

APPENDIX K: Inactive Infrastructure-related Policy Initiatives

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Overview

Appendix K provides a listing of infrastructure-related policy suggestions introduced in previous ISO stakeholder processes that are not currently active. These issues were raised in the ISO's 2024 policy roadmap stakeholder process and the 2024-2025 transmission planning process. The ISO does not have specific plans at this time to initiate the policy suggestions below, but indicates in several cases what factors might suggest those policy issues should be reconsidered.

Active policy initiatives and considerations are discussed in Section 1 of the 2024-2025 Transmission Plan. These include a discussion of FERC Orders No. 1920 and 1920-A, engagement with Tribes and neighboring planning regions, planning for large loads, transmission project execution, assignment of re-scoped transmission projects, grid-enhancing technologies, and relevant state legislation.

In addition, several stakeholders submitted policy suggestions in the 2025 annual policy initiatives roadmap process and the 2025-2026 transmission planning process. The ISO will address these more recent policy suggestions in the 2025-2026 transmission planning process (or, if more appropriate, in a future interconnection process enhancements initiative) and therefore did not include those most recent suggestions in this appendix of inactive policy suggestions.

Storage as a Transmission Asset

Stakeholders have suggested that the ISO revisit past considerations using electric storage, including long-duration storage, to provide grid services as a transmission asset, with all or a portion of costs recovered through the Transmission Access Charge (TAC). Such an initiative would further explore issues around electric storage resources seeking to receive cost-based rate recovery for providing certain transmission services and also enabling these storage resources to receive market revenues for their market participation.

The ISO notes that storage can be advanced as a transmission asset today, with the costs recovered through the TAC. However, there is no mechanism that would also allow that transmission asset to participate in the electricity market and receive market revenues. That was the focus of this initiative in the past. The ISO may restart this initiative after completing the Energy Storage Enhancements and Resource Adequacy Enhancements initiatives, which are required to provide sufficient tools and policies to preserve and manage state of charge. The ISO will also coordinate with the CPUC and other local regulatory on the need for an alternative to Local Regulatory Authorities directing load serving entities to secure storage in targeted locations.

Adjusting the Competitive Solicitation Threshold

One stakeholder suggested that increasing the scope of projects eligible for competitive bidding in Phase 3 of the transmission planning process, positing that projects between 100-200 kV should be eligible if they show a clear regional benefit. Initially, the ISO thought this issue may be addressed in FERC Order No. 1920; however upon review of Order No. 1920 and 1920-A, the ISO has concluded that this is not a compliance issue. The ISO believes its threshold for

competitive solicitation is appropriate and effective, and it does not propose to reduce the threshold to 100 kV going forward.

TPP Enhancements

One stakeholder noted the lack of viable pathways for merchant deliverability projects to pursue an option to pay for a portion of a network upgrade, increasing deliverability on the transmission system in exchange for the benefit of a transmission plan deliverability allocation.

The ISO notes that Merchant Transmission, as defined in the ISO tariff, provides congestion revenue rights to the merchant transmission project sponsor in return for funding the upgrades or additions. Providing some form of priority access to deliverability creates an untenable conflict with the ISO's transmission planning process for policy driven transmission, and it also conflicts with the ISO's recently reformed interconnection process and deliverability allocation process. As such, the ISO does not plan to pursue this initiative at this time.

Establishing mandatory project review criteria

One stakeholder proposed that the ISO should track the costs of approved regional transmission projects and reevaluate projects if their reported costs are 10% or greater than their approved cost estimate.

FERC Order No. 1920 requires all regional transmission operators, including the ISO, to reevaluate long-term regional transmission projects if the reported costs of a previously selected facility "significantly exceed" the cost estimate used to select the project. The ISO has applied a policy of reviewing individual projects on a case-by-case basis when the ISO or stakeholders have identified material changes in circumstance. This has served the ISO well, and the ISO notes that it has conducted reevaluations and made changes based on changes in project circumstances other than an arbitrary cost ceiling. The CAISO also notes the CPUC provides cost reporting through Resolution E-5252.

Notwithstanding, the ISO will review the compliance requirements of FERC Orders No. 1920 and 1920A and comply with the Orders accordingly.

Guidance to Local Regulatory Authorities to develop resource portfolios in close proximity to the existing transmission network.

One stakeholder proposed in the 2024 policy catalogue that the ISO perform analysis to expand its database to explore existing rights of way of transmission capability fully, then feed this information into the CPUC's Integrated Resource Planning Process to enable the CPUC to select resources that might not be cost effective but can be built timely and with little transmission infrastructure delay or cost.

The proposed change relates to the process initially developed and established through the comprehensive FERC Order No. 1000 compliance efforts. FERC Order No. 1920 proposes broad changes to the TPP. This proposed change is closely related to the scope of issues

encompassed in FERC Order No. 1920 and therefore, the ISO will need to consider how best to respond to this proposal as it establishes a path forward for its FERC Order No. 1920 compliance.

Changes to approved project sponsor agreements

One stakeholder suggested addition several additional items for inclusion in approved project sponsor agreements (APSA):

- Schedule incentive clause as part of the standard terms of an APSA;
- A provision to APSA terms that the project sponsor agrees all terms are legally binding and enforced in FERC rate case, including maximum costs/cost containment measures;
- A statement that project sponsor agrees any cost overrun not excepted in Appendix E (APSA appendix “Approved Project Sponsor’s Costs of Project”) is not recoverable in FERC rate case, and that FERC has authority to enforce maximum costs/cost containment measures;

The ISO cannot restrict the cost containment measures that sponsors may propose; however, the ISO takes into account the robustness and firmness of their cost containment measures in the competitive solicitation process.

Transmission Planning Process Enhancements

One stakeholder suggested a stakeholder process to support development of a transmission capability estimates whitepaper. This information is available and can be found on the ISO’s Transmission Planning website¹, under “Information provided for CPUC integrated resource plan.

Another stakeholder suggested enhancements to existing transmission planning process to ensure sufficient transmission across the ISO Balancing Area or into local areas to meet California’s clean energy goals. The ISO appreciates this suggestion and continues to explore opportunities to enhance the accuracy and value of the transmission planning process. Major enhancements to the ISO’s interconnection and transmission process will continue to emphasize alignment with the state’s load forecasting and state and local resource plans.

¹ <https://www.caiso.com/generation-transmission/transmission/transmission-planning>