

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

California Independent System Operator Corporation	Docket Nos. ER04-445-015 ER04-445-016 ER04-445-017 ER04-445-018
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Pacific Gas and Electric Company	Docket Nos. ER04-443-012 ER04-443-013 ER04-443-014
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San Diego Gas & Electric Company	Docket Nos. ER04-441-011 ER04-441-012 ER04-441-013
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Southern California Edison Company	Docket Nos. ER04-435-019 ER04-435-020 ER04-435-021
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(Not Consolidated)

ORDER ACCEPTING COMPLIANCE FILINGS, WITH MODIFICATIONS, AND
DENYING REQUESTS FOR REHEARING

(Issued November 1, 2006)

1. On June 23, 2006, the California Independent System Operator Corporation (CAISO) filed a request for rehearing of the Commission's order on its large generator interconnection compliance filings.¹ Also on June 23, 2006, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SoCal Edison) (collectively, the PTOs), jointly filed a request for rehearing of the same order. CAISO and the PTOs (collectively, the Filing

¹ *Cal. Indep. Sys. Operator Corp.*, 115 FERC ¶ 61,237 (2006) (Compliance Order).

Parties) filed revisions to their Large Generator Interconnection Procedures (LGIP) and Large Generator Interconnection Agreement (LGIA) in accordance with the Compliance Order and with the Effective Date Rehearing Order.²

2. In this order, we deny rehearing of issues raised by the Filing Parties that the Commission did not address in its Effective Date Rehearing Order.³ In addition, we accept the compliance filings, with certain modifications.

3. More specifically, with regard to the Filing Parties' requests for rehearing, we deny rehearing of the following decisions in the Compliance Order: (1) allowing the R&R Agreement to be designated as a rate schedule for each of the Filing Parties instead of being appended to the CAISO Open Access Transmission Tariff (OATT) and (2) allowing the R&R Agreement to govern over the CAISO OATT and over any customer-specific Interconnection Study Agreement, if there is a conflict.⁴

4. We also deny PG&E's separately stated request for rehearing of certain other issues,⁵ which was included in the PTOs' June 23, 2006 rehearing request. PG&E requests rehearing of the Compliance Order's rejection of the proposal to allow a PTO to perform certain studies, at the customer's expense, to confirm the effect of a potential interconnection to its service territory, where the CAISO has performed these studies to determine grid-wide effects. In addition, PG&E requests rehearing of the Compliance

² See *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,030 (2006) (Effective Date Rehearing Order). We note that CAISO filed the June 23, 2006 LGIP in Docket No. ER04-445-017. CAISO made an August 10, 2006 LGIP compliance filing, including the *pro forma* Roles and Responsibilities Agreement (R&R Agreement), *pro forma* Interconnection Study Agreements, and *pro forma* LGIA, in Docket Nos. ER04-445-018, ER04-443-014 (PG&E), ER04-441-013 (SDG&E), and ER04-435-021 (SoCal Edison).

³ In the July 12, 2006 order on rehearing, the Commission deferred discussion of all issues raised by the Filing Parties in their June 23, 2006 requests for rehearing, except for the CAISO's request for expedited consideration of a change in the effective date for its centralized study procedures. See Effective Date Rehearing Order, 116 FERC ¶ 61,030.

⁴ See CAISO June 23, 2006 Request for Rehearing at 7-9; see also PTOs June 23, 2006 Request for Rehearing at 9-12, referencing R&R Agreement sections 3.2 (Conflicts Between Agreements) and 4.12 (Modification by the Parties).

⁵ See PTOs June 23, 2006 Request for Rehearing at 6-8, 12-14.

Order's rejection of its Offer of Settlement, including its proposal that the Commission vacate certain "centralized study" directives (described below) in the Commission's July 1, 2005 and August 26, 2005 Orders.⁶

5. With regard to the compliance filings, we conditionally accept the proposed revisions, provided that the Filing Parties remove all references to informational assessments, including the reference in the definition of Interconnection Feasibility Study, within 30 days of the date of this order. The Commission rejected CAISO's proposal for informational assessments in both the July 1, 2005 Order and the Compliance Order.⁷

I. Background

6. The Commission issued an order on CAISO's Order No. 2003⁸ compliance filings, directing CAISO to centralize the interconnection system studies, in order to develop grid-wide findings, where appropriate, rather than conducting studies that separately focused on the individual service territories.⁹

7. In the August 26, 2005 Rehearing Order, the Commission held that CAISO must collaborate with stakeholders and the PTOs to develop centralized study procedures.¹⁰ The Commission clarified that the PTOs may, subject to certain conditions, participate in the study process.¹¹

⁶ *Cal. Indep. Sys. Operator Corp.*, 112 FERC ¶ 61,009 (July 1, 2005 Order), *clarifications and extension of time granted, reh'g denied*, 112 FERC ¶ 61,231 (2005) (August 26, 2005 Rehearing Order).

⁷ *See* July 1, 2005 Order, 112 FERC ¶ 61,009 at P 58-67. *See also* Compliance Order, 115 FERC ¶ 61,237 at P 21, 24.

⁸ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 68 Fed. Reg. 49,845 (Aug. 19, 2003), FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order No. 2003-A, 69 Fed. Reg. 15,932 (Mar. 26, 2004), FERC Stats. & Regs. ¶ 31,160 (2004), *order on reh'g*, Order No. 2003-B, 70 Fed. Reg. 265 (Jan. 4, 2005), FERC Stats. & Regs. ¶ 31,171 (2005), *order on reh'g*, Order No. 2003-C, 111 FERC ¶ 61,401 (2005), *appeal docketed sub nom. National Assoc. of Regulatory Utility Commissioners, et al. v. FERC*, Nos. 04-1148, *et al.* (D.C. Cir. filed April 29, 2004 and later).

⁹ July 1, 2005 Order, 112 FERC ¶ 61,009.

¹⁰ *See* August 26, 2005 Rehearing Order, 112 FERC ¶ 61,231 at P 17.

¹¹ *Id.* P 21.

8. CAISO filed the first round of revisions to its LGIP to comply with the Commission's orders.¹² In that filing, CAISO requested that the interconnection system study procedures proposed in its January and February 2005 compliance filings be used until procedures for centralized studies could be accepted by the Commission and implemented. The Filing Parties also filed revisions to conform their proposed LGIA to the LGIP revisions.¹³

9. CAISO filed its proposal for centralized system study procedures on November 1, 2005. Within the filing, CAISO proposed an R&R Agreement to allocate interconnection service obligations, including system study responsibilities, between itself and the PTOs. CAISO further proposed to designate the R&R Agreement as rate schedules, separate from the CAISO OATT, for CAISO and each of the PTOs.

