

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 24, 2008

**Via Electronic Delivery**

Kimberly D. Bose, Secretary  
Office of the Secretary  
Docket Room  
Federal Energy Regulatory Commission  
888 First Street, N.E., Room 1A, East  
Washington, D.C. 20002

**Re: California Independent System Operator Corporation  
Docket No. OA08-62**

Dear Ms. Bose:

Enclosed for filing in the above-docketed case, please find an original electronic filing of the attached document entitled **“NOTICE OF INTERVENTION AND COMMENTS OF THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.”**

Thank you for your cooperation in this matter.

Sincerely,

*/s/ Laurence G. Chaset*

Laurence G. Chaset  
Staff Attorney

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

California Independent System Operator  
Corporation

Docket No. OA08-62-000

**NOTICE OF INTERVENTION AND COMMENTS OF  
THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA**

**I. INTRODUCTION**

Pursuant to Rule 214 (a) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), and the FERC’s January 3, 2008 Notice of Filing and January 7, 2008 Notice of Extension of Time, the Public Utilities Commission of the State of California (“CPUC”) hereby intervenes in the above-docketed proceedings.

These proceedings concern the filing by the California Independent System Operator Corporation (“CAISO”) for Commission approval of revisions to its existing Open Access Transmission tariff (“OATT”) to implement an updated transmission planning process that satisfies the requirements of FERC Order # 890.<sup>1</sup>

The CPUC has worked closely and collaboratively with the CAISO in the development of the tariff amendment that is the subject of the filing in this Docket.

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<sup>1</sup> See, 72 Fed. Reg. 12266 (March 15, 2007), FERC Stats. And Regs. ¶ 31, 241 (2007).

## **II. NOTICE OF INTERVENTION**

The CPUC is a constitutionally established agency charged with the responsibility for regulating electric corporations within the State of California. In addition, the CPUC has a statutory mandate to represent the interest of electric consumers throughout California in proceedings before the FERC.

Communications to the CPUC should be addressed to:

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This intervention serves to make the CPUC a party to these proceedings.

## **III. COMMENTS**

The CPUC applauds the CAISO's strides in developing a framework, including tariff changes and a Business Practice Manual ("BPM"), for enhanced, open, nondiscriminatory transmission planning that meet the nine planning principles established in FERC Order # 890. We also commend the CAISO on the detailed and open stakeholder process it conducted toward the goal of developing the filing that is the subject of this docket, and we note that the CPUC was a regular and active participant in this process.

### **A. Tariff Revisions**

Over a month ago, the CPUC Staff submitted detailed comments on an earlier

draft of the CAISO's proposed tariff revisions.<sup>2</sup> We are pleased to note that the CAISO has largely accepted the tariff revision language that the CPUC Staff submitted, and the CPUC supports the proposed tariff revisions to implement the provisions of FERC Order # 890 that the CAISO submitted on December 21, 2007.

However, there remain a number of issues associated with language in the BPM,<sup>3</sup> which may ultimately have bearing on tariff language. Specifically, some of the tariff language is stated in general terms, but its implementation will necessarily rely on more detailed procedures, which are specified in the BPM. We believe, as is discussed in more detail below, that some of these BPM procedures may require some modification or expansion. For clarity and consistency, such future revisions to the BPM may ultimately require certain changes to corresponding portions of the tariff itself.

As of this date, we have been unable to identify specific tariff language that, in our view, may require further expansion or clarification in order to properly reflect changes that we recommend be made to the BPM. We accordingly reserve the right to recommend that, at an appropriate future date, the CAISO adopt narrow and targeted conforming language changes to the tariff once the issues relating to BPM that are discussed below have been addressed and resolved.

## **B. Business Practice Manual**

We recognize that unlike the CAISO's proposed tariff changes, the BPM may

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<sup>2</sup> These proposed revisions, in their current form are set forth in Attachments A & B to the CAISO's December 21, 2007 filing in this Docket.

<sup>3</sup> The BPM was submitted as Attachment C to the CAISO's December 21, 2007 filing in this Docket.

evolve without requiring FERC approval for each individual change or update. In fact, we anticipate that this will occur, particularly as we gain experience with initial and subsequent iterations of the enhanced transmission planning process that the BPM is intended to describe. We understand, furthermore, from our informal conversations with CAISO Staff that the CAISO is open with working with its stakeholders, including the CPUC, toward the goal of modifying the BPM as necessary, both to improve the clarity of its provisions and requirements and to enhance the effectiveness of its procedures, based on the experience that will be gained once the enhanced transmission planning process gets under way.

