141 FERC ¶ 61,074
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

California Independent System Operator Corporation — Docket No. ER12-2552-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued October 31, 2012)

1. On August 30, 2012, the California Independent System Operator Corporation (CAISO) filed tariff revisions to modify its transmission planning process. The result of the revisions will be to broaden the scope of transmission upgrades or additions that can be approved by CAISO management and proceed to competitive solicitation, permitting and construction before the CAISO governing board approves CAISO's annual transmission plan. As discussed below, this order accepts CAISO's proposed tariff revisions, effective October 30, 2012, as requested.

I. Background and CAISO Filing

2. On December 21, 2010, the Commission accepted tariff changes to implement CAISO's revised transmission planning process (RTPP).[1] CAISO states that the RTPP introduced a new distinction between transmission upgrades and additions needed to address reliability concerns, which are proposed by participating transmission owners, and transmission upgrades and additions identified in the CAISO study process as policy-driven or economically-driven. Prior to the RTPP, all transmission upgrades and additions were generically referred to as "projects." Under the RTPP, transmission upgrades and additions that are policy or economically-driven and are subject to the competitive bidding process are now referred to as "elements." Meanwhile, transmission upgrades and additions that are reliability-driven and are financed, constructed, and owned by a participating transmission owner are still referred to as "projects."

[1] *Cal. Indep. Sys. Operator Corp.*, 133 FERC ¶ 61,224 (2010).

3. According to CAISO, this change in terminology affected an existing provision in its tariff related to the expedited approval of certain transmission projects. CAISO notes that section 24.4.10 of its tariff, which had been approved prior to the RTTP, included a provision that authorized CAISO management to approve transmission "projects" costing $50 million or less. Because these reliability projects are not subject to competitive solicitation, they could then proceed to permitting and construction prior to the CAISO Board approving the transmission plan of which they were a part.

4. CAISO notes that the RTPP tariff revisions did not add a provision authorizing the expedited approval of transmission "elements" to that tariff section to correspond with the changes in terminology.[2] Therefore, CAISO argues that tariff revisions are necessary to permit policy-driven and economically-driven transmission upgrades and additions to receive expedited approval.

5. To accomplish this, CAISO states that it will identify elements for accelerated treatment in Phase 2 of its transmission planning process and present them to stakeholders during a stakeholder meeting.[3] Prior to that meeting, CAISO will provide stakeholders with information about the specific elements, the need for urgency, and the alternatives considered.[4] Stakeholders would be able to provide written comments to CAISO after this stakeholder meeting.

6. After the stakeholder meeting, the CAISO board of governors would be briefed in a public meeting on all the projects that have been recommended to be submitted to CAISO management for accelerated approval. Stakeholders would have the opportunity at that meeting to submit comments directly to the board for consideration. Approved elements will be subject to the two month competitive solicitation process. CAISO states that the rest of the schedule for project sponsor selection and results posting would be provided by market notice.[5]

7. CAISO proposes to allow policy or economically-driven transmission elements with capital costs of less than $50 million to receive expedited approval

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[2] CAISO explains that the tariff section involved in its current request is section 24.4.10. According to CAISO, the RTPP renumbered and made non-substantive changes to this tariff provision, but it remains substantially identical to the pre-RTPP provisions. CAISO Transmittal Letter at 3.

[3] Attachment A-"Draft Final Proposal" at 5.

[4] *Id.*

[5] *Id.*

if: (1) there is an urgent need to approve the elements ahead of the schedule established by the business practice manual; (2) there is a high degree of certainty that approval of the element will not conflict with other projects or elements being considered in the transmission plan; and (3) the need to accelerate an element is driven by CAISO's study processes or by external circumstances. The revisions also provide that following CAISO management approval, expedited transmission elements would begin the two-month competitive solicitation process, where potential project sponsors submit proposals to finance and construct the transmission elements, and follow an accelerated project sponsor selection process described in the business practice manual.

8. CAISO states that, in addition to the need to correct the discrepancy in tariff language, it has submitted these tariff revisions in response to recommendations by the California Public Utilities Commission and the California Energy Commission. Specifically, CAISO explains that these agencies suggested that it might be appropriate to expedite the approval of certain low cost transmission upgrades needed to access renewable resources in the Imperial Irrigation District.[6]

9. CAISO explains further that its proposed tariff revisions were developed in conjunction with a stakeholder process. According to CAISO, stakeholders were generally in agreement with the approach taken by CAISO's proposed tariff revisions. CAISO states that it will work with stakeholders to address any concerns regarding the details of the regularly scheduled approval process and the proposed accelerated competitive solicitation process for inclusion in CAISO's business practice manual.

10. CAISO states that it submits this proposal in advance of its filing in compliance with Order No. 1000[7] because it seeks to implement the revisions in the instant filing for the current 2012/2013 transmission planning cycle, which would not be possible if it included the revision along with its Order No. 1000 compliance filing. CAISO states that there will be additional revisions to the tariff sections addressed in the instant filing to comply with Order No. 1000, but the basic construct for management approval of projects and elements with capital

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[6] CAISO Transmittal Letter at 4.

[7] *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 76 Fed. Reg. 49,842 (Aug. 11, 2011), FERC Stats. & Regs. ¶ 31,323 (2011).

costs of less than $50 million will not be affected by the Order No. 1000 compliance filing.

