182 FERC ¶ 61,196
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

March 27, 2023

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER23-941-000

California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Attention: William H. Weaver

Dear Mr. Weaver:

1. On January 26, 2023, pursuant to section 205 of the Federal Power Act,[1] the California Independent System Operator Corporation (CAISO) submitted revisions to its Open Access Transmission Tariff (Tariff) to enhance its generator interconnection process. Specifically, CAISO proposes to revise its Tariff to: (1) outline the power purchase agreement requirements for receiving priority in the Transmission Plan Deliverability Allocation Process, (2) memorialize the study assumptions and network upgrade reimbursement rules when CAISO is an affected system, (3) remove the requirement that interconnection customers must provide evidence that their power purchase agreements have received regulatory approval to comply with CAISO's commercial viability criteria or to extend their commercial operation dates to align with such agreements, and (4) clarify the second financial security posting deadline for its Cluster 14 interconnection study. In this order, we accept the proposed Tariff revisions, effective March 28, 2023, as requested.

2. Regarding the first set of Tariff revisions, CAISO explains that as part of its generator interconnection process, interconnection customers request a deliverability designation of: (1) full capacity deliverability status, (2) partial capacity deliverability status, or (3) energy only status.[2] CAISO states that being designated full or partial

---

[1] 16 U.S.C. § 824d.

[2] Deliverability refers to either "(1) The annual Net Qualifying Capacity of a Generating Facility, as verified through a Deliverability Assessment and measured in

capacity deliverability status means that the generator's maximum or partial capacity, respectively, is deliverable to the grid under peak load conditions. CAISO further states that these designations qualify the generator's deliverable output to count towards meeting a load-serving entity's resource adequacy capacity requirements in California. CAISO explains that an energy only designation means that a generator's full output can be delivered to load only subject to grid conditions.[3]

3. CAISO explains that an interconnection customer's ability to receive a full or partial capacity deliverability designation depends on CAISO's Transmission Plan Deliverability[4] studies. CAISO states that its transmission planning process identifies network upgrades based on the location and the capacity of new resources anticipated to be developed in discrete geographic areas. These identified network upgrades add transmission capacity to the grid to meet the deliverability requirements of proposed new generating facilities in the discrete geographic areas. CAISO states that it then determines the volume of new generation in each area whose deliverability can be supported by the additional grid capacity the network upgrades will provide.[5]

4. CAISO explains that it allocates the resulting megawatt (MW) volumes of deliverability to those proposed generating facilities in each area determined to be most viable based on a set of specified project development milestones. CAISO states that it allocates deliverability to groups in the following order: (A) to interconnection customers that have executed power purchase agreements and to interconnection customers in the current queue cluster that are load-serving entities serving their own load; (B) to interconnection customers that are actively negotiating a power purchase

---

MW, which specifies the amount of resource adequacy capacity the Generating Facility is eligible to provide" or "(2) The annual Maximum Import Capability of an Intertie, which specifies the amount of resource adequacy capacity, measured in MW, that Load-Serving Entities collectively can procure from imports at that Intertie to meet their resource adequacy requirements." CAISO, CAISO eTariff, app. A (Definitions) (0.0.0) (defining Deliverability).

[3] CAISO January 26, 2023 Transmittal at 3-4 (Transmittal).

[4] Transmission Plan Deliverability refers to "[t]he capability, measured in MW, of the CAISO Controlled Grid as modified by transmission upgrades and additions modeled or identified in the annual 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." CAISO, CAISO eTariff, app. A (Definitions) (0.0.0) (defining Transmission Plan Deliverability).

[5] Transmittal at 4-5.

agreement or are shortlisted for a power purchase agreement; (C) to interconnection customers that have achieved commercial operation for the capacity seeking Transmission Plan Deliverability; and (D) to interconnection customers electing to be subject to Section 8.9.2.3 of Appendix DD to the Tariff.[6]

5. CAISO states that once an interconnection customer has a deliverability allocation, it must continue to progress commercially to retain that allocation. CAISO explains that shortlisted interconnection customers must execute a power purchase agreement, and interconnection customers that are not shortlisted must become so and then execute a power purchase agreement.[7]

6. CAISO explains that it is not proposing to change its allocation or retention requirements, but states that recently there has been some confusion regarding what types of commercial arrangements with new generators constitute power purchase agreements such that they would qualify for deliverability allocations. CAISO states that beginning with new deliverability allocations in fall 2023, it proposes to require an interconnection customer representing that it has, is negotiating, or is shortlisted for a power purchase agreement to meet certain term and counterparty criteria in the power purchase agreement. First, CAISO proposes that the power purchase agreement must have a term of no less than five years, or the interconnection customer must have multiple agreements with combined terms of no less than five years.[8] CAISO explains that during the stakeholder process, load-serving entities and the California Public Utilities Commission advocated for a longer term and noted that contracts for unbuilt generation are for 10 years, while developers advocated for no term or short-term requirements. Therefore, CAISO determined that five years was a reasonable compromise. Additionally, CAISO avers that a five-year term aligns with its existing Tariff provisions to reimburse interconnection customers for network upgrade costs within five years of achieving commercial operation.[9]

7. Second, CAISO proposes to impose counterparty criteria on power purchase agreements to qualify for deliverability allocations. CAISO explains that the counterparty must be a load-serving entity procuring the capacity to meet its own resource adequacy obligation, or the counterparty must demonstrate that it has a contract to provide the capacity for at least one year to a load-serving entity for its resource

[6] *Id*. at 5.