With this understanding in mind, the CPUC offers the following constructive comments on a number of issues arising from the text of the BPM. In our view, certain limited portions of that text require clarification and, in some cases, minor revision, in order to assure that there will be minimal ambiguity in connection with how the CAISO's planning process, going forward, will be conducted, as well as to guarantee that the various elements of this new and complex planning process will fit together in a consistent and coherent manner.

**1. Definition of What Will Be Included in the Category of Economic Projects/Studies**

The BPM describes procedures, information requirements and study outcomes for different kinds of project proposals or study requests that may be brought into the annual study planning process. In some instances, these procedures, information requirements or

outcomes may depend in part on what category a particular request falls into.<sup>4</sup> If the categories are incomplete or ambiguous, this could create problems, because an entity that is considering bringing a study request or project proposal into the process might be uninformed or uncertain as to how he/she would be treated, or could be misled as to the expectations as to what he/she must bring to the process or should expect as an outcome of the process.

It is not realistic to expect perfect clarity on these points at this early stage in the CAISO's planning process. However, there are areas where greater clarity regarding these categories could be achieved now. At some places in the current version of the BPM, the category of "economic studies" is treated largely as involving alleviation of documented congestion, such as in the discussion of data requirements for economic studies in Section 3.3.5.<sup>5</sup> This is too narrow an approach. Rather, "economic studies" and the described process and criteria for conducting them need to explicitly include the full range of network upgrades for other than reliability purposes, including not only those needed to mitigate documented congestion, but also those that access new, especially renewable, resources that are needed to meet the State of California's ambitious renewable energy goals, as well as those other projects or studies that are intended to contribute to the creation of new Congestion Revenue Rights.

The CPUC fully intends to work with the CAISO and its Staff over the next

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<sup>4</sup> For example, there is a lack of clarity regarding whether a proposal or study request must or may go through the Request Window, regarding data requirements, and regarding project/study objectives and criteria for being identified as "high priority."

<sup>5</sup> See, BPM, at page 27.

months toward the development of enhanced BPM language that will effectively address this issue.

## **2. Need for Greater Clarity in Defining How Various Types of Projects and Studies Will Enter the Study Process**

The BPM specifies various ways for different categories of projects or studies to come into the annual study process. However, the BPM is unclear as to: (1) when certain kinds of study requests or projects may have a choice of multiple options to enter the process; and (2) how particular kinds of study requests or projects, entering via different routes may be treated differently, in terms of screening priority, timing of entry into the process, and information requirements. For example, in Sections 2.1.2.1, 2.1.3, 2.1.4 and in other sections of the BPM that deal with the origins and nature of different kinds of project proposals and study requests,<sup>6</sup> there should be greater consistency and clarity regarding:

- what types of projects or study requests must enter the CAISO planning process via the Request Window;
- what types may optionally enter via the Request Window and what are the restrictions and consequences for choosing an alternative route of entry;
- fuller description of other routes of entry (besides the Request Window);
- how coordination and balanced treatment of Request Window vs. non-Request Window requests is achieved, such as regarding timing of entry into the process, data requirements, screening priority and non-duplication; and

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<sup>6</sup> See, e.g., BPM, at pages 12 through 19.

- ultimately, especially as developments permit, more explicit description of the relationship between studies and projects originating within the LGIP versus studies and projects that fill similar roles, but which either originate elsewhere (*e.g.*, from the California Renewable Energy Transmission Initiative process, or from Transmission Owners) or which are actually developed within the CAISO's open, annual planning process.

Toward the goal of resolving this issue, the CAISO should, first of all, acknowledge that there is a need for further clarify in the foregoing areas, and, furthermore, it should strive to increase clarity in these areas over the next several months. The CPUC fully intends to work with the CAISO and its Staff towards this end.

### **3. Need for Greater Clarity in the Screening Process**

In the BPM, the screening process and screening criteria play a key role in winnowing study requests and project proposals coming in via the Request Window and other routes down to a manageable annual study plan. However, the BPM's description of screening process and screening criteria<sup>7</sup> requires further clarification, because, in its current formulation, it describes three categories of screening criteria, which appear to represent only a preliminary or threshold qualification step. By themselves, these three criteria may be inadequate to achieve the degree of winnowing that is necessary. For example, a large number of potential projects or studies could qualify for inclusion in a given annual study process based on the three types of criteria: "information completeness," "non-duplication," and "consistency with regional or sub-regional

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<sup>7</sup> See, BPM, at page 13.



assessments.” Thus, other criteria besides these may be necessary to achieve the required degree of winnowing that will select the studies that can be completed within the specified annual time frame. Furthermore, as noted above, it is unclear how and to what extent the screening will be simultaneously and consistently applied to projects and requests entering the process via routes other than the Request Window.

