

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

SunZia Transmission, LLC

)

Docket No. ER25-170-000

**LIMITED ANSWER OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION TO COMMENTS AND LIMITED PROTEST**

The California Independent System Operator Corporation (CAISO)¹ submits this limited answer (Limited Answer) to the comments and limited protest filed in this proceeding by the Joint Protestors,² and to the comments submitted by the Six Cities in support of the Joint Protestors' filing,³ in response to the filing by SunZia Transmission, LLC (SunZia Transmission) of a proposed Transmission Owner Tariff (TO Tariff) for Commission acceptance.⁴ The CAISO provides context and certain additional information to supplement and clarify the record to assist the Commission and all parties in this proceeding. The CAISO respectfully requests that the Commission consider this information in its evaluation of the justness and reasonableness of the TO Tariff.

¹ Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A to the CAISO Tariff. The CAISO previously filed a doc-less motion to intervene in this proceeding on November 4, 2024.

² The Joint Protestors consist of Southern California Edison Company (SCE), Pacific Gas and Electric Company, and San Diego Gas & Electric Company.

³ The Six Cities consist of the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California.

⁴ The CAISO files this Limited Answer pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213. In addition, SunZia Wind PowerCo LLC filed comments supporting the TO Tariff filing that the CAISO does not address in this Limited Answer. For the reasons explained below in section II of the Limited Answer, the CAISO respectfully requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the limited protest filed by the Joint Protestors.

I. Overview

SunZia Transmission explained in its filing that, pursuant to its TO Tariff, its transmission facilities and contractual entitlements in Arizona will be placed under the CAISO's operational control and made available to provide transmission and interconnection service under the CAISO Tariff, in accordance with the CAISO's Subscriber Participating Transmission Owner (Subscriber Participating TO) tariff provisions.⁵ The TO Tariff includes proposed Non-Subscriber Usage Rates for those transmission facilities and contractual entitlements to the extent the CAISO uses them to provide transmission service to customers other than SunZia Transmission's existing customer that is funding the construction and operation of its transmission system—*i.e.*, the Subscriber(s) under the Subscriber Participating TO model.⁶

The Joint Protestors "are generally supportive of the SunZia [Transmission] TO Tariff,"⁷ and the Six Cities similarly "do not oppose the proposed TO Tariff."⁸ However, both the Joint Protestors and the Six Cities contend that SunZia Transmission has not demonstrated its proposed Non-Subscriber Usage Rates are just and reasonable, and therefore they request the Commission set the Non-Subscriber Usage Rates for hearing and settlement

⁵ The Commission accepted revisions to the CAISO Tariff to implement the Subscriber Participating TO model effective December 21, 2023. See *Cal. Indep. Sys. Operator Corp.*, 186 FERC ¶ 61,177 (2024) (Subscriber Participating TO Order). Participating Transmission Owners are sometimes also called Participating TOs or PTOs. The Subscriber Participating TO model is sometimes also called the SPTO or S-PTO model.

⁶ Transmittal letter for SunZia Transmission filing of TO Tariff at 1-4.

⁷ Joint Protestors at 2.

⁸ Six Cities at 2-3.

procedures.⁹ The CAISO takes no position on the request for hearing and settlement procedures or the Non-Subscriber Usage Rates specific to SunZia Transmission. The CAISO files this Limited Answer solely to: (1) affirm that SunZia Transmission has thus far satisfied all applicable requirements under the CAISO Tariff to become a Subscriber Participating TO; (2) clarify that the form of the SunZia Transmission Non-Subscriber Usage Rates is consistent with CAISO Tariff requirements; and (3) provide information that may be useful to the Commission in evaluating the justness and reasonableness of the TO Tariff proposed by SunZia Transmission.

As relevant to this Limited Answer, the Joint Protestors and the Six Cities contend that SunZia Transmission is unlikely to export power from the CAISO controlled grid, and therefore the Non-Subscriber Usage Rates proposed in the TO Tariff may cause an increase in the Transmission Access Charge (TAC).¹⁰ The CAISO explained in the proceeding on its tariff amendment to implement the Subscriber Participating TO model, which the Commission approved, any such TAC increase could occur only if there were both (1) no load growth and (2) limited Wheeling Access Charge (WAC) revenues.¹¹ As to item (1), this Limited Answer explains there has in fact been load growth for each of the past several years, including for 2024. As to item (2), there will be a new CAISO scheduling

⁹ Joint Protestors at 2, 6-14; Six Cities at 3-5.

