

164 FERC ¶ 61,160  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Kevin J. McIntyre, Chairman;  
Cheryl A. LaFleur, Neil Chatterjee,  
and Richard Glick.

Southern California Edison Company

Docket Nos. ER18-370-00

Local Transmission Planning Within the California  
Independent System Operator Corporation

AD18-12-000

ORDER ON TARIFF FILING

(Issued August 31, 2018)

1. On March 23, 2018, the Commission issued an order<sup>1</sup> accepting and suspending for five months, subject to refund, Southern California Edison Company's (SoCal Edison) proposed amendment to its Transmission Owner Tariff (TO Tariff) to create an annual Transmission Maintenance and Compliance Review (TMCR) process. Through this process, SoCal Edison proposed to share and review information with stakeholders about certain transmission-related maintenance and compliance activities that are not subject to consideration through the California Independent System Operator Corporation's (CAISO) Transmission Planning Process (TPP).<sup>2</sup> In this order, we find that SoCal Edison's proposed TMCR process, when revised to reflect certain provisions that SoCal Edison proposed in response to some of the Protesters' concerns,<sup>3</sup> is just and

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<sup>1</sup> *S. Cal. Edison Co.*, 162 FERC ¶ 61,264 (2018) (March 2018 Order).

<sup>2</sup> In the March 2018 Order, the Commission also established a technical conference in Docket No. AD18-12-000 to address issues raised in the filing, as well as issues raised in a complaint that the California Public Utility Commission (CPUC) and several of Pacific Gas and Electric Company's (PG&E) transmission customers filed against PG&E in Docket No. EL17-45-000. The technical conference was held on May 1, 2018.

<sup>3</sup> In its January 10, 2018 answer, SoCal Edison proposed additional provisions and procedures to its TMCR process. SoCal Edison did not submit proposed tariff sheets to implement these changes. SoCal Edison Answer at 7-12 and Exhibit A.

reasonable and not unduly discriminatory or preferential. Accordingly, we: (1) accept the TO Tariff amendment implementing the TMCR process proposal, without suspension, effective September 1, 2018; and (2) direct SoCal Edison to submit a compliance filing within 30 days of the issuance of this order to revise its TO Tariff amendment in accordance with its proposed revisions, as discussed herein. We also deny the California Public Utilities Commission's (CPUC) motion requesting that the Commission issue an order to show cause with respect to the CAISO participating transmission owners' (PTO) transmission-related maintenance and compliance activities, as discussed herein.

## I. Background

2. In Order No. 890,<sup>4</sup> the Commission found that:

[R]eforms are needed to ensure that transmission infrastructure is evaluated, and if needed, constructed on a nondiscriminatory basis and is otherwise sufficient to support reliable and economic service to all eligible customers. As noted above, vertically-integrated utilities do not have an incentive to expand the grid to accommodate new entries or to facilitate the dispatch of more efficient competitors. Despite this, the existing *pro forma* [Open Access Transmission Tariff (OATT)] contains very few requirements regarding how transmission planning should be conducted to ensure that undue discrimination does not occur.<sup>5</sup>

The Commission went on to find that the existing *pro forma* OATT was insufficient in an era of increasing transmission congestion and the need for significant new transmission investment, explaining that “[w]e cannot rely on the self-interest of transmission providers to expand the grid in a non-discriminatory manner.”<sup>6</sup>

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<sup>4</sup> *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

<sup>5</sup> Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 57.

<sup>6</sup> *Id.* P 422.

3. To remedy the Commission's concern regarding the potential for undue discrimination and anticompetitive conduct in the expansion of the transmission grid, the Commission in Order No. 890 required all public utility transmission providers to revise their OATTs to incorporate a transmission planning process that satisfied the following nine transmission planning principles: (1) Coordination; (2) Openness; (3) Transparency; (4) Information Exchange; (5) Comparability; (6) Dispute Resolution; (7) Regional Participation; (8) Economic Planning Studies; and (9) Cost Allocation for New Projects.<sup>7</sup>

4. In addition, the Commission found that, in order for a Regional Transmission Organization's (RTO) or Independent System Operator's (ISO) transmission planning process to be open and transparent, transmission customers and stakeholders must be able to participate in each underlying transmission owner's planning process. Accordingly, as part of their Order No. 890 compliance filings, the Commission directed RTOs/ISOs to indicate how all transmission owners within their footprints would comply with Order No. 890's transmission planning requirements. The Commission emphasized that, while the mechanics of such compliance would be left to each RTO/ISO, it would nevertheless find an RTO's/ISO's transmission planning process insufficient if the RTO's/ISO's underlying transmission owners were not also obligated to engage in transmission planning that complies with Order No. 890.<sup>8</sup> The Commission explained that, in many cases, RTO/ISO transmission planning processes may focus principally on regional problems and solutions, not local planning issues that may be addressed by individual transmission owners. These local planning issues, the Commission noted, may be critically important to transmission customers, such as those embedded within the service areas of individual transmission owners. Therefore, to ensure full compliance, the Commission in Order No. 890 stated that transmission owners must—to the extent that they perform transmission planning within an RTO/ISO—also comply with Order No. 890.<sup>9</sup>

