PP 36-43 (2011), *order on reh'g*, 142 FERC ¶ 61,048 (2013), *reh'g denied*, 151 FERC ¶ 61,264 (2015); *S. Power Co.*, 187 FERC ¶ 61,206, at P 17 (2024) (explaining that a utility relying on a solicitation to show lack of affiliate abuse must demonstrate that process was “designed and implemented without undue preference for an affiliate; . . . the analysis of bids did not favor affiliates . . . and . . . the affiliate was selected based on some combination of price and non-price factors); *PacifiCorp*, 171 FERC ¶ 61,112, at P 101 (2020) (rejecting a proposal to limit the ability of interconnection customers to demonstrate commercial readiness by submitting equipment order to LSE-affiliated resources).

<sup>241</sup> Joint Interconnection Customers Protest at 4-5.

<sup>242</sup> Calpine Answer and Supplemental Protest at 3-4.

<sup>243</sup> Vistra Protest at 15-17; Shell Companies Protest at 16.



alternative business models (e.g., development on a merchant basis or under short-term arrangement) without showing that disparate treatment is justified by legitimate differences among the customer classes.<sup>244</sup> Vistra also notes that CAISO does not explain why its rationale for providing LSEs' influence of prioritization of requests for deliverability also applies to requests for energy-only status that are not seeking to meet resource adequacy requirements.<sup>245</sup>

141. Vistra contends that if the purpose of CAISO's proposal is to identify commercially viable projects, then there is no reason why an interconnection customer that demonstrates interest from a commercial or industrial customer is less commercially viable than a customer with LSE points. Vistra also argues that it is unduly discriminatory to limit the scope of the non-LSE option by imposing a condition that the non-LSE represent that it is supporting the interconnection customer in furtherance of corporate goals on sustainability.<sup>246</sup> Vistra contends that corporate and industrial customers also have other priorities and needs, like ensuring a reliable supply of power or alignment with hedging needs.

142. Shell Companies do not oppose the concept of giving LSEs with contractual or load commitments in California a role in signaling interest through CAISO's proposed point allocations, but argue that the approach should be more narrowly tailored to comply with open access requirements.<sup>247</sup> Shell Companies are concerned that larger LSEs could exercise market power and exert pressure to require interconnection customers to enter into power purchase agreements (PPA) with unfavorable terms in order to achieve more points in the CAISO interconnection process.

143. Protesters also raise concerns related to the timing of the allocation of the commercial interest points. CEAs contend that the LSEs would be able to exercise self-preference before key interconnection study data is available. Joint Interconnection Customers also assert that there is insufficient information for LSEs to allocate points in an informed way at the close of the interconnection request window, and interconnection customers may be incentivized to provide overly optimistic projections to secure LSE interest points. NextEra claims that interconnection customers must enter the queue with

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<sup>244</sup> Shell Companies Protest at 16; Vistra Protest at 15. Vistra notes, for instance, that non-LSEs cannot allocate points to any affiliates, while LSEs can. Vistra Protest at 5.

<sup>245</sup> Vistra Protest at 11.

<sup>246</sup> *Id.* at 18 (citing Transmittal at 38 n.114).

<sup>247</sup> Shell Companies Protest at 13-15.

no certainty in advance about commercial readiness, which is a core tenant of Order No. 2023.<sup>248</sup>

144. Further, several protesters raise concerns that LSEs will evaluate projects through a mechanism external to the CAISO Tariff that lacks sufficient oversight<sup>249</sup> or opportunities for recourse.<sup>250</sup> Vistra contends that the risk of undue discrimination and affiliate preference with commercial interest points is greater than with objective measures of commercial interest, such as a PPA. EPSA claims that the proposal provides insufficient detail as to how LSEs score and evaluate projects, which allows for a subjective and potentially discriminatory process.<sup>251</sup> In addition, EPSA and Vistra claim that some of these LSEs are not subject to CPUC oversight, and their transactions are documented in business practices or regulations subject to approval of their governing authorities or corporate boards.<sup>252</sup> EPSA emphasizes that CAISO, not state and local authorities or corporate boards, has the responsibility to administer a non-discriminatory FERC-jurisdictional interconnection queue process.<sup>253</sup> NextEra claims that, by becoming a points-based market maker as part of its role in providing impartial open access interconnection service, CAISO undermines the independence it is permitted under the independent entity variation.<sup>254</sup> CEAs contend that, while CAISO identifies Integrated Resource Plan best practices as part of its expectations for LSEs' participation, neither CAISO nor the Commission has jurisdiction over CPUC's Integrated Resource Planning process or whether an LSE complies with safeguards against undue discrimination.<sup>255</sup> Joint Interconnection Customers, Vistra, NextEra, and Calpine claim that CAISO's proposal could invite interconnection customers providing LSEs side payments outside of

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<sup>248</sup> NextEra Protest at 13.

<sup>249</sup> CEAs Protest at 2; EPSA Protest at 2; Joint Interconnection Customers Protest at 4.

<sup>250</sup> Aypa Power Protest at 8.

<sup>251</sup> EPSA Protest at 2.

<sup>252</sup> *Id.* at 5; Vistra Protest at 13. Vistra notes that even for transmission-owning LSEs, it is unclear how or if the Commission's standards of conduct would apply to the commercial interest points process. Vistra Protest at 14.

<sup>253</sup> EPSA Protest at 5; EPSA Answer at 4-5.

<sup>254</sup> NextEra Protest at 12.

<sup>255</sup> CEAs Protest at 8.

CAISO's processes in exchange for interconnection access.<sup>256</sup> EPSA also raises concerns that approval of this scoring criterion could pave the way for other market operators to undermine open access in their regions.<sup>257</sup>

145. Calpine and EPSA allege that undue discrimination is already occurring because of anticipated approval of the commercial interest points provision. Calpine alleges a recent instance in which a large LSE notified Calpine that it would require an exclusivity agreement as a condition precedent to assessing commercial interest in Calpine's projects, and EPSA alleges that its members have received similar notifications.<sup>258</sup> Calpine alleges that the LSE's exclusivity template prohibits communications with other LSEs and acceptance of any points from other LSEs, potentially for extended periods of time. Calpine asserts that under such an agreement, if an LSE were to allocate points for 100 MW out of a 600 MW interconnection request, the remaining 500 MW would be stranded because no other LSE can be involved in any other way.<sup>259</sup>

146. Calpine, IEP, and EPSA argue that such exclusivity provisions can have anti-competitive and discriminatory effects.<sup>260</sup> According to IEP, the option of selling the output of a project to multiple off-takers has been a common practice in the development of clean energy and storage facilities in California and has benefitted both power providers and smaller LSEs and has enhanced competition and lowered costs to ratepayers.<sup>261</sup> IEP claims that exclusivity agreements allow large LSEs to restrict the market opportunities for small LSEs whose loads do not justify contracting for the entire output of a project. IEP also asserts that there does not seem to be an effective mechanism to prevent or monitor this behavior and notes that this concern is magnified

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<sup>256</sup> These protesters allege various instances where LSEs or agents of LSEs have associated the provision of large deposits with allocation of commercial interest points. Calpine Answer and Supplemental Protest at 5-6; Joint Interconnection Customers Protest at 5; NextEra Protest at 13-14; Vistra Protest at 21.

<sup>257</sup> EPSA Protest at 2.

<sup>258</sup> Calpine Answer and Supplemental Protest at 1; EPSA Answer at 5-6.

<sup>259</sup> Calpine Answer and Supplemental Protest at 1-2.

<sup>260</sup> *Id.* at 7 (citing *Nat'l Cable & Telecomm. Ass'n v. FCC*, 567 F.3d 659 (D.C. Cir. 2009); *Tenn. Gas Pipeline Co. LLC*, 143 FERC ¶ 61,128, at PP 58-64 (2013)); IEP Protest at 5-6; EPSA Answer at 5-6.

<sup>261</sup> IEP Protest at 6.

because LSEs will report commercial interest point allocations directly to CAISO.<sup>262</sup> IEP states that the Commission should require CAISO to include Tariff language that prohibits exclusivity contracts between LSEs and interconnection customers from obtaining points.<sup>263</sup>

147. CEAs and EPSA compare the LSE preference to the Commission's rejection of a cap in the MISO region because it created priority access to the exempted class of interconnection requests.<sup>264</sup> Calpine and EPSA assert the Commission must reject the commercial interest scoring criterion to ensure a legally durable outcome here, given that CAISO proposes to create a similar process to allow LSEs to pick which projects can move forward without clear criteria.<sup>265</sup> While there is no exemption in the scoring proposal, as there was in MISO's proposal, CEAs contend that CAISO's proposal similarly violates open access principles by giving LSEs undue control over project selection early in the process.<sup>266</sup>

### (3) Answers

148. CAISO asserts that the commercial interest scoring criterion for Cluster Study Criteria 1 and 3 – allowing up to 30 points based on evidence of commercial interest in the projects that are the subject of the interconnection request – satisfies the Commission's open access and non-discrimination principles. Regarding the role of LSE's awarding commercial interest points, CAISO disputes the implication that interconnection reform should be divorced from input from end-users on their commercial interest generation projects.<sup>267</sup> CAISO asserts that its commercial interest scoring proposal is consistent with principles already accepted by the Commission, such as first awarding available TP deliverability to those interconnection customers with PPAs, then to other projects. According to CAISO, the proposal merely moves the timing of the commercial interest determination earlier in the process to allow CAISO to

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<sup>262</sup> *Id.* at 7.

<sup>263</sup> *Id.* at 8.

<sup>264</sup> CEAs Protest at 6-7; EPSA Protest at 7; EPSA Answer at 7.

<sup>265</sup> Calpine Answer and Supplemental Protest at 7; EPSA Protest at 1-2, 7.

<sup>266</sup> CEAs Protest at 6-7.

<sup>267</sup> CAISO Answer at 25.

prioritize the high number of interconnection requests seeking scarce deliverability from public policy network upgrades identified in the transmission plan.<sup>268</sup>

149. CAISO asserts that acknowledging the role of LSEs in meeting the needs of consumers and complying with state directives is not a return to central planning, as Aypa Power alleges. CAISO states that it is instead updating its interconnection process to focus on the primary driver of commercially viable generation projects. CAISO states that the Commission has recognized that it is just and reasonable for entities like CAISO to account for state integrated resource planning in their rates, terms and conditions.<sup>269</sup> According to CAISO, ignoring the role of LSEs and locally regulated resource procurement processes in determining the long-term commercial prospects of generation projects would ignore key facts that are directly relevant to viable interconnection requests.<sup>270</sup>

150. Joint Interconnection Customers argue that the requirement that a non-LSE commercial interest affidavit must attest that the capacity of the Interconnection Request aligns with the non-LSE counterparty's individual needs goes beyond making a reasonable distinction between LSE and non-LSE projects to the point of undermining the ability of non-LSE projects to obtain commercial interest points, creating an unjust and unreasonable opportunity for undue discrimination against non-LSE projects.<sup>271</sup> Joint Interconnection Customers assert that CAISO's proposal appears to require the non-LSE counterparty to commit to support the full interconnection service capacity<sup>272</sup> of a project, but, because many non-LSEs do not need to procure the full capacity of a utility-scale renewable project, it is likely they will not be able or willing to attest to the non-LSE need criterion. As a result, Joint Interconnection Customers claim that projects unable to obtain a single non-LSE counterparty for their full interconnection service capacity will be precluded from obtaining any commercial interest points, even if they have secured multiple non-LSE counterparties which could collectively, but not

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<sup>268</sup> *Id.* at 25-26.

<sup>269</sup> *Id.* at 27 (citing *Bldg. for the Future Through Elec. Reg'l Transmission Planning & Cost Allocation*, Order No. 1920, 187 FERC ¶ 61,068, at P 130 (2024); *Midwest Indep. Transmission Sys. Operator, Inc.*, 153 FERC ¶ 61,229, at P 46 (2015)).

<sup>270</sup> *Id.* at 26-27.

<sup>271</sup> Joint Interconnection Customers Answer at 1, 3-4.

