



California ISO

Subscriber Participating TO Model
Draft Final Proposal
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Table of Contents

1 Introduction 3

2 Subscriber PTO Model Development..... 5

3 Implementation of Subscriber PTO Model..... 7

 3.1 Use of Encumbrances7

 3.2 Transmission Costs 12

 3.2.1 Subscriber Wheeling Access Charge..... 12

 3.2.2 Future Network Upgrades..... 13

 3.2.3 Termination of the Subscriber Encumbrance..... 14

 3.3 Transmission Cost Allocation 17

 3.3.1 Cost to Subscribers..... 17

 3.3.2 Cost to Non-Subscribers..... 19

 3.4 Generator Interconnection Process and Subscriber PTO Project
Interconnection20

 3.5 Transmission Planning Process and Transmission Issues22

 3.6 Deliverability.....24

4 General Comments and Questions..... 25

5 EIM Governing Body Role..... 26

6 Stakeholder Engagement..... 26

Appendix A..... 28

1 Introduction

The ISO developed the Subscriber PTO Model presented in this draft final proposal as an option for streamlining the development and enhancing the ongoing operation of transmission to meet California energy policy goals.

The need for additional generation of electricity over the next 10 years, including the need for carbon-free resources some of which are out-of-state, has escalated rapidly in California as it continues transitioning to the carbon-free electrical grid required by Senate Bill 100 that was signed into law in 2018. This in turn has been driving a dramatically accelerated pace for new transmission development in current and future planning cycles. To help ensure we have the transmission in place to achieve this transition reliably and cost-effectively, the ISO has been coordinating with the state's primary energy planning and regulatory entities to adopt a much more strategic and proactive approach to resource, procurement, transmission planning and interconnections overall. The more proactive and coordinated strategic direction reflected in this year's transmission plan is set forth in a joint Memorandum of Understanding ("MOU")¹ signed by the ISO, the California Public Utilities Commission ("CPUC") and California Energy Commission ("CEC") in December 2022, that tightens the linkages between these key processes. The MOU emphasizes the continued role of the state agencies to provide resource forecasts - in the form of portfolios of resource quantities and locations - for planning purposes.

The CPUC has provided resource portfolios² for the ISO's 2023-2024 transmission planning process calling for out-of-state wind generation that requires new transmission to reach the ISO border - 1,000 megawatts ("MW") from Idaho, 1,500 MW from Wyoming, and 2,328 MW from New Mexico. These volumes build on the amounts provided as part of the ISO's 2022-2023 transmission planning process, and match the values that the ISO used to size the transmission needed from the ISO border to coastal load centers in the 2022-2023 plan. These amounts also align with the longer-term requirements set out in the scenario provided by the California Energy Commission and the CPUC to the ISO for the 20-Year Transmission Outlook released in May 2022.

The ISO is developing a Subscriber PTO model for transmission projects moving forward through commercial interest to efficiently and cost-effectively deliver generation from out-of-state resource developers to California without increasing the Transmission Revenue Requirement ("TRR") of the Transmission Access Charge ("TAC"),³ except as already allowed for reimbursement of network upgrades, and

¹ <http://www.caiso.com/Documents/ISO-CEC-and-CPUC-Memorandum-of-Understanding-Dec-2022.pdf>

² CPUC Decision (D.) 23-02-040 adopted on February 23, 2023.

³ The access charge for use of the ISO controlled grid is currently \$16.62/MWH.

**Subscriber Participating TO Model
Draft Final Proposal**

without selecting a specific project through the Transmission Planning Process (“TPP”) but rather leveraging the actual commercial interest generated by authorized procurement and contracting. Beyond California’s internal resource planning needs, markets like the Extended Day-Ahead Market and a potential regional market will also benefit from improved integration of the ISO system with other utility systems in the Western interconnection.

Delivery of energy from out-of-state wind resources to the ISO balancing authority area will require development of long-distance transmission infrastructure to deliver power across multiple states. Today, the ISO receives out-of-state generation generally from pseudo-tie arrangements. However, the ISO has found that standalone generation-only balancing authority areas (“BAA”) are more complicated with using pseudo-tie arrangements. They are also less flexible for the generation needing to be considered through the market import capability process, and more challenging in utilizing transmission capacity that becomes available in real-time for other uses. In addition, the Federal Energy Regulatory Commission (“FERC”) has established policies supporting the development of transmission projects, including high-voltage direct current (“HVDC”) transmission projects capable of transmitting power over long distances, through an approach where subscribers agree to fund such transmission projects in exchange for long-term transmission service rights.⁴ The ISO is developing a model that will facilitate the delivery of needed resources to the ISO by accommodating FERC’s subscriber-funded transmission approach.

The ISO is already responding to requests from project developers seeking to join the ISO with a project using the FERC subscriber-funded transmission approach. As an example, TransWest Express, LLC (“TransWest”) has submitted multiple study requests into the ISO’s TPP for the TransWest Express Transmission Project (“TWE Project”). Approval of the TWE Project as a regional or interregional project under ISO operational control did not occur for a number of reasons, largely due to the resource planning decisions underpinning policy-driven transmission needs not supporting the development at that time. TransWest approached the ISO to discuss how it may be possible for a potential generator interconnection customer interested in supporting the project to determine its viability. The result of these discussions informed the ISO’s broader efforts to accommodate FERC’s subscriber-funded transmission development approach, and is reflected as the “Subscriber PTO Model”.

⁴ See, e.g., *Allocation of Capacity on New Merchant Transmission Projects and New Cost-Based, Participant-Funded Transmission Projects; Priority Rights to New Participant-Funded Transmission*, 142 FERC ¶ 61,038 (2013). Under this approach, subscribers are identified through an open solicitation process approved by FERC.

The proposed Subscriber PTO Model provides an opportunity for a project to move forward – or not – depending on whether the subscriber or subscribers to the project can contract its resources to be delivered to the ISO balancing authority area, e.g., through contracts with California load serving entities.⁵ Comparable projects can similarly move forward under this same model. This allows the load serving entities or other contracting parties to determine the most economic and best fit for their own portfolios.⁶ The Subscriber PTO Model would be used for transmission lines whose developers want to develop and place their facilities under ISO operational control through a decision outside the TPP process and the ISO presents the Subscriber PTO Model as a potential win-win arrangement.

This Draft Final Proposal presents a solution for establishing a Subscriber PTO Model with enhancements based on comments received from stakeholders on March 3, 2023 based on the Subscriber PTO Model Straw Proposal presented on February 15, 2023.

2 Subscriber PTO Model Development

A Subscriber Participating TO is a transmission owner whose transmission assets and Entitlements were constructed, and whose transmission capacity is subject to long-term contractual obligations, to deliver energy, capacity, and associated attributes to satisfy state, municipal, county or federal policy requirements or directives. A Subscriber Participating TO will not include a Transmission Revenue Requirement in the ISO's Access Charge except with respect to Generator Network Upgrades or Network Upgrades identified in the Generator Interconnection and Deliverability Allocation Procedures and Transmission Planning Process.