5. In Order No. 890-A, the Commission noted that each RTO/ISO may fulfill its Order No. 890 obligations by delegating certain planning activities to, or otherwise relying on, its transmission-owning members, provided that the rights and responsibilities of all parties are clearly stated in the RTO/ISO OATT. The Commission concluded, however, that each RTO/ISO retains responsibility for demonstrating compliance with each of the nine Order No. 890 transmission planning principles because it is the entity with the transmission planning process on file with the Commission.<sup>10</sup> The Commission

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<sup>7</sup> *Id.* PP 444-561.

<sup>8</sup> *Id.* P 440.

<sup>9</sup> *Id.*

<sup>10</sup> Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 175.

thus stated that an RTO/ISO would not be able to satisfy the requirements of Order No. 890 if the plans its transmission-owning members developed, and upon which the RTO/ISO relied, did not also satisfy those requirements.<sup>11</sup>

## II. SoCal Edison's Filing

6. In Docket No. ER18-370-000, SoCal Edison proposed to add Appendix XI to its Transmission Owner Tariff (TO Tariff), which details a new annual TMCR process whereby SoCal Edison will share and review certain information regarding transmission-related compliance and maintenance activities<sup>12</sup> with interested stakeholders. SoCal Edison explained that its transmission system consists of thousands of components that must be periodically replaced due to wear or upgraded because of obsolescence, and that it is subject to various regulatory and compliance requirements to ensure that its transmission facilities operate in a safe and reliable manner. SoCal Edison stated that these types of transmission projects do not expand the capacity of CAISO's grid, but rather help ensure continued safe and reliable operations of the existing grid, and are not explicitly reviewed through CAISO's TPP.<sup>13</sup>

7. SoCal Edison indicated that it recognizes the value of sharing information with its stakeholders so that they can better understand the process involved in safely and reliably maintaining its system. Thus, SoCal Edison proposed the TMCR process to share with stakeholders information on its proposed transmission-related maintenance and compliance activities. SoCal Edison states that it initially designed the TMCR to include activities that would have greater than 30 percent of their total capital costs included in SoCal Edison's wholesale transmission rate base. SoCal Edison explained that such projects may include infrastructure replacement, projects to address compliance issues, or upgrades to non-PTO transmission facilities to which SoCal Edison has a contractual entitlement. However, SoCal Edison also explained that certain types of projects will not be included in the TMCR process, such as: (1) facilities and projects that will be addressed through CAISO's TPP or generation interconnection process; (2) facilities and projects that address the physical and cyber security needs of the transmission system

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<sup>11</sup> *Id.* P 176.

<sup>12</sup> SoCal Edison uses the term "capital additions" in its transmittal to describe activities to be considered within the TMCR. In this order, we use the terms "transmission-related compliance and maintenance activities" and "asset management projects and activities" to refer to the projects and activities that SoCal Edison referenced as "capital additions." As described in greater detail below, these are transmission projects CAISO does not consider through its TPP. *See infra* n.55.

<sup>13</sup> March 2018 Order, 162 FERC ¶ 61,264 at PP 2-3.

(given the sensitivity of these projects); and (3) projects that are less than two years away from their projected in-service date.<sup>14</sup>

8. Protesters argued that SoCal Edison's TMCR process does not comply with the Commission's Order No. 890 transmission planning principles and must be significantly revised.<sup>15</sup> They argued that the transmission-related maintenance and compliance activities included in SoCal Edison's rate base as "capital additions or investments" are neither reviewed by CAISO nor the CPUC, and should be subject to an Order No. 890-compliant transmission planning process.<sup>16</sup> Protesters also asserted that the Commission explained in Order No. 890 that it is the responsibility of transmission owners to remedy the lack of an Order No. 890-compliant process for transmission projects that are within the purview of a RTO/ISO planning process, but for which the RTO's/ISO's transmission owners plan.<sup>17</sup> SoCal Edison answered that the activities that it proposes to include in the TMCR are not within the scope of Order No. 890 because these activities relate to infrastructure at the end of its useful life, physical and cybersecurity concerns, and compliance issues. SoCal Edison asserted that these transmission projects do not advance the Commission's purpose in Order No. 890 to ensure that transmission providers "expand the grid in a non-discriminatory manner." SoCal Edison further commented that these projects are not explicitly reviewed within the CAISO TPP, nor are they subject to the Order No. 890 transmission planning requirements.<sup>18</sup>

9. Nevertheless, in response to specific concerns that Protesters raised, SoCal Edison offered to revise its TMCR process to provide increased transparency.<sup>19</sup> Specifically,

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<sup>14</sup> The Commission included a more detailed description of comments submitted in this docket in its March 2018 order. March 2018 Order, 162 FERC ¶ 61,264 at PP 11-12.