¹⁰ Joint Protestors at 6-9; Six Cities at 3.

¹¹ Transmittal letter for CAISO filing of response to deficiency letter regarding Subscriber Participating TO model, Docket No. ER23-2917-001, at 10 (Jan. 12, 2024) (CAISO Deficiency Letter Response), available at: <https://www.aiso.com/documents/jan12-2024-deficiencyletterresponse-subscriberparticipatingtransmissionownermodel-er23-2917.pdf>.

point associated with the SunZia Transmission facilities where non-Subscriber exports could occur. Therefore, although the CAISO acknowledges there may not be sufficient WAC revenue to cover the Non-Subscriber Usage Payment Amount and the TAC may not be reduced by load growth to the extent it otherwise may have been reduced absent payment of the Non-Subscriber Usage Payment Amount, the CAISO does not believe the conditions necessary for an increase in the TAC primarily due to non-Subscriber usage of SunZia Transmission facilities currently exist or are likely to exist in the foreseeable future.

In any event, nothing in the Commission-approved CAISO Tariff precludes the potential for the TAC to increase as the result of Subscriber Participating TOs collecting Non-Subscriber Usage Payment Amounts. The only way to guarantee there would always be sufficient WAC revenue to cover the Non-Subscriber Usage Payment Amount or that load growth would contribute entirely to a reduction in TAC as suggested by the Joint Protestors and the Six Cities—*i.e.*, eliminate the possibility that an increase in the TAC could ever result from a Subscriber Participating TO recovering its Non-Subscriber Usage Payment Amount—would be for the Non-Subscriber Usage Rate to be zero. Setting the Non-Subscriber Usage Rate at zero, however, would be an unjust and unreasonable result incompatible with the Commission's express recognition that a Subscriber Participating TO could develop and file a positive Non-Subscriber Usage Rate for Commission review and acceptance.

II. Motion for Leave to File Limited Answer to Limited Protest

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure,¹² the CAISO respectfully requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to answer the limited protest filed in this proceeding. Good cause for the waiver exists because this Limited Answer will aid the Commission in understanding the issues in the proceeding, inform the Commission in the decision-making process, and help to ensure a complete and accurate record in the case.¹³

III. Limited Answer

The Joint Protestors take the position that SunZia Transmission's facilities are unlikely to be used to export power from the CAISO controlled grid, and therefore the Non-Subscriber Usage Rates proposed in the TO Tariff may cause an increase in the TAC for the Joint Protestors and other TAC customers.¹⁴ In particular, the Joint Protestors contend the lack of exports may cause WAC revenues to be insufficient to fully pay the Non-Subscriber Usage Payment Amount,¹⁵ thereby causing a shortfall in the Non-Subscriber Usage Payment

¹² 18 C.F.R. §§ 385.212, 385.213.

¹³ See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Servs., Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

¹⁴ Appendix A to the CAISO Tariff defines a Non-Subscriber Usage Rate as "[a] component of the calculation of the Non-Subscriber Usage Payment Amount."

¹⁵ Under the CAISO Tariff, "[e]ach Non-Subscriber Usage Payment Amount equals (i) the applicable Non-Subscriber Usage Rate, not to exceed the applicable Regional Access Charge rate, multiplied by (ii) the sum of the absolute value of the MWh flow of a Non-Subscriber's imports at the applicable Scheduling Point plus the sum of the absolute value of the MWh flow of a Non-Subscriber's exports at the applicable Scheduling Point." CAISO Tariff, Appendix F, Section 15.1(a). The Joint Protestors refer to the Non-Subscriber Usage Payment Amount as the Non-Subscriber Usage Charge Amount or NSUCA. See, e.g., Joint Protestors at 5.