As an initial step towards allowing a project developer to join the ISO with a project using the FERC subscriber-funded transmission approach, the ISO executed the Applicable Participating Transmission Owner Agreement (“APTO Agreement”) with TransWest to establish a working relationship between the developer and the ISO similar to an approved project sponsor. This allows the Applicant Participating TO (“APTO”) to act as a Participating TO predominately in the transmission planning process and generator interconnection process. It also allows communication between the ISO and the APTO regarding the status of the project. The APTO Agreement was filed at FERC and approved on March 15, 2023.⁷

⁵ TransWest held a FERC-approved open solicitation process for the north-south capacity on the TWE Project, and the Power Company of Wyoming LLC (“PCW”) obtained the subscription rights for the north-south capacity from Wyoming to the New Substation. PCW is a developer of wind projects in Wyoming.

⁶ The ISO has also been exploring alternatives that may include a generation-only balancing authority area pseudo-tying resources into the ISO.

⁷ The ISO executed the Applicant Participating Transmission Owner Agreement with TransWest Express and filed it at FERC on January 13, 2023. Docket No. ER23-838

**Subscriber Participating TO Model
Draft Final Proposal**

The ISO received comments from 18 stakeholders regarding the Subscriber PTO Model Straw Proposal from ACP-California (“ACP-CA”), California Community Choice Association (“Cal CCA”), California Department of Water Resources State Water Project (“SWP”), Energy Division of the California Public Utilities Commission (“CPUC”), Clearway Energy Group (“Clearway”), EDF-Renewables (“EDF-R”), Geothermal Rising, LS Power, NextEra Energy Resources (“NextEra”), Northern California Power Agency (“NCPA”), Pacific Gas and Electric Company, Pattern Energy (“Pattern”), Power Company of Wyoming LLC (“PCW”), the Public Advocates Office at the CPUC (“Cal Advocates”), Six Cities⁸, Southern California Edison Company (“SCE”), The Bay Area Municipal Transmission group (“BAMx”), and TransWest Express LLC (“TransWest”).

The majority of stakeholders expressed support, some strongly, for the ISO developing a Subscriber PTO Model that would allow out-of-state resources connected to subscriber-funded transmission projects to be within the ISO BAA. It was noted that the ISO had taken into account stakeholder comments regarding the increasing cost of transmission and had done a tremendous job to strike a balance between meeting the State’s renewable generation goals while controlling the increasing TAC. NCPA commented that it supports the Subscriber PTO having a separate TAC Area and not including its TRR in the ISO’s TAC. Others acknowledged the Subscriber PTO Model as a new path for adding transmission to the ISO grid, enabling multiple transmission business models that will facilitate the development of more transmission – and thus greater resource diversity and improved reliability – on the system.

Others noted that the Subscriber Participating TO model is an important new transmission initiative that can facilitate the development of much-needed transmission infrastructure in the western United States. Stakeholders commented that they appreciated the ISO’s creativity and transparency on this approach. Cal Advocates supports the concept that the model is financially sustainable, and can be used by entities with various degrees of investor support. BAMx endorsed the Subscriber PTO concept, but cautions against the straw proposal being narrowly focused on the TransWest Express case. The ISO notes that it is the intent of the proposal to be flexible enough for various scenarios of Subscriber PTOs including future generation-only BAAs to join the ISO grid.

TransWest fully supports the direction of the Straw Proposal in the following areas: (a) the use of encumbrances; (b) not including the cost of constructing the TWE transmission project in the TAC; (c) the transmission charge treatment for subscribers and non-subscribers; and (d) the ISO’s reliance on the existing

⁸ Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California

transmission planning process, generator interconnection process, and deliverability allocation process.

This Draft Final Proposal addresses a number of specific stakeholder comments below and describes certain revisions made in response to stakeholder comments.

3 Implementation of Subscriber PTO Model

3.1 Use of Encumbrances

- Background

Since inception, the ISO has honored Existing Contracts.⁹ Existing Contracts are either Encumbrances¹⁰ on the ISO Controlled Grid or are Entitlement rights that a Participating TO has on transmission facilities in a balancing authority area other than the ISO. If the existing rights are not used by the existing rightsholder, these rights are available for use in the ISO market.

The ISO holds the existing rights holder harmless from the cost of transmission and congestion because they have already paid for the transmission service through the Existing Contract. In addition, Existing Contracts have priority rights on the transmission path they have under contract. Providing this treatment for Subscriber Rights¹¹ would be much the same, except the legacy arrangements of existing Participating TOs were established at an earlier point in time. It is not uncommon for transmission owners to have legacy arrangements, which the ISO would honor if they turned operational control of their facilities and entitlements to the ISO.

Here, the ISO proposes to honor Subscriber Rights as an Encumbrance essential to development of transmission facilities and that pre-dates the transmission owner becoming a Participating TO. The ISO has concluded that affording Encumbrance treatment to Subscriber Rights under the Subscriber PTO model is appropriate and

⁹ The contracts, which grant transmission service rights in existence on the ISO Operations Date (including any contracts entered into pursuant to such contracts) as, may be amended in accordance with their terms or by agreement between the parties thereto from time to time. Section 16 of the ISO tariff provides for treatment of Existing Contracts. There are over 40 different Encumbrances on the ISO controlled grid today.

¹⁰ A legal restriction or covenant binding on a Participating TO that affects the operation of any transmission lines or associated facilities and which the ISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Participating TO is not to risk incurring significant liability. Encumbrances shall include Existing Contracts and may include: (1) other legal restrictions or covenants meeting the definition of Encumbrance and arising under other arrangements entered into before the ISO Operations Date, if any; and (2) legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the ISO Operations Date.

¹¹ The ISO tariff would have this new definition: "Subscriber Rights means the transmission service rights and obligations of a Subscriber Participating TO to transmission customers with contracts entered into under the Subscriber Participating TO Tariff, as that tariff may change from time to time.

Subscriber Participating TO Model Draft Final Proposal

necessary because FERC’s subscriber-funded transmission approach relies on long-term contractual transmission rights to subscribers to allow the project to be funded and built. If Subscriber Rights are not recognized through Encumbrances, it is likely that subscriber-funded transmission projects connecting out-of-state resources and benefiting California load-serving entities would not be built.

The Subscriber Right will be treated in the same manner as an Existing Contract and receive the “perfect hedge” and scheduling priority since the contract rights holder will pay for the transmission under its transmission service agreements with the Subscriber Participating TO.¹²

- Stakeholder Feedback

Pattern, PCW, Six Cities and TransWest support the proposed use of Encumbrances as described in the straw proposal and noted that this proposal is consistent with how the ISO administers market operations while honoring and facilitating similar Existing Contracts by other Participating TOs. Treating all similar Existing Contracts the same will avoid the need to develop and administer another mechanism to honor and facilitate the Subscriber PTO contractual rights. Pattern also encourages ongoing coordination with other western BAAs on this approach to ensure agreement and understanding around how other non-ISO facilities or resources will be treated under the Subscriber PTO model, especially in consideration of participation models for the Western Energy Imbalance Market (“WEIM”) and the Extended Day-Ahead Market (“EDAM”). With respect to EDAM, the ISO intends to use its current Existing Contract software to facilitate honoring of legacy contractual arrangements for BAAs that join EDAM.