<sup>15</sup> Protesters in this docket include the California Public Utility Commission (CPUC), the Transmission Agency of Northern California (TANC), M-S-R/City of Santa Clara (adopting and incorporating by reference arguments submitted by TANC); the Northern California Power Agency (NCPA) and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (Six Cities).

<sup>16</sup> March 2018 Order, 162 FERC ¶ 61,264 at P 11.

<sup>17</sup> *Id.*

<sup>18</sup> *Id.* P 13.

<sup>19</sup> SoCal Edison submitted proposed revisions in its answer of February 9, 2018, but it did not file revised Tariff sheets to reflect these revisions.

SoCal Edison offered to: (1) expand the scope of projects about which it will share information through its TMCR process to include activities and facilities whose Commission-jurisdictional portion of estimated costs are over \$1 million, in addition to those with greater than 30 percent of their total capital costs in SoCal Edison's rate base; (2) provide for a longer period for initial stakeholder comments, as well as a second round of comments; (3) include information about cyber and physical security projects in aggregate format; and (4) include a dispute resolution process that will assign a senior representative from SoCal Edison to mediate and discuss any disputes that arise.<sup>20</sup>

10. On March 23, 2018, the Commission issued an order accepting SoCal Edison's TO Tariff amendment for filing and suspending it for five months, to be effective September 1, 2018, subject to refund. The Commission stated that SoCal Edison's proposed amendment had not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.<sup>21</sup> The Commission found that it could not determine from the record whether SoCal Edison should be submitting transmission-related maintenance and compliance activities through CAISO's TPP or the extent to which CAISO need review SoCal Edison's actions to maintain, repair, and replace its transmission facilities.<sup>22</sup>

11. Moreover, the Commission found that questions raised in this docket were also applicable to the processes that other PTOs use to identify transmission-related maintenance and compliance activities, including (but not limited to) capital additions.<sup>23</sup> The Commission also found that similar questions were raised in a complaint that the CPUC and several of PG&E's transmission customers filed against PG&E in Docket No. EL17-45-000.<sup>24</sup> As discussed further below, the Commission directed its staff to convene a technical conference to further address these issues.<sup>25</sup>

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<sup>20</sup> SoCal Edison January 10, 2018 Answer at 7-12 and Exhibit A.

<sup>21</sup> March 2018 Order, 162 FERC ¶ 61,264 at P 20.

<sup>22</sup> *Id.* P 24.

<sup>23</sup> *Id.* P 25.

<sup>24</sup> The additional complainants in Docket No. EL17-45-000 are NCPA, City and County of San Francisco, State Water Contractors, and TANC (collectively with the CPUC, Complainants). Complainants allege that PG&E's current process for determining transmission capital investments does not comply with Order No. 890.

<sup>25</sup> March 2018 Order, 162 FERC ¶ 61,264 at P 25.

### **III. May 2018 Technical Conference and Post-Conference Comments**

12. To further address these issues with regard to all PTOs and CAISO, the Commission directed its staff to hold a technical conference in new Docket No. AD18-12-000, which also included Docket Nos. ER18-370-000 and EL17-45-000.<sup>26</sup> The technical conference was held on May 1, 2018. Following the technical conference, a supplemental notice was issued including additional questions for participants and providing a process for the submission of comments and reply comments.

#### **A. Technical Conference Discussion**

13. At the staff-led technical conference addressing transmission planning within CAISO in Docket Nos. AD18-12-000, EL17-45-000, and ER18-370-000, representatives from CAISO, the PTOs (SoCal Edison, PG&E, SDG&E), and GridLiance West Transco participated. Also participating in the conference were representatives for the CPUC, NCPA, TANC, the State Water Contractors, the City and County of San Francisco, California Department of Water Resources State Water Project, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities), Modesto Irrigation District, Imperial Irrigation District, City of Santa Clara, California, and M-S-R Public Power Agency (collectively, Protesters and Complainant Representatives).<sup>27</sup>

14. At the technical conference, no participant asserted that CAISO's TPP was deficient. Rather, participants focused on the PTOs' internal processes for identification and approval of projects and activities that do not go through the TPP, and whether those processes should be more transparent and provide opportunities for stakeholder input. During discussions, the PTOs utilized the term "asset management" to encompass the transmission-related maintenance and compliance projects at issue in the proceedings. According to the PTOs, asset management refers to the activities necessary to maintain a safe, reliable, and compliant grid, based on existing grid topology. These activities include operations and maintenance and capital expenditure activities as part of the PTOs' compliance with the TCA. CAISO reiterated that the TCA does not require non-

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<sup>26</sup> Concurrently with the March 2018 Order, the Commission issued a Notice of Technical Conference in Docket Nos. AD18-12-000, EL17-45-000, and ER18-370-000 (March 23 Notice of Technical Conference).