[7] *Id*. at 5-6.

[8] *Id*. at 6; CAISO, CAISO eTariff, app. DD, § 8 (16.0.0), § 8.9.2 (Second Component: Allocating TP Deliverability).

[9] Transmittal at 6-7.

adequacy obligations. CAISO states that this requirement ties deliverability back to the public policy purpose of ensuring resource adequacy. CAISO explains that the one-year term requirement will help ensure the contract is legitimate and the developer has not, for example, contracted to provide resource adequacy for only a month merely to meet the Tariff requirements to receive deliverability.[10]

8. CAISO states that large industrial customers or corporate entities may need all attributes from a generator except the resource adequacy capacity and, therefore, it is beneficial to reliability and ratepayers to allow these customers to contract for new generation, receive deliverability allocations, and then provide the resource adequacy capacity to a load-serving entity that needs it. As such, CAISO proposes to allow interconnection customers to apply initially for deliverability allocations under Groups (A) and (B) described above if they meet all the Tariff criteria except the counterparty criterion; however, to ensure the deliverability does not end up stranded, within 30 days of receiving a deliverability allocation, CAISO proposes that the interconnection customer must demonstrate it meets the counterparty criterion or it must provide a deposit of $10,000 per MW of allocated deliverability, but not less than $500,000. CAISO explains that it will refund the deposit when the generator begins commercial operation or meets the counterparty criterion. If the interconnection customer withdraws, is deemed withdrawn, converts to energy only, or otherwise downsizes or eliminates the capacity allocated deliverability, the deposit or commensurate portion thereof will be non-refundable, and CAISO will process it and any accrued interest with similarly forfeited funds. CAISO avers that these proposed Tariff revisions are just and reasonable as they allow developers to contract with the various counterparties in the various arrangements proliferating in California today while helping CAISO ensure that deliverability goes first to those interconnection customers most likely to deliver electricity to the grid without disadvantaging ratepayers.[11]

9. In a second set of Tariff revisions, CAISO proposes to memorialize the terms under which it will conduct affected system studies. Specifically, CAISO proposes to use the base case for its system that is effective upon execution of CAISO's affected system study agreement when conducting an affected system study.[12] CAISO explains that using this base case will allow the transmission owner to begin reliability studies as soon as practical without the need to wait for the base case to evolve based on CAISO's

---

[10] *Id*. at 7; CAISO, CAISO eTariff, app. DD, § 8 (16.0.0), § 8.9.2 (Second Component: Allocating TP Deliverability).

[11] Transmittal at 8-9.

[12] *Id*. at 9; CAISO, CAISO eTariff, app. DD, § 14 (11.0.0), § 14.5 (CAISO as an Affected System, app).

contemporaneous cluster studies. CAISO also proposes that external interconnection customers will be eligible for repayment of amounts advanced for network upgrades consistent with CAISO's rules for its own interconnection customers. CAISO explains that this means that external interconnection customers can finance any network upgrades internal to CAISO needed to maintain reliability, and the transmission owner will reimburse them in cash within five years of commercial operation, then include those costs in its transmission revenue requirement.[13]

10. CAISO asserts that applying its existing policy (i.e., reimbursing the costs for network upgrades on the CAISO grid) when CAISO is an affected system is just and reasonable. CAISO explains that Commission precedent is clear that "network upgrades represent improvements to the integrated transmission system and [their] benefits to the transmission system are considered independent from any benefits customers may receive as a result of generation that interconnects to the system,"[14] and as such, the network upgrade costs should be included in the relevant transmission revenue requirement, similar to any other upgrade. CAISO states that these proposed Tariff revisions related to its affected systems study process are just and reasonable as they provide straightforward, clear rules based on existing interconnection procedures. CAISO also states that if it ever needs the affected system process, CAISO transmission owners should be able to study the interconnection expeditiously and fairly because the study process mirrors internal interconnection study procedures.[15]

11. CAISO proposes two additional Tariff revisions to update its generator interconnection policy. First, CAISO proposes to remove requirements that interconnection customers provide evidence that their power purchase agreements have received regulatory approval to comply with CAISO's commercial viability criteria or to extend their commercial operation dates to align with power purchase agreements.[16] CAISO explains that it already removed this requirement for deliverability retention

---

[13] Transmittal at 10; CAISO, CAISO eTariff, app, § DD 14 (11.0.0), (Special Provisions for Affected Systems, Other Affected PTOs), § 14.5.1 (Cost Allocation and Interconnection Financial Security) (incorporating section 14.3.2.1 by reference).