<sup>272</sup> Interconnection service capacity is defined as “[t]he approved maximum instantaneous Power output at the Point of Interconnection for the Interconnection Customer, as set forth in its Interconnection Studies.” *Id.* at 3 (citing CAISO, CAISO eTariff, app. A, Interconnection Service Capacity (0.0.0)).

individually, account for the full interconnection service capacity of the project. Joint Interconnection Customers note that this process differs from that which would apply to projects seeking commercial interest from LSEs, as they would be able to award points for a portion of the capacity of a project. According to Joint Interconnection Customers, while such projects would not receive scoring points for the portion of capacity without an LSE allocation, they would not be deprived of points entirely like a non-LSE project.<sup>273</sup> Joint Interconnection Customers assert that CAISO's reliance on precedent permitting different treatment of different classes of entities is misplaced because an interconnection request supported by a non-LSE that cannot attest to needing the full capacity of the project is similarly situated to an interconnection request that has more capacity than its LSE allocation. Joint Interconnection Customers claim that both requests potentially have more capacity than needed, but they are treated differently.<sup>274</sup>

151. CAISO agrees with comments suggesting that the proposal favors development supported by long-term sales to LSEs over other models, such as development on a merchant basis, explaining that successful generation development in the CAISO region is not being driven by a merchant model based on short-term sales. CAISO notes that developers that prefer to pursue development on a merchant basis do not have a need for deliverability to particular loads in the region and can pursue unfettered opportunities for energy-only interconnections under CAISO's proposal.<sup>275</sup>

152. CAISO states that commenters that claim LSEs are asking interconnection customers to pay for commercial interest points are misleading. CAISO states that LSEs are seeking higher deposits in connection with PPA negotiations, which in most cases, may be credited against actual costs. CAISO states that the Commission recognizes increased financial commitments, including increased deposits, as an acceptable and important condition for moving forward in a first-ready, first served cluster study process, and the fact that some local procurement processes adopt comparable principles does not undermine the reasonableness of CAISO's proposal.<sup>276</sup> Noting that commenters have not shown that any of the practices they reference are being applied in a discriminatory manner or in a manner inconsistent with the principles adopted in Order No. 2023, CAISO argues that the Commission should not give credence to overblown claims from protesters using cherry-picked facts. CAISO also notes that most of the practices

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<sup>273</sup> *Id.* at 4.

<sup>274</sup> *Id.* at 5.

<sup>275</sup> CAISO Answer at 28.

<sup>276</sup> *Id.* at 28-29 (citing Order No. 2023, 184 FERC ¶ 61,054 at PP 10, 780 *et seq.*; Order No. 2023-A, 186 FERC ¶ 61,199 at P 2).

protesters reference are subject to the oversight of CPUC or other regulatory authorities, which support CAISO's proposed reforms.<sup>277</sup>

153. CAISO argues that the proposed 150% limit on LSE full allocations under the scoring criteria is just and reasonable. In response to Joint POU's and Shell Companies' concern, CAISO agrees with Joint POU's and Shell Companies that this element of CAISO's proposal is severable.

154. CAISO rejects Joint POU's assertion that the 150% limit is "ultra vires" because the assertion is legally without basis and factually inaccurate. CAISO argues that CAISO Board approval is not necessary to a FPA section 205 just and reasonable determination. Regardless, CAISO argues that although the CAISO Board does not review proposed Tariff revisions, the 150% limit on LSE point allocations was authorized by the CAISO Board.<sup>278</sup> CAISO asserts that the 150% limit on LSE full allocations was discussed throughout the stakeholder process and expressly included as an element of CAISO's Track 2 Final Proposal.<sup>279</sup> CAISO states that although CAISO staff mistakenly stated that the 150% limit had been removed during a workshop that occurred after the publication of the Track 2 Final Proposal, workshop transcripts are not a determinative record for the CAISO Board or the Commission. CAISO acknowledges that while the 150% limit was not included in the summary of policies included in the CAISO Board briefing materials, CAISO Board memoranda are concise summaries of policies, which do not contain every minute element of those policies.<sup>280</sup> CAISO states that the CAISO Board does not review proposed Tariff revisions, but instead authorizes CAISO management to develop, file, and implement the Tariff provisions necessary to effect a policy.<sup>281</sup> CAISO additionally states that the CAISO Board briefing memorandum contains the authorization to CAISO management, if the initiative is approved by the Board, to "make all necessary and appropriate filings with the [Commission] to implement the proposal, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment."<sup>282</sup> CAISO states that because the full

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<sup>277</sup> *Id.* at 29.

<sup>278</sup> *Id.* at 31-33.

<sup>279</sup> *Id.* at 31-32 (citing Transmittal, attach. C at 48).

<sup>280</sup> *Id.* at 33. CAISO notes that while the Track 2 Final Proposal was 106 pages long, the CAISO Board memorandum was 18 pages long. *Id.*

<sup>281</sup> *Id.*

<sup>282</sup> *Id.* (quoting Transmittal, attach. E at 4).

allocation option was included in the CAISO Board briefing memorandum and the Track 2 Final Proposal, there is sufficient information for the Commission to find that the CAISO Board authorized the 150% limit included as part of the full allocation option proposal.<sup>283</sup>

155. CAISO disagrees with Joint POUs' argument that the proposed 150% limit on LSE full allocations is unjust and unreasonable because it results in small LSEs not receiving a meaningful number of points, particularly when TP deliverability is low. CAISO acknowledges that LSEs may be constrained in their allocations, but states that those constraints are intentional and reasonable, designed to constrain what generation developers can submit, and align planning, development and procurement. CAISO argues that the limit is consistent with the logic of the MISO Order, because without the limit, LSEs of any size could provide maximum commercial interest points regardless of the LSE's demand or the capacity of the interconnection request, which would alter LSE incentives between awarding points or awarding full allocations and undermine CAISO's proposed study limits.<sup>284</sup> CAISO states that it also proposed the limit on full allocations to avoid making full allocations so attractive that they could result in gaming.<sup>285</sup> CAISO additionally notes that if the limit were severed, LSEs would still be limited by the restriction of one full allocation per cluster.<sup>286</sup> CAISO commits to monitoring the use of the "full allocation" option in Cluster 15 to evaluate whether an alternative cap is necessary before future interconnection request windows.<sup>287</sup>

156. CAISO dismisses arguments that acceptance of the instant filing would be inconsistent with the independent entity variation standard. CAISO notes that the Commission applies the independent entity variation standard to RTOs/ISOs in recognition of the fact that they are less likely to act in an unduly discriminatory manner than a transmission provider that is a market participant. CAISO argues that the Commission should apply the independent entity variation standard here as it has done in previous orders, including orders involving revisions to its generator interconnection

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<sup>283</sup> *Id.* at 32-33 (citing *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,042, at P 62 (2014) (finding that "the proposed cap is within the bounds of the framework approved by the Board" for "adjusting the flexible capacity needed to account for contingency reserves and forecast error.")).

<sup>284</sup> CAISO Answer at 34-35.

<sup>285</sup> *Id.* at 35-36.

<sup>286</sup> *Id.* at 36.

<sup>287</sup> *Id.* at 37.



procedures and agreements.<sup>288</sup> CAISO argues that protesters incorrectly act as if the LSEs, which are market participants and have affiliates, are the transmission providers for the CAISO region rather than the independent CAISO serving as a transmission provider. CAISO states that, unlike LSEs, CAISO is not a participant in the market it operates and has no affiliates. As such, CAISO claims that its proposal does not create any opportunities for the transmission provider to favor its own generation, and application of the independent entity variation standard to the instant proposal is appropriate.<sup>289</sup>

157. CAISO further asserts that protesters' objections regarding LSEs' potential discrimination in favor of their own or affiliated generation have no factual foundation in the region. For instance, CAISO explains that all LSEs that own transmission have transferred operational control to CAISO, and that there has been no evidence related to LSE abuse in favor of affiliated generation in CAISO. CAISO reiterates that there have been few generator interconnection requests in CAISO from LSEs or their affiliates. CAISO asserts that there are multiple layers of protection to ensure that utility-owned resources are only permitted as needed—including regulatory oversight by CPUC and other local regulatory authorities and CAISO's willingness to develop Tariff revisions if concerns arise—and that there is no reason to reject CAISO's proposal based on speculative concerns about undue discrimination. CAISO also emphasizes that the Commission has recognized that it is just and reasonable for entities like CAISO to account for state integrated resource planning in their rates, terms, and conditions.<sup>290</sup>

158. CAISO dismisses Shell Companies' suggestion that the LSE affiliate proposal gives larger LSEs preference over small LSEs. CAISO states that small and large LSEs have the same options, but CAISO provides additional flexibility that is more likely to be exercised by small LSEs.<sup>291</sup>

159. CAISO argues that its proposal appropriately addresses non-LSE commercial interest, noting that consistent with Commission precedent, it has made a reasonable distinction between entities that are not similarly situated. CAISO claims that non-LSEs are situated very differently from LSEs because they have no obligations to serve end-use customers that are a foundational element of the deliverability requirements of the Tariff.

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<sup>288</sup> *Id.* at 10 (citing *Cal. Indep. Sys. Operator Corp.*, 166 FERC ¶ 61,113, at PP 9-10 (2019); *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,223, at P 8 (2022)).

<sup>289</sup> *Id.* at 11.

<sup>290</sup> *Id.* at 37-40.

<sup>291</sup> *Id.* at 41.

CAISO notes that that no non-LSEs that are engaged in resource procurement or are considering procuring generation objected to the CAISO proposal.<sup>292</sup>

160. In response to Vistra’s objection to the proposal that non-LSE interest affidavits must attest that the counterparty is supporting the interconnection request in support of corporate policy goals on sustainability, CAISO explains that this requirement is directly linked to the reason that deliverability is being added to the CAISO-controlled grid – addressing California clean energy goals. CAISO states that it is reasonable to require, as a condition to accessing this deliverability, that a non-LSE be seeking deliverability to serve a comparable policy objective, since a non-LSE seeking to develop a project not linked to California state policy goals retains the ability to choose the energy-only merchant option and face no screening. CAISO states that its proposal balances the value of non-LSE interest as a commercial interest factor against interest from an LSE with an obligation to serve end users and provide resource adequacy.<sup>293</sup>

161. In response to CAISO’s answer, Joint POU’s reiterate that CAISO’s filing should be accepted subject to the condition that CAISO remove the cap on the “full allocation” election, which CAISO has agreed is severable from the rest of its filing.<sup>294</sup> Joint POU’s maintain that 150% of small LSEs’ commercial interest points will not provide what is needed to reflect their interest in new resources during certain years. Joint POU’s claims that CAISO’s concern that all LSEs may opt to use the “full allocation” election absent a cap because larger LSEs will have enough points to designate more than one project without using the “full allocation” election, is misplaced.<sup>295</sup> Similarly, Joint POU’s claim that concerns that LSEs would game the “full allocation” election without a cap are unrealistic because they are subject to municipal restrictions or other policies and cannot invest in projects beyond their existing and forecasted needs.

162. In response to protesters who argue against acceptance of the commercial interest criterion, Joint POU’s contend that eliminating the ability of LSEs to determine which resources best fit their needs would improperly infringe on the ability of states and local authorities to perform the resource planning roles that the Commission has acknowledged are within their purview.<sup>296</sup> Joint POU’s assert that the MISO Order does not stand for the

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<sup>292</sup> *Id.* at 41-42.

<sup>293</sup> *Id.* at 42-43.

<sup>294</sup> Joint POU’s Answer at 1-2.

<sup>295</sup> *Id.* at 8.

<sup>296</sup> *Id.* at 10 (citing *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at PP 1112 (explaining that states and local entities retain a “traditional role” regarding resource adequacy), 1117 (stating that although it is the Commission’s responsibility to

proposition that all LSE input into the interconnection process is presumptively impermissible. Joint POU's assert that the Commission has acknowledged that resource planning and procurement processes can be linked in a way that is just and reasonable, noting that the Commission has accepted Tariff provisions that permit LSE-developed projects to be subject to preconditions for interconnection study because LSEs have an obligation to serve native load.<sup>297</sup> Further, Joint POU's claim that the commercial interest criterion and LSE interest points are consistent with open access policy<sup>298</sup> as well as CAISO's current rules relating to deliverability, which prioritize allocations of TP deliverability to LSE-developed or procured projects.<sup>299</sup> Joint POU's argue that it is more beneficial and cost-effective for ratepayers to plan the transmission grid for the amount of transmission deliverability necessary to accommodate procurement planned in designated locations.

163. Joint POU's note that resource adequacy-eligible capacity prices are at unprecedented high levels.<sup>300</sup> Joint POU's state that several of the Joint POU's have conducted requests for proposal processes and received no responses, which leaves them the option to build their own projects to meet needs. However, Joint POU's claim, certain protesters seek to restrict this optionality under the guise of preserving competition even though POU's are not currently subject to limitations on being vertically integrated or developing and owning their own resources. With respect to protesters' claims that side payments from interconnection customers to LSEs are inappropriate, Joint POU's note that LSEs face a very real risk that after awarding points to projects, developers may walk

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ensure that a workable resource adequacy requirement exists in a market such as that operated by CAISO, the Commission need not determine all the elements of such a program in the first instance, but instead can, in appropriate circumstances, defer to state and local regulatory authorities to set those requirements) (2006), *order on reh'g*, 119 FERC ¶ 61,076, at PP 540, 558 (2007) (affirming commitment to defer to state and local resource adequacy determinations), *reh'g denied*, 124 FERC ¶ 61,094 (2008)).

<sup>297</sup> Joint POU's Answer at 13.

<sup>298</sup> *Id.* at 22 (citing *Cal. Indep. Sys. Operator Corp.*, 178 FERC ¶ 61,180, at P 30 (2022) (describing native load priority as a right guaranteed by and consistent with Order Nos. 888 and 890)).