<sup>27</sup> While we note that this proceeding (ER18-370-000) does not have Complainants (only Protesters), we use the term "Protesters and Complainant Representatives" in this section to refer collectively to the Protesters in this proceeding and the Complainants in the related EL17-45-000 proceeding, due to the overlap between- and coordinated comments of- the two groups in the context of the Technical Conference.

expansion, non-reinforcement, maintenance, or compliance-type projects that do not change the topology of the grid to be approved through the TPP.<sup>28</sup>

15. With respect to the definition of asset management, the PTOs explained that they use inspection-based maintenance programs that identify repairs and replacements based on observed asset conditions. The PTOs explained that when equipment needs to be replaced due to its age or as the result of a performance failure, they follow industry standards and best practices (such as ISO 55000)<sup>29</sup> in selecting the replacements. However, when old equipment is replaced, the new equipment may not be a one-to-one replacement, as it will most likely include newer, more advanced technology, which might result in additional benefits to the system, such as “incidental” increases in capacity. According to CAISO and the PTOs, an asset management project that involves an incidental increase in capacity is not required to be reviewed and approved through CAISO’s TPP because the incidental increase in capacity is a function of the more advanced technology of the equipment rather than the driver for the project.<sup>30</sup> However, the relevant PTO would reflect any such a change in the base case that the PTO provides to CAISO for its use in modeling the PTO’s system for the TPP.

16. One of the issues discussed at the technical conference was whether SoCal Edison’s asset management includes large-scale replacement projects, such as a single project removing and rebuilding an entire transmission line or substation, or reconductoring a transmission line. SoCal Edison responded that, when looking at aging infrastructure under asset management, they are looking at components, not entire substations or transmission lines for replacement. SoCal Edison added that a transmission line needing to be reconducted would typically mean that there was an identification of a need in the CAISO TPP because reconductoring adds capacity and expands the grid rather than simply replacing components. SoCal Edison stated that it

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<sup>28</sup> The Commission’s Post-Technical Conference questions included requests for participants to provide definitions for the terms “asset management” and “asset management programs.” The Commission received the following responses: SoCal Edison Initial Post-Technical Conference Comments at 3-7; SDG&E Initial Post-Technical Conference Comments at 3; PG&E Initial Post-Technical Conference Comments at 10-11.

<sup>29</sup> The ISO 55000 defines asset management as a coordinated activity of an organization to realize value from assets, including maintenance planning and asset evaluation.

<sup>30</sup> Technical Conference Tr. at 132:12-134:14; *see also* CAISO Initial Post-Technical Conference Comments at 6-7; PG&E Initial Post-Technical Conference Comments at 11.

does not undertake projects to add capacity unless a need is identified in the TPP, and thereafter the transmission activity will be reviewed through the TPP.<sup>31</sup>

17. The PTOs further explained that, in reviewing an asset management project, if a PTO determines that it can address a CAISO-identified need by expanding the scope of the asset management project, the additional work would be “incremental” to the asset management activity. To the extent that this incremental portion of the project increases transmission capacity to meet a CAISO-identified need, the incremental portion of the project would be reflected in the base case that the PTO submits to CAISO for modeling and would be reviewed under CAISO’s TPP.<sup>32</sup> If CAISO does not approve the incremental portion of the project, then the PTO would not expand the scope of its original asset management project.<sup>33</sup>

18. CAISO stated that it has no interest in assuming responsibility for asset management projects or activities because it does not want to assume liability for this type of work. Moreover, CAISO noted that it does not have access to the PTO-level system information needed to take on these activities, especially given the potential volume of asset management projects and activities, and the skillsets of personnel required to assess them.<sup>34</sup> CAISO and the PTOs also explained that the critical factor in determining whether a project is submitted to the TPP is the driver for the project. CAISO reiterated that its Tariff details the categories of transmission projects that it must review through the TPP, and that it does not evaluate transmission-related activities that fall outside of those specified categories.<sup>35</sup>

19. The PTOs addressed the potential for providing greater transparency in their asset management programs. SoCal Edison explained that its TMCR amendment to its tariff establishes a process for providing transparency for its asset management projects and activities. At the technical conference, SDG&E and PG&E expressed some willingness to consider developing a similar process for their asset management projects and

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<sup>31</sup> Technical Conference Tr. at 36:2-25, 37:1-23.

<sup>32</sup> *Id.* at 128:23-131:16; *see also* CAISO Initial Post-Technical Conference Comments at 6-11; SoCal Edison Initial Post-Technical Conference Comments at 8; SDG&E Initial Post-Technical Conference Comments at 4-5.

<sup>33</sup> Technical Conference Tr. at 131:3-16.

<sup>34</sup> *Id.* at 173:15-175:2.