[14] Transmittal at 10 (citing *Cal. Indep. Sys. Operator Corp.*, 160 FERC ¶ 61,047, at P 34 (2017)).

[15] *Id*.

[16] *Id*. at 11; CAISO, CAISO eTariff, app. DD, § 6 (20.0.0), § 6.7.4 (Commercial Viability Criteria for Retention of Deliverability beyond Seven Years in Queue), § 6.7.5 (Alignment with Power Purchase Agreements).

because it is unnecessary and can result in administrative confusion due to the proliferation of new load-serving entities and new regulatory authorities and processes.[17]

12. Second, CAISO proposes to remove language it describes as impractical and confusing regarding Cluster 14 interconnection study timelines.[18] CAISO explains that the Tariff states that "Interconnection Customers must post their second Interconnection Financial Security no later than the earlier of (1) ninety (90) days after the publication of the Phase II Interconnection Study or (2) May 4, 2024."[19] CAISO proposes to remove the first clause, simplifying the deadline to May 4, 2024.[20] CAISO explains that it already removed a similar clause for the initial financial security deadline because CAISO realized it was not possible to have all the study results meetings quickly enough for interconnection customers to have the same amount of time to decide whether to post security and proceed in queue.[21] CAISO proposes to make the same revisions for the second financial security posting deadline for the same reasons and to simplify the administration of the deadline for interconnection customers.[22]

13. CAISO requests an effective date of March 28, 2023, for all of the proposed Tariff revisions.[23]

14. Notice of CAISO's filing was published in the *Federal Register*, 88 Fed. Reg. 6718 (Feb. 1, 2023), with interventions and protests due on or before February 16, 2023. Timely motions to intervene were filed by City of Santa Clara, California; Pacific Gas and Electric Company; Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California; Modesto Irrigation District; Southern California Edison Company;

---

[17] Transmittal at 11 (citing *Cal. Indep. Sys. Operator Corp.*, 180 FERC ¶ 61,243, at PP 6, 39 (2022)).

[18] *Id.*; CAISO, CAISO eTariff, app. DD, § 16 (3.0.0), § 16.1 (Study Procedures and Timelines).

[19] Transmittal at 11; CAISO, CAISO eTariff, app. DD, § 16 (2.0.0), § 16.1 (Study Procedures and Timelines).

[20] Transmittal at 11; CAISO, CAISO eTariff, app. DD, § 16 (3.0.0), § 16.1 (Study Procedures and Timelines).

[21] Transmittal at 11 (citing *Cal. Indep. Sys. Operator Corp.*, Docket No. ER22-2956-000 (Sept. 29, 2022) (delegated order)).

[22] *Id.*

[23] *Id.* at 1.

Northern California Power Agency; and California Department of Water Resources State Water Project.

15. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2022), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

16. We find that CAISO's proposed Tariff revisions are just and reasonable and not unduly discriminatory or preferential. Specifically, we find that the revisions to the Transmission Plan Deliverability Allocation Process will ensure deliverability is allocated first to interconnection customers most likely to enter commercial operation and provide needed resource adequacy capacity. In addition, we find that the revisions concerning affected system studies provide clarity in circumstances where CAISO is identified as an affected system by a neighboring transmission provider. We find that the revisions to remove the requirement for interconnection customers to provide proof of regulatory approval to satisfy CAISO's commercial viability criteria or to extend their commercial operation dates to align with power purchase agreements, as well as the revisions to simplify the deadline for the second interconnection financial security posting for Cluster 14, clarify and simplify CAISO's interconnection procedures. Finally, we find that CAISO's proposed deviations from the *pro forma* LGIP and SGIP meet the independent entity variation standard because we find that they would accomplish the purposes of Order No. 2003[24] and Order No. 2006[25] by reducing interconnection queue congestion and providing clarity as to how an external interconnection customer would be studied and reimbursed for the costs of any network upgrades on the CAISO grid.

---

[24] *Standardization of Generator Interconnection Agreements & Procs.*, Order No. 2003, 104 FERC ¶ 61,103, at PP 12, 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 Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007).

[25] *Standardization of Small Generator Interconnection Agreements & Procs.*, Order No. 2006, 111 FERC ¶ 61,220, *order on reh'g*, Order No. 2006-A, 113 FERC ¶ 61,195 (2005), *order granting clarification*, Order No. 2006-B, 116 FERC ¶ 61,046 (2006).

17. For these reasons, we accept CAISO’s proposed Tariff revisions effective March 28, 2023, as requested.

By direction of the Commission.

Debbie-Anne A. Reese,
Deputy Secretary.