The CPUC fully intends to work with the CAISO and its Staff over the next months in order to help clarify how this screening process can work in the most effective manner.

#### **4. The Role of Non-Transmission Alternatives in the Planning Process**

The BPM allows for generation projects to be submitted for study in order to evaluate their effect “on resolving previously identified grid concerns, including Congestion....”<sup>8</sup> However, this provision is too broad. It leaves open the possibility of bringing into the transmission planning process generation procurement functions that are fundamentally the responsibility of other agencies (such as the CPUC) and of the resource procurement arms of the electric utilities and load-serving entities (“LSEs”).

Beyond the development of reasonable baseline assumptions, the role of such generation options, and also Demand-Side Management, options, in the *transmission* planning process should be limited to reliability purposes, *i.e.*, to determine whether such options can reasonably substitute for transmission that would otherwise be needed. This limited role is not intended to, and should not be allowed to, substitute for the

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<sup>8</sup> See, BPM, at page 25.

procurement planning process that the utilities and LSEs are currently engaged in under the oversight of the CPUC.

The CPUC fully intends to work with the CAISO and its Staff over the next months in order to help clarify the limited nature of the role that generation and DSM projects and resources can be expected to play on a going forward basis in the Order # 890 transmission planning process.

### **5. The Role of Regional and Sub-Regional Planning Processes**

The BPM includes a discussion of Regional and Sub-Regional Coordination.<sup>9</sup> However, this discussion needs to be expanded. The BPM's description of Sub-Regional and Regional processes should indicate that the CAISO will coordinate with applicable Regional and Sub-Regional transmission planning processes and organizations regarding planning assumptions, data, and other activities that may affect transmission planning, seeking maximum practicable consistency. Furthermore, adjacent transmission providers should have the opportunity to participate in development of the CAISO's Unified Planning Assumptions and Study Plan and in reviewing the results of technical studies performed as part of the CAISO's Transmission Planning Process.

Also, the BPM should explicitly state that the CAISO will coordinate and synchronize with applicable Regional and Sub-Regional planning processes and organizations regarding the appropriate level(s) at which each submitted project and study request shall be addressed, recognizing that entities at the Transmission Provider level having Open Access Transmission Tariffs, such as the CAISO, represent the

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<sup>9</sup> See, BPM, pages 48 -50.

destination of last resort for requests not accepted at the other levels, but that such providers are not required to conduct all requested studies and project assessments.

Finally, the CAISO needs to work assiduously toward the goal of finalizing the development of the currently proposed Pacific Southwest Planning Association (“PSPA”), a sub-regional planning entity that is intended to encompass all of the major transmission owning entities in California. In this regard, the CPUC would note that, to date, it has not been included in the informal process that has been working toward the establishment of the PSPA. However, as the agency with rate-making and transmission siting oversight over California’s three major investor-owned utilities, which, together, own the large majority of the transmission assets operated by the CAISO, the CPUC must have a seat at the table of the PSPA. FERC should accordingly direct the CAISO to include the CPUC in any future activities it engages in with respect to the establishment of the PSPA and as an active member of the PSPA, once it is established and operating.

The CPUC fully intends to work with the CAISO and its Staff over the next months in order to help clarify how the CAISO will coordinate and synchronize its own transmission planning processes with applicable Regional and Sub-Regional planning processes and organizations.

#### **IV. CONCLUSION**

For the foregoing reasons, the CPUC supports the CAISO’s proposed tariff revision, which will enable it to implement an updates transmission planning process consistent with the requirements of the Commission’s Order # 890.

However, the CPUC would request that in any approval of the CAISO's proposed tariff revisions that it may adopt, the Commission direct the CAISO to continue working with the CPUC and other stakeholders toward to the goal of revising the BPMs that were submitted as part of the package that the CAISO filing in this proceeding but which do not in themselves require explicit FERC approval. Specifically, the Commission should direct the CAISO to work with its stakeholders to eliminate any remaining ambiguity in connection with how the CAISO's transmission planning process, going forward, will be conducted, and to assure that the various pieces of this new and complex planning process will fit together in a consistent manner.

Respectfully submitted,

RANDOLPH L. WU  
HARVEY Y. MORRIS  
LAURENCE G. CHASET

By:       /s/ Laurence G. Chaset

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Attorneys for the Public Utilities Commission  
of the State of California

January 24, 2008

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the foregoing document to be served upon all known parties in this proceeding by e-mail upon each party identified in the official service list compiled by the Secretary in this proceeding.

Dated at San Francisco, California, this 24th day of January, 2008.

*/s/ Laurence G. Chaset*

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Laurence G. Chaset

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