<sup>35</sup> *Id.* at 47:3-52:10, 120:5-15.

activities.<sup>36</sup> However, in post-conference comments, SDG&E argued that a new process would add administrative costs and constrain utilities from getting work done. SDG&E believes that the ratemaking process is the appropriate place to review asset management projects and activities. PG&E expressed some willingness to engage with stakeholders to work towards a consensual process that provides additional transparency, provided that the process does not unnecessarily burden or delay necessary asset management work. PG&E contends that the Commission should not impose any process.<sup>37</sup>

20. The Protesters and Complainant Representatives argued that greater transparency concerning asset management projects and activities is necessary for the PTOs to comply with Order No. 890. At the technical conference, Protesters and Complainant Representatives asserted that the PTOs are investing billions of dollars in new infrastructure through their asset management programs, the costs of which are included in transmission rates. They argued that the PTOs' asset management programs lack both transparency and opportunities for stakeholder input, and suggested that the PTOs should make public the criteria that they use to identify asset management projects and activities, as well as the factors that they consider to prioritize such projects. In addition, Protesters and Complainant Representatives argued that the PTOs should provide multiple opportunities for stakeholder input regarding planned asset management projects and activities and the identified needs underlying them, and also provide stakeholders with the opportunity to suggest alternatives in advance of these asset management decisions.

#### **B. Post-Technical Conference Comments**

21. In their post-technical conference comments, Protesters and Complainant Representatives<sup>38</sup> further assert that the CAISO Transmission Access Charge has more than tripled since 2008, and self-approved projects like those at issue here are driving a great deal of that increase.<sup>39</sup> The CPUC provides information that it obtained via data requests on the magnitude of spending on capital addition projects, the category used for many of the maintenance-related activities. According to the CPUC, the three large PTOs' self-approved capital additions totaled approximately \$6.4 billion between 2007

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<sup>36</sup> *Id.* at 180:1-187:18.

<sup>37</sup> SDG&E Initial Post-Technical Conference Comments at 8; PG&E Initial Post-Technical Conference Comments at 13.

<sup>38</sup> Complainants in Docket No. ER17-45-000 state that they have coordinated their comments in order to fully address the issues raised at the Technical Conference and avoid duplication. CPUC Initial Post-Technical Conference Comments at 6.

<sup>39</sup> NCPA Initial Post-Technical Conference Comments at 2.

and 2017, comprising 35.4 percent of all capital addition projects. Additionally, the CPUC forecasts a further \$3.3 billion in self-approved capital project expenditures from 2018-2022, comprising approximately 49.4 percent of total capital additions.<sup>40</sup> In this aggregate data, PG&E's expenditures (as PG&E is the largest of the three investor-owned PTOs) are significantly larger than those of SoCal Edison and SDG&E, and account for 63 percent of PG&E's total capital additions.<sup>41</sup>

22. In support of their arguments that self-approved projects should go through an Order No. 890 process, Protesters and Complainant Representatives rely upon the Commission's findings in the February 15 PJM Order.<sup>42</sup> Protesters and Complainant Representatives argue that, in the PJM proceeding, the Commission ruled that Supplemental Projects must go through an Order No. 890-compliant process, and that the Commission should make the same determination here.<sup>43</sup>

23. Protesters and Complainant Representatives also assert that after-the-fact review in a PTO rate case is not sufficient to ensure that proper stakeholder input is provided. They argue that while that review could increase transparency, it does not provide for information exchange or coordination between ratepayers and the PTO. Additionally, Protesters and Complainant Representatives assert that PTO rate cases are inherently adversarial processes in which transmission owners argue for higher rates while customers argue for lower ones.<sup>44</sup> Protesters and Complainant Representatives contend that PTO rate cases provide a poor venue for risk analysis and proper assessment of whether a more expensive project is warranted under specific circumstances.<sup>45</sup> Further,

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<sup>40</sup> CPUC Initial Post-Technical Conference Comments at 8-10.

<sup>41</sup> *Id.* at 9-10.

<sup>42</sup> *Monongahela Power Co.*, 162 FERC ¶ 61,129 (2018) (February 15 PJM Order) (finding that the PJM Transmission Owners are implementing the PJM Operating Agreement in a manner that is inconsistent with the transparency and coordination requirements of Order No. 890).

<sup>43</sup> NCPA Initial Post-Technical Conference Comments at 5-6; CPUC Initial Post-Technical Conference Comments at 3, 14.

<sup>44</sup> NCPA Initial Post-Technical Conference Comments at 3-5; TANC Initial Post-Technical Conference Comments at 7; CPUC Initial Post-Technical Conference Comments at 3.

<sup>45</sup> NCPA Initial Post-Technical Conference Comments at 3.

they argue, these rate cases do not commit a transmission owner to a particular course of action; they merely set the appropriate level of the transmission rates.