10. The Compliance Order accepted in part, with modifications, and rejected in part the August and November 2005 LGIP and LGIA compliance filings.¹⁴ The Commission granted CAISO's requested effective date of March 1, 2006 for the centralized system study procedures. In addition, the Compliance Order rejected CAISO's proposed designations of the R&R Agreement and directed CAISO to append the R&R Agreement to the CAISO OATT in the same manner as the *pro forma* LGIA. The Compliance Order also rejected the R&R Agreement's section 3.2 governance provision, which stipulated that in the event of a conflict between provisions, the R&R Agreement would prevail over the conflicting provisions of a customer-specific Interconnection Study Agreement and over the conflicting provisions of the CAISO OATT. The Compliance Order directed CAISO to clarify in the R&R Agreement's Attachment A, Interconnection System Impact Study Timeline, that PTOs have the right to review results but are not permitted to duplicate studies at the Interconnection Customer's expense. Lastly, the Compliance Order clarified certain other aspects of interconnection procedures in the California energy market and rejected PG&E's November 1, 2005 offer of settlement (Offer of Settlement).

¹² CAISO filed the August 30, 2005 LGIP in Docket No. ER04-445-012. CAISO filed its proposal for centralized study procedures on November 1, 2005, in Docket No. ER04-445-013.

¹³ The Filing Parties filed the August 30, 2005 LGIA in Docket Nos. ER04-445-011 (CAISO), ER04-443-009 (PG&E), ER04-441-009 (SDG&E), and ER04-435-015 (SoCal Edison). They revised and refiled the LGIA to comport with the CAISO's proposal for centralized study procedures on November 1, 2005, in Docket Nos. ER04-445-014 (CAISO), ER04-443-010 (PG&E), ER04-441-010 (SDG&E), and ER04-435-018 (SoCal Edison).

¹⁴ See Compliance Order, 115 FERC ¶ 61,237.

11. In the Effective Date Rehearing Order, the Commission found that the effective date for the centralized system study provisions, March 1, 2006, created ambiguity as to which study procedures were in place between March 1, 2006 and May 24, 2005, the date on which the Compliance Order was issued. The Commission established May 24, 2006 as the effective date.¹⁵

II. Notice of Filings, Interventions, and Protests

12. Notice of CAISO's LGIP compliance filing was published in the *Federal Register*, with comments, interventions, and protests due on or before July 14, 2006.¹⁶ Modesto Irrigation District (Modesto), City of Santa Clara, California (Santa Clara), and Transmission Agency of Northern California (TANC) filed protests.

13. Notice of the Filing Parties' LGIA compliance filing¹⁷ was published in the *Federal Register*, with comments, interventions, and protests due on or before July 14, 2006.¹⁸

14. Notice of CAISO's August 10, 2006 compliance filing was published in the *Federal Register*, with comments, interventions, and protests due on or before August 31, 2006.¹⁹

III. Discussion

A. Roles and Responsibilities Agreement – Rate Schedule Designation

15. In the Compliance Order, the Commission accepted, in principle, the creation of the R&R Agreement.²⁰ However, the Commission rejected its proposed designation as a

¹⁵ See Effective Date Rehearing Order, 116 FERC ¶ 61,030. In that order, the Commission denied rehearing of the CAISO's June 23, 2006 request to create a bright line effective date, June 23, 2006, for implementation of centralized study procedures.

¹⁶ 71 Fed. Reg. 38,633 (2006).

¹⁷The Filing Parties filed the revised LGIA in Docket Nos. ER04-445-016 (CAISO), ER04-435-020 (SoCal Edison), ER04-441-012 (SDG&E), and ER04-443-013 (PG&E). On August 10, 2006, CAISO filed revised tariff sheets to change the centralized studies effective date from March 1, 2006, to May 24, 2006, in compliance with the Effective Date Rehearing Order. The Filing Parties made these revisions in Docket Nos. ER04-445-018 (CAISO), ER04-435-021 (SoCal Edison), ER04-441-013 (SDG&E), and ER04-443-014 (PG&E).

¹⁸ 71 Fed. Reg. 38,633 (2006).

¹⁹ 71 Fed. Reg. 47,800 (2006).

rate schedule for each of the Filing Parties. The Commission found that because the R&R Agreement allocates LGIP and LGIA interconnection service responsibilities, its designation as a stand-alone rate schedule would be inconsistent with the Order No. 2003 requirement that interconnection procedures must be appended to the transmission provider's OATT. The Commission directed CAISO to append the R&R Agreement to the CAISO OATT, in the same manner as the LGIP, LGIA, and Interconnection System Study principles and procedures on which the R&R Agreement is based.

1. The PTOs' Request for Rehearing

16. The PTOs request rehearing of the Commission's finding that the R&R Agreement should not be a stand-alone rate schedule. Specifically, the PTOs contend that the R&R Agreement is an executed, publicly filed rate schedule allocating responsibilities that were negotiated between the PTOs and CAISO. Under it, each of these entities has obligations and rights, and it governs the responsibilities for various study functions. The PTOs add that, in this way, the R&R Agreement is similar to the Transmission Control Agreement (TCA),²¹ also a separate rate schedule, between CAISO and each PTO, not appended to the CAISO OATT.²²

17. The PTOs request that the Commission accept the R&R Agreement as separate rate schedules for each of the Filing Parties, or incorporate it into the PTOs' Transmission Owner Tariffs (TO Tariffs) and the CAISO OATT, instead of appending it solely to the CAISO OATT.²³ The PTOs have not identified any current conflicts between the CAISO OATT and the R&R Agreement, but they argue that the CAISO OATT can be amended under the Federal Power Act (FPA) section 205²⁴ just and reasonable standard. In contrast, the R&R Agreement has restrictive modification provisions to prevent any one party from unilaterally filing under FPA section 205 to change its terms. They argue that, by directing that the R&R Agreement be appended to

²⁰ See Compliance Order, 115 FERC ¶ 61,237 at P 55-57. See also *Southwest Power Pool, Inc.*, 106 FERC ¶ 61,254, at P 14 (2004) (finding that when the transmission owner and operator are separate entities, an agreement to allocate roles and responsibilities between owner and operator can be created to clarify interconnection service obligations).

²¹ The TCA is the agreement under which PG&E, SoCal Edison, and SDG&E transferred operational control of their transmission facilities to CAISO. The TCA establishes the terms and conditions under which transmission owners will become PTOs and how CAISO and each PTO will discharge their respective duties and responsibilities.

²² See PTOs' June 23, 2006 Request for Rehearing at 10.

²³ *Id.* at 2, 4, 5, 7.