Six Cities requested clarification regarding the applicable terminology in reference to the Subscriber PTO model so there is a clear delineation of the rights and obligations of the subscriber(s), off-takers, and other impacted parties, including ISO transmission customers, ISO wheeling customers, and non-off-takers that may periodically use the project assets. The initial holder of the Encumbrance will be the customer or customers who FERC has approved to be the subscriber(s) funding the project of the Subscriber PTO. The Subscriber PTO would execute an agreement with the customer that would then have a Subscriber Encumbrance.¹³ In cases

¹² The “perfect hedge” provides a scheduling priority for the contract path and exempts an Existing Rights holder from transmission service charges and congestion.

¹³ The ISO tariff would have this new definition: Subscriber Encumbrance means a legal restriction or covenant binding on a Subscriber Participating TO that affects the operation of transmission lines or associated facilities and which the CAISO needs to take into account in exercising Operational Control over such transmission lines or associated facilities if the Subscriber Participating TO is not to risk incurring significant liability. Subscriber Encumbrances shall be treated as Existing Contracts even though they include legal restrictions or covenants meeting the definition of Encumbrance and arising under a contract or other arrangement entered into after the CAISO Operations Date. Any reference to

**Subscriber Participating TO Model
Draft Final Proposal**

where an interconnecting generator is the subscriber, the generator could assign the Subscriber Rights to an off-taker for the term of the off-takers agreement. The details of this arrangement under this fact pattern are discussed in Section 3.2 of this Draft Final Proposal.

ACP-CA requests that the ISO provide more information on the proposed treatment of third-party transmission rights, or entitlement rights, across non-ISO BAs and how the ISO would treat them in the Subscriber PTO model. The ISO currently believes it could treat entitlement rights similar to an Entitlement under the Transmission Control Agreement (“TCA”) today. Transmission owners that apply to become Participating TOs turn over both Entitlements and Encumbrances. The only difference would be that the Entitlement is in a different BAA and to meet the definition of a Subscriber PTO Model, the generation would need to be in the ISO BAA. If a transmission owner has long-term firm rights to the transmission and is in a position to put some owned transmission and generation into the ISO BAA, then the model described could work. Similar to accepting any new Participating TO, the ISO would have to evaluate the application and solicit public comments. ACP-CA notes that this treatment of entitlement rights will require coordination with other western BAs and suggests the proposal and associated documentation be written in a way to accommodate this coordination. The ISO has had Entitlement rights in the TCA since the ISO’s conception in 1996. The investor-owned utilities had Entitlement rights in other BAAs, and the ISO has been coordinating these arrangements, include use of the Entitlement in the ISO’s market, with all affected BAAs.

The CPUC is concerned that if the ISO simply assumes in the TPP that transmission lines proposed under the Subscriber PTO Model already exist, the value of the ISO TPP may be diminished, and/or future improvements in the interregional transmission planning process may not allow for full consideration of more efficient and cost-effective alternatives. The CPUC misunderstands the process. The Subscriber PTO transmission facilities would only move forward to the extent they have subscribers willing to pay the cost for the transmission facilities. The ISO is developing this model to improve operating efficiencies on the Western grid and to provide an alternative to having additional generation-only BAs. The interconnection of all Subscriber PTO projects to the ISO BAA will be studied. Where a Subscriber PTO project is connecting to a new generation project, the generator interconnecting to it would need to submit an interconnection request to the ISO during the generator interconnection window, thereby bringing the proposed transmission line with it.

contracts granting Subscriber Rights shall be considered as a Subscriber Encumbrance. Any reference in the CAISO Tariff and this Agreement to Encumbrance shall be read as also a reference to the Subscriber Encumbrance.

**Subscriber Participating TO Model
Draft Final Proposal**

Therefore, the combined generator and Subscriber PTO project will first be studied in the generator interconnection process and not in the TPP.

The CPUC commented that the ISO must be an integral part of the approval process for transmission projects developed under the Subscriber PTO Model, and, specifically, that before the ISO decides whether to execute and submit to FERC an Applicant Participating Transmission Owner Agreement, the ISO must adequately scrutinize the terms of the proposed agreement and the underlying transmission project. The ISO agrees with the CPUC that projects of prospective Subscriber PTOs should be evaluated by the ISO before the ISO enters into an Applicant Participating Transmission Owner Agreement. The TCA has a process whereby a transmission owner desiring to become a Participating TO must submit a detailed application, which the ISO posts on its website for 60 days and takes stakeholder comments regarding the application. The ISO then determines that:

- i. The applicant's transmission lines and associated facilities, including Entitlements, that are to be placed under the ISO's operational control can be incorporated into the ISO controlled grid without any material adverse impact on its reliability;
- ii. Incorporating such transmission lines and associated facilities and Entitlements into the ISO controlled grid will not put the ISO in breach of applicable reliability criteria and its obligations as a member of the Western Electricity Coordinating Council ("WECC");
- iii. Objections by the ISO shall have been withdrawn or determined by the ISO Governing Board to be invalid;
- iv. All applicable regulatory approvals of the applicant's TO Tariff have been obtained, which approvals shall specify that the effective date of the TO Tariff is the date that the ISO assumes operational control of the applicant's transmission lines and associated facilities and Entitlements; and
- v. The applicant is capable of performing its obligations under this Agreement.

A transmission owner desiring to be a Subscriber Participating TO would need to go through these steps. The ISO and the ISO Board of Governors would need to approve the applicant Participating TO based on the applicable criteria to evaluate the Subscriber Participating TO transmission project as if it were a transmission facility within the ISO BAA for the purposes of interconnecting generators. The ISO would treat the APTO similar to an approved project sponsor absent the ISO's commitment to allow the APTO to recover its cost through the TAC.

**Subscriber Participating TO Model
Draft Final Proposal**

SCE believes that new Encumbrances on the ISO grid should be avoided if possible and argues that Encumbrances hinder the efficient operation of the transmission grid. Additionally, SCE believes it is difficult to project the future of transmission operation and expansion and how Encumbrances may affect the efficient use of the transmission under alternative transmission paradigms. SCE is concerned that Encumbrances to the ISO grid may have negative effects in this case. The ISO understands SCE's position and has considered it but disagrees with the claim that Encumbrances are not justified in certain circumstances. Using the existing Encumbrance functionality, tariff rules, and construct that is going to be used in EDAM for contractual arrangements in the EDAM BAAs, the ISO is incorporating the mechanisms into the Subscriber Participating TO model that it will be using for the future markets. Moreover, the ISO is not truly "allowing" new Encumbrances on the existing ISO controlled grid; the ISO is merely expanding the existing ISO BAA and controlled grid to incorporate what could have been a generation-only BAA that has already executed agreements that include transmission service into the existing ISO BAA tariff construct without increasing the TAC.