24. With respect to SoCal Edison's TMCR process, NCPA contends that it will not provide a solution for the lack of transparency and does not provide meaningful opportunity for stakeholder input until the end of the study process.<sup>46</sup> NCPA also asserts that the PTOs are using their self-approved projects to discriminate against wholesale customers. As examples, NCPA asserts that PG&E did not provide needed repair work on circuits and believes that its member cities were incorrectly assessed as a single customer. NCPA argues that because these activities are not included in a formal transmission planning process, NCPA does not have information necessary to determine with certainty that there is discrimination against wholesale customers.<sup>47</sup>

25. NCPA proposes an ongoing five-year transmission planning process. This process, which it calls the Transmission Planning and Prioritization Process (TPAP) would include three rounds of stakeholder review and input for asset management projects and activities. Under the proposed process, the PTO and stakeholders would first review the previous five-year plan and develop lessons learned. Second, the PTO and stakeholders would develop a Planning Standards and Investment Strategy Study Plan, similar to CAISO's unified planning assumptions. Third, the PTO would conduct a stakeholder meeting to share the results of all studies, after which stakeholders would have an opportunity to provide comments and propose solutions to the identified transmission needs. Finally, the PTO would develop a new five-year transmission plan, with updates from the current year's activities. The new five-year transmission plan would list each planned capital expenditure that is predicted to cost at least \$1 million over the next five years, as well as information regarding the need for that expenditure. The PTO would take input from stakeholders on the draft five-year transmission plan before finalizing it.<sup>48</sup>

26. In response to the TPAP proposal, SoCal Edison contends that having three separate meetings, each with a round of comments, is an inefficient use of time and resources and is not a discernible improvement over its proposed TMCR process. SoCal Edison explains that planning assumptions are unlikely to change significantly from year to year, so it makes little sense to spend significant time and resources to have a separate

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<sup>46</sup> NCPA Post-Technical Conference Reply Comments at 4-6.

<sup>47</sup> *Id.* at 7

<sup>48</sup> NCPA Initial Post-Technical Conference Comments at 8-10; *see also* TANC Initial Post-Technical Conference Comments at 14-15; CPUC Initial Post-Technical Conference Comments at 12-13.

meeting and round of comments to address them each year. Further, SoCal Edison asserts that presenting a proposed solution at the same time that a need is identified is more useful than presenting a need without a solution. Also, SoCal Edison states, presenting a proposed solution contemporaneously with a need in no way precludes a stakeholder from proposing an alternative solution.<sup>49</sup>

27. SoCal Edison and CAISO both assert that Protesters' and Complainant Representatives' reliance upon Commission rulings regarding transmission planning in PJM is misplaced. They explain that in PJM (and also in ISO-NE),<sup>50</sup> local transmission planning occurred outside of the respective regional transmission planning process. By contrast, transmission planning in CAISO, both regional and local, are within the purview of the CAISO TPP.<sup>51</sup>

28. In its reply comments, the CPUC requests that the Commission issue an order ruling that the PTOs' process for identifying self-approved projects are transmission planning and that the PTOs are simply mischaracterizing these activities. The CPUC argues that planning for these projects is taking place now.<sup>52</sup> The CPUC also requests that the Commission approve a mandatory Order No. 890-compliant transmission planning process for projects that all of the PTOs now self-approve.<sup>53</sup>

29. With its reply comments, the CPUC includes a Motion for Expedited Ruling Issuing Order to Show Cause in AD18-12-000 (Motion for Show Cause Order). In this motion, CPUC argues that on the basis of these large expenditures on self-approved projects, the Commission should issue an order to show cause: (1) affirming that Order No. 890 governs the PTOs' transmission planning for self-approved projects; (2) ordering new tariff provisions to implement the transmission planning process that NCPA proposed; (3) ordering the PTOs to hold in-person meetings twice monthly until agreement is reached with Complainants; (4) ordering the PTOs to provide a public version of their most current Five Year Plans; (5) clarifying that PTOs' forecasted costs for self-approved projects should be made publicly available; and (6) ordering the PTOs

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<sup>49</sup> SoCal Edison Post-Technical Conference Reply Comments at 1, 4-5.

<sup>50</sup> *ISO New England Inc.*, 123 FERC ¶ 61,161, at P 97 (2008).

<sup>51</sup> SoCal Edison Post-Technical Conference Reply Comments at 8-9; CAISO Post-Technical Conference Reply Comments at 9-10.

<sup>52</sup> CPUC Post-Technical Conference Reply Comments at 5-7; *see also* Old Dominion Electric Cooperative Initial Post Technical Conference Comments at 1-2.

<sup>53</sup> *Id.* at 9-10.

to provide Complainants with any other materials they use for planning self-approved projects.<sup>54</sup>

#### **IV. Commission Determination**

30. Based upon the record in this proceeding, as supplemented by the May 2018 technical conference and post-technical conference comments, we find that SoCal Edison's transmission-related maintenance and compliance activities—characterized at the technical conference as asset management projects and activities—are not subject to Order No. 890's transmission planning requirements. We also find that the TMCR process, with the revisions that SoCal Edison offered in response to Protesters, is just and reasonable and not unduly discriminatory or preferential.