²⁴ 16 U.S.C. § 824d (2000).

the CAISO OATT, the Commission has interfered with the negotiated balance of interconnection service responsibilities between and among the Filing Parties, if other portions of the CAISO OATT are modified in ways that could affect the PTOs' rights.²⁵

18. The PTOs further argue that by rejecting the proposed designation of the R&R Agreement, the Commission has created the potential for ambiguity and conflict over the carefully crafted balance between CAISO's role as system operator and the PTOs' roles as owners of transmission and as the parties responsible for serving their respective loads in a safe and reliable manner.²⁶ The PTOs conclude that the Commission should honor the bargain that the Filing Parties reached, since the Commission recognized that the R&R Agreement strikes the proper balance between the CAISO and PTOs.

19. The PTOs state that they are not concerned about an improper attempt by CAISO to modify the R&R Agreement. Rather, they are concerned that CAISO may inadvertently make modifications to its OATT that affect the PTOs' rights and obligations under the R&R Agreement in ways that cannot be foreseen.

20. Lastly, the PTOs argue that the LGIP and LGIA are *pro forma* documents that Interconnection Customers must follow or execute, in contrast to the R&R Agreement, executed to provide service by one party, a PTO. As such, the PTOs assert that while it is reasonable for the *pro forma* documents to be appended to the CAISO OATT, it is unreasonable to require that an executed agreement for one party's service be appended to another party's tariff.

21. We find that, as an element of interconnection policy in the California energy market, service obligations delineated in the R&R Agreement must not conflict with the interconnection procedures upon which they are based. In addition, we find that, in order to be consistent with OATT market rules, the R&R Agreement cannot separately evolve, outside of the CAISO OATT, as a rate schedule. Interpreted apart from the other components of interconnection policy, the R&R Agreement could undermine or interfere with the administration of the interconnection process or with other CAISO market rules, thus potentially creating negative effects on the market. This would be inconsistent with the intent of the R&R Agreement, to allocate, interpret, and clarify generation interconnection service obligations between the Filing Parties, and thus unacceptable. Therefore, we deny the PTOs' requests for rehearing, and uphold the Commission's

²⁵ See R&R Agreement section 4.12, which states that the Filing Parties are only able to modify the R&R Agreement by mutual agreement or under FPA section 206, 16 U.S.C. § 824e (2000). See also PTOs' June 23, 2006 Request for Rehearing at 7, 9.

²⁶ See PTOs' June 23, 2006 Request for Rehearing at 2, 11-12.

directive that the R&R Agreement must be appended to the CAISO OATT in the same manner as are the LGIP, the *pro forma* LGIA, and the *pro forma* Interconnection Study Agreements.²⁷

22. We also note that CAISO has acknowledged throughout its Order No. 2003 compliance filings that interconnection policy, as adapted to the California energy market, is subject to further review to ensure that this policy comports with the rules in place for the broader market when CAISO's Market Redesign and Technology Upgrade is implemented. We find that appending the R&R Agreement to the CAISO OATT will facilitate consistent application of the interconnection policy in the market. Parties should address any future inconsistencies between the CAISO OATT and the interconnection policy as they arise to ensure overall consistency in the application of market rules.

23. Lastly, we address the PTOs' assertion that there is a potential disparity between CAISO's right under FPA section 205 to unilaterally file proposed changes to its OATT and the R&R Agreement's *Mobile-Sierra* language, which requires the higher "public interest" standard for modifications to the R&R Agreement. As noted above, the R&R Agreement, in order to be consistent with OATT market rules, cannot evolve outside of the CAISO OATT. The CAISO OATT is designed to ensure consistent, nondiscriminatory treatment to all market participants and, in order to meet these goals, the CAISO OATT must govern over the R&R Agreement. Finally, should CAISO propose OATT changes that are alleged to be inconsistent with the terms and conditions of the R&R Agreement, parties can raise their concerns at that time. We also note that if the parties continue to believe that there is a potential disparity between their rights and the rights of CAISO, they can further negotiate with CAISO to make changes to the R&R Agreement.

2. The Compliance Filing

24. In compliance with the Commission's directive that the R&R Agreement be appended to the CAISO OATT in the same manner as are the *pro forma* LGIA and *pro forma* Interconnection Study Agreements, CAISO proposes to convert the R&R Agreement to a "*pro forma* R&R Agreement" and append it to the CAISO OATT as a part of its interconnection policy. CAISO also proposes that executed R&R Agreements between CAISO and each of the PTOs be filed by CAISO and by each PTO as individual rate schedules.

25. We accept the CAISO proposal to append a *pro forma* R&R Agreement to the OATT provided that any revisions made to the *pro forma* R&R Agreement are consistent

²⁷ See Compliance Order, 115 FERC ¶ 61,237 at P 56-57; see also July 1, 2005 Order, 112 FERC ¶ 61,009 at P 176-86.

with the CAISO OATT, including all other elements of the interconnection policy. In addition, we reject the CAISO proposal to designate executed R&R Agreements as rate schedules. Executed R&R Agreements must be designated as service agreements under the CAISO OATT. Consistent with section 35.10a of the Commission's Regulations,²⁸ an executed R&R Agreement does not need to be filed unless it deviates from the *pro forma* R&R Agreement. Lastly, if there is a conflict in provisions between either the *pro forma* or an executed R&R Agreement and the CAISO OATT, or the *pro forma* or executed R&R Agreement and any study agreement, we find that the CAISO OATT must prevail.

B. Roles and Responsibilities Agreement – Conflicts between Agreements

26. As proposed by CAISO, section 3.2 of the R&R Agreement, Conflicts between Agreements (governance provision), provided that if there is a conflict between the R&R Agreement and a customer-specific Interconnection Study Agreement, or between the R&R Agreement and the CAISO OATT, the R&R Agreement would govern. The Commission rejected this governance provision in the Compliance Order, based on findings in the July 1, 2005 Order regarding a similarly proposed governance provision in the *pro forma* LGIA. In the July 1, 2005 Order, the Commission found that where an LGIA provision that dictates rights and obligations between CAISO and the PTO, or between CAISO and the Interconnection Customer, is inconsistent with the CAISO OATT, the CAISO OATT would govern.²⁹

The Filing Parties' Requests for Rehearing

27. CAISO objects to the Commission's rejection of the governance provision. It asserts that the governance provision would provide additional protection against unintended conflicts between the CAISO OATT and the R&R Agreement by essentially nullifying a provision of the CAISO OATT that conflicts with a provision of the R&R Agreement. CAISO argues that elimination of this provision could alter the balance of roles and responsibilities achieved by the Filing Parties during negotiations over the centralized interconnection study process.

28. CAISO adds that there is precedent for a *pro forma* CAISO contract to prevail over conflicting provisions of the CAISO OATT. As an example, CAISO refers to section 14.10 of the *pro forma* Reliability Must Run Service Agreement (RMR Agreement).³⁰ Section 14.10 provides that if there is a conflict in provisions between the

²⁸ 18 C.F.R. § 35.10a (2006).