<sup>299</sup> *Id.* at 15. Joint POU's notes that Section 8.9.2 of the GIDAP provides that projects that have executed PPAs or that are being developed by an LSE to meet its own load are in the highest priority group in the TP deliverability allocation process. *Id.* at 15 n.49 (citing CAISO, CAISO eTariff, app. DD, § 8 (Phase II Interconnection Study & TP Deliverability Allocation Processes) (20.0.0), § 8.9.2).

<sup>300</sup> *Id.* at 19.

away from their commitments—on a consequence-free basis— in favor of a better deal with another counterparty once they have secured their place in the queue.

164. Joint POUs disagree with protesters that commercial interest points will be determinative of projects that are able to move forward to be studied and argue that the majority of points within the proposed rubric pertain to variables within the control of developers or other characteristics not tied to LSE commercial interest.<sup>301</sup> Joint POUs also claim, in contrast to protesters, that CAISO’s proposal has sufficient transparency to ensure points are distributed fairly. For example, Joint POUs note that they are subject to local government oversight and regulation and are generally prohibited from financial speculation, which would entail procurement of energy projects in excess of needs or transacting in energy products in a way untethered to the utility’s operational and load service needs.

165. In response to CAISO’s answer, Aypa Power contends that LSEs are offering preferred treatment to developers willing to offer increased deposits.<sup>302</sup> According to Aypa Power, brokering of access to the electric system is at odds with Commission precedent, and that state commission oversight is not sufficient to address LSE brokering of queue access. Aypa Power also claims that CAISO’s assertion that commercial interest from LSEs is the primary driver of commercial viability is unsupported.

166. In response to CAISO’s answer, Clearway clarifies that its support of the commercial interest criterion is based on an expectation that LSEs would follow the guidance CAISO provided in the Addendum to CAISO’s Track 2 Final Proposal, including a guideline that the LSE commercial interest points allocation process is “not intended to result in the exchange of value or have terms.”<sup>303</sup> Specifically, Clearway claims that many of the LSEs who have issued solicitations for commercial interest points are disregarding CAISO’s guidance and employing practices that result in the exchange of value. Clearway asks the Commission to require CAISO to incorporate the guidance from the Addendum into the Tariff and find that commercial interest point allocation process practices involving an exchange of value are neither just and reasonable nor consistent with CAISO’s filing.<sup>304</sup> Clearway contends that such a directive would be consistent with the Commission’s “rule of reason,” claiming that

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<sup>301</sup> *Id.* at 15-17.

<sup>302</sup> Aypa Power Answer at 6-7.

<sup>303</sup> Clearway Answer at 3 (citing Transmittal, attach. D at 11).

<sup>304</sup> *Id.* at 6.

CAISO's guidance in the Addendum is the only protection against unjust, unreasonable, or unduly discriminatory or preferential allocation of commercial interest points.

167. In response to CAISO's answer, Vistra argues that CAISO minimizes protesters' concerns and asks the Commission to "trust" that LSEs will allocate points in an objective and transparent manner.<sup>305</sup> Vistra argues that a lack of evidence of discrimination is not a basis for approving CAISO's proposal.<sup>306</sup> Vistra states that regardless of the magnitude of the generation resources that have been developed by LSEs historically, LSEs and their affiliates have developed, and continue to develop, generation resources within the CAISO market. Vistra further asserts that CAISO has not provided evidence that commercial interest point allocation will be subject to CPUC or Commission oversight.<sup>307</sup> For instance, Vistra claims that CPUC will not have visibility if an LSE engages in discrimination between two unaffiliated similarly situated interconnection customers.<sup>308</sup> In addition, Vistra claims that the lack of standards regarding how commercial interest points should be allocated is likely to make it difficult to determine whether an LSE's subjective decision not to allocate points was motivated by a desire to favor its own resources or some other objective.<sup>309</sup>

168. In response to CAISO's answer, Shell Companies claim that CAISO should develop Tariff provisions regarding the prevention and reporting of discrimination, such as measures for stakeholders to report potentially discriminatory behavior to CAISO for investigation.<sup>310</sup>

169. CalCCA disputes allegations that that the commercial interest scoring criterion causes and will continue to cause discriminatory conduct.<sup>311</sup> CalCCA argues that exclusivity agreements and deposits, which have been a part of the LSE request for offer (RFO) processes prior to the introduction of the commercial interest scoring criterion, are used to ensure that parties are negotiating in good faith, with the goal of an executed contract or PPA. CPA refutes Vistra's and CEAs' suggestion that collecting an

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<sup>305</sup> Vistra Answer at 2-3.

<sup>306</sup> *Id.* at 4.

<sup>307</sup> *Id.* at 6.

<sup>308</sup> *Id.* at 7.

<sup>309</sup> *Id.* at 8.

<sup>310</sup> Shell Companies Answer at 3-4.

<sup>311</sup> CalCCA Answer at 2.

exclusivity deposit represents “side payments” or “pay-to-play,” respectively.<sup>312</sup> CPA states that it has required exclusivity deposits since 2018 when CPA launched its first RFO, and that it evaluates the deposit along with other factors such as project development progress, workforce development, environmental impact, and impact on disadvantaged communities.

170. CAISO explains that LSEs establish exclusivity agreements to manage the regulatory risk that developers could re-market their projects to another LSE, forcing the first LSE to obtain replacement resource adequacy capacity.<sup>313</sup> CalCCA explains that LSEs seek to ensure negotiations result in executed contracts or PPAs with developers because RFOs are relatively expensive transactions, and LSEs need new resources to meet the needs of their customers and regulatory requirements. In response to claims that LSEs are seeking deposits in exchange for points allocation, CalCCA argues that the deposits are not simply for the allocation of points and that the main objective of the deposit is to secure exclusivity and a right of first offer to ensure that the LSE negotiating the contract will have the first opportunity to procure the resource after investing the time and money to negotiate with the developer.<sup>314</sup> According to CalCCA, exclusivity agreements have recently become increasingly important because LSEs’ need to procure new resources is increasing amid supply chain difficulties and interconnection delays, and without new resources, LSEs such as community choice aggregators face penalties for regulatory non-compliance, unhedged positions in their portfolio placing customer rates at risk, and the inability to meet state and community choice aggregators’ goals for new clean resources. CalCCA also notes that deposit practices differ among LSEs and argues that if developers are concerned with a non-refundable deposit they can seek solicitations from LSEs without such provisions.<sup>315</sup>

171. Similarly, CPA asserts that the exclusivity deposit is collateral against the obligation of the developer to offer the project to CPA at a future date.<sup>316</sup> CPA further claims that the exclusivity deposit is one of the few ways to determine how much confidence the developers have in their projects’ viability, and to signal that the developers are committed to continue investing capital to ensure the success of the project. CPA further explains that the terms of its exclusivity agreement obligate the developer to first offer its project to CPA within two years if the project successfully

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<sup>312</sup> CPA Answer at 6.

<sup>313</sup> CAISO Second Answer at 4.

<sup>314</sup> CalCCA Answer at 6.

<sup>315</sup> *Id.*

<sup>316</sup> CPA Answer at 6.

makes it through the Cluster 15 study process.<sup>317</sup> CPA explains that if CPA does not accept that offer within certain timeframes laid out in the agreement, the developer is free to market the project to other buyers. CPA states that it agrees to allocate commercial interest points to the project in exchange for the right of first offer on the project. CPA explains that the exclusivity deposit is not an exchange of money for points, but rather, collateral against the obligation of the developer to offer the project to CPA at a future date. CPA states that it will return the full exclusivity deposit to the developer if the project fails to be studied or if it is withdrawn from the interconnection study process. CPA also notes that it has allowed developers to propose changes to the exclusivity agreement during negotiations. In sum, CPA claims that the exclusivity deposit serves to protect the interest of CPA's ratepayers to ensure that the proposed projects are viable, the offering price is competitive, and that developers honor their obligation to offer the project to CPA within the agreed upon timeline.<sup>318</sup>

172. PG&E states that the reasonableness of LSEs' requests for information is outside the scope of this proceeding.<sup>319</sup> PG&E claims that how the various LSEs conduct their requests for information is a state-jurisdictional matter covered by CPUC for investor-owned utilities like PG&E. As such, PG&E encourages the Commission to leave such issues for the state to address as appropriate.

173. CAISO states that developers will be able to advance their projects even without commercial interest points and an associated exclusivity agreement, noting that LSEs will only have enough points to select projects equaling 50% of available TP deliverability. Thus, CAISO explains that two-thirds of the project capacity under the 150% cap in Deliverable Zones will advance without commercial interest points from LSEs.<sup>320</sup>

#### (4) Commission Determination

174. We accept CAISO's proposed commercial interest criterion. The Commission has acknowledged the relationship between commercial viability or readiness and interconnection customers' withdrawal from the interconnection queue,<sup>321</sup> and has

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<sup>317</sup> *Id.* at 5.

<sup>318</sup> *Id.* at 7.

<sup>319</sup> PG&E Answer at 2.

<sup>320</sup> CAISO Second Answer at 8-9 (citing PG&E Comments at 3).

<sup>321</sup> *See, e.g.*, Order No. 2023, 184 FERC ¶ 61,054 at P 47 ("Such generating facilities are often not commercially viable and, thus, the interconnection customers ultimately withdraw from the interconnection queue. We agree with commenters that the withdrawal of speculative interconnection requests that trigger reassessments and

previously accepted CAISO's proposals to evaluate commercial viability through requirements to submit PPAs, including PPAs with affiliates.<sup>322</sup> Therefore, as an initial matter, we disagree with protesters who argue that the commercial interest criterion is not an acceptable proxy for commercial viability. As discussed below, we find that CAISO's proposal to account for commercial interest in its evaluation of interconnection requests will help enable CAISO to prioritize the study of the most viable and needed interconnection requests under Cluster Study Criteria.

175. We are not persuaded by protesters' claims regarding the potential for undue discrimination or preference under the commercial interest criterion with respect to: (1) LSEs' allocation of commercial interest points to affiliates; (2) disparate treatment of LSEs vs. non-LSE off-takers; and (3) the proposal's impacts for small vs. large LSEs.

176. First, with respect to protesters' concerns that CAISO's proposal will allow LSEs to exercise undue preference in the allocation of commercial interest points to affiliates, we find that CAISO's proposal strikes a reasonable balance of providing LSEs, who must comply with resource adequacy mandates,<sup>323</sup> the ability to allocate commercial interest points to affiliate projects, while limiting those allocations to ensure that LSEs' affiliated projects do not dominate the commercial interest points scoring. In evaluating this

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possible restudies by the transmission provider can delay the timing and increase the cost to interconnect for lower-queued interconnection requests."); *id.* P 691 ("We believe that, along with the other reforms adopted in this final rule, the commercial readiness deposits we require will address the need for reform underlying this section by helping reduce the submission of speculative, commercially non-viable interconnection requests into interconnection queues.").

<sup>322</sup> *See, e.g.*, CAISO, CAISO eTariff, app. DD, § 6 (Initial Activities & Phase I of the Interconnection Study Process for Queue Clusters) (21.0.0), § 6.7.4 (setting forth commercial viability criteria that require interconnection customers to have an executed PPA to retain deliverability if they seek to remain in queue beyond seven years, making no distinction for PPAs with affiliates); *id.* § 8 (Phase II Interconnection Study & TP Deliverability Allocation Processes) (20.0.0), § 8.9.2 (providing that the deliverability allocation process first awards available deliverability to those interconnection customers with PPAs and LSEs serving their own load, then to those negotiating or shortlisted for PPAs, then to other projects). *See Cal. Indep. Sys. Operator Corp.*, 166 FERC ¶ 61,113, at P 1 (2019) (accepting Tariff revisions requiring interconnection customers to provide copies of their power purchase agreements when demonstrating commercial viability).

<sup>323</sup> CAISO Answer at 42 ("Complying with resource adequacy requirements requires that resources relied upon by [an LSE] must be studied for sufficient deliverability in the CAISO's study process.").



balance, we find persuasive CAISO's observation that interconnection requests from LSEs and their affiliates have been rare in the CAISO region.<sup>324</sup> Furthermore, as CAISO notes, transmission-owning LSEs have transferred operational control to CAISO, and there has been no evidence of LSE abuse of affiliated generation in CAISO.<sup>325</sup> In addition, CAISO's proposal limits LSEs to allocating points to the greater of (1) three interconnection requests of affiliates, or (2) 25% of their commercial interest points to affiliates. We find that these limits will help ensure that the remaining 75% of an LSE's commercial interest points may be made available to non-affiliates, thereby limiting any ability of LSEs to exercise undue preference in the commercial interest point allocation process. We also note that only one-third of available MW capacity identified in the cluster study will be eligible to receive LSE commercial interest points, while CAISO will study up to 150% of available capacity for each zone.<sup>326</sup> As such, LSEs will have no input on the majority of projects that proceed to the cluster study (i.e., the remaining two-thirds of the cumulative capacity that will be studied for TP deliverability). Further, CAISO's proposal requires LSEs to publicly post their selection criteria or consideration factors for awarding points. We find that this transparency will help to mitigate any potential for undue preference by LSEs. In addition to CAISO's proposed limitations, we note that LSEs are also subject to regulatory oversight from CPUC or their respective local regulatory authorities, none of which raise concerns with CAISO's proposal. We acknowledge CAISO's commitment to work with stakeholders to develop solutions should CAISO identify any favoritism toward LSE affiliates occurring after the Tariff revisions are implemented.<sup>327</sup>

177. As to protesters' concern that an LSE could allocate 100% of its commercial interest points to affiliates by declining to allocate its remaining points to non-affiliates, we agree with CAISO that this is unlikely because LSEs are required to ensure generation resource development to comply with resource adequacy requirements. We find that this concern is further mitigated by the fact that interconnection customers will be able to receive commercial interest points through demonstrations of non-LSE commercial interest, e.g., from a non-LSE off-taker.<sup>328</sup> In addition, as CAISO explains, at least two-thirds of the projects under the 150% cap in Deliverable Zones will advance without any commercial interest points. Therefore, to the extent that LSEs do not allocate their

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<sup>324</sup> *Id.* at 38.