31. The Protesters' assertion that SoCal Edison's TO Tariff violates the transmission planning requirements of Order No. 890 is based on the premise that those requirements apply to any transmission-related projects and activities that are capitalized in a PTO's transmission rate base, including the asset management projects and activities at issue here.<sup>55</sup> We disagree. While Order No. 890 does not explicitly define the scope of "transmission planning," the Commission adopted the transmission planning requirements in Order No. 890 to remedy opportunities for undue discrimination in *expansion* of the transmission grid.<sup>56</sup> As discussed above, the Commission was concerned that transmission providers may have a disincentive to remedy the increased congestion caused by insufficient transmission capacity, explaining that "[w]e cannot rely on the self-interest of transmission providers to *expand* the grid in a non-discriminatory

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<sup>54</sup> *Id.* at 4.

<sup>55</sup> The types of projects and activities at issue in this proceeding have been referred to variously in both this docket and the complaint proceeding, Docket No. EL17-45-000, as "self-approved projects;" "capital transmission expenditures;" capital transmission projects;" "transmission-related maintenance and compliance activities, including, but not limited to, transmission-related capital additions;" "maintenance projects;" and "capital additions or investments." At the May 1, 2018 technical conference and in post-technical conference comments, the PTOs introduced the term "asset management" to describe these activities. While the definitions that the different PTOs offer vary slightly, they all encompass the maintenance, repair, and replacement work done on existing transmission facilities as necessary to maintain a safe, reliable, and compliant grid based on existing topology. To simplify the discussion, we use the term "asset management projects and activities" throughout the following determination.

<sup>56</sup> See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at PP 57-58, 421-422.

manner.”<sup>57</sup> Thus, the transmission planning reforms that the Commission adopted in Order No. 890 were intended to address concerns regarding undue discrimination in grid expansion. Accordingly, to the extent that SoCal Edison’s asset management projects and activities do not expand the grid, they do not fall within the scope of Order No. 890, regardless of whether they are capitalized in SoCal Edison’s transmission rate base.

32. Based on the information in the record from the technical conference, we find that the specific asset management projects and activities at issue here do not, as a general matter, expand the CAISO grid. Rather, these asset management projects and activities include such items as maintenance, compliance, work on infrastructure at the end-of-useful life, and infrastructure security, that SoCal Edison undertakes to maintain its existing electric transmission system and meet regulatory compliance requirements.

33. We recognize that there may be instances in which a PTO’s asset management project or activity may result in an incidental increase in transmission capacity that is not reasonably severable from the asset management project or activity. For example, CAISO explained that if a PTO, such as SoCal Edison, needed to replace an aging 1940-vintage transformer at the end of its useful life, a like-for-like replacement with equipment from 1940 would not be feasible. Instead, CAISO states, the PTO would likely replace the old equipment with a modern transformer, which could be of a higher capacity if the PTO has standardized transformer sizes across its system to allow for sparing should the transformer fail.<sup>58</sup> Such an increase in transmission capacity would be incidental to, and not reasonably severable from, the asset management project or activity required to meet the PTO’s need. We find that this type of incidental increase in transmission capacity that is a function of advancements in technology of the replaced equipment, and is not reasonably severable from the asset management project or activity, would not render the asset management project or activity in question a transmission expansion that is subject to the transmission planning requirements of Order No. 890.

34. However, there may also be instances in which a PTO’s asset management project or activity may result in an increase in transmission capacity that is not incidental, for example, where a PTO determines that it can address a CAISO-identified transmission need by expanding the scope of an asset management project or activity to result in a capacity increase. In such a case, the additional work would not be incidental to but would be incremental to the asset management project or activity and would represent an expansion of the CAISO grid. Accordingly, the incremental portion of the asset management project or activity would be subject to the transmission planning

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<sup>57</sup> *Id.* P 422 (emphasis added).

<sup>58</sup> *See* Technical Conference Tr. at 132:12-133:10.

requirements of Order No. 890 and would have to be submitted for consideration in CAISO's TPP through the request window. If CAISO did not approve the incremental work, then the PTO should not expand the scope of the original asset management project or activity without that work being subject to consideration through an Order No. 890-compliant transmission planning process.<sup>59</sup>

35. We additionally note that CAISO's compliance filings for Order Nos. 890 and 1000 and the resulting TPP included certain subsets of the universe of transmission-related work that were not expansion-related in nature. Nothing in the Commission's orders accepting CAISO's second Order No. 890 compliance filing or its Order No. 1000 compliance filing<sup>60</sup> indicated that CAISO would evaluate non-expansion transmission-related work.<sup>61</sup>

36. In light of our finding that the asset management projects and activities at issue here are not subject to Order No. 890's transmission planning requirements, we find that Protesters have not shown that SoCal Edison has failed to meet its responsibility to comply with Order No. 890.