²⁹ See July 1, 2005 Order, 112 FERC ¶ 61,009 at P 170-73.

³⁰ See *Cal. Indep. Sys. Operator Corp.*, 93 FERC ¶ 61,089 (2000) (approving RMR Agreement settlement).

pro forma RMR Agreement and the CAISO OATT, the *pro forma* RMR Agreement would prevail. CAISO argues that both the *pro forma* RMR Agreement and the R&R Agreement reflect the outcome of intensive negotiations. The Commission should similarly respect the outcome of negotiations regarding the R&R Agreement.

29. The PTOs argue that the Commission's decision to require that the R&R Agreement be governed by the CAISO OATT is erroneous, arbitrary, and capricious. They add that it could eviscerate the negotiated balance of interconnection service responsibilities if the CAISO OATT and customer-specific interconnection study agreements prevail over the R&R Agreement. At the very least, elimination of the governance provision would create an ambiguity that could lead to future disputes if other portions of the CAISO OATT are modified in ways that affect the PTOs' rights under the R&R Agreement.

Commission Determination

30. We find that the CAISO OATT provides the terms and conditions for open non-discriminatory access, including interconnection, to the CAISO-Controlled Grid and therefore is essential for the operation of the CAISO market.³¹ It contains procedures for congestion management, grid security, and control area services, which govern the operation of the CAISO-Controlled Grid.³² Therefore, we disagree with CAISO that provisions in the CAISO OATT that conflict with the R&R Agreement should be nullified.

31. In the July 1, 2005 Order, the Commission accepted the proposed transfer of interconnection procedures from the TO Tariffs to the CAISO OATT as consistent with the Order No. 2003 requirement that interconnection procedures be appended to the transmission provider's OATT. We find here that the Commission's directive that the R&R Agreement be governed by the CAISO OATT, as opposed to also being governed by the TO Tariffs, is based in part on the fact that the LGIP, *pro forma* LGIA, and *pro forma* Interconnection Study Agreements have been appended to the transmission provider's OATT, as mandated by Order No. 2003, to serve as the interconnection policy for the CAISO-Controlled Grid.

32. In the July 1, 2005 Order, the Commission also accepted the Filing Parties' proposal to revise article 30.11 of the *pro forma* LGIA to divide the section 205 rights between the interconnecting PTO and CAISO when a customer-specific LGIA is executed. The Commission found that this allocation by the Filing Parties of section 205

³¹ See CAISO OATT section 2.1, Open Access. See also definition of Operating Procedures, CAISO OATT Appendix A, Master Definitions Supplement.

³² See Transmission Control Agreement, preamble, 2, paragraph viii.

filing rights for customer-specific LGIAs is the kind of voluntary proposal permitted under the FPA in *Atlantic City Electric Company v. FERC*.³³ The Commission further found that, under these circumstances, voluntary filing rights arrangements among these public utilities, whose rights would otherwise overlap, are consistent with Commission policy, under which the interests of the CAISO region and market participants are safeguarded.

33. As evidenced in the division of their LGIA filing rights, we find that the Commission had already accepted a division, proposed by the Filing Parties, of owner and operator interconnection service obligations, prior to the filing of the R&R Agreement.³⁴ As a component of interconnection policy, this division of owner and operator service responsibilities is the basis, along with the LGIP and *pro forma* Interconnection Study Agreements, on which the R&R Agreement was developed.

34. We therefore find that CAISO OATT provisions, including its interconnection policy, which contain a balance of interconnection service obligations between the Filing Parties, would support rather than inhibit the coordinated balance of interconnection service responsibilities negotiated by the Filing Parties in the R&R Agreement. Having the CAISO OATT govern over each component of the interconnection policy will ensure consistency in the application of market rules in the California energy market.

35. With regard to CAISO's argument that precedent supports provisions of a *pro forma* CAISO contract prevailing over the provisions of the CAISO OATT, we find that the situation here is different. The CAISO cites to a *pro forma* RMR Agreement that provides the terms and conditions under which an owner or lessee of a generating unit will dispatch and/or market energy and ancillary services when required by CAISO to ensure the reliability of the CAISO-Controlled Grid.³⁵ CAISO states that similar to the R&R Agreement, the *pro forma* RMR Agreement was the result of intensive negotiations that reflected a balance between CAISO and RMR owners, with one negotiated provision being that, if there is a conflict, the RMR Agreement would prevail over the CAISO OATT provision.

36. However, the services provided are not similar. Also, the *pro forma* RMR Agreement was the result of a series of negotiated settlements, while the *pro forma* LGIA and associated R&R Agreement were developed as part of the Commission's Order No. 2003 interconnection policy. Thus, a contractual provision that allowed for RMR service

³³ *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1 (D.C. Cir. 2002), *order on remand, sub nom. PJM Interconnection.*, 101 FERC ¶ 61,138 (2002), *appeal docketed sub nom. Atlantic City Elec. Co. v. FERC*, 329 F.3d 856 (2003).

³⁴ See July 1, 2005 Order, 112 FERC ¶ 61,009 at P 181-84.

³⁵ See *pro forma* Must-Run Service Agreement Recitals, at 1.

is not a good reason to allow the R&R Agreement to “trump” the CAISO OATT. We further note that the Filing Parties’ proposal directly conflicts with the Commission’s directive that where a proposed LGIA provision that dictates the rights and obligations between CAISO and the PTO, or between CAISO and the Interconnection Customer, is inconsistent with the OATT, the OATT would govern.³⁶ Despite the fact that the Filing Parties knew that the July 1, 2005 Order had made this determination when they negotiated and filed the R&R Agreement, they still included a provision that would allow the R&R Agreement to govern over the CAISO OATT in the event of a conflict between the two. While the CAISO notes that the negotiated balance supports the position that the R&R Agreement prevail in the event of a conflict, our fundamental obligation is to ensure that interconnection service provisions are just and reasonable and, in order to ensure that, we find that CAISO OATT provisions must govern in event of conflict.

37. In its compliance filing, CAISO deleted the governance provision from the R&R Agreement. The Commission accepts this revision.

C. Roles and Responsibilities Agreement – Duplicative Studies

38. Attachment A, Interconnection Study Responsibility Allocation, of the R&R Agreement allocates interconnection study responsibilities, clarifies how the interconnection study process will be conducted, and explains how portions of these studies will be assigned to the PTOs, under the direction, oversight, and approval of CAISO. CAISO proposed that where it performs the Interconnection System Impact Study Load Flow, Post Transient, and Stability Analyses to determine grid effects and evaluate mitigation solutions, the PTO may, as part of the review process, perform Load Flow, Post Transient, and Stability Analysis, at the customer’s expense, to assess CAISO results and to possibly recommend alternative solutions.