In addition, SCE continues to believe that allocating Congestion Revenue Rights ("CRRs") to the Subscriber Participating TO for the incremental capacity its project brings to the ISO grid would be a better alternative to ensure subscribers are able to use the Subscriber Participating TO capacity to deliver power to their "off taker" entities. SCE is not proposing to fund the costs of owning and operating the Subscriber Participating TO facility using CRRs, as occurs under the Merchant PTO model transmission option in the ISO tariff Section 24.14.3. SCE claims that the Subscribers are already paying for the line, so the CRRs would be "additional" money. SCE states it is only proposing the use of CRRs, with associated scheduling priority, as a means of ensuring delivery of power over the incremental Subscriber Participating TO capacity without incurring congestion costs, and not depending on Encumbrances. The ISO respectfully disagrees because while providing the Subscriber Participating TO with CRRs would provide a hedge for congestion, it would not provide the off-takers with priority scheduling rights on transmission they have already paid to be built. As noted above, if subscribers of Subscriber PTO projects are provided CRRs but are not allowed to retain the long-term transmission service rights which are key to the FERC subscription model, there is no reason to expect that such subscriber-funded transmission projects would be built at all. Moreover, it would be inconsistent with how the ISO would treat a new generation-only BAA that would join the ISO BAA, and the current proposals for transmission contracts in EDAM.

- Draft Final Proposal

The ISO does not propose to change the solution proposed in the Straw Proposal and will use its existing Encumbrance functionality for the Subscriber Rights under the Subscriber PTO model, thereby providing the generator off-takers with the perfect hedge on the Subscriber Participating TO transmission facilities. As previously discussed, the perfect hedge provides the Subscriber Rights holder a scheduling priority for the contract path and exempts an Subscriber Rights holder from transmission service charges and congestion.

3.2 Transmission Costs

- Background

A Subscriber Participating TO **will not** include in the ISO TAC the cost of its project (i.e. its TRR). The Subscriber Participating TO will enter into agreements with its subscriber(s) to pay for the original line costs – capital, operation and maintenance, administrative and general, etc. – and be allowed to recover a Subscriber Wheeling Charge for the use of its transmission facilities by a non-subscriber. The ISO will model the project in the full network model, and only the self-schedule quantity provided by the Subscriber Rights in the day-ahead and real-time market will encumber the line. Self-schedules with Subscriber Rights will not pay the TAC rate or the ISO’s Regional Wheeling Access Charge (“WAC”) rate for use of the Subscriber Participating TO facilities. The remaining portion of the project not subscribed or not scheduled using Subscriber Rights will be available for ISO market optimization, and a non-subscriber that uses the line will pay the applicable TAC or WAC rates.

3.2.1 Subscriber Wheeling Access Charge

The ISO has concluded that a separate Subscriber Wheeling Access Charge is appropriate under the unique circumstances of the Subscriber PTO Model. The ISO believes that, consistent with cost causation and open access principles, non-subscribers cannot use for free the project of a Subscriber PTO. On the other hand, including any costs of a Subscriber Participating TO’s transmission facilities in the TAC or WAC would be contrary to a fundamental design principle of the Model, which allows these projects to move forward without funding by all ISO customers. Similar to the TAC and WAC, the existing Participating TOs recover the cost of usage of current ISO controlled grid facilities through the ISO market systems. For a Subscriber Participating TO project, because the Subscriber Participating TO is not including the transmission revenue requirements for the original build or ongoing costs of its project in the TAC or WAC, the Subscriber Participating TO should be entitled to cost recovery if a Scheduling Coordinator other than a subscriber uses the project.

Subscriber Participating TO Model Draft Final Proposal

The ISO is revising the proposal to reflect some of the comments received from SCE. To avoid concerns regarding rate pancaking, but retain consistency with cost causation principles, the ISO will collect the TAC or the WAC on the Subscriber Participating TO scheduling points from Scheduling Coordinators that do not have a Subscriber Encumbrance (*i.e.* non-subscribers). The Subscriber Participating TO will develop a Subscriber Wheeling Charge in accordance with the ISO tariff and the Subscriber Participating TO's transmission owner tariff and will be approved by FERC, following the same process and meeting the same regulatory requirements as all other Participating TOs do today. This Subscriber Wheeling Charge will be deducted from the revenue collected by the TAC and WAC.

Specifically, the ISO will determine a MWH quantity based upon the bi-directional usage of the Subscriber Participating TO transmission facilities by non-subscribers. To obtain this value, the ISO will determine the absolute value of non-subscriber import and export schedules at the Subscriber Participating TO scheduling point(s). The Subscriber Wheeling Charge will be a volumetric charge (\$/MWH) to use the Subscriber Participating TO facilities.

The TAC and WAC revenue received from non-subscriber uses of the Subscriber Participating TO facilities will be used to first, pay the Subscriber Participating TO, with any remaining revenue allocated to the other Participating TOs consistent with the existing revenue allocation process for non-load serving Participating TOs. If the revenue is greater than the TAC or WAC revenue collected from non-subscriber uses of Subscriber Participating TO facilities, the Subscriber Participating TO will only be entitled to receive the revenue from the TAC or WAC and will be allowed an adjustment through the transmission revenue balancing account for under-collections.

The ISO will not include the revenue requirement of the Subscriber Participating TO facilities in the calculation of the TAC or WAC. Because new scheduling points will be added by the Subscriber Participating TO transmission facilities the ISO will be receiving more revenue than required to meet the existing Participating TO's transmission revenue requirement. This additional revenue will be available to meet the Subscriber Wheeling Charge discussed above.

3.2.2 Future Network Upgrades

If in the future additional generation projects seek to interconnect with a Subscriber Participating TO project, the ISO will evaluate the generating facility as it does any other potential projects through the ISO's generator interconnection process

**Subscriber Participating TO Model
Draft Final Proposal**

consistent with Appendix DD of the ISO tariff.¹⁴ If in the future, the ISO is provided portfolios from the CPUC that require generation in a certain area, the TPP determines transmission must be built to meet the needs of the portfolio, and if the Subscriber Participating TO's bid wins the competitive solicitation process consistent with Section 24 of the ISO tariff or if the Subscriber Participating TO is otherwise designated to build a new project (such as an upgrade to its existing facilities) under Section 24, then the Subscriber Participating TO could have its costs solely for the new TPP project paid for under the TAC. In this scenario, the Subscriber Participating TO would establish a Regional TRR to recover those costs of new facilities or upgrades to accommodate the interconnection or TPP approved transmission facility.