<sup>325</sup> *Id.*

<sup>326</sup> CAISO Second Answer at 8-9 (citing PG&E Comments at 3).

<sup>327</sup> CAISO Answer at 39.

<sup>328</sup> See CAISO, CAISO eTariff, app. KK, § 4 Cluster Study Criteria (1.0.0), § 4.1.1(1).

commercial interest points to non-affiliates, more projects would advance without commercial interest points. Finally, commercial interest points only account for 30% of the interconnection customer's score, which ensures that other measures of the interconnection request's viability and necessity are robustly captured in the remaining 70% of CAISO's scoring.

178. We also find protesters' concern that LSEs' commercial interest point allocation processes could lead to interconnection customers exchanging payment for LSE points unsupported. As CAISO notes in its answer, LSEs may seek higher deposits in connection with PPA negotiations, and in most cases, these deposits are credited against actual costs. We find it unlikely that LSEs would select inferior interconnection requests solely for the purpose of receiving a higher deposit from a potential interconnection customer, thereby risking noncompliance with resource adequacy obligations.<sup>329</sup> Similarly, we find protesters' concern that LSEs' point allocation processes could lead to undue discrimination through the use of exclusivity agreements to be unsupported. As CalCCA and CPA note, deposits and exclusivity agreements may serve a variety of legitimate commercial needs. Accordingly, we decline to require CAISO to incorporate in its Tariff the expectations to LSEs and interconnection customers listed in the Addendum to CAISO's Track 2 Final Proposal, as Clearway requests. We find that CAISO's proposal affords LSEs a limited ability to allocate points to interconnection requests (based on publicly posted selection criteria) that are necessary to satisfy their resource adequacy obligations under only one of the three complementary scoring criteria. Further we note that each interconnection customer may pursue commercial interest points from the LSE (or LSEs) whose terms are acceptable to it.

179. We disagree with protesters who claim that CAISO's proposal would allow LSEs to control access to the grid by using subjective and discriminatory criteria to assign commercial interest points in an anticompetitive manner.<sup>330</sup> First, we find that these protesters fail to recognize that CAISO's proposal intentionally limits LSEs' commercial interest points to 50% of TP deliverability, such that two-thirds of the capacity under the 150% cap in Deliverable Zones (i.e., up to 100% of TP deliverability) will advance without *any* commercial interest points from LSEs. Therefore, there is no basis to claim

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<sup>329</sup> See, e.g., CalCCA Answer at 5 (“Without new resources, LSEs including [community choice aggregators] face penalties for regulatory non-compliance, unhedged positions in their portfolio placing customer rates at risk, and the inability to meet state and [community choice aggregator] goals for new clean resources. Exclusivity agreements have been a response to these conditions and have been utilized prior to the [s]coring [c]riterion.”).

<sup>330</sup> See, e.g., Calpine Answer and Supplemental Protest at 3-4; EPSA Comments at 5-7; Aypa Power Answer at 6-7.

that LSEs could “control access to the grid” under CAISO’s proposal. Second, CAISO’s proposal allows non-LSE off-takers to provide commercial interest points, which will reflect commercial interest by non-LSEs in the interconnection customer’s commercial interest score. Third, CAISO’s project viability and system need scoring criteria account for other factors outside of LSEs’ control and collectively comprise 70% of an interconnection customer’s total readiness score. Finally, even assuming *arguendo* that LSEs could restrict access to the grid in an anticompetitive manner, despite these countervailing factors, Calpine’s argument that LSEs are competitors who control access to the grid in this context does not recognize (1) that LSEs are also motivated by drivers other than competitive advantage, as they are obligated to satisfy resource adequacy requirements<sup>331</sup> and must meet these obligations or will be subject to penalties;<sup>332</sup> and (2) that CAISO has imposed limitations on the amount of commercial interest points an LSE may assign to its affiliates.<sup>333</sup> Accordingly, on balance, we find that CAISO’s filing reasonably reflects LSEs’ role in resource procurement in CAISO while ensuring that projects without LSE interest still have a defined opportunity to be considered.

180. The Commission has previously rejected proposals from non-independent transmission providers that could favor their own generation in the interconnection process.<sup>334</sup> However, in this instance, CAISO, an independent transmission provider who does not own generation and to which the Commission’s concerns regarding undue preference toward affiliates do not apply,<sup>335</sup> is asserting that it needs to determine LSE

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<sup>331</sup> CAISO Answer at 42 (“[LSEs] in the CAISO footprint have service obligations as well as an obligation to provide resource adequacy.”).

<sup>332</sup> CalCCA Answer at 5 (“Without new resources, LSEs including CCAs face penalties for regulatory non-compliance...”).

<sup>333</sup> CAISO, CAISO eTariff, app. KK, § 4 Cluster Study Criteria (1.0.0), § 4.1.1.1).

<sup>334</sup> For instance, in the context of discussing a transmission provider’s interconnection pricing policy in Order No. 2003, the Commission expressed concern that when a transmission provider is not independent and has an interest in frustrating rival generators, the implementation of participant funding creates opportunities for undue discrimination. Order No. 2003, 104 FERC ¶ 61,103 at P 696. *See, e.g., PacifiCorp*, 171 FERC ¶ 61,112 at P 101 (rejecting a proposal that would allow a utility’s own generation an easier path to demonstrating readiness than other interconnection customers and allow the utility to use the interconnection process to favor its own generation).

<sup>335</sup> *See, e.g., Pub. Serv. Co. of Colo.*, 171 FERC ¶ 61,115, at P 38 (2020) (explaining that RTOs/ISOs have greater flexibility in proposing variations from the *pro forma* LGIP than non-independent transmission providers and distinguishing PSCo’s

procurement interest earlier in the interconnection process to simultaneously assess project viability and ensure alignment with resource and transmission planning.<sup>336</sup> Although CAISO is proposing to provide non-independent entities a formal role in awarding commercial interest points that will feed into an interconnection customer's overall score, we find that CPUC's support of CAISO's proposal and CAISO's limitations on LSEs' allocations on points to affiliates mitigate potential concerns that LSEs could unduly favor their affiliates in the LSE point allocation process. Further, we find that the historical rarity of interconnection requests from LSEs and their affiliates in the CAISO region, LSEs' requirement to comply with resource adequacy requirements, transparency of the LSEs' point allocation, coupled with CAISO's independent and overarching role in its proposed process, discussed above, also mitigate this concern.

181. Second, we disagree with arguments that CAISO has not demonstrated that its proposal to score commercial interest from LSEs and non-LSE off-takers differently in the point allocation process is just and reasonable and not unduly discriminatory or preferential. *Vistra*, for example, argues that it is inappropriate that a customer that has received a firm commitment from multiple corporate and industrial off-takers would receive a lower commercial interest score than an interconnection customer that received an allocation of commercial interest points from an LSE. We find that CAISO has justified such treatment under its proposal, as LSEs who are obligated to meet resource adequacy requirements consistent with the relevant local regulatory authority's requirements are not similarly situated for purposes of prioritizing interconnection requests under a cap to non-LSE off-takers who are not subject to these requirements. The Commission stated in the MISO Order that any future cap proposals must demonstrate how the cap ensures that MISO can study new generation seeking to interconnect in a manner that appropriately accounts for its future resource adequacy needs.<sup>337</sup> We accept CAISO's proposal here to account for the resource adequacy needs of LSEs in its scoring criteria, which will help ensure that CAISO's cap overall appropriately accounts for resource adequacy needs. While non-LSEs may have

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proposal from MISO's recently approved generator replacement process, explaining that "MISO does not own generating facilities or have an incentive to obstruct independent generation from accessing the grid" and that "RTOs/ISOs do not raise the same level of concern as a transmission provider that is a market participant."), *order on reh'g*, 172 FERC ¶ 61,297 (2020), *aff'd sub nom. Xcel Energy Servs. v. FERC*, 41 F. 4<sup>th</sup> 548, 562 (D.C. Cir. 2022) (explaining that the Commission's concerns in rejecting a non-independent transmission provider's generator replacement proposal were "centered on the entity operating the grid and administering the plan, not who owns the grid.").

<sup>336</sup> See Transmittal at 41.

<sup>337</sup> MISO Order, 186 FERC ¶ 61,054 at P 182.

corporate sustainability goals or seek to develop capacity to meet hedging needs, no party argues that they are subject to resource adequacy requirements like LSEs.

182. With regard to Vistra's argument that commercial interest from a non-LSE may be as viable as commercial interest from an LSE, we find it reasonable to prioritize the study of interconnection requests that are aligned with resource adequacy and transmission planning processes as an approach to allocating finite TP deliverability. As we have explained, the commercial interest scoring criterion is only one part of CAISO's larger proposal, a primary goal of which is to allow CAISO to process the most viable and needed interconnection requests in a timely manner. We further find CAISO's treatment of LSEs' commercial interest points consistent with CAISO's current rules relating to deliverability, which prioritize allocations of TP deliverability to LSE-developed or procured projects.<sup>338</sup> As to Vistra's concern that it is unduly discriminatory to allow non-LSE off-takers to allocate commercial interest points to interconnection customers only if the resources support corporate policy goals on sustainability, we find that CAISO's proposal appropriately parallels the reason that LSEs are allocated points in order to prioritize interconnection requests that will help them meet their resource procurement needs and resource adequacy obligations, including those established under California state law.

183. We are also unpersuaded by Joint Interconnection Customers' argument that CAISO's proposed requirement that a non-LSE off-taker attest that the capacity of the interconnection request aligns with the non-LSE off-taker's individual needs creates an opportunity for undue discrimination against non-LSE projects. Joint Interconnection Customers argue that if more than one LSE can allocate commercial interest points to a single interconnection request, more than one non-LSE should also be able to express commercial interest in a single interconnection request. We disagree. Given that LSEs are subject to resource adequacy obligations and the obligation to serve end users, we find it reasonable to provide flexibility to allow more than one LSE to contribute commercial interest points to a single interconnection request. Conversely, non-LSE off-takers are not subject to resource adequacy obligations and have no obligation to serve end-use customers. Therefore, we find CAISO's proposal to require an affidavit attesting that the capacity of the interconnection request aligns with the non-LSE off-taker's individual needs for an interconnection customer to demonstrate non-LSE commercial interest reasonable. Further, non-LSEs may have preferred interconnection

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<sup>338</sup> CAISO, CAISO eTariff, app. DD, § 8 Phase II Interconnection Study & TP Deliverability Allocation Processes (20.0.0), § 8.9.2) (providing that projects that have executed PPAs or that are being developed by an LSE to meet its own load are in the highest priority group in the TP deliverability allocation process).

customers submit interconnection requests to develop generating facilities serving other business needs under Cluster Study Criteria 2 or 4 that do not include these requirements.

184. Third, in response to Joint POU's and Shell Companies' concerns that CAISO's proposed cap on an LSE's "full allocation" of points to a single project will disadvantage small LSEs, we find that CAISO's proposal to allocate commercial interest points based on load ratio share, paired with a "full allocation" to a single project capped at 150% cap on LSEs' points, reflects the needs of each LSE. We find that the "full allocation" option provides a path for any LSE, including small LSEs, to increase the likelihood of building a project that would require more than the LSE's allotted number of commercial interest points by enabling the LSE to allocate more commercial interest points toward a single interconnection request than it would otherwise receive. We also find that CAISO's proposal that two-thirds of cumulative capacity that will advance to the cluster study will not have the ability to receive commercial interest points from LSEs should mitigate this concern.<sup>339</sup> In light of these findings, we need not address alternative proposals.<sup>340</sup> However, we acknowledge CAISO's commitment to monitor the use of the full allocation in Cluster 15 to evaluate whether an alternative cap, if any, is required.<sup>341</sup>

185. We also find no merit in the Joint POU's argument that the 150% limit on the full allocation election should be rejected as "ultra vires." As CAISO explains, the 150% limit was discussed throughout the stakeholder process and was expressly included as an element of CAISO's Track 2 Final Proposal, which was finalized before CAISO Board approval.<sup>342</sup> In addition, we agree with CAISO that CAISO Board memoranda are concise summaries of policies for which CAISO is seeking Board approval – they do not contain every detailed element of those policies. Nonetheless, the June 6, 2024 memorandum to the CAISO Board specifically sought Board approval of the "Interconnection Process Enhancements Track 2 Final Proposal, with the clarifications provided in the Final Addendum to the Final Proposal."<sup>343</sup> Accordingly, we find that in

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<sup>339</sup> CAISO Second Answer at 8-9 (citing PG&E Comments at 3).