II. Notice and Responsive Pleadings

11. Notice of CAISO's Filing was published in the *Federal Register*, 77 Fed. Reg. 56,831 (2012), with interventions and protests due on or before September 20, 2012.

12. Timely motions to intervene were filed by Southern California Edison Company, Pacific Gas & Electric Company, Modesto Irrigation District, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California. The California Department of Water Resources State Water Project (State Water Project) filed a motion to intervene that included comments. CAISO filed an answer to State Water Project's Motion to Intervene and Comments.

III. Discussion

A. Procedural Matters

13. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2012), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Matters

1. State Water Project's Comments

14. State Water Project generally supports CAISO's proposed tariff revisions, but it believes that additional clarification is required. Specifically, State Water Project requests that CAISO clarify that the projects affected by CAISO's proposed tariff revisions will be high voltage or regional transmission, as those terms are used in CAISO's tariff. State Water Project also seeks clarification as to whether the accelerated schedule revisions involve any acceleration other than bypassing ordinary approval by CAISO's board.

15. Additionally, State Water Project requests that CAISO provide more explanation justifying the use of CAISO's proposed tariff changes. Specifically, State Water project questions why economically-driven upgrades should be included for possible accelerated treatment, because such economically-driven upgrades are unlikely to present emergency circumstances.[8]

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[8] State Water Project Comments at 2.

16. Finally, State Water Project requests an explanation as to why the CAISO board cannot just vote to approve the transmission upgrades or additions (at the time it is briefed on the transmission upgrades or additions that are subject to the accelerated process prior to management approval.

2. CAISO's Answer

17. In response to State Water Project's first request for clarification, CAISO states that the proposed tariff revisions will apply to both high voltage facilities and low voltage facilities. CAISO notes that the proposed tariff revisions do not affect CAISO's existing cost allocation methodology.

18. In response to State Water Project's request for clarification as to the circumstances under which the accelerated process might be utilized, CAISO states that the provisions have been left intentionally broad. CAISO argues that the need for expedited approval might come from a variety of sources, including participating transmission owners, independent transmission developers, market participants, state agencies or other policy-makers. CAISO states that the need for expedited approval will be vetted either at a regularly scheduled stakeholder meeting or a special conference or meeting.

19. In response to State Water Project's request for clarification as to whether the proposed tariff revisions envision accelerating processes other than board approval, CAISO states that additional processes could be accelerated. According to CAISO, the proposed tariff revisions allow it to accelerate the competitive solicitation process as well.[9]

20. Finally, in response to State Water Project's question as to why the CAISO's board of governors cannot approve accelerated projects when it is briefed on them, CAISO states that the intent of the board presentation is not to brief the board on each individual element so that they can consider it for approval, but, rather, to allow stakeholders to present concerns to the board. CAISO states that the intent of the proposal is to allow management to evaluate the proposals for acceleration, and that CAISO's management may decide, in the end, to reject a proposal for acceleration even if no stakeholder concerns are raised.

21. CAISO's answer notes that State Water project's comments did not include either a request to reject CAISO's proposed tariff revisions or alternative language to implement any of the requested clarifications.

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[9] CAISO Answer at 5-6.

3. Commission Determination

22. Under CAISO's proposal, CAISO management would have the ability to expedite any transmission element under $50 million, but CAISO will adequately inform stakeholders of the proposed transmission element upgrades or additions and allow for written comment before it is approved by CAISO management. Once approved by CAISO management, the transmission element can proceed to permitting and construction prior to the governing board's review and approval of CAISO's comprehensive transmission plan, which plan would include the accelerated projects.

23. The Commission finds that CAISO's tariff revisions will allow its management, if necessary, to expeditiously approve smaller (under $50 million) transmission elements to meet policy or economic goals, consistent with the authority it has under the current tariff to expedite smaller (under $50 million) transmission projects to meet reliability goals. Moreover, the conditions established by CAISO, including the opportunity for stakeholder comment, will ensure that qualified projects and elements will have no adverse impact on CAISO's transmission planning process or competitive solicitation process.... Accordingly, we find CAISO's tariff revisions to be just and reasonable and will accept them.[10]

24. The Commission finds that there is no reason to limit applicability of CAISO's proposed tariff revisions to high voltage facilities. State Water Project did not offer a rationale to support such a limitation and we find no reason to impose such a limitation.

25. The Commission agrees with CAISO that refinement in its business practice manual of the accelerated process envisioned in the tariff revisions is an appropriate means of clarifying implementation of the accelerated competitive solicitation process. CAISO points to a variety of stakeholders who may have an interest in accelerating the approval of transmission upgrades or additions in order to integrate infrastructure development. We find that accelerating the approval of elements as proposed by CAISO is desirable and no party has argued to the

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[10] The Commission's action today on CAISO's tariff revisions comes in advance of our review of CAISO's Order No. 1000 compliance filing. Our determination here is therefore made in the context of the existing CAISO transmission planning process, and not in the context of CAISO's revisions to comply with Order No. 1000. Our action here is not meant to prejudge whether these tariff sections comply with Order No. 1000. That determination will be made in the context of all CAISO's revisions in compliance with Order No. 1000.

contrary. Moreover, because the purpose of briefing CAISO's board prior to management approval is to allow stakeholders an early opportunity to present their concerns, we find no basis on this record to require CAISO's board to grant final approval of elements subject to the accelerated process at the time the board is initially briefed on them.

The Commission orders:

CAISO's proposed tariff revisions are hereby accepted, to be effective October 30, 2012, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.