Transmission Charge

	Subscriber	Non-Subscriber
During Subscriber Agreement term	Paid through transmission service agreement	Pays the TAC or WAC based on market usage
New transmission interconnection during term of Subscriber Agreement	No impact	Subscriber PTO develops a TRR to cover these additional costs and once approved by FERC, are added to the ISO TAC as if they were a new Participating TO.
Subscriber Agreement terminated	N/A	Pays the TAC or WAC based on market usage

3.2.3 Termination of the Subscriber Encumbrance

The Subscriber Participating TO will establish the Subscriber Encumbrance and it may vary with different subscriber agreements with the Subscriber Participating TO. Continuing or not continuing the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of its transmission facilities. However, the

¹⁴ Generator interconnection and the treatment of any associated network upgrade costs is discussed further in Section 3.4.

**Subscriber Participating TO Model
Draft Final Proposal**

Subscriber Participating TO will not receive TAC/WAC rate recovery for the original build cost of the Subscriber Participating TO transmission facilities regardless of any continuation of Subscriber Encumbrances.

- Stakeholder Feedback

TransWest and PCW support the proposed transmission charges. TransWest will fund the cost to build and operate the TWE Project, similar to all other Participating TOs. However, unlike the existing Participating TOs, TransWest will not receive any payments from the TAC and/or WAC and will need to charge both subscribers and non-subscribers for transmission services on the TWE Project. TransWest and PCW state the Straw Proposal accommodates these requirements in a fair and equitable manner consistent with both open access and the general concept in FERC-regulated transmission that the “beneficiary pays”. In addition, TWE is committed to pay for the entire cost of the original line (capital, O&M, admin, etc.) to finance, construct and operate the project. It is not requesting TAC recovery as a Subscriber Participating TO.

SWP, Six Cities and BAMx support or strongly support the principle that the costs of a Subscriber PTO project not being included in ISO’s TAC. Entities that choose to use the transmission capacity of the project, as either a Subscriber or a Non-Subscriber, will pay for that use in accordance with a FERC-approved tariff. These stakeholders argue that ISO load that does not use that capacity should not bear any additional cost. The ISO agrees as discussed above.

Six Cities requested clarification whether the ISO would have a mechanism in place to administer this charge so it is accurately assessed to either ISO entities or external parties that use the facility as non-subscribers. As discussed above, the ISO has revised its proposal to charge imports at the Subscriber Participating TO scheduling points the ISO TAC and exports from the Subscriber Participating TO the ISO WAC. If the Scheduling Coordinator (“SC”) for such import or export is using a Subscriber Encumbrance, then the charge will be exempted in the settlement process. If the SC is not using a Subscriber Encumbrance, then the SC will be charged the TAC or WAC in the settlement process. By doing so, the ISO will collect the appropriate revenue, and mechanisms are already in place in Appendix F, Schedule 3 of the tariff to allocate TAC and WAC revenue. With the revised proposal, the ISO will now charge all exports and loads the same rate for transmission service, and will allocate revenue to the Subscriber Participating TO for the non-subscriber transactions that use the Subscriber Participating TO scheduling points as discussed above.

EDF-R asked how congestion and resettlement costs would be settled in the event the Subscriber Participating TOs exercises their encumbrance rights in Real-Time but not Day-Ahead. First the ISO compares the Encumbrances that were self-

**Subscriber Participating TO Model
Draft Final Proposal**

schedules as well as the meter to determine the balanced quantity. Then that quantity is settled at the Locational Marginal Price (“LMP”). The ISO perfect hedge then reverses out the congestion in a specific Real Time charge code (6788).

The CPUC understands a "perfect hedge" for subscribers refers to the ISO's proposal not to collect congestion revenues for the injection points associated with a subscriber line. The CPUC asks whether revenue inadequacy could result, meaning the amount of congestion revenues collected could be less than the amount of Congestion Revenue Rights (“CRR”) issued by the ISO. The ISO clarifies that CRR modeling already accounts for Encumbrances, and there is no impact to revenue adequacy for CRRs.

The ISO received several comments regarding the payment for the Subscriber Participating TO transmission facilities after the Subscriber Encumbrance expires in 30-plus years or if there is a default or early termination, and whether it would then be included in the TAC. SCE noted that transmission line assets typically have depreciable life greater than 35 years and suggested the original build costs at the time of the original in-service date, including a schedule of depreciation, should be memorialized. The Subscriber Encumbrance will include all capital costs of the “original build” from the subscribers, leaving no undepreciated capital costs of the original build at the end of the subscriber contract(s). The ISO believes SCE's suggestion is valid and will incorporate the requirement into the Subscriber Participating TO requirements.

SCE believes that after the term of the initial Subscriber Encumbrance and assuming the Subscriber Participating TO project is still operating, the initial Rate Base of the project should be \$0. After that point in time, the determination whether or not to continue the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of its transmission facilities.

Six Cities requested clarification regarding the mechanism a generator with a Subscriber Encumbrance would provide a credit or pass-through of recovered Wheeling revenues from the Subscriber Wheeling Charge to the off-takers that ultimately are paying for the project. The CPUC also recommended the ISO require specific terms and conditions in the various contracts. The contractual arrangements between the Subscriber Participating TO and its subscribers, including generators and off-takers will be up to those entities, and the ISO will not be a party nor opine on such contracts.

The CPUC is concerned about the transparency of development of access charges for non-subscribers. The ISO tariff already requires a public/regulatory process for development of or change to any transmission charge assessed by the ISO in

Subscriber Participating TO Model Draft Final Proposal

Appendix F, Schedule 3 of the ISO tariff, and as discussed above, the Subscriber Participating TO is required to meet the existing tariff requirements.

- **Draft Final Proposal**

The ISO proposes to modify the transmission cost recovery approach for a Subscriber Participating TO in the Straw Proposal. The ISO will assess the TAC for non-subscriber imports using the Subscriber Participating TO scheduling point(s) and assess the WAC for non-subscriber exports using the Subscriber Participating TO scheduling point(s). If a new generator were to connect to the Subscriber Participating TO transmission facilities, the generator output will be assessed as a non-subscriber use of the Subscriber Participating TO transmission facilities. The revenue received from non-subscriber deliveries on these scheduling points will first pay the Subscriber Wheeling Charge for import and exports using the Subscriber Participating TO transmission facilities and the remainder will be available to pay the transmission revenue requirement of the other Participating TOs. The Subscriber Participating TO will be able to collect any under-recovery of its costs through a transmission revenue balancing account.

For any future network upgrades required by the generator interconnection process or TPP, the Subscriber Participating TO will develop a FERC-approved TRR that will be incorporated into the ISO's TAC and WAC.

The ISO and Subscriber Participating TO will memorialize the original-build costs and a schedule of depreciation. At the end of the Subscriber Encumbrance term, the decision whether or not to continue the Subscriber Encumbrance will be determined based on the applicable regulatory requirements at that time and the Subscriber Participating TO's intentions for the future of their transmission facilities. The Subscriber Participating TO will not receive TAC/WAC rate recovery for the original build cost of the Subscriber Participating TO transmission facilities.

