California ISO’s Compliance with FERC Order 1000

Lorenzo Kristov, Ph. D.
Principal, Market and Infrastructure Policy

HEPG Meeting
October 11, 2012
FERC Order 1000 promotes enhanced regional and interregional transmission planning.

- Builds on previous orders regarding transmission planning (Order 890 in particular)
- Requires improved regional and interregional transmission planning processes
- Adds public policy considerations as a basis for transmission expansion
- Requires cost allocation for new regional and interregional transmission to align with benefits
- Promotes and expands competition for the development of new transmission facilities
- Requires two compliance filings – regional issues and interregional issues
CAISO is already largely compliant with regional requirements based on 2010 reforms.

• CAISO qualifies as a regional planning entity
  – Participating public utility transmission providers include three major IOUs and several smaller public utilities

• Existing regional cost allocation, with minor adjustments, is expected to be compliant

• 2010 comprehensive transmission planning process reforms anticipate key Order 1000 requirements
  – New public policy-driven category of transmission expansion
    • Practical process for incorporating public policy mandates as transmission planning objectives
  – Competitive solicitation for independent developers to build and own public policy and economic transmission elements, and reliability projects with incidental economic or policy benefits
CAISO is filing key transmission planning revisions to comply with regional requirements of Order 1000.

- **Current cost allocation (transmission access charge):**
  - High voltage (>= 200 kV) postage-stamp rate for ISO area
  - Low voltage (< 200 kV) by IOU service area (PG&E, SCE, SDG&E)

- **Proposed for Order 1000 compliance:**
  - High voltage => “Regional”
  - Low voltage => “Local”
  - Low voltage connecting IOU service areas => “Regional”

- **Enhance and clarify competitive opportunities:**
  - Expand competitive solicitation to include regional reliability projects, in addition to regional public policy and economic projects
  - Local facilities and upgrades to existing facilities remain with participating transmission owners

- **Clarify and expand stakeholder consultation opportunities for discussing public policy requirements**
Most stakeholders support the CAISO’s proposal, with a few qualifications.

- Ability of CAISO to direct a participating transmission owner to complete an economic or policy driven project if initially selected developer fails to complete project

- “Regional” categorization of low voltage lines extending outside of the borders of a PTO’s service territory or footprint and connecting two PTOs

- Concern that competitive solicitation process does not provide predetermined weighting of the selection criteria
  - Some argue that cost should be the primary factor for selecting project sponsor
CAISO is now embarking on interregional compliance discussions with three western regional entities.

- Columbia Grid, Northern Tier, WestConnect and CAISO aiming for common solutions that work for all
- Two areas of focus:
  - Process for identifying, evaluating and approving potential interregional projects
  - Interregional cost allocation provisions
- Held initial process meeting on October 1, developed principles and outlined process to achieve timely filings
- Aiming to have agreement on needed design details by January 2013, then move into tariff drafting.
Too early to speculate on outcome of collaborative process on interregional compliance.

- Working hypothesis is that each region’s regional compliance filing will be accepted
- Order 1000-A clarified that a region cannot be allocated cost unless the interregional project is approved within its regional planning process
  - Interregional process being developed must allow for joint evaluation of proposed projects as well as evaluation and approval by each affected region
- Each region’s Order 1000-compliant planning process will likely be starting point for interregional considerations:
  - Criteria for determining need and approving a proposed facility
  - Aligning cost allocation with benefits
Too early to speculate on what types of interregional projects may be developed as a result.

Project types suggested to date fall into two main categories:

- **Network facilities to bring energy from remote renewable resources to California**
  - Project proponents tend to view California as sole beneficiary based on legislated renewable portfolio standard (RPS)
  - ISO finding of need for such policy-driven projects would be driven by the state’s resource procurement process

- **Long-distance gen-ties to bring energy and capacity from remote renewable resources to California**
  - Developer may fund the facility based on transmission service contracts with remote renewable generators
  - A gen-tie would probably not be an interregional transmission project.