39. In the Compliance Order, the Commission found that while, under the CAISO LGIP study procedures, the PTOs have the right to review study results, they are not permitted to duplicate studies performed by CAISO or a third party contractor at the interconnection customer’s expense. The Commission directed CAISO to so clarify.³⁷

³⁶ See July 1, 2005 Order, 112 FERC ¶ 61,009 at P 173 (discussing inconsistencies between the LGIA and the OATT).

³⁷ See Compliance Order, 115 FERC ¶ 61,237 at P 53, 54. See also LGIP sections 6.3, 7.4, and 8.3 (Interconnection Feasibility, System Impact, and Facilities Study Procedures).

1. PG&E's Request for Rehearing

40. PG&E requests rehearing of the Commission's finding that the PTOs may not duplicate interconnection studies at the interconnection customer's expense. As a threshold matter, PG&E argues that CAISO and the PTOs agreed that the PTOs may perform certain studies to assess CAISO results and recommend alternative solutions. PG&E says that this does not mean that the PTOs would be given the right to study effects on the entire CAISO-Controlled Grid. This provision simply confirms that they will have the right to perform studies to assess the effects on the individual service territory and that such studies would not be a duplication of the grid-wide analyses.

41. PG&E maintains that the Compliance Order failed to recognize that the R&R Agreement was carefully crafted to make it clear that a PTO has full responsibility and liability to its customers and investors to construct and maintain its transmission assets. PG&E adds that it must be able to perform and recover costs for reasonable and prudent studies needed to fulfill those responsibilities.

Commission Determination

42. We find, as further described below, that CAISO coordinates a crucial level of interaction and exchange among the primary stakeholders (those in the queue as well as affected systems and the PTO) during the Interconnection System Impact Study (ISIS). We find that the PTO has provided source data, reviewed results, and developed mitigation solutions at each stage of the study process. Therefore, we conclude that, if CAISO or an independent contractor performs the ISIS Load Flow, Post Transient, and Stability Analyses, the PTO will be able to evaluate the results and recommend alternative solutions to protect the continued safety and reliability of its transmission assets and to reliably and responsibly service its customers and investors, without having to perform these analyses. Therefore, we deny PG&E's request for rehearing of this issue.

43. We note that the ISIS consists of a Short Circuit Analysis, a Stability Analysis, a Power Flow Analysis, and a Deliverability Assessment. Before starting the ISIS, CAISO will notify the affected system or PTO of potential seams issues and discuss any concerns. If CAISO determines that a generating facility to be interconnected in one area may affect system performance in another area, ISIS Load Flow, Post Transient, and Stability analyses would be performed. The ISIS will state the assumptions upon which it is based and the results of the analyses and will provide the requirements or potential impediments for the requested interconnection service. It will also list the facilities on the CAISO-Controlled Grid that are required as a result of the interconnection request.³⁸

³⁸ See LGIP section 7.3, Scope of Interconnection System Impact Study, and R&R Agreement Attachment A, Interconnection System Impact Study Process.

44. We also note that in conducting the ISIS, CAISO coordinates with other potentially affected transmission facility owners as well as the interconnecting PTO, in accordance with North American Electric Reliability Council (NERC) and Western Electricity Coordinating Council (WECC) planning standards. Under CAISO's direction, a third-party contractor (if not CAISO itself) will gather data and proposals for input assumptions from stakeholders (*e.g.*, the Interconnection Customer, interconnecting PTO, affected PTO, affected system, or higher queued interconnection requests). The PTO or third-party contractor will develop a draft study plan and participate in the study review meeting. CAISO coordinates Base Case development, including contingency lists, with the PTO to ensure accurate development, share study results with the PTO(s) and stakeholders for review and comment, and incorporate their comments into the study report. If needed, the PTO may supply detailed network representations of its system for modeling into any wide-area data, in accordance with NERC/WECC planning standards. Concurrent with CAISO performing Load Flow activities, the PTO may be required to run the short circuit analyses, perform a facilities review, and furnish additional study results, including effect in the service territory, with proposed or supplemental mitigation plans for CAISO review, recommendations and direction. The CAISO will compile results from all sources, including effects on all affected areas and seams issues, share study results with the PTO and stakeholders for review, and incorporate comments into a draft report that covers grid-wide effects.³⁹

45. Thus, whether CAISO, the PTO, or a third party contractor performs the system studies, the PTOs provide the source data, including Base Cases and contingency lists, on which the study results are based. In addition, the PTOs actively participate, through their review and analyses during the study process, in developing mitigation solutions. We therefore find that the CAISO grid-wide determinations are compiled from factors that include findings and recommendations by the PTO regarding its own service territory. Because the PTO has provided the source data on which the findings are based, and has participated throughout the study process, the PTO is able to review and assess the grid-wide findings without having to perform studies that have already been conducted.

2. Compliance Filing

46. To clarify that interconnection studies may not be duplicated at the Interconnection Customer's expense, CAISO proposes to revise both the LGIP and the R&R Agreement Attachment A. First, CAISO proposes to add a sentence to LGIP section 13.3, Obligation for Study Costs, stating that where an interconnection study is performed by CAISO or a

³⁹ See R&R Agreement section 3, Attachment A, Interconnection System Impact Study Process, Interconnection System Impact Study Timeline; and LGIP section 7.4, Interconnection System Impact Study Procedures.

third-party contractor, the Interconnection Customer will pay only the costs of activities performed by the PTO to adequately review or validate that interconnection study. Second, CAISO proposes to specify in R&R Agreement Attachment A, which allocates study responsibilities between CAISO and the PTOs, that as part of the PTO's review of an ISIS performed by CAISO or a third party, the PTO may only perform activities to adequately review or validate Load Flow, Post Transient, and Stability Analysis to assess CAISO results, and to recommend alternative solutions.

47. CAISO states that these revisions are consistent with the Compliance Order's directive to protect the Interconnection Customer from unwarranted and inefficient costs, and the Commission's recognition in the August 26, 2005 Rehearing Order that PTOs should have adequate review and recommendation rights.

a. Protests

48. Modesto, Santa Clara, and TANC separately filed to protest that the language CAISO uses to prohibit duplicative studies is ambiguous and could allow PTOs the opportunity to charge Interconnection Customers for duplicative studies.

b. Commission Determination

49. We find that the proposed clarification that interconnection studies may not be duplicated at the Interconnection Customer's expense to be acceptable. CAISO has clearly stated its intent to protect the Interconnection Customer from unwarranted and inefficient costs while allowing the PTOs the right to adequately review and make recommendations during the study process.