Amount that would need to be made up for through an increase in the TAC.¹⁶

The Six Cities take a similar position.¹⁷

In the proceeding on the amendment to the CAISO Tariff to implement the Subscriber Participating TO model, the CAISO explained any shortfalls in the Non-Subscriber Usage Payment Amount could increase the TAC only “if there were both (1) no load growth and (2) limited WAC revenues (e.g., due to imports significantly exceeding exports and the level of the Non-Subscriber Usage Rate being only a little below the level of the TAC).”¹⁸ The CAISO went on to explain it was extremely unlikely that both items (1) and (2) would occur, in part because “all indications are that load in the CAISO balancing area will continue to increase and the pool of revenue will also increase.”¹⁹

In the Subscriber Participating TO Order, the Commission cited this CAISO explanation and found that concerns about any shortfall in the Non-

The Regional Access Charge, which is the portion of the TAC for recovering the Regional Transmission Revenue Requirements of each Participating TO, is “equal to the sum of the Regional Transmission Revenue Requirements of all Participating TOs and Approved Project Sponsors, divided by the sum of the Gross Loads of all Participating TOs.” CAISO Tariff, Appendix A, definitions of Access Charge, Transmission Access Charge, and Regional Access Charge; CAISO Tariff, Appendix F, Schedule 3, Section 5.4. Using this calculation method, the CAISO posts and periodically updates the TAC on its website. See <https://www.caiso.com/market-operations/settlements>, under the subheading for “High Voltage Access Charge Rates.”

¹⁶ Joint Protestors at 6-9. The CAISO Tariff states that “[t]he Non-Subscriber Usage Payment Amounts will be funded first by using Wheeling Access Charge revenue received by the CAISO pursuant to this Section 15.1(a) of Schedule 3 and, if the Wheeling Access Charge revenue is insufficient to fully pay the Non-Subscriber Usage Payment Amounts, second by using Access Charge revenue received by the CAISO.” CAISO Tariff, Appendix F, Section 15.1(a).

¹⁷ Six Cities at 3.

¹⁸ Transmittal letter for CAISO Deficiency Letter Response at 10.

¹⁹ *Id.* at 10-11 (citing SCE’s *Pathway 2045* white paper (Nov. 2019), available at <https://www.edison.com/clean-energy/pathway-2045>).

Subscriber Usage Payment Amount increasing the TAC “d[id] not render the [CAISO’s] proposal unjust and reasonable” because such concerns were “speculative given the unknown variables”—including “the change in CAISO load”—that “could determine whether payment of the non-subscriber usage rate from the TAC billing mechanism would actually, or meaningfully, impact the TAC.”²⁰ The Commission also accepted the CAISO Tariff revisions regarding the Non-Subscriber Usage Rate and expressly recognized that a Subscriber Participating TO could develop and file a positive (*i.e.*, non-zero) Non-Subscriber Usage Rate for Commission review and acceptance:

We accept CAISO’s proposed Tariff revisions governing the non-subscriber usage rate, as modified by CAISO’s Deficiency Response, which will allow Subscriber PTOs to make unsubscribed and unused capacity available to the CAISO market and earn revenue for use by non-subscribers through the non-subscriber usage rate. With respect to Protestors’ concerns regarding the formulation of the non-subscriber usage rate (*i.e.*, how the rate will be constructed), we agree with CAISO that this issue is outside the scope of the current proceeding and is more appropriately addressed in any future proceedings in which a Subscriber PTO files a specific non-subscriber usage rate with the Commission under FPA [Federal Power Act] section 205.²¹

No party filed a request for rehearing or clarification of the Subscriber Participating TO Order. Thus, the Commission’s findings in that Order are not in dispute and elements of the Limited Protest that may suggest otherwise represent a collateral attack on the Subscriber Participating TO Order.

²⁰ Subscriber Participating TO Order at PP 39, 54.

²¹ *Id.* at P 49; *see also id.* at PP 50-53 (containing additional Commission findings as to the Non-Subscriber Usage Rate).

To address concerns whether revenues are available under the CAISO's access charges, the CAISO aggregated the transmission revenue requirements of all Participating TOs after reviewing the Limited Protest. Comparing those transmission revenue requirements with the aggregate revenue recovered from the access charge, the CAISO has collected revenue above the level necessary to pay Participating TOs their full transmission revenue requirements. This has been true in each of the past several years, including for 2024 through the end of last month.²² This additional access charge revenue collected by the CAISO is primarily the result of load growth and will be accounted for in Participating TO balancing accounts, thus putting downward pressure on the TAC.²³ This data indicates that TAC increases due to a lack of load growth are improbable.