<sup>340</sup> See *Cities of Bethany*, 727 F.2d at 1136; *Midcontinent Indep. Sys. Operator, Inc.*, 180 FERC ¶ 61,141 at P 79; *Petal Gas Storage, L.L.C.*, 496 F.3d at 703.

<sup>341</sup> CAISO Answer at 36.

<sup>342</sup> *Id.* at 31-32 (citing Transmittal, attach. C at 48).

<sup>343</sup> Transmittal, attach. E at 17-18.

approving the memorandum, the CAISO Board indirectly approved the Track 2 Final Proposal, which expressly contained the 150% limit.<sup>344</sup>

186. Finally, we disagree with EPSA's and CEAs' comparison of CAISO's proposed allocation of commercial interest points to LSEs to the MISO Order's rejection of MISO's proposed exemptions to its cap. We find that CAISO's proposal to incorporate LSEs' commercial interest into one of three complementary scoring criteria that are applied to all interconnection customers seeking to be studied under Cluster Study Criteria 1 is distinguishable from a categorical exemption from a cap for certain types of interconnection requests. CAISO proposes to evaluate LSEs' commercial interest as one of multiple indicators of a project's readiness and viability, whereas MISO proposed to categorically exempt from its cap certain types of interconnection requests. As discussed above with respect to CAISO's proposed cap of interconnection studies under Cluster Study Criteria 1, CAISO's proposal provides interconnection customers the comparable ability to satisfy the criteria and advance to the cluster study, and thus does not violate open access.<sup>345</sup>

**(f) Tiebreakers**

**(1) CAISO Filing**

187. CAISO proposes two methods of tiebreakers when multiple interconnection customers with the same scores exceed the 150% cap: a distribution factor analysis and an auction. For the first tiebreaker, CAISO will include those customers in its study group with the lowest distribution factors behind the constraint until it reaches the 150% cap. CAISO defines distribution factor as the percentage of the interconnection customer's incremental increase in the output that flows on a particular transmission line or transformer when the displaced generation is spread proportionally across all dispatched resources in the balancing authority area.<sup>346</sup> CAISO explains that the distribution factor is a measure of injections of energy from a generator at a particular location which could result in required network changes on the grid – the lower the distribution factor, the lower the grid impact. The lowest distribution factor is a commonly used proxy to determine a generating facility's impact on transmission constraints, thereby correlating with its costs to relieve the constraint.<sup>347</sup> CAISO reasons

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<sup>344</sup> *Id.* at 17 n.39.

<sup>345</sup> *See supra* PP 92-95.

<sup>346</sup> Transmittal at 34 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1).

<sup>347</sup> *Id.* at 34-35.

that the Commission has long accepted the use of distribution factors as a just and reasonable input in jurisdictional terms and conditions.<sup>348</sup>

188. If interconnection customers with the same scores and same distribution factors would together exceed the 150% limit, CAISO proposes an auction as a final tiebreaker to determine which interconnection requests will be ultimately studied.<sup>349</sup> CAISO asserts that the auction will allow CAISO to achieve manageable queue volumes and preserve competition among viable projects in each Transmission Zone, in the event of such ties.<sup>350</sup> Under the auction process, CAISO will notify any still-tied interconnection customers required to win an auction to be included in the cluster study. Interconnection customers in the auction tiebreaker must submit a single sealed bid of a dollar-per-MW value of aggregate generating facility capacity at the point of interconnection or withdraw its interconnection request. CAISO will accept the highest bids for the cluster study group until it crosses the 150% limit.<sup>351</sup>

189. Interconnection customers that win the auction and proceed to the cluster study will be required to post an auction deposit equal to the product of the dollar value of the lowest winning bid in that Transmission Zone and the MW capacity of the interconnection customer's generating facility at the point of interconnection. Interconnection customers that lose the auction will not proceed to the cluster study.<sup>352</sup> CAISO proposes that it and the participating transmission owner will release or refund with any interest the auction deposit when the interconnection customer reaches commercial operation. If the customer withdraws its interconnection request or it is deemed withdrawn, it will lose a portion of the auction deposit depending on what point in the process it withdraws.<sup>353</sup>

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<sup>348</sup> *Id.* at 35 (citing *Linden VFT, LLC v. PJM Interconnection L.L.C.*, 170 FERC ¶ 61,122, at P 33 (2020) (rejecting on rehearing allegations that the assignment of costs pursuant to the solution-based distribution factor method produced unjust and unreasonable rates)).

<sup>349</sup> *Id.*

<sup>350</sup> *Id.* at 43.

<sup>351</sup> *Id.* (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.2).

<sup>352</sup> *Id.*

<sup>353</sup> *Id.* at 44 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.1.2). For example, a customer will lose 15% prior to the commencement of



190. CAISO further asserts that the Commission has recognized the reasonableness of auction mechanisms in other contexts.<sup>354</sup>

## (2) Comments and Protests

191. Several commenters support the proposed tiebreakers (i.e., distribution factor thresholds and auctions) for Cluster Study Criteria 1 interconnection requests. EPSA states that the auction tiebreaker is an equitable approach to prioritizing interconnection requests and would prevent LSEs from unduly discriminating against other projects in favor of their own.<sup>355</sup> Joint Interconnection Customers state that the tiebreakers will accomplish CAISO's goals of managing the volume of interconnection requests even without scoring criteria.<sup>356</sup>

192. Others oppose the tiebreakers. Aypa Power avers that the auction tiebreaker is a cost-adder that does not add any value.<sup>357</sup> Clearway argues that, if the Commission rejects the commercial interest points, there would be a larger number of ties and the process will excessively rely on the tiebreakers, which will not produce just and reasonable results. Clearway states that, because the distribution factor value used by CAISO will be identical for all interconnection requests at the same point of interconnection, the resulting portfolio of projects will be clustered in a limited number of points of interconnection across the transmission system, which will concentrate risks associated with utility work (e.g., site permits) at specific points of interconnection, thereby increasing risks to project development and future grid reliability. Clearway argues that this tiebreaker will encourage interconnection requests in inefficient areas and could have the unintended consequence of encouraging interconnection requests away from infrastructure specifically built for new resource additions. Finally, Clearway

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the Cluster Restudy, and up to 100% after the GIA is executed. CAISO states that non-refundable auction deposits will be processed pursuant to section 7.6 of the RIS.

<sup>354</sup> *Id.* at 43 (citing *Cal. Indep. Sys. Operator Corp.*, 124 FERC ¶ 61,094, at P 42 (stating that under the CAISO market design, marketers “can purchase CRRs either bilaterally or in the CRR auction that follows the allocation process.”); *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,318, at P 50 (2007) (“Moreover, the Fixed Resource Requirement is merely an option available to an LSE. An LSE wishing to avoid these requirements can simply participate in the auction process at the just and reasonable rates established by [the PJM Reliability Pricing Model].”)).

<sup>355</sup> EPSA Protest at 7-8.

<sup>356</sup> Joint Interconnection Customers Protest at 2-3.

<sup>357</sup> Aypa Power Protest at 11.

argues that the structure of the auction will favor interconnection customers with readiest access to capital for early-stage projects rather than the most viable projects.<sup>358</sup>

193. Shell Companies request that CAISO clarify what it means by the phrase “behind the constraint” in its statement that “[t]ies will be resolved by calculating and selecting the project with the lowest distribution factor behind the constraint.”<sup>359</sup> According to Shell Companies, CAISO should be required to provide more details as to how it will make this determination.<sup>360</sup>

### (3) Answer

194. In response to Shell Companies’ request, CAISO clarifies the meaning of the phrase “behind the constraint” as “[t]ies will be resolved by calculating and selecting the project with the lowest distribution factor behind the constraint.” According to CAISO, this term means that a generator has a 5% effectiveness as measured by distribution factors on the most constraining flowgate associated with the area constraint, or a 10% effectiveness for 500 kV lines. CAISO states that it has published all of the area constraints that will be considered in the intake process.<sup>361</sup>

### (4) Commission Determination

195. We accept CAISO’s proposed distribution factor analysis tiebreaker. As CAISO explains, a distribution factor is a commonly used proxy for determining the impact of a proposed generating facility on the transmission system.<sup>362</sup> By prioritizing interconnection requests with lower transmission system impacts in its interconnection study process, CAISO’s proposal will enable CAISO to maximize its limited available transmission capacity. While a distribution factor analysis may not distinguish between interconnection requests for the same size and type of generating facility at the same point of interconnection, we nonetheless find that, as the penultimate tiebreaker, a distribution factor analysis will distinguish between interconnection requests after the requests are scored according to other criteria. Given that we are accepting CAISO’s proposed commercial interest criterion, as discussed above, we need not address

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<sup>358</sup> Clearway Protest at 8.

<sup>359</sup> Shell Companies Protest at 13 (quoting Transmittal at 7).

<sup>360</sup> *Id.*

<sup>361</sup> CAISO Answer at 56-57.

<sup>362</sup> Transmittal at 35 (citing *Linden VFT, LLC v. PJM Interconnection, L.L.C.*, 170 FERC ¶ 61,122, at P 33 (2020)).

comments regarding how the Commission should view this tiebreaker in the absence of the commercial interest criterion. We further find that CAISO's proposed modeling information is sufficiently transparent and available to enable interconnection customers to determine transmission system area constraints.

196. We also accept CAISO's proposed auction tiebreaker. CAISO proposes to use the auction only as a final tiebreaker after administering its scoring criteria and distribution factor analysis. The scoring criteria and the distribution factor analysis first apply an objective evaluation that will allow CAISO to conduct more accurate and efficient interconnection studies, ensuring that viable interconnection requests are able to interconnect to the transmission system with the lowest impact and in a timelier manner. In particular, we find the scoring criteria provide less-capitalized interconnection customers access to the CAISO transmission system, and the distribution factor analysis does not account for an interconnection customer's access to capital. In addition, we find that the interconnection customer's at-risk auction bid is an additional indicator of its commitment to its project that will further distinguish viable interconnection requests.<sup>363</sup> Therefore, we accept CAISO's proposal to use an auction as a final tiebreaker and to require auction winners to post a deposit to be refunded once the interconnection customer achieves commercial operation, subject to a withdrawal penalty.<sup>364</sup> While CAISO's proposed auction tiebreaker is a novel construct, we note that the Commission has previously accepted similar types of requirements for interconnection customers to provide refundable financial deposits.<sup>365</sup>

**ii. Cluster Study Criteria 2 – Deliverability in Merchant Zones**

**(a) CAISO Filing**

197. Under Cluster Study Criteria 2, CAISO explains that interconnection requests in Merchant Zones seeking any deliverability all proceed to the cluster study but are subject to the requirements of the Merchant Option. This means the interconnection customer may not receive any cash reimbursement under the RIS or a GIA for any costs for area delivery network upgrades, and instead receive merchant transmission CRRs associated with the network upgrades they fund pursuant to the allocation provisions set forth in the

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<sup>363</sup> See Order No. 2023, 184 FERC ¶ 61,054 at P 699 (finding that requiring deposits in amounts substantial enough to demonstrate commitment to reaching commercial operation at progressive milestones throughout the interconnection process will be a sufficient deterrent to speculative behavior).

<sup>364</sup> Transmittal at 43-44.

<sup>365</sup> See *Pub. Serv. Co. of Colo.*, 169 FERC ¶ 61,182, at P 50 (2019).

Tariff.<sup>366</sup> CAISO states that this approach builds on its existing processes that provide merchant transmission CRRs for network upgrade costs for which the customer cannot receive cash reimbursement.<sup>367</sup> For all other network upgrades, the interconnection customer may receive reimbursement as provided in the RIS and a GIA.<sup>368</sup>

198. CAISO proposes that an interconnection customer seeking deliverability in a Merchant Zone must include an additional Merchant Option deposit of \$10,000/MW of all requested deliverable generating facility capacity, but not less than \$500,000 or more than \$5,000,000. CAISO provides that the Merchant Option deposit may be in any form allowed under the RIS.<sup>369</sup> The deposit is fully refundable prior to the close of the customer engagement window, and is 50% refundable after the customer engagement window closes. Before the cluster restudy commences, or before the interconnection facilities study if no cluster restudy for that queue cluster occurs, the interconnection customer must increase its Merchant Option deposit to 50% of its current cost

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<sup>366</sup> Transmittal at 45 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.2 (cross-referencing CAISO, CAISO eTariff, § 36.1 (Overview of CRRs and Procurement of CRRs) (0.0.0), § 36.11)).

<sup>367</sup> *Id.* (citing CAISO, CAISO eTariff, app. DD, § 11 (Interconnection Financial Security) (10.0.0), § 11.4.1.1; *id.* § 14 (PTOs Interconnection Facilities and Network Upgrades) (12.0.0), § 14.3; *id.* app. KK, § 11 (Commercial Readiness Deposit and GIA Deposit) (0.0.0), § 11.4.1.1; *id.* § 14 (Construction and Neighboring System Impacts) (0.0.0), § 14.3).