50. We reiterate that Interconnection Customers and PTOs are permitted to participate throughout the ISIS process. The ISIS process allows affected participants to provide crucial source data through their review, validation, and follow-up recommendations at a level that does not require the PTO to perform Load Flow, Post Transient, or Stability Analyses where those studies and analyses have already been performed by CAISO or another contractor. Therefore, we reject the Modesto, Santa Clara, and TANC protests.

D. PG&E Offer of Settlement

51. On November 1, 2005, PG&E filed an Offer of Settlement that it says would resolve all issues associated with the centralized study process requirements. PG&E: (1) requests that the Commission approve, without modification, the November 1, 2005 compliance filings submitted by CAISO and CAISO/PTOs in Docket No. ER04-445, *et al.*; (2) requests that the Commission vacate certain specified portions of the July 1, 2005 and August 26, 2005 Orders; and (3) states that upon issuance of a final Commission order taking those actions, PG&E would file with the U.S. court of appeals a request to

withdraw, with prejudice, its petition for review of the Commission's July 1, 2005 and August 26, 2005 Orders. The Compliance Order stated that the Commission was accepting the interconnection procedures jointly submitted by the Filing Parties and therefore PG&E's case was moot. The Commission rejected PG&E's Offer of Settlement.

PG&E's Request for Rehearing

52. PG&E asserts that the Commission erred in rejecting PG&E's Offer of Settlement and refusing to vacate portions of prior Commission orders. It states that the issue is not mooted by the Commission's acceptance of the interconnection study procedures filed by CAISO.⁴⁰ Instead, PG&E states that section II of its Offer of Settlement provides that the "Commission shall approve, in their entirety and without modification, the aforementioned November 1, 2005 compliance filings in Docket No. ER04-445, *et al.*" PG&E asserts that therefore its challenge to the centralized study mandate is not moot.

53. PG&E contends that the Commission has failed to meet its obligations under FPA section 206 and the filed rate doctrine because the Commission cannot require a change in a Commission-approved tariff unless the Commission first finds, based on substantial record evidence, that the existing tariff provision is unjust, unreasonable, or otherwise unlawful. It states that the Compliance Order summarily dismissed, without discussion, PG&E's rehearing argument.

54. PG&E further asserts that the Commission erred in characterizing PG&E's Offer of Settlement as a "collateral attack" on the Commission's Order No. 2003 and the July 1, 2005 and August 26, 2005 Orders. It claims that its Offer of Settlement was not an attack on those orders because it agreed to withdraw its appeal of those orders, a substantial concession on its part.

55. PG&E states that there was no finding in Order No. 2003 that only Transmission Providers should conduct interconnection studies, or that such studies had to be "centralized." PG&E notes that the Commission has recognized that "Order No. 2003 did not allocate responsibilities between transmission owners and Transmission Providers for the provision of Interconnection Studies and suggest[ed] those parties enter into an agreement to allocate those responsibilities."⁴¹ PG&E asserts that Order No. 2003 does not contain the finding required by FPA section 206 that the study arrangements the

⁴⁰ See Compliance Order, 115 FERC ¶ 61,237 at P 84.

⁴¹ See PTOs' June 23, 2006 Request for Rehearing at 14 (quoting R&R Agreement at 1 (citing *Southwest Power Pool, Inc.*, 106 FERC ¶ 61,254 (2004))).

Commission had already approved for use in California (which are embodied in the CAISO and PTO tariffs) have become unjust and unreasonable. It states that the Compliance Order errs in suggesting that any such finding can be found in the Order No. 2003 series.

56. PG&E further asserts that the Commission's earlier Order No. 888⁴² series do not include any finding to the effect that the generator interconnection study process must be centralized, as PG&E claims is alleged in P 77 of the Compliance Order. On the contrary, in a 1997 order implementing the Order No. 888 open access program in California, the Commission rejected a proposal to transfer the study function from the PTOs to CAISO.⁴³ PG&E contends that given this prior ruling, which was issued under Order No. 888, it is legal error to suggest "the Commission does not need to also make a specific determination that CAISO's existing interconnection study provisions have become unjust, unreasonable, or otherwise unlawful."⁴⁴ It asserts that the Commission's reliance on *TAPS v. FERC*⁴⁵ is misplaced because there was not even a generic finding supporting centralized studies in Order No. 2003.

Commission Determination

a. Precedent Regarding Vacatur

57. We disagree with PG&E that vacating portions of the July 1, 2005 Order and August 26, 2005 Order is appropriate. As the Commission found in its Compliance Order, the PG&E Offer of Settlement requested that the Commission accept the centralized study proposal without modification. However, the Offer of Settlement also requested vacatur of the portions of the July 1 and August 26, 2005 Orders that directed CAISO to develop procedures for centralized interconnection studies. The Commission

⁴² *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21,540 (May 10, 1996), FERC Stats. & Regs. ¶ 31,036, at 31,679-84 (1996), *order on reh'g*, Order No. 888-A, 62 Fed. Reg. 12,274 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,048, at 30,209-10 (1997), *order on reh'g*, Order No. 888-B, 62 Fed. Reg. 64,688 (Dec. 9, 1997), 81 FERC ¶ 61,248 (1997), *order on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd in relevant part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom. New York v. FERC*, 535 U.S. 1 (2002).

⁴³ PTOs' June 23, 2006 Request for Rehearing at 15 (quoting *Pacific Gas & Elec. Co.*, 81 FERC ¶ 61,122, at 61,489 (1997)).

⁴⁴ *Id.* (quoting Compliance Order, 115 FERC ¶ 61,237 at P 78).

⁴⁵ *TAPS v. FERC*, 225 F.3d 667, at 687 (D.C. Cir. 2000).

noted that PG&E was requesting that the Commission vacate language from the very orders that the Filing Parties had complied with in their centralized interconnection studies proposal. Therefore, it would have made no sense for the Commission to grant PG&E's request for vacatur while accepting without modification the centralized studies proposal, especially since the Compliance Order found that the Filing Parties complied with the intent of the centralized studies directive.

58. As PG&E notes, its Offer of Settlement requested that the Commission accept the November 1, 2005 compliance filings without modification. The Compliance Order directed modifications to these compliance filings and therefore PG&E Offer of Settlement is not moot.