3.3 Transmission Cost Allocation

3.3.1 Cost to Subscribers

- **Background**

Consistent with the design of the Subscriber Wheeling Access Charge discussed above, the Subscriber Participating TO will have its own TAC Area. The subscriber has already paid for the cost of transmission and congestion on the Subscriber Participating TO transmission facilities. In the case of the TransWest Project, the subscriber right for an ISO load serving entity gets the transaction to the New substation connecting to the Harry Allen – Eldorado transmission line.

If the subscriber has already purchased ancillary services, it will not pay those charges. Similar to other Existing Contract Rights holder, the subscribers with

**Subscriber Participating TO Model
Draft Final Proposal**

Subscriber Rights will be excluded from bid cost recovery allocation, offsets and Integrated Forward Market congestion allocation. They are exempt from these additional costs because: (1) the SC is providing its own supply to meet its own demand and the ISO is not economically dispatching resources to meet its load; (2) these schedules are not optimized by the market, and (3) the supply resource is a price taker and not eligible for bid cost recovery. As such, costs associated with these schedules will be minimal. The ISO will calculate all other ISO charges, including losses, in accordance with the tariff.

As an example, if an off-taker purchased 100 MW of wind output from a generator that had a Subscriber Encumbrance, the generator would then deliver 100 MW of wind energy to the point of interconnection with the ISO grid, like any other generator. The off-taker, using a SC, would have a Contract Reference Number (“CRN”) consistent with its Subscriber Rights from the point of interconnection of the generator to the point on the Subscriber PTO transmission facilities where the off-taker will exit the Subscriber PTO transmission facilities. The SC would schedule the 100 MW from the generator to the point of delivery, which will likely be on non-Subscriber PTO transmission facilities (e.g., the SCE Default Load Aggregation Point). The ISO will not charge the SC the cost of transmission service, congestion, bid cost recovery, offsets, and IFM congestion allocation for the portion of the transaction that uses the CRN. To be clear, only the balanced portion of the transaction will exempt from the stated charges, which is consistent with cost causation principles.

If a non-subscriber uses Subscriber Participating TO transmission facilities, the SC would pay all applicable costs including the TAC or WAC, congestion and all other ISO charges, including losses, as calculated in accordance with the tariff.

- Stakeholder Feedback

PCW and TransWest support the proposed cost to subscriber’s process.

SCE suggests that the WAC revenue from the Subscriber Participating TO take-out points should be used to pay the uplift costs, and then only if the WAC is insufficient should ISO customers be charged for the uplift costs. As discussed above, the expected uplift costs are very minimal because a balanced source and sink does not create the costs that are being exempted. It would require extensive changes to the ISO software systems to treat the Subscriber Encumbrance different from other Encumbrances.¹⁵

LS Power commented on Section 3.3.1 *Cost to Subscriber*, that the straw proposal states that the Subscriber Rights for an ISO load serving entity gets the transaction

¹⁵ Please note that the existing software for settlement of Encumbrances is being proposed to meet the transmission contractual rights in other BAAs that join EDAM.

**Subscriber Participating TO Model
Draft Final Proposal**

to Eldorado Substation. LS Power states this is inconsistent with the current configuration of the TWE Project and the graphic depicted in Section 3.3.2 and that Subscriber Rights should extend only to the point of interconnection of the new Subscriber Participating TO facilities and the existing ISO-controlled transmission system, in this case a new substation on the Harry Allen – Eldorado line. The ISO appreciates LS Power’s request to clarify this issue. The ISO intends to establish a pNode at the New Substation or the Subscriber Participating TO point of interconnection to the existing ISO controlled grid. This will allow the CRN source to be the generator and the sink to be the pNode. Therefore, congestion is only protected on the Subscriber Participating TO transmission facilities.

- **Draft Final Proposal**

The ISO does not propose to change the solution in the Straw Proposal. The Subscriber Participating TO will have its own TAC Area. Similar to other Existing Contract Rights holders, the subscribers have already paid for the cost of transmission and congestion and the ISO applies the Existing Contract tariff provisions provided the subscriber uses a balanced schedule which will be excluded from bid cost recovery allocation, offsets and IFM congestion allocation. If the subscriber already purchased ancillary services, it will not pay those charges.

3.3.2 Cost to Non-Subscribers

- **Background**

Non-subscribers seeking to deliver through the existing ISO footprint and on the Subscriber PTO project will pay the TAC or the WAC, as applicable, for use of both transmission systems. The ISO will have LMPs at each of the Scheduling Points on the Subscriber Participating TO transmission project and at the generation connected to the project. Energy, ancillary services, and all other applicable ISO charges will be charged in accordance with the tariff.

As discussed above, the Subscriber Wheeling Charge will be used to reimburse the Subscriber Participating TO for the use of its transmission facilities by non-subscribers and will be deducted from the TAC and WAC. Under the revised Subscriber PTO model, Scheduling Coordinators using the Subscriber Participating TO’s transmission, other than a subscriber, and other portions of the ISO Controlled Grid will not pay both the applicable Subscriber Wheeling Charge and the ISO’s Access Charge separately. As stated above, to avoid rate pancaking, the ISO will charge the TAC or WAC, as applicable, to imports and exports at the Subscriber Participating TO scheduling points. The ISO will allocate revenues for the Subscriber Wheeling Charge through the ISO’s settlement systems.

- **Stakeholder Feedback**

PCW and TransWest support the straw proposal's allocation of costs to non-subscribers. The ISO believes that because the Subscriber Participating TO will still receive the revenue associated with its FERC approved Subscriber Wheeling Charge, the changes made above regarding the transmission access charge should still be acceptable.

- Proposal

The ISO proposes to revise the charges imposed on non-subscribers so they will no longer pay both a separate Subscriber Wheeling Charge and the TAC or WAC. Instead load will only pay the TAC and exports will pay the WAC. The Subscriber Participating TO will receive revenue commensurate with their Subscriber Wheeling Charge and the non-subscriber use of their transmission facilities.

3.4 Generator Interconnection Process and Subscriber PTO Project Interconnection

- Background

The ISO has in place the Generator Interconnection and Deliverability Allocation Procedure, Appendix DD and Section 25 of the ISO tariff that governs generator interconnection. Generation connecting to the Subscriber Participating TO transmission facilities during the construction and initial operation of those transmission facilities is required to go through the generator interconnection process to connect to the ISO controlled grid like any other generator. If the study process associated with development of the Subscriber Participating TO transmission facilities identifies additional network upgrades on the existing ISO system, the ISO tariff currently requires the interconnection customer to finance those upgrades, upfront, and the affected Participating TO will reimburse it. In the Interconnection Process Enhancement 2021 initiative, the ISO addressed the question of reimbursement when the ISO is an affected system. The ISO proposed that external interconnection customers will be eligible for repayment of amounts advanced for network upgrades internal to the ISO need to maintain reliability, and the transmission owner will reimburse them in cash within five years of commercial operation of the generating facility.¹⁶ On March 27, 2023, FERC approved that tariff amendment.