<sup>368</sup> *Id.*

<sup>369</sup> The deposit may be in combination of the following forms: (1) an irrevocable and unconditional letter of credit issued by a bank or financial institution with a specified credit rating; (2) an irrevocable and unconditional surety bond issued by an insurance company with a specified credit rating; (3) an unconditional and irrevocable guaranty issued by a company with a specified credit rating; (4) a cash deposit standing to the credit of the applicable participating transmission owners(s) in an interest-bearing escrow account; (5) a certificate of deposit in the name of the applicable participating transmission owner(s) issued by a bank or financial institute with a specified credit rating; or (f) a payment bond certificate in the name of the applicable participating transmission owner(s) issued by a bank or financial institution with a specified credit rating. CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), § 4.2, *id.* § 11 (Commercial Readiness Deposit and GIA Deposit) (0.0.0), § 11.1.

responsibility for its assigned area delivery network upgrades, without minimum or limit.<sup>370</sup>

199. CAISO explains that this deposit amount is set at a level high enough to provide an incentive to participate for only those interconnection customers that are confident of their projects' viability under the Merchant Option. CAISO additionally asserts that the proposed deposit amounts correlate with the expected high costs of area delivery network upgrades, which relieve significant constraints on the CAISO-controlled grid.<sup>371</sup>

200. A Merchant Option interconnection customer will also have opportunity to reduce its Merchant Option deposit. If the Merchant Option interconnection customer's assigned area delivery network upgrade is approved in CAISO's transmission plan before any other interconnection customer sharing the area delivery network upgrade executes a GIA, that Merchant Option interconnection customer may reduce its Merchant Option deposit to remove the costs for that area delivery network upgrade. CAISO explains that this avoids penalizing Merchant Option interconnection customers for taking on the initial financing obligations that the transmission plan would have picked up.<sup>372</sup>

**(b) Commission Determination**

201. We accept the proposed requirements of Cluster Study Criteria 2. As discussed above with respect to CAISO's proposed zonal approach, we find that the proposed Merchant Zone process, requiring interconnection customers to self-fund network upgrades in areas where adequate transmission does not exist in exchange for transmission rights, is consistent with the Commission's interconnection pricing policy. The Commission has previously allowed RTOs or ISOs with locational pricing to require interconnection customers to bear the cost of all facilities and upgrades not needed but for the interconnection, on the understanding that providing reimbursements or service credits for network upgrades that would not be needed but for the interconnection mutes the incentive for a customer to make an efficient siting decision that accounts for transmission costs.<sup>373</sup> We find that CAISO's approach of requiring interconnection customers to self-fund area deliverability network upgrades in exchange for CRRs in Merchant Zones is consistent with the goal of encouraging efficient siting decisions.<sup>374</sup>

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<sup>370</sup> Transmittal at 45.

<sup>371</sup> *Id.*

<sup>372</sup> *Id.* at 46.

<sup>373</sup> Order No. 2003, 104 FERC ¶ 61,103 at P 695.

<sup>374</sup> *Id.*

Therefore, we accept CAISO's proposal to allow all interconnection requests in Merchant Zones seeking deliverability to proceed to the cluster study subject to the requirements of the Merchant Option.

iii. **Cluster Study Criteria 3 – Energy-Only Deliverability Eligible for Cash Reimbursement**

(a) **CAISO Filing**

202. Under Cluster Study Criteria 3, interconnection requests for energy-only deliverability status seeking eligibility for cash reimbursement for reliability network upgrades may proceed to the cluster study only where they meet certain requirements.<sup>375</sup> The interconnection request must be in a Transmission Zone where the local regulatory authority has designated for procurement a specific MW quantity of capacity with energy-only deliverability status.<sup>376</sup> CAISO will apply the scoring criteria and tiebreaking processes for Cluster Study Criteria 1 to Cluster Study Criteria 3, with four exceptions:

-CAISO will only consider the interconnection requests for energy-only deliverability status subject to Cluster Study Criteria 3, excluding all other interconnection requests submitted in the cluster application window;

-CAISO proposes a cap of 150% of the amount of energy-only resources that are eligible for cash reimbursement, instead of a cap of 150% of total available transmission capacity;

-Instead of the auction as a final tiebreaker, CAISO will include the remaining tied interconnection requests with the least interconnection service capacity until it reaches the 150% limit; and

-CAISO will allocate points for LSEs to demonstrate commercial interest differently than the point allocation in Cluster Study Criteria 1.<sup>377</sup>

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<sup>375</sup> Under section 4 of the RIS, interconnection requests that proceed to the Cluster Study based on the criteria for energy-only interconnection requests may not obtain deliverability for generating facility and any associated generating units thereafter, including without limitation through transfers, modifications, or the deliverability allocation process. CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0).

<sup>376</sup> Transmittal at 46.

<sup>377</sup> *Id.* at 47.

(1) **Cap on Interconnection Requests Studied**

203. CAISO proposes to cap capacity seeking energy-only deliverability in a Transmission Zone at 150% of the local regulatory authority MW procurement target. CAISO asserts that the 150% cap on energy-only interconnection requests is just and reasonable because these requests are historically non-existent in CAISO and projects that convert to energy-only requests after originally seeking deliverability almost never reach commercial operation (and are not “first-ready” projects that warrant being “first-served”). CAISO’s proposed cap seeks to protect against a wave of new energy-only projects as a side effect of its proposed rules for deliverable projects, while recognizing that local regulatory authorities in the West have begun contemplating some level of energy-only generation. CAISO states that it is consequently reasonable to presume that this level of procurement benefits ratepayers, and thus should operate under the same financing and reimbursement rules as deliverable projects. However, CAISO’s 150% cap in each zone keeps the number of energy-only project studied at a level commensurate with planned energy-only procurement, with a margin for competition.<sup>378</sup>

(2) **Scoring Criteria**

204. Under Cluster Study Criteria 3, CAISO proposes that LSEs must comply with the same requirements that apply to LSE points under Cluster Study Criteria 1. To determine available commercial interest points for allocation, CAISO will take the total aggregate MW of procurement of capacity with energy-only deliverability status in its most recent transmission plan, as informed by local regulatory authorities. As under Cluster Study Criteria 1, CAISO will then allocate shares of points to each LSE based upon its load ratio share in the most recent coincident peak demand forecast from the CEC. LSEs are not required to allocate all of their points, and CAISO will not redistribute forgone or otherwise unused points to other LSEs.<sup>379</sup>

205. Also, as is the case under Cluster Study Criteria 1, and based on the same rationale, for each cluster application window, an LSE may allocate points to the greater of three interconnection requests from affiliates, or no more than 25% of its points to interconnection requests from affiliates based on their requested interconnection service capacity.<sup>380</sup>

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<sup>378</sup> *Id.* at 47-48.

<sup>379</sup> *Id.* at 48.

<sup>380</sup> *Id.*

206. CAISO states that two elements of its Cluster Study Criteria 3 scoring criteria are severable from each other and the full proposal: (1) the commercial interest points provisions; and (2) the limits on LSEs' awarding of commercial interest points to affiliates.<sup>381</sup>

### (3) Tiebreakers

207. CAISO proposes that there will be no auction tiebreaker after CAISO applies the distribution factor tiebreaker under Cluster Study Criteria 3. CAISO proposes to instead include the remaining tied interconnection request(s) with the least interconnection service capacity until it reaches the 150% limit. CAISO notes that interconnection customers that lose the tiebreaker under Cluster Study Criteria 3 may elect to proceed to Cluster Study Criteria 4 for an absolute right to be studied.<sup>382</sup>

### (b) Comments and Protests

208. Shell Companies assert that CAISO has not explained its restriction that an interconnection request studied as an energy-only interconnection request cannot change its status even in a future cluster.<sup>383</sup>

### (c) Answers

209. In response, CAISO clarifies that the limitation in section 4 of the RIS does not prohibit an interconnection request initially studied as an energy-only interconnection request but later withdrawn from submitting a new interconnection request for the same project seeking deliverability in a future cluster.<sup>384</sup> CAISO explains that withdrawn interconnection requests have no effect on future interconnection requests, even if they share sites and attributes.

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<sup>381</sup> *Id.* at 55-57.

<sup>382</sup> *Id.* at 47.

<sup>383</sup> Shell Companies Protest at 21 (citing CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0), which states, “[i]nterconnection Requests that proceed to the Cluster Study based on the criteria for [e]nergy [o]nly [i]nterconnection [r]equests may not obtain [d]eliverability for that [g]enerating [f]acility and any associated [g]enerating [u]nits thereafter, including without limitation through transfers, modifications, or the [d]eliverability allocation process.”).

<sup>384</sup> CAISO Answer at 50.



210. In response to CAISO, Shell Companies state that CAISO's clarification is useful, but does not address the issue Shell Companies raised, which did not reference withdrawn interconnection requests.<sup>385</sup> Shell Companies claim that an energy only resource that completes the interconnection study process and executes a GIA should be permitted to seek deliverability status in a future cluster, even without having to first withdraw their initial interconnection position. Accordingly, Shell Companies request that the Commission direct CAISO to clarify that an interconnection request that was studied as an energy-only interconnection request may change its status in a future cluster, without having to withdraw their initial interconnection position.

**(d) Commission Determination**

211. We accept the proposed requirements of Cluster Study Criteria 3. Consistent with the discussion above with respect to Cluster Study Criteria 1, we accept CAISO's proposal to cap interconnection requests under Cluster Study Criteria 3 to 150% of the local regulatory authority MW procurement target for capacity with energy-only deliverability status in a Transmission Zone. As with the cap under Cluster Study Criteria 1, CAISO's 150% cap will provide interconnection customers the comparable ability to submit an interconnection request and compete to be studied under CAISO's proposed scoring criteria. We find that CAISO's proposed cap will keep the number of energy-only projects studied at a level commensurate with planned energy-only procurement, with a margin for competition.

212. Consistent with our discussion above of scoring criteria under Cluster Study Criteria 1,<sup>386</sup> we accept CAISO's proposal to apply the same scoring criteria to interconnection requests under Cluster Study Criteria 3, as well as the scoring criteria themselves. We find that the scoring criteria will enable CAISO to prioritize the most viable and needed interconnection requests within the cap under Cluster Study Criteria 3. We find it is reasonable to provide similar financing and cash reimbursement options to Cluster Study Criteria 1 to interconnection customers under Cluster Study Criteria 3 because these requests are also intended to satisfy the local regulatory authorities' procurement targets and benefit ratepayers.

213. For tied interconnection customers, we accept CAISO's proposal to apply the distribution factor analysis tiebreaker, and then include the remaining tied interconnection request(s) with the least interconnection service capacity until it reaches the 150% limit. We find that this proposal provides a transparent and objective process to ensure that the energy-only projects studied do not exceed the 150% cap if interconnection customers tie under the scoring criteria. We further find that CAISO's

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<sup>385</sup> Shell Companies Answer at 9-11.

<sup>386</sup> See *supra* PP 106, 114-118, 123, 174-186.

proposal to provide interconnection customers who do not satisfy the Cluster Study 3 Criteria an opportunity to proceed under Cluster Study Criteria 4 will help ensure that interconnection customers have a pathway to be studied for energy-only status.

214. Finally, we decline to direct CAISO to clarify that an interconnection request that completes the interconnection study process and executes a GIA may change its status in a future cluster, without having to withdraw their initial interconnection position. As CAISO explains, interconnection requests that proceed to the cluster study based on energy-only criteria may not obtain deliverability through transfers, modifications, or the TP deliverability allocation process because “[i]nterconnection customers could proceed under the less competitive energy-only criteria to avoid competition, then receive deliverability later or after studies.”<sup>387</sup> We note that CAISO’s Tariff does, however, permit expansions of generating facilities with energy-only deliverability status to receive deliverability if their interconnection requests proceed to the cluster study based on the criteria for interconnection requests seeking deliverability.<sup>388</sup> CAISO’s Tariff also permits an interconnection customer to submit a new interconnection request for its generating facility if it seeks to be studied for deliverability in the future.

iv. **Cluster Study Criteria 4 – Energy-Only Deliverability Ineligible for Cash Reimbursement**

(a) **CAISO Filing**

215. CAISO proposes that under Cluster Study Criteria 4, interconnection requests for energy-only deliverability status in any Transmission Zone may proceed to the cluster study without having to meet the requirements under Cluster Study Criteria 3 by electing to forgo cash reimbursement for reliability network upgrades. In other words, all interconnection requests for energy-only deliverability status that are ineligible for cash reimbursement have the option to be included in the cluster study. CAISO states that these interconnection customers may receive merchant transmission CRRs associated with network upgrades they fund to ensure a reliable interconnection pursuant to the allocation provisions set forth in the Tariff.<sup>389</sup>

216. CAISO states that this option is intended to allow open access to the grid for those interconnection customers that may have no interest in meeting procurement goals and are willing to finance their projects themselves. CAISO presumes that these projects do

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<sup>387</sup> Transmittal at 29.