37. We are also not persuaded by Protesters' assertions that the transmission planning practices in other ISOs/RTOs are instructive here. Specifically, we find that Complainants' reference to the Commission's recent order regarding Supplemental Projects in PJM<sup>62</sup> is inapposite. The question of whether asset management projects and

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<sup>59</sup> We note that, at the technical conference, SoCal Edison (as well as PG&E) agreed that such incremental additions would need to go through the TPP. *See* Technical Conference Tr. at 129:9-131:14.

<sup>60</sup> *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172, at PP 62, 65 (2009); *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,057 (2013), *order on clarification and compliance*, 146 FERC ¶ 61,198, *order on reh'g and compliance*, 149 FERC ¶ 61,249 (2014).

<sup>61</sup> *See* *Cal. Indep. Sys. Operator Corp.*, Order No. 1000 Compliance Filing, Docket No. ER13-103-000, at 11 (filed Oct. 11, 2012) (stating that, in the TPP, CAISO determines the "appropriate transmission (or non-transmission) solutions to meet the following: reliability needs; economic needs; public policy requirements and directives; location-constrained resource interconnection facilities (which are radial generation tie facilities ultimately paid for by generators as they come on-line); maintaining the feasibility of long-term CRRs. [CAISO] also identifies merchant transmission proposals and additional components or expansions of facilities that will be reflected in large generator interconnection agreements.").

<sup>62</sup> February 15 PJM Order, 162 FERC ¶ 61,129.

activities that do not increase the capacity of the grid must go through an Order No. 890-compliant transmission planning process was not at issue in the February 15 PJM Order. Instead, the February 15 PJM Order examined the PJM Transmission Owners' implementation of the process for planning Supplemental Projects, a process that is set forth in the PJM Operating Agreement and Tariff. Similarly, we are not persuaded by Protesters' assertions that other regions, such as ISO-NE and MISO, consider asset management projects and activities through their regional transmission planning processes. Whether or not other transmission planning regions are considering asset management projects and activities through their regional transmission planning process does not, in and of itself, determine whether Order No. 890 requires them to do so.

38. We find that NCPA has not provided evidentiary support for its assertion that the PTOs in general—and SoCal Edison in particular—are using asset management projects and activities to discriminate against wholesale customers. To the extent NCPA or its members have concerns regarding potential undue discrimination with regard to asset management projects and activities, they retain their rights under section 206 of the Federal Power Act<sup>63</sup> to seek redress from the Commission in a separate proceeding.

39. With respect to SoCal Edison's TMCR proposal, we find that, on the basis of the record in this proceeding, the proposed TMCR (with the revisions SoCal Edison proposed in its Answer)<sup>64</sup> will provide its stakeholders with a new process that offers transparency and the opportunity for stakeholders to have input into the development of SoCal Edison's transmission rates. Under the TMCR process, SoCal Edison will draft a report for stakeholders regarding applicable projects or activities outside of the TPP that SoCal Edison plans to undertake (including asset management projects and activities), as well as the basic methodology, criteria, and processes that SoCal Edison used to develop its report. The TMCR report will also include estimated projected costs for the activities, their projected in-service date and the need that they are addressing.<sup>65</sup> The revisions to the TMCR SoCal Edison proposed in response to Protesters will refine the TMCR process, to include, among other things: (1) an expansion of the scope of activities and facilities included in this process; (2) a longer initial period for stakeholder comments and a second comment period; (3) information about cyber and physical security projects in aggregate format; and (4) a dispute resolution process.

40. We find that the TMCR, with the revisions that SoCal Edison offered in response to Protesters will provide stakeholders with an open, coordinated and transparent process

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<sup>63</sup> 16 U.S.C. § 824e (2012).

<sup>64</sup> *See* SoCal Edison January 10, 2018 Answer at 8-12 and Exhibit A.

<sup>65</sup> *Id.*

for consideration of SoCal Edison's asset management projects and activities, which informs the development of SoCal Edison's annual transmission rates. Therefore, we find that the TMCR process, with the revisions that SoCal Edison proposed in response to Protesters, is just and reasonable and not unduly discriminatory or preferential. Accordingly, we accept the TMCR process proposal, effective as of September 1, 2018, and direct SoCal Edison to submit a compliance filing, within 30 days of the date of this order, to include the additional revisions to the TMCR process provisions in its TO Tariff that it proposed in its response to Protesters.<sup>66</sup>

41. Finally, for the reasons discussed above, we deny the CPUC's request that the Commission issue an order to show cause.

The Commission orders:

(A) The TO Tariff amendment implementing the TMCR process proposal is hereby accepted, without suspension, to be effective as of September 1, 2018 and as amended to reflect Tariff revisions that SoCal Edison proposed.

(B) SoCal Edison is hereby directed to submit a compliance filing within 30 days of the issuance of this order revising its TO Tariff amendment, as discussed in the body of this order.

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<sup>66</sup> *Id.*

(C) The CPUC's motion for an order show cause is hereby denied, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.