59. The Compliance Order disagreed with PG&E's assertion that, unlike *Panhandle Eastern Pipe Line Company*,⁴⁶ this is not a case where the language to be vacated represents a Commission policy or is otherwise the result of extensive hearings and Commission deliberations. The Commission found that PG&E's proposed vacatur would allow the interconnection study process to once again become decentralized, with each PTO analyzing the effect of interconnection to its service territory instead of there being an analysis of the effect on the CAISO-Controlled Grid as a whole. We find that PG&E has not offered a persuasive argument for vacatur and therefore we reject its request for rehearing.

b. Order No. 2003 and Section 206 of the Federal Power Act

60. We disagree with PG&E's assertion that, in directing CAISO to centralize its study procedures, the Commission failed to meet the requirements of FPA section 206 and the filed rate doctrine. Order No. 2003 establishes "standard procedures and a standard agreement for interconnecting generators larger than 20 MW."⁴⁷ Pursuant to the Commission's responsibility under FPA sections 205 and 206 to remedy undue discrimination, Order No. 2003 required public utilities that own, control, or operate facilities for transmitting electric energy in interstate commerce to attach the *pro forma* LGIP and LGIA to their OATTs.⁴⁸ The Commission stated that "these documents will provide just and reasonable terms and conditions of transmission service while ensuring that reliability is protected and that they will provide a reasonable balance between the competing goals of uniformity and flexibility."⁴⁹ The Commission supported its assertion

⁴⁶ *Panhandle Eastern Pipe Line Co.*, 83 FERC ¶ 61,008, *reh'g denied*, 83 FERC ¶ 61,353 (1998), *affirmed sub nom. Panhandle Eastern Co. v. FERC*, 198 F.3d 266 (D.C. Cir. 1999) (*Panhandle Eastern*).

⁴⁷ Order No. 2003, FERC Stats. & Regs. ¶ 61,146 at P 1.

⁴⁸ *Id.* P 7.

⁴⁹ *Id.*

of the necessity of a standard, uniform set of generator interconnection procedures, stating that “With the increasing number of interconnection-related disputes, it has become apparent that the case-by-case approach is an inadequate and inefficient means to address interconnection issues.”⁵⁰ By enumerating a uniform, standardized, nondiscriminatory set of interconnection procedures, Order No. 2003 provided a roadmap for Interconnection Customers and Transmission Providers.

61. In the July 1, 2005 Order, the Commission applied the independent entity variation standard in reviewing the Filing Parties’ Order No. 2003 compliance filings. While the Commission gave wide latitude to the Filing Parties under this standard, the July 1, 2005 Order found that CAISO needed to adopt a centralized approach to interconnection studies and therefore rejected the proposal to allow the PTOs to perform studies. The Commission stated that “allowing the PTOs to conduct the studies undermines the very independence on which the Commission relies when it approves deviations from Order No. 2003 under the more flexible independent entity variation standard.”⁵¹

62. In the August 26, 2005 Rehearing Order, the Commission permitted the PTOs to participate in the studies, with qualifications described in the order which would safeguard the interests of Interconnection Customers. The August 26, 2005 Rehearing Order stated

. . . as an independent entity, CAISO must manage its interconnection policy and procedures including its system study process so that an interconnecting generator is not unduly burdened by coordinating multiple studies with the PTOs. Therefore, the revised centralized study procedures resulting from the ISO’s proposed collaborative stakeholder process may allow the PTOs to participate in the studies, including conducting certain studies, under the direction and oversight of CAISO.⁵²

63. The July 1, 2005 Order and August 26, 2005 Rehearing Order allowed variations from the Order No. 2003 study process under the independent entity variation standard. We note that this standard is more lenient than the consistent with or superior to standard that the Commission would have applied to the compliance filings if the Commission had not found CAISO to be an independent entity. The independent entity standard is based on the premise that independent entities are less likely to act in a discriminatory manner towards Interconnection Customers than are non-independent entities who might have more to gain by gaming the system (unduly discriminating against other generators). Allowing the PTOs to conduct studies without the oversight and direction of CAISO

⁵⁰ *Id.* P 10.

⁵¹ July 1, 2005 Order, 112 FERC ¶ 61,009 at P 55 (footnote omitted).

⁵² August 26, 2006 Rehearing Order, 112 FERC ¶ 61,231 at P 21.

would undermine the uniform, standardized, nondiscriminatory interconnection procedures established by Order No. 2003. PG&E is attempting to skirt the consistent with or superior to standard under the auspices of CAISO's independence.

64. It is the Commission's responsibility to ensure that rates and services are just and reasonable and not unduly discriminatory or preferential under sections 205 and 206 of the FPA. Allowing the PTOs to contravene the basic premise of Order No. 2003 and conduct the interconnection studies without the direction of CAISO would violate our responsibility to protect Interconnection Customers.

65. As the Compliance Order stated, the Commission relied upon Order No. 2003 when it directed CAISO to centralize its interconnection study function.⁵³ PG&E contends that Order No. 2003 does not specifically direct a centralized study process. Clearly, the Commission intended to provide interconnection customers with "one-stop" shopping where interconnection studies would be uniformly conducted under the supervision of one entity who has knowledge of the full control area rather than a piecemeal approach to interconnection studies.⁵⁴ Order No. 2003-A stated

It is our intent that, while the Transmission Owner is a necessary part of interconnecting to a facility under the operational control of an RTO or ISO, its role in negotiating the agreement will be a limited one. Interconnection Studies remain the providence of the Transmission Provider.⁵⁵

66. Old Dominion filed comments in the Order No. 2003 proceeding regarding the Commission's proposed standard generator interconnection procedures and agreement.⁵⁶ It expressed concerns that, in areas where RTOs exist, Order No. 2003 could allow Transmission Owners to exert anticompetitive influence over the interconnection

⁵³ See Compliance Order, 115 FERC ¶ 61,237 at P 79 (citing Order No. 2003 at P 18-20).

⁵⁴ See Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 785 ("In requiring three-party agreements in Order No. 2003, our intent was to allow 'one-stop shopping' for Interconnection Customers interconnecting to a facility under the operational control of an RTO or ISO and to speed the sometimes lengthy interconnection process.") See also *Delmarva Power & Light Co.*, 106 FERC ¶ 61,290 (2004) ("One of the ways ISOs and RTOs help accomplish these goals is by minimizing the number of entities with which a customer must contract and negotiate to secure transmission service. As much as is practicable, ISOs and RTOs provide 'one-stop shopping' for transmission service customers.").

⁵⁵ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 785.

⁵⁶ Old Dominion June 17, 2002 Comments, Docket No. RM02-1-000.

process.⁵⁷ Order No. 2003-A stated “In response to Old Dominion’s concern that generating facilities associated with a Transmission Owner could receive preferential treatment, the independent oversight exercised by the RTO or ISO will guard against this sort of discrimination.”⁵⁸ Despite the assertions of PG&E to the contrary, Order No. 2003 and its progeny emphasize time and again the importance of the direction and oversight of an independent entity, such as an RTO or ISO, to prevent undue discrimination and ensure a standardized, uniform interconnection process.