<sup>388</sup> CAISO, CAISO eTariff, app. KK, § 4 (Cluster Study Criteria) (1.0.0).

<sup>389</sup> Transmittal at 48-49.

not benefit ratepayers because they meet no procurement or public policy goals and, as a result, should not be entitled to cash reimbursement.<sup>390</sup>

**(b) Comments and Protests**

217. Aypa Power and Vistra state that there is no meaningful market for a project with an energy-only interconnection.<sup>391</sup> On the other hand, Clearway states that Cluster Study Criteria 4 will provide a limited alternative pathway for projects to proceed outside the cap.<sup>392</sup>

**(c) Commission Determination**

218. We accept the proposed requirements of Cluster Study Criteria 4. While protesters assert that there may be limited interest in Cluster Study Criteria 4, we find that it nonetheless provides an unfettered opportunity for interconnection requests to be studied for resources that are willing to pay for their own network upgrades but are not selected under any of the other criteria. Accordingly, we find that the availability of this option to interconnection customers helps to ensure that CAISO's interconnection process completely meets the Commission's open access requirements.

**4. Timing of Selecting Definitive of Point of Interconnection**

**a. CAISO Filing**

219. CAISO proposes to revise the section of the RIS on interconnection requests to state that the interconnection customer will select the definitive point of interconnection to be studied no later than 10 days after the close of the cluster application window.<sup>393</sup> This proposal modifies the existing provision, which states that the interconnection customer will make this selection by the end of the customer engagement window. CAISO explains that this modification is a practical necessity – CAISO must know the point of interconnection before it can apply the cluster study criteria, and allowing interconnection customers to make changes thereafter would unfairly enable

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<sup>390</sup> *Id.* at 49.

<sup>391</sup> Aypa Power Protest at 6; Vistra Protest at 14.

<sup>392</sup> Clearway Comments at 4.

<sup>393</sup> Transmittal at 25 (citing CAISO, CAISO eTariff, app. KK, § 3 (Interconnection Requests) (1.0.0), § 3.1; *id.* § 6 (Cluster Study Process) (1.0.0), §§ 6.1.2, 6.7.1.1).

interconnection customers to be screened based on one set of constraints and then move to another point of interconnection.<sup>394</sup>

**b. Comments**

220. Shell Companies oppose CAISO's proposal to require interconnection customers to select the point of interconnection to be studied no later than 10 days after the close of the cluster application window. Shell Companies state that there may be unknown issues with a requested point of interconnection that an interconnecting transmission owner may be unaware of. Shell Companies argue that CAISO should wait for the completion of the scoping meeting before initiating the cluster study process because it is critical for the interconnection customer to coordinate with the interconnecting Transmission Owner prior to finalizing the project's point of interconnection. Shell Companies state that CAISO's proposal conflicts with Order No. 2023, which allows an interconnection customer "to submit its interconnection request with a proposed point of interconnection, participate in the scoping meeting during the customer engagement window, and receive feedback on its proposed point of interconnection."<sup>395</sup> Therefore, Shell Companies state that the Commission should require CAISO to revise its proposed Appendix KK, section 3.1 to allow the interconnection customer to change its requested point of interconnection within 10 days from the date of the scoping meeting, at which the interconnection customer and interconnecting Transmission Owner can determine whether a requested point of interconnection needs to be moved to facilitate interconnection.<sup>396</sup>

**c. Answers**

221. CAISO states that limiting the right of interconnection customers to finalize the point of interconnection no later than 10 days after the close of a cluster application window is necessary to allow CAISO to undertake initial screenings of interconnection requests based on a fixed set of constraints. CAISO argues that allowing customers to change points of interconnection later in the process would unfairly enable some projects to be screened based on one set of constraints and then alter assumptions on which those projects were initially evaluated. CAISO argues that this provision qualifies as an independent entity variation from the Order No. 2023 approach to changing points of interconnection because it enables CAISO to address the unique regional challenges through its widely supported zonal approach to reform. According to CAISO, Shell

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<sup>394</sup> *Id.*

<sup>395</sup> Shell Companies Protest at 22-24 (quoting Order No. 2023, 184 FERC ¶ 61,054 at P 201).

<sup>396</sup> *Id.* at 24.

Companies' proposal would push back the application of screening criteria, making the proposed process far slower and more cumbersome. CAISO states that it should be allowed to implement this approach and make any necessary modifications after gaining experience from Cluster 15.<sup>397</sup>

222. In response, Shell Companies assert that while CAISO's concern about undertaking initial screenings based on a fixed set of constraints may be valid, CAISO should find a way to address it that does not put interconnection customers in an impossible position.<sup>398</sup> Shell Companies also claim that CAISO's argument about allowing customers to change points of interconnection later in the process is misplaced, because this concern should not exist in a longer window if this concern does not exist in the 10-day window.

**d. Commission Determination**

223. We accept CAISO's proposal as to the timing for selecting a definitive Point of Interconnection. Shell Companies are correct that CAISO's proposal is inconsistent with the requirement established in Order No. 2023, which allows interconnection customers until the execution of the cluster study agreement (which is required by the end of the customer engagement window) to select a definitive point of interconnection.<sup>399</sup> However, we find CAISO's proposal just and reasonable because it enables CAISO to have a firm cluster of projects with definitive points of interconnection before it begins applying the scoring criteria and tiebreakers, which will eliminate the need for CAISO to re-administer the scoring criteria or tiebreakers for the cluster to accommodate an interconnection customer's late request to change a requested point of interconnection. We agree with CAISO that its proposal provides developers flexibility to update their interconnection requests without enabling them to create what are effectively new interconnection requests that would impact the results of other interconnection customers and/or cause delays.

**5. Partially Deliverable Resources**

**a. CAISO Filing**

224. CAISO proposes to score partially deliverable, mixed-fuel resources (e.g., hybrid and co-located solar and storage) based on their interconnection service capacity, rather

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<sup>397</sup> CAISO Answer at 47-48.

<sup>398</sup> Shell Companies Answer at 8-9.

<sup>399</sup> Order No. 2023, 184 FERC ¶ 61,054 at P 200; *pro forma* LGIP section 3.1.2 (Submission).

than the amount of energy that is deliverable. CAISO states that partial capacity deliverability status generators are generally mixed-fuel resources seeking deliverability for one of their generating units but not the other. CAISO proposes that any interconnection customer seeking deliverability in any amount will need to go through either the Deliverable Option or Merchant Option process, rather than be treated as a resource with energy-only deliverability status.<sup>400</sup>

225. CAISO explains that it is not possible to screen a single interconnection request under two sets of cluster study criteria simultaneously. CAISO further explains that this approach ensures customers cannot submit dual interconnection requests for the same project to see which may be successful, and that capacity with energy-only deliverability status is genuine and not meant to circumvent the screens for deliverable projects. In addition, CAISO asserts that this approach prevents interconnection customers from circumventing the energy-only screening criteria to avoid competition by using a small amount of deliverability for a large project.<sup>401</sup>

226. CAISO states that the scoring of partial capacity deliverability status generators under the cluster study criteria is severable.<sup>402</sup>

**b. Comments**

227. CEAs argue that CAISO's scoring proposal is unduly discriminatory against partially deliverable resource classes and would produce unjust and unreasonable rates.<sup>403</sup> CEAs explain that mixed-fuel resources are increasingly seeking different deliverability for different fuels whereby interconnection customers seek full deliverability for energy storage systems, and partial energy-only deliverability for their leftover solar energy capacity, which typically provides less capacity value per MW of interconnection service than energy storage. CEAs further argue that, by requiring interconnection customers seeking any amount of deliverability to pursue the deliverability only criteria, CAISO ignores these resources' characteristics and effectively treats them as if they were seeking deliverability for their entire capacity. Clearway similarly asks the Commission to accept CAISO's filing on the condition that CAISO modify its approach for resources seeking partial deliverability to apply the appropriate scoring criteria based on the interconnection

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<sup>400</sup> Transmittal at 53, 56-57.

<sup>401</sup> *Id.* at 53.

<sup>402</sup> *Id.* at 56-57.

<sup>403</sup> CEAs Protest at 9-10.

service requested for each portion of the project.<sup>404</sup> CEAs explain that the LSE commercial interest points compound the problem because LSEs would have separate deliverability and energy-only interest-point buckets and are incentivized to allocate deliverability points to projects that would provide them the most deliverability.

**c. CAISO Answer**

228. CAISO reiterates that it is not possible for CAISO to screen a single interconnection request under two sets of cluster study criteria simultaneously. CAISO states that because this issue affects a small number of interconnection customers-- less than five percent of Cluster 15—there is not a sufficient justification to provide an open path for what will result in broad gaming of the screening criteria. CAISO indicates that it is committed to evaluating the impacts on each type of resource and making any necessary enhancements to continue to ensure a level playing field before the next cluster window.<sup>405</sup>

**d. Commission Determination**

229. We accept CAISO's proposed treatment of mixed-use partially deliverable resources. As CAISO explains, the treatment of mixed-use resources is the result of CAISO's proposal to require that any interconnection request seeking any amount of deliverable capacity pursue Cluster Study Criteria 1 or 2 and the fact that it is not possible for CAISO to screen a single interconnection request under two sets of cluster study criteria simultaneously.<sup>406</sup> We agree with CAISO that this provision serves an important purpose of making sure that interconnection requests are unable to bypass the restrictions CAISO seeks to impose on interconnection requests entering the interconnection queue.<sup>407</sup> Allowing the energy-only portion of an interconnection request to be studied separately under Cluster Study Criteria 3 or 4 from the deliverable portion of the interconnection request under Cluster Study Criteria 1 or 2 could cause the interconnection queue to expand and thereby undermine a primary goal of CAISO's proposal.

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<sup>404</sup> Clearway Comments at 2.

<sup>405</sup> CAISO Answer at 46-47.

<sup>406</sup> Transmittal at 53-54.

<sup>407</sup> *Id.*

230. In response to Clearway's and CEAs' arguments that CAISO's proposal is either unsupported or unduly discriminatory against partially deliverable resources classes,<sup>408</sup> we first reiterate that such partially deliverable mixed-use interconnection customers are not barred from entering the interconnection queue. CAISO's proposal does not restrict entry into the cluster study under Cluster Study Criteria 2 and 4. Second, CAISO's interconnection queue management proposal is designed to allocate scarce deliverability by giving priority to interconnection requests aligned with priority zones where transmission capacity exists or has been approved for development.<sup>409</sup> To achieve this design, CAISO's proposed scoring approach rewards interconnection customers seeking more deliverable capacity over interconnection customers seeking less deliverable capacity. A mixed-use resource that does not seek deliverability for all of its capacity will necessarily receive a lower score. Consistent with our acceptance of CAISO's proposed cap on the study of interconnection requests,<sup>410</sup> we disagree that CAISO's scoring mechanism is unduly discriminatory and would produce unjust and unreasonable rates. CAISO's proposed scoring criteria would apply equally to resources seeking both full and partial deliverability. However, by incentivizing prospective interconnection customers to seek more deliverable capacity, and disincentivizing resources seeking less deliverable capacity from entering the cluster study for deliverability in Deliverable Zones, CAISO's proposal would help address California resource adequacy requirements, which generally require deliverable resources.<sup>411</sup>

231. With regard to CEAs' argument that CAISO's proposed scoring mechanism overlooks important benefits from mixed-use resources,<sup>412</sup> we agree with CAISO that this proposal aligns with its MOU with CPUC, and we find that it is reasonable to incentivize resources with energy-only deliverability status in areas where CPUC or local regulatory authorities have indicated a need for such resources.<sup>413</sup>

232. Finally, CAISO explains that it is committed to evaluating the impacts on each type of resource, and making any necessary enhancements to continue to ensure a level

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<sup>408</sup> CEAs Protest at 9-12; Clearway Comments at 9-11.

<sup>409</sup> Transmittal at 4.

<sup>410</sup> *See supra* PP 91-98.

<sup>411</sup> *See, e.g.*, CAISO, CAISO eTariff, § 40.4.6 (Reductions for Deliverability) (16.0.0), § 40.4.6.1.

<sup>412</sup> CEAs Protest at 10-11.