However, where a subscriber-funded transmission line will become part of the ISO controlled grid, but it was not approved through the TPP process, there is an issue regarding whether the initial generator causing the line to be built to connect to the ISO should be responsible for both the transmission interconnection and deliverability network upgrades, if applicable.

¹⁶ Tariff Amendment to Implement Interconnection Process Enhancements filed January 26, 2023 (FERC Docket No. ER23-941)

**Subscriber Participating TO Model
Draft Final Proposal**

The generator will sign the three-party Generator Interconnection Agreement, and it will be subject to the tariff and business practice manuals like any other generator in the ISO balancing authority area.

If subsequent non-subscriber generators desire to interconnect to Subscriber Participating TO transmission facilities after they become part of the ISO controlled grid, then the interconnection requests will be studied and treated in accordance with Appendix DD and Section 25 of the ISO tariff. The generator would finance any new network upgrades (on both the Subscriber Participating TO transmission facilities and Participating TO transmission facilities, if applicable), and those costs would be subject to refund by the Subscriber Participating TO over a five-year period, similar to a Participating TO, and consistent with the ISO tariff. In this case, the Subscriber Participating TO would develop a TRR in accordance with Section 26 and Appendix F, Schedule 3 of the ISO tariff to recover the cost of these new network upgrades to the Subscriber Participating TO transmission facilities that will be included in the existing ISO TAC rate. This is consistent with the ISO's treatment of transmission upgrades on the ISO grid triggered by new generator interconnections.

- Stakeholder Feedback

PCW, TransWest, ACP-CA, Clearway, LS Power, NextEra, and Pattern all agreed that assuming the ISO tariff still requires the Participating TOs to reimburse interconnection customers for the cost of network upgrades, the Subscriber Participating TO should be reimbursed consistent with the tariff. These stakeholders state this is reasonable as the Subscriber Participating TO transmission facilities are in the ISO BAA, and because the subscriber already paid for the original line, it should not bear the cost of additional network upgrades required for a new interconnection customer. The reimbursement structure is consistent with the ISO tariff.

Since the Straw proposal was published, FERC has approved cost reimbursement by the ISO Participating TOs for all network upgrades needed for generators interconnecting to an affected system. Therefore, the ISO tariff now requires each Participating TO to reimburse generating facilities connecting to the ISO controlled grid and any affected system for any network upgrades required on the ISO grid. If a new generator wants to interconnect to the Subscriber Participating TO facilities in the future (after the original build-out), which are in the ISO BAA, there is no reason that the Subscriber Participating TO should be treated any differently than either Participating TOs or affected systems.

The ISO received numerous comments on both sides of the argument regarding reimbursement for network upgrades.

**Subscriber Participating TO Model
Draft Final Proposal**

SCE agrees that the ISO should evaluate such new generation as any other project pursuant to the ISO's generator interconnection process. In this case, if the interconnecting non-subscriber generator causes the need for new network, the costs should be initially paid by that generator, but then be reimbursed by the Subscriber Participating TO. SCE agrees that the costs should be recovered through a new TRR for the Subscriber Participating TO and be included as part of the ISO's Regional (HV) TAC. This is consistent with the ISO's draft final proposal.

SWP, CPUC, NCPA, Cal Advocates, and BAMx believe that, consistent with the principle that the ISO TAC should not increase as a result of a Subscriber Participating TO project and the project was not approved through the TPP, then the generator interconnecting to a Subscriber Participating TO project should be responsible for any deliverability network upgrades that are required as part of the generator interconnection study process. The ISO disagrees transmission upgrades on the ISO controlled grid benefit all ratepayers. In addition, adopting such a position would not be consistent with the FERC order.

- **Draft Final Proposal**

The ISO proposes to reimburse subscriber and non-subscriber generator network upgrades identified in the generator interconnection process as discussed above. The Participating TOs will be allowed to recover such costs in a TRR developed for such network upgrades, consistent with the ISO tariff. In the case of the Subscriber Participating TO, it will be allowed to recover the costs of non-subscriber generator network upgrades identified in the generator interconnection process in a TRR, which will be developed for such network upgrades, consistent with the ISO tariff.

3.5 Transmission Planning Process and Transmission Issues

- **Background**

With the new CPUC preferred system plan and the high transportation electrification portfolio and the decision of policymakers to encourage the development of out-of-state wind now to ensure it is built in time to meet California's needs, the time has come to provide an opportunity for out-of-state resources to be considered in the existing generator interconnection process. The ISO seeks to effectuate this through a new category of transmission to be placed under the ISO's operational control but that would not be ISO-approved rate-based transmission paid for through the ISO TAC. Rather, the Subscriber Participating TO model is a unique opportunity for the ISO to leverage existing transmission line development without significantly affecting all ISO ratepayers by putting the cost of the project in the TAC and WAC.

The Subscriber Participating TO, once approved by the ISO Board will execute the Applicant Participating Transmission Owner Agreement requiring the Subscriber Participating TO to fully participate in the transmission planning and generator

Subscriber Participating TO Model Draft Final Proposal

interconnection processes in advance of turning over operational control of its transmission facilities to the ISO.

- Stakeholder Comments

PCW and TransWest support the proposed transmission planning process and transmission issues. TransWest and the ISO executed an Applicant PTO Agreement that has been approved by FERC, which includes requirements for TransWest to participate in the transmission planning and generator interconnection processes in advance of turning over operational control of the TWE Project facilities to ISO.

SCE commented that it is possible there could be an upgrade to a Subscriber Participating TO facility, increasing the capacity of the Subscriber Participating TO line. If the ISO evaluates the upgrade in the TPP and finds it is needed, then SCE believes the costs of those facility expansions would be included in the TAC. If the Subscriber Participating TO is the successful bidder in the competitive solicitation process, the Subscriber Participating TO would determine a TRR, and recover the costs of that incremental capacity portion only pursuant to the ISO's TAC/WAC. SCE states that, in determining its TRR for a facility expansion, the Subscriber Participating TO's costs included in the TRR should be based on incremental costs relative to the pre-expansion costs, not an allocation of the total costs of the existing and incremental capacity based on capacity. The ISO agrees that the costs included in the Subscriber Participating TO TRR should only be the incremental costs above the original build associated with a TPP or generation interconnection network upgrade ordered by the ISO.

EDF-R requested that the ISO provide an update to the Transmission Planning Process flow chart to outline new Subscriber PTO process. The current flow chart is in the BPM for Transmission Planning Process, section 8. A draft-updated flow chart has been included in Appendix A to this Draft Final Proposal.

LS Power commented that the ISO indicated TWE is modeled in the TPP, and the only difference is that it will be considered inside the ISO BAA versus outside the BAA. The ISO would like to correct that statement: TWE currently is not included in the ISO or WECC base cases. LS Power and Pattern requested more information regarding the details and requirements of such participation. A new Subscriber Participating TO line would be added to the TPP if: (1) a generator interconnection request is approved by the ISO that requires the Subscriber Participating TO transmission facilities, and the transmission provider agrees to be a Subscriber Participating TO in the ISO's BAA; or (2) a new Participating TO wanting to join the ISO that desires the Subscriber Participating TO rate recovery, and it meets all of the transmission control agreement requirements and the ISO Governing Board approves the new Participating TO.