In addition, as to item (2) concerning potentially limited WAC revenues noted above, the SunZia Transmission facilities will result in a new CAISO scheduling point at the Pinal Central switchyard in Arizona, *i.e.*, the location where the high-voltage direct current (HVDC) facilities terminate and transition to the Arizona entitlements that support deliveries to the current CAISO balancing area boundary at the Palo Verde switchyard. Because the HVDC facilities will support the interconnection of resources in excess of 3,000 MW and the Arizona entitlements are limited to 2,131 MW, it is likely that scheduling coordinators will export from the CAISO balancing area at the Pinal Central scheduling point. These export schedules would pay the WAC if they were submitted by a non-

²² See Attachment A to this Limited Answer. The revenue data in Attachment A is aggregated and therefore can raise no confidentiality issues. See CAISO Tariff Section 20.2.

²³ *Id.* The load growth data is similarly aggregated.

Subscriber, thus offsetting the corresponding Non-Subscriber Usage Rate paid to the Subscriber Participating TO for this use.

Therefore, regardless of any potential for limited WAC revenues attributable to the SunZia Transmission facilities, the conditions necessary for an increase in the TAC resulting from SunZia Transmission's status as a Participating TO are not likely to exist in the foreseeable future. The more plausible scenario would be one where the TAC does not experience the same level of downward pressure it otherwise would absent payment of the Non-Subscriber Usage Payment Amount. As discussed above, the Commission previously considered and resolved this matter in the Subscriber Participating TO Order as only a "speculative" possibility that did not render the CAISO's proposal unjust and unreasonable.²⁴ Moreover, the Commission accepted the CAISO Tariff revisions regarding the Non-Subscriber Usage Rate and expressly recognized that "the non-subscriber usage rate could potentially result in some increase to the TAC over time due to shortfalls in the non-subscriber usage payment amount."²⁵ In other words, the CAISO Tariff supports recovery of a Non-Subscriber Usage Rate. There is nothing in the TO Tariff filed by SunZia Transmission that is inconsistent with the CAISO Tariff and the Commission's order. Even if there were an increase in the TAC, that would not be inconsistent with the CAISO Tariff because nothing in the tariff restricts a Non-Subscriber Usage Rate, other than the requirement that such rate cannot exceed the TAC,

²⁴ See Subscriber Participating TO Order at P 54.

²⁵ See *id.* at PP 49, 54.

which SunZia Transmission's proposed TO Tariff recognizes.²⁶ The only issue for consideration in this proceeding is the justness and reasonableness of the specific Non-Subscriber Usage Rates proposed by SunZia Transmission.²⁷ The Commission should reject any argument in this proceeding that promotes the faulty premise that the TAC may never increase as the result of a Subscriber Participating TO recovering its Non-Subscriber Usage Payment Amount pursuant to the CAISO Tariff, or that any upward pressure on the TAC somehow makes a proposed Non-Subscriber Usage Rate unjust or unreasonable, as a collateral attack on the Subscriber Participating TO Order accepting the Non-Subscriber Usage Rate structure provided in the CAISO Tariff.

IV. Correspondence

In according to Rule 203(b)(3) to the Commission's Rules of Practice and Procedure,²⁸ the CAISO respectfully requests that all correspondence and other communications regarding this filing be directed to the following:

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²⁶ CAISO Tariff, Appendix F, Schedule 3, Section 7.1.

²⁷ As explained *supra*, the CAISO takes no position on the justness and reasonableness of the specific Non-Subscriber Usage Rates proposed by SunZia Transmission.

²⁸ 18 C.F.R. § 385.203(b)(3).

V. Conclusion

For the foregoing reasons, the CAISO requests that the Commission consider the context and information provided in this Limited Answer in its evaluation of the justness and reasonableness of the TO Tariff submitted by SunZia Transmission in this proceeding.

Respectfully submitted,

/s/ John C. Anders

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Dated: November 27, 2024

Attachment A

	2020	2021	2022	2023	2024 (Jan-Oct)
HV Revenue	\$2,655,114,448.54	\$3,057,362,718.02	\$3,765,927,810.19	\$3,285,182,416.25	\$2,492,488,333.12
Filed TRR	\$2,460,933,274.00	\$2,710,763,314.00	\$3,255,616,606.00	\$2,974,347,358.00	\$2,016,793,656.00
Difference	\$194,181,174.54	\$346,599,404.02	\$510,311,204.19	\$310,835,058.25	\$475,694,677.12
Gross Load	209,508,732	222,935,286	227,354,685	227,294,731	196,387,327

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 27th day of November, 2024.

/s/ Jacqueline Meredith

Jacqueline Meredith

An employee of the California ISO