<sup>413</sup> Transmittal at 54.



playing field before the next cluster window.<sup>414</sup> CAISO also indicates that “the treatment of such generating facilities could be modified on compliance with a Commission order accepting other tariff revisions” contained in its proposal. However, CAISO has not provided details regarding how, on compliance, it would modify its proposed treatment of mixed-use partially deliverable resources. We anticipate that after CAISO gains experience implementing the proposal, CAISO will consider and may propose refinements to its treatment of partially deliverable resources in its interconnection process. To provide additional transparency to the Commission and interested stakeholders regarding CAISO’s proposal, we direct CAISO, for Cluster 15 and Cluster 16, within 60 days of determining which interconnection requests proceed to the cluster study, to submit an informational report that details for each criterion (1-4): (1) the MW of interconnection capacity that has qualified for the cluster study; (2) the number of proposed generating facilities that have qualified for the cluster study; and (3) the number of interconnection requests and MW of interconnection capacity that have qualified for the cluster study by fuel type, including which requests are partially deliverable resources.<sup>415</sup>

## **6. Application to Cluster 15**

### **a. CAISO Filing**

233. CAISO proposes to implement the zonal approach beginning with Cluster 15, which has been suspended since mid-2023. CAISO states that its approach provides flexibility in the timeline for Cluster 15 to provide more time for the first participants in the LSE allocation process to manage and adjust to these new processes as well as those presented in Order No. 2023.<sup>416</sup> CAISO additionally states that after it gains experience with Cluster 15, it intends to file additional Tariff revisions to set more granular processing timelines for Cluster 16 and future clusters within the customer engagement window.<sup>417</sup>

234. CAISO proposes to change the study procedures and timelines that apply to Cluster 15 under the GIDAP. Based on the October 1, 2024 effective date proposed in its

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<sup>414</sup> CAISO Answer at 47.

<sup>415</sup> These informational filings will not be noticed for comment or require Commission action.

<sup>416</sup> *Id.* at 44.

<sup>417</sup> *Id.* at 44-45.

Order No. 2023 Compliance Filing to resume Cluster 15,<sup>418</sup> CAISO proposes to notify interconnection customers by February 12, 2025, indicating that they either satisfied the scoring criteria, must participate in an auction, or failed the scoring criteria. Cluster 15 interconnection customers participating in an auction must submit bids by February 26, 2025, and CAISO will notify the interconnection customers of the results of their auctions by March 5, 2025. CAISO states that these processes are the equivalent of customer engagement for Cluster 15.<sup>419</sup>

235. When the Commission accepted CAISO's proposal to pause Cluster 15 in 2023, the Commission accepted a new Tariff provision, GIDAP section 17, Cluster 15 Unique Procedures, which applied exclusively to Cluster 15. In relevant part, section 17.1(b) allowed Cluster 15 interconnection customers to make limited modifications to their interconnection requests once Cluster 15 resumed, to reflect changes to generating technology or fuel, or to add or increase storage capacity.<sup>420</sup> Section 17(b) additionally provided that CAISO would not accept any modification under that section that would result in an increase to the interconnection service capacity requested.<sup>421</sup> In the instant filing, CAISO proposes to further modify section 17.1(b) to enable Cluster 15 interconnection customers to make additional revisions when Cluster 15 resumes in October 2025 before CAISO begins to process them through the cluster study criteria. Interconnection customers may change points of interconnection within the same Transmission Zone and may change the requested Deliverability Status. CAISO also proposes to revise section 17.1(b) to add a prohibition against increasing the deliverability requested.<sup>422</sup>

236. CAISO states that the proposed modifications that Cluster 15 interconnection customers may make to their interconnection requests before CAISO begins to apply the

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<sup>418</sup> Pursuant to the proposed tariff changes in CAISO's Order No. 2023 Compliance Filing, Cluster 15 interconnection customers may submit limited modifications to their interconnection requests between October 1, 2024 and December 1, 2024. CAISO, CAISO eTariff, app. DD, § 17 (Cluster 15 Unique Procedures) (2.0.0), § 17.1.

<sup>419</sup> Transmittal at 44.

<sup>420</sup> Order Pausing Cluster 15, 184 FERC ¶ 61,069 at PP 9, 19.

<sup>421</sup> CAISO, CAISO eTariff, app. DD, § 17 (Cluster 15 Unique Procedures) (0.0.0), §17.1.

<sup>422</sup> CAISO, CAISO eTariff, app. DD, § 17 (Cluster 15 Unique Procedures) (3.0.0), § 17.1. Section 17.1 states that except for this section 17, Cluster 15 will be subject to the RIS and not the GIDAP.

cluster study criteria were based on the modifications typically allowed during the customer engagement window. CAISO explains that these provisions provide developers flexibility to update their projects without enabling them to create what are effectively new or larger interconnection requests. CAISO further explains that allowing significant changes to points of interconnection all over the CAISO system likely would result in effectively new projects competing with projects that originally proposed to interconnect in an area. CAISO asserts that, because this would be an unfair result, CAISO proposed to carry over the existing rule requiring changes to points of interconnection only within the same Transmission Zone.<sup>423</sup>

237. CAISO states that the set of permissible modifications for Cluster 15 are severable. CAISO explains that if the Commission rejects or modifies these limitations, CAISO can still screen Cluster 15 interconnection requests based on the cluster study criteria.<sup>424</sup>

**b. Comments**

238. NextEra asserts that the zonal approach should not be applied to Cluster 15 because doing so would irreparably harm the commercial readiness of Cluster 15 projects and may violate the rule against retroactive ratemaking. NextEra argues that retroactively applying the zonal approach to Cluster 15 makes “ready” Cluster 15 projects less “ready.” NextEra asserts that developers will be forced to abandon exclusive land rights contracted to obtain 90% site control and may need to cease permitting and commercial contracting efforts.<sup>425</sup> NextEra further argues that, due to the very short timeline to choose a new point of interconnection, it will be challenging to find and contract new exclusive land rights to meet readiness requirements. Additionally, NextEra states that, if a point of interconnection change brings the project to another county, then previously relied upon permitting readiness is void and the project is less ready. Additionally, NextEra contends that the new rules eliminate the ability of interconnection customers in Cluster 15 to be studied anywhere on the grid, which causes them to be “locked in” to the retroactively designated Transmission Zone where they submitted a Cluster 15 application, even though that application has not been validated and the scoping meeting has not been held. As a result, NextEra argues that many commercially ready projects in Cluster 15 will be relegated to Merchant Zone status and forced to self-finance network upgrades or withdraw, even though they have demonstrated

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<sup>423</sup> Transmittal at 56.

<sup>424</sup> *Id.*

<sup>425</sup> NextEra Protest at 9.

90% site control and would otherwise have a right to be studied with the benefit of the Commission's interconnection pricing policy.<sup>426</sup>

239. NextEra asserts that applying the zonal approach to Cluster 15 may violate the rule against retroactive ratemaking because the zonal approach was not the rate on file in April 2023 when Cluster 15 interconnection requests were submitted, and Cluster 15 interconnection customers did not receive notice of the proposed changes in the instant filing until nearly a year after the Cluster 15 interconnection requests were filed. NextEra asserts that CAISO should have used the procedures in its Order No. 2023 Compliance Filing to evaluate and study Cluster 15 interconnection requests because Cluster 15 interconnection customers had formal notice that the CAISO Order No. 2023 Compliance Filing would apply to Cluster 15.<sup>427</sup> NextEra additionally indicates that validating Cluster 15 interconnection requests based solely on the requirement in Order No. 2023 to have 90% site control requirement would, by itself, greatly reduce the volume of Cluster 15 interconnection requests.<sup>428</sup>

240. NextEra requests that the Commission reject the filing as applied to Cluster 15 and order CAISO to evaluate and study Cluster 15 with its Order No. 2023 compliant interconnection procedures. Alternatively, if the Commission finds the zonal approach application to Cluster 15 to be legally sufficient, NextEra requests that the Commission condition any approval on a compliance filing requiring CAISO to remove LSE commercial interest points from the Cluster Study Criteria, and rely only on the distribution factor analysis, and if needed, the market clearing auction.<sup>429</sup>

**c. CAISO Answer**

241. CAISO states that NextEra's argument that application of the zonal approach to Cluster 15 will violate the filed rate doctrine and the rule against retroactive ratemaking is meritless. CAISO states that no violation of the filed rate doctrine or the rule against retroactive ratemaking exists here because interconnection customers in Cluster 15 had sufficient notice that the Tariff was subject to change and that the changes will go into effect prospectively. CAISO notes that the public announcements surrounding Track 2 of the 2023 IPE Initiative have been clear that the reforms would apply to Cluster 15 and

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<sup>426</sup> *Id.*

<sup>427</sup> *Id.* at 1, 10.

<sup>428</sup> *Id.* at 6.

<sup>429</sup> *Id.* at 7.

that the Commission's order suspending Cluster 15 also stated that CAISO was developing new procedures to apply to that Cluster.<sup>430</sup>

242. CAISO states that the Commission allows interconnection queue processes to be modified on a transitional basis, and the Commission has rejected arguments that the filed rate doctrine requires CAISO to evaluate projects in its transmission planning process under Tariff provisions in effect at the time the projects were submitted to CAISO, in the absence of Tariff language that expressly grandfathers such projects under the previously effective tariff provisions.<sup>431</sup> CAISO states that the Tariff defines itself as one that "may be modified from time to time," and that NextEra has not cited to any Tariff provisions indicating that Cluster 15 would be subject, after the suspension ends, to anything other than the currently effective Tariff provisions applicable at the relevant time, just like all other parties under the Tariff are subject to the currently effective provisions unless otherwise specified.<sup>432</sup>

243. Regarding NextEra's argument that Cluster 15 interconnection requests do not have the same ability to elect points of interconnection as will be available to later clusters, CAISO states that Cluster 15 requests were submitted based on the general understanding that CAISO was undertaking interconnection enhancements. According to CAISO, allowing Cluster 15 interconnection customers to change their points of interconnection to a different zone would be like allowing customers to submit a new interconnection request. CAISO argues that this is a transitional measure, comparable to the Commission-mandated transition process for the reforms in Order No. 2023. CAISO asserts that it has provided an opportunity to withdraw interconnection requests in

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<sup>430</sup> CAISO Answer at 51-52. CAISO states that market participants were put on notice that Cluster 15 would be subject to enhancements because, in May 2023, CAISO began Track 2 of the 2023 IPE Initiative by issuing a paper discussing reforms that would apply to Cluster 15. CAISO notes that in contrast, NextEra states that notice was sufficient for application of CAISO's Order No. 2023 compliance proposal to Cluster 15, when Order No. 2023 was issued in July 2023, and CAISO's Order No. 2023 Compliance Filing was filed with the Commission in May 2024. CAISO additionally notes that an August 2023 Tariff amendment suspended Cluster 15 to "enable CAISO [to] work with stakeholders to develop meaningful reforms for processing Cluster 15." *Id.* (citing Order Pausing Cluster 15, 184 FERC ¶ 61,069 at PP 19-20).

<sup>431</sup> CAISO Answer at 51-54 (citing *Critical Path Transmission LLC v. Cal. Indep. Sys. Operator Corp.*, 135 FERC ¶ 61,031, at P 37 (2011)).

<sup>432</sup> *Id.* at 52-54.

Cluster 15 without consequences, and consequently its proposal is consistent with Order No. 2023.<sup>433</sup>

244. CAISO argues that there are compelling practical reasons why the Commission should allow the treatment of Cluster 15 proposed in the instant filing. CAISO states that given the 541 interconnection requests totaling 367 GW submitted in Cluster 15, processing them subject only to the Tariff revisions proposed in CAISO's Order No. 2023 Compliance Filing is likely to lead to inaccurate study results with little meaning. CAISO argues that the Commission should not compel CAISO to deploy resources inefficiently in this way, particularly when all commenters other than a few developers favor all or most of CAISO's proposed reforms.<sup>434</sup>

**d. Commission Determination**

245. We accept CAISO's proposed revisions to the study procedures and timelines that apply to Cluster 15 under the GIDAP. CAISO has demonstrated that applying the proposed revisions to Cluster 15 will enable CAISO to effectively process the largest queue cluster it has ever received.

246. We disagree with NextEra that CAISO's proposal to apply the zonal approach to Cluster 15 violates the rule against retroactive ratemaking. Since the order accepting CAISO's request to pause Cluster 15, projects in the cluster have been on notice that the procedures under which they would be processed were subject to change.<sup>435</sup> In past queue reform proceedings, the Commission has required the transmission provider to consider the interests of interconnection customers that have proceeded to the point of receiving interconnection study results,<sup>436</sup> however, we note that work on Cluster 15 was paused and those interconnection customers have not received interconnection study results. In addition, CAISO proposes to implement the tariff provisions prospectively.

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<sup>433</sup> *Id.* at 48-49.

<sup>434</sup> *Id.* at 54-55.

<sup>435</sup> *See, e.g.,* Order Pausing Cluster 15, 184 FERC ¶ 61,069 at P 7 (“CAISO asserts that pausing Cluster 15 will allow CAISO and its transmission owners to . . . develop enhanced procedures in 2023 for the new reality of voluminous cluster studies, including Cluster 15.”).

<sup>436</sup> *Pub. Serv. Comm'n of Colo.*, 169 FERC ¶ 61,182 at P 67 (finding that Public Service Company of Colorado's proposed transition process had “adequately considered the interests of interconnection customers whose requests are far along in the process.”).

The Commission orders:

- (A) CAISO's proposed tariff revisions are hereby accepted, effective October 1, 2024, as requested, as discussed in the body of this order.
- (B) CAISO is hereby directed to file informational reports for Cluster 15 and Cluster 16, as discussed in the body of this order.

By the Commission.

( S E A L )

Debbie-Anne A. Reese,  
Acting Secretary.