Subscriber Participating TO Model Draft Final Proposal

- Draft Final Proposal

The ISO proposes to maintain the Subscriber Participating TO participation in the transmission planning process and transmission issues as discussed in the Straw Proposal. The ISO, as requested, clarified the requirements and path to become a Subscriber Participating TO.

3.6 Deliverability

3.6.1 Maximum Import Capability

- Background

Maximum Import Capability (“MIC”) represents deliverability for imports (any resource not physically connected inside the ISO BAA), and the ISO calculates it for all Scheduling Points at the ISO BAA boundary as discussed in Section 6.1.3.5 of the Business Practice Manual for Reliability Requirements. With the addition of a Subscriber Participating TO line, the ISO may have new BAA boundary points. The generation interconnected to the project will be within the ISO BAA and will not need a MIC allocation to count for Resource Adequacy; however, it will need to go through the generator interconnection process to get deliverability similar to any other resource internal to the ISO BAA. The ISO determines deliverability for internal resources based on the ISO deliverability methodology irrespective of internal entitlements (those are for financial hedge and scheduling priority). The ISO will calculate MIC capability at new ISO BAA boundary points the same as all other intertie points, based on historical schedules (not applicable in year one), portfolio needs and MIC expansion requests as allowed under the ISO tariff. The ISO will determine the amount of available MIC at new interties as part of the annual MIC calculation process when the project is energized and every year thereafter.

- Stakeholder Feedback

The ISO received no comments on this section of the Straw Proposal.

- Draft Final Proposal

The ISO proposes to maintain the MIC process as discussed in the Straw Proposal.

3.6.2 Deliverability Allocation Process

- Background

Similar to any other generating facility seeking to interconnect to the ISO controlled grid, Full or Partial Capacity Deliverability Status for a generator seeking to interconnect to the ISO controlled grid via a Subscriber PTO project is contingent upon all pre-cursor TPP, generation interconnection process, and reliability and deliverability network upgrades specified in the generator interconnection agreement

**Subscriber Participating TO Model
Draft Final Proposal**

being in service. If any required upgrade mentioned above is not yet in-service, a generating facility can obtain “Interim Deliverability” status if the annual net qualifying capacity deliverability study determines that the generating facility can have deliverability during the next resource adequacy cycle, in advance of completion of all upgrades.

- Stakeholder Feedback

LS Power requests clarification on whether or not deliverability allocation for resources connecting to Subscriber Participating TO facilities would degrade existing MIC and if so, said they should not. Because the project is connecting to an existing intertie, LS Power states it is reasonable to believe the resulting MIC in the area will be affected because the additional injection will contribute to the same downstream constraints. Consistent with the ISO’s current practice, LS Power comments existing MIC and MIC expansion in current TPP should retain priority above the deliverability allocation for the resources connecting to Subscriber Participating TO facilities that enter future ISO queue clusters. The ISO agrees its existing MIC will retain priority above the deliverability allocation for the resources subsequently connecting to Subscriber Participating TO facilities consistent with the ISO tariff.

- Draft Final Proposal

The ISO proposes to maintain the deliverability allocation process as discussed in the Straw Proposal.

4 General Comments and Questions

Pattern appreciates the significant efforts the ISO has taken to address the constraints around interconnection queue processing through the Interconnection Process Enhancements Initiative, which we hope will improve for future interconnection clusters. Pattern understands the interest in accommodating Subscriber Participating TO projects in the interconnection process; however, Pattern requests more information about how the ISO expects future Subscriber Participating TO requests to impact the processing of future clusters. In addition to the “normal” (non-Subscriber Participating TO) interconnection requests, Pattern would like to better understand how the ISO will prepare for and process Subscriber Participating TO interconnection requests on a timeline that aligns with the Subscriber Participating TO’s subscription process and financing. As discussed above the ISO will process Subscriber Participating TO requests either through the generator interconnection process or the TCA process for considering new Participating TO. Both processes are well established. Regarding the statement about how the ISO will process Subscriber Participating TO requests on “a timeline that aligns with the Subscriber Participating TO’s subscription process and financing”, the ISO would work with any entity as early as possible in its process to

facilitate the Subscriber Participating TO's subscription timeline. However, the ISO will need to be consistent with its FERC approved tariff and any additional requirements that emerge from this stakeholder initiative.

5 EIM Governing Body Role

This initiative proposes certain tariff amendments to enhance the opportunities for transmission developer to become a Subscriber Participating TO. ISO staff believes that these proposed tariff changes will go to the Board of Governors only and that the WEIM will have no role in the decision.

The Board and the WEIM Governing Body have joint authority over any

proposal to change or establish any CAISO tariff rule(s) applicable to the EIM Entity balancing authority areas, EIM Entities, or other market participants within the EIM Entity balancing authority areas, in their capacity as participants in EIM. This scope excludes from joint authority, without limitation, any proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid.

Charter for EIM Governance § 2.2.1. The tariff changes proposed here would not be “applicable to EIM Entity balancing authority areas, EIM Entities, or other market participants within EIM Entity balancing authority areas, in their capacity as participants in EIM.” Rather, they would be applicable “only to ... the CAISO-controlled grid.” Accordingly, these proposed changes to implement these enhancements would fall outside the scope of joint authority.

The WEIM Governing Body also has an advisory role that extends to any proposal to change or establish tariff rules that would apply to the real-time market but are not within the scope of joint authority. This initiative, however, does not propose changes to real-time market rules.

Stakeholders are encouraged to submit a response in their written comments to the proposed classification as described above, particularly if they have concerns or questions.

6 Stakeholder Engagement

The schedule for stakeholder engagement is provided below. The ISO presented to the Board of Governors the request for TransWest to become a Participating TO and it was conditionally approved in December 2022. The Board of Governors' approval in December 2022 contemplated a further stakeholder process on the Subscriber PTO Model. The Subscriber Participating TO Model is anticipated to be presented to the Board of Governors in July 2023.

**Subscriber Participating TO Model
Draft Final Proposal**

Date	Event
4/11/2023	Publish draft final proposal
4/18/2023	Stakeholder conference call on draft final proposal
5/2/2023	Stakeholder comments due on revised draft final proposal
5/15/2023	Publish final proposal and draft tariff language
5/22/2023	Stakeholder conference call on final proposal and draft tariff language
6/5/2023	Stakeholder comments due on final proposal and draft tariff language
7/18 - 19/2023	Board of Governors Meeting

The ISO will hold a stakeholder meeting on April 18, 2023 to review the Draft Final Proposal. Stakeholders are encouraged to submit comments on this Draft Final Proposal through the ISO's commenting tool using the link on the initiative webpage by close of business on May 2, 2023.

Appendix A

Figure 8-1: Mechanisms for Cost Allocation

