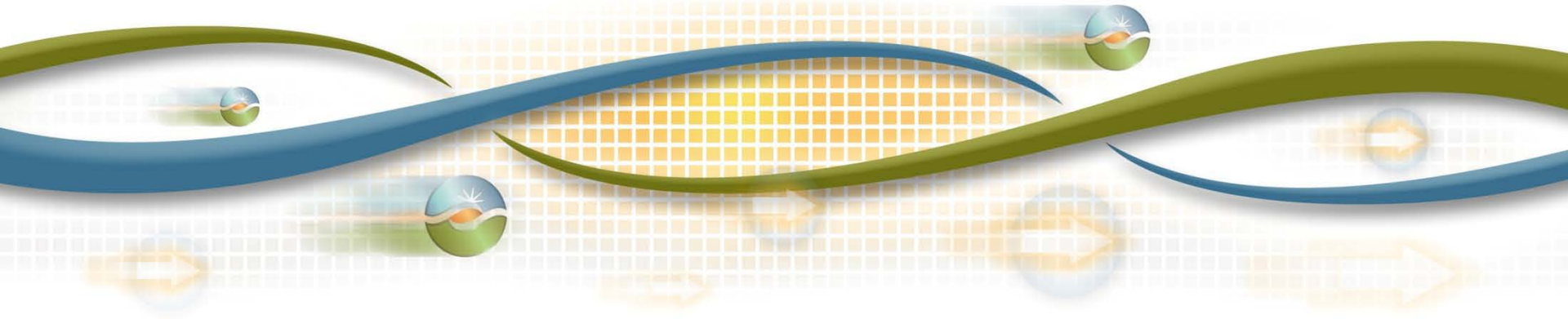


# California ISO's Compliance with FERC Order 1000

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# 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 ( $\geq 200$  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  $\Rightarrow$  “Regional”
  - Low voltage  $\Rightarrow$  “Local”
  - Low voltage connecting IOU service areas  $\Rightarrow$  “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.