67. Commission precedent involving another independent system operator (ISO) supports the concept of a uniform, standardized application of interconnection study procedures. In *Midwest Independent System Operator Corporation*,⁵⁹ the Commission accepted in part and rejected in part Midwest ISO’s Order No. 2003 and 2003-A compliance filings, finding that there must be a single integrated queue per geographic region.⁶⁰

68. In Order No. 2003-B, the Commission clarified that a Transmission Owner belonging to a regional transmission organization (RTO) or ISO cannot have a separate set of interconnection procedures or *pro forma* agreement for interconnection with facilities within the RTO or ISO’s operational control.⁶¹ Order No. 2003-B noted that there may be confusion when the transmission owner retains operational control of some jurisdictional facilities and those facilities are not subject to the interconnection procedures under the OATT of the RTO or ISO.⁶² Order No. 2003-B stated that an Interconnection Customer seeking to interconnect with the facilities within the Transmission Owner’s operational control will only be subject to the Transmission Owner’s interconnection agreement and procedures. The Commission acknowledged that such a system may create inconsistent interconnection procedures and agreements within a region controlled by an RTO or ISO. Therefore, the Commission clarified that a

⁵⁷ See Old Dominion June 17, 2002 Comments, Docket No. RM02-1-000, at 18-19. Old Dominion quoted the Commission’s decision in *PJM Interconnection, LLC*, 96 FERC ¶ 61,061, at 61,234 (2001) (“... efficient decision-making on investment in transmission facilities requires that the entire interconnection process must be under the decisional control of the RTO.”), *order on reh’g*, 101 FERC ¶ 61,345 (2002).

⁵⁸ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 786.

⁵⁹ *Midwest Indep. Sys. Operator Corp.*, 108 FERC ¶ 61,027 (2004) (Midwest ISO).

⁶⁰ *Id.* P 131 (quoting Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 147).

⁶¹ Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 80.

⁶² For example, the RTO or ISO conducts all studies, determines costs, identifies necessary Network Upgrades, and controls all aspects of the interconnection process.

Transmission Owner that retains control over some jurisdictional facilities may subject those facilities to an RTO- or ISO-controlled interconnection process. Order No. 2003-B states

In such instance, the Transmission Owner must agree to transfer to the RTO or ISO control over the significant aspects of the interconnection process under the Transmission Owner's OATT interconnection process, including the performance of all Interconnection Studies and cost determinations applicable to Network Upgrades.²⁶ Even under this modified approach, there should be only one applicable interconnection agreement and one set of procedures for each Interconnection Request for a Commission-jurisdictional interconnection.^[63]

²⁶ See *New England Power Pool*, 109 FERC ¶ 61,155 at P 27, 74 (2004); see also [*New York Indep. Sys. Operator Corp.*, 108 FERC ¶ 61,159, at P 123-124 (2004) (*NYISO*)]. In *NYISO*, the Commission conditionally waived the requirement that the Transmission Owners adopt the *pro forma* LGIP and LGIA for transmission facilities over which Transmission Owners retained operational control. Waiver was granted due in part to the commitment by the Transmission Owners to relinquish operational control over the relevant facilities to the RTO or ISO upon Commission issuance of the *NYISO* order.

69. Even in those situations where the transmission owner retains control over some jurisdictional facilities, Order No. 2003-B clearly stated that the RTO or ISO would perform the studies for those facilities that are subject to the RTO or ISO's interconnection process. In the CAISO control area, the PTOs have retained ownership of the jurisdictional facilities, but have turned operational control over to CAISO. Order No. 2003-B clearly supports our finding that CAISO must perform the interconnection studies for those facilities under its control. Due to the independent entity variation standard, the Commission directed CAISO to centralize the study process by performing and directing the study procedures for facilities under its operational control, but permitting limited PTO participation in the study process. As the Commission noted in the Compliance Order, fundamental principles settled in orders cannot be attacked in subsequent proceedings before the Commission.⁶⁴ PG&E is engaging in gamesmanship

⁶³ Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 at P 80.

⁶⁴ See *Southwest Gas Corp. v. FERC*, 145 F.3d 365, 370 (1998) ("The Commission need not revisit the reasoning of a general order every time it applies to a specific circumstance.").

by focusing on a single word, “centralized,” while ignoring the basic premise of the Commission’s uniform, standardized interconnection process. In doing so, PG&E is trying to rewrite history and has collaterally attacked Order No. 2003.

70. PG&E’s claims that it is sacrificing its appeal of the July 1 and August 26, 2005 Orders in exchange for the Commission’s vacatur of portions of those orders and therefore its Offer of Settlement is not a collateral attack. PG&E’s willingness to give up its appeal has no bearing on the issue of whether or not its Offer of Settlement is a collateral attack. Instead, we note that the Commission has already denied rehearing on this exact issue and therefore PG&E’s Offer of Settlement constitutes a collateral attack on the Commission’s July 1, 2005 and August 26, 2005 Orders.

71. As noted in the Compliance Order, interconnection is an element of transmission service that must be provided under the OATT.⁶⁵ Therefore, the Commission may order generic interconnection terms and procedures pursuant to its authority to remedy undue discrimination and preferences under FPA sections 205 and 206. Given the requirement under Order No. 2003-B that ISOs perform interconnection studies for all facilities under their control, the Commission did not need to make a specific determination that CAISO’s existing interconnection study provisions have become unjust, unreasonable, or otherwise unlawful. Under FPA sections 205 and 206, the Commission has the authority to use a generic remedy rather than individual findings to prevent undue discrimination.⁶⁶ Therefore, we deny PG&E’s request for rehearing regarding its Offer of Settlement.

The Commission orders:

(A) The Commission hereby accepts, with modifications, effective May 24, 2006, the Filing Parties compliance filings regarding the centralized study process, as discussed in the body of this order.

(B) The Commission hereby directs CAISO to remove all references to informational assessments from its interconnection policy, effective July 1, 2005, as discussed in the body of this order, within 30 days of the date of this order.

(C) The Commission hereby denies the PTOs’ request for rehearing, as discussed in the body of this order.

(D) The Commission hereby denies CAISO’s request for rehearing, as discussed in the body of this order.

⁶⁵ Compliance Order, 115 FERC ¶ 61,237 at P 78 (citing *Tennessee Power Co.*, 90 FERC ¶ 61,238, at 61,761, *reh’g denied* 91 FERC ¶ 61,271 (2000)).

⁶⁶ See *TAPS v. FERC*, 225 F.3d 667, at 687.

(E) The Commission hereby denies PG&E's request for rehearing of its Offer of Settlement, as discussed in the body of this order.

By the Commission. Commissioner Kelly concurring with a separate statement attached.

(S E A L)

Magalie R. Salas,
Secretary.

I interpret these statements to mean that all parties retain their FPA section 205 and 206 rights to seek changes to the CAISO OATT pursuant to the “just and reasonable” standard, and therefore agree with this order.

Sudeen G. Kelly