**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company (U 39 E) for Approval of Electric Rule No. 30 for Transmission-Level Retail Electric Service	Application 24-11-007 (Filed November 21, 2024)

NATURAL RESOURCES DEFENSE COUNCIL LIMITED OPENING COMMENTS ON FERC ORDER TO CAISO

September 9, 2026

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I. INTRODUCTION

In accordance with Rule 13.12 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) respectfully submits these opening comments in response to the Administrative Law Judge's Ruling Seeking Comments on Proceeding Status*,* issued August 7, 2026.

II. COMMENTS

A. *Background*

As discussed in the ALJ's August 7 Ruling, FERC issued a show cause order (Order) to CAISO on June 18, 2026.[1] After identifying concerns in CAISO's Open Access Transmission Tariff, as well as Transmission Owner Tariffs, including concerns around timeliness, transparency, and cost shifting, FERC found that CAISO's tariff was unjust, unreasonable, or unduly discriminatory or preferential. The Order required a response from CAISO and Participating Transmission Owners within 60-90 days explaining why their tariffs are just and reasonable and explaining what changes would remedy the concerns FERC identifies.

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[1] Cal. Independent Sys. Operator Corp., 195 FERC ¶ 61,214 (2026). FERC Docket EL26-71-000, (Order).

CAISO has since issued their response on August 12, 2026 in the form of a Straw Proposal.[2] The Straw Proposal highlights five areas CAISO is coordinating with PTOs and other stakeholders, including: (A) operational awareness and technical standards; (B) deposits, financing, and other cost allocation structures; (C) requirements for co-located load in CAISO's generator interconnection process to align with load interconnection studies; (D) a framework for flexible load interconnection services; and (E) evaluating the need for electrically proximate generating facilities.

Stakeholder comments on the Straw Proposal were submitted September 2, 2026. As many as thirty-one comments were submitted, from groups including the California Community Choice Association, California Public Utilities Commission, Public Advocate's Office, PG&E, Google, and Microsoft.

In this Limited Opening Comment, NRDC intends to primarily discuss how FERC's Order informs the network upgrade cost allocation issues within PG&E's Electric Rule 30 and supports the alignment of CAISO's proposed flexible interconnection processes with Rule 30.

B. *Rule 30 should directly allocate a transmission-level customer's share of network upgrade costs in the form of a pre-payment.*

FERC's Order does not require or imply that retail tariffs should socialize network upgrade costs to all customers. In fact, the Order repeatedly emphasizes the importance of preventing cost shifts and ensuring large load customers bear the costs they cause. FERC acknowledged concerns that ratepayers could be forced to subsidize network upgrades, and specifically expressed concern regarding the lack of transparency around the cost assignment of

[2] Cal. Independent Sys. Operator Corp., Large Load Policy Initiative, Large Load Considerations Straw Proposal (available at https://stakeholdercenter.caiso.com/StakeholderInitiatives/Large-loads?_gl=1*1ilppf1*_ga*MTA0OTczOTY3MC4xNzg3MTgxMTM2*_ga_NDS4B4M2WP*czE3ODc2MDc0MzIkbzMkZzAkdDE3ODc2MDc0MzkkajUzJGwwJGgw), (Straw Proposal).

network upgrades and the absence of cost recovery agreements that ensure large loads remain responsible for resulting transmission costs.[3]

FERC recognizes the distinction between federal and state jurisdiction. The Order emphasizes that the state has jurisdiction to regulate retail service, retail rate design, allocation of costs among retail rate classes, and recovery of wholesale transmission costs through retail rates.[4] FERC states that its role in addressing potential cost shifting among transmission customers is to address transmission planning, transmission service, and protecting against risks posed by speculative requests.[5] FERC does not identify allocation of network upgrade costs as within its scope of future actions, but does find that new cost recovery agreements are necessary and should be filed at FERC.[6] Ultimately, the Order directed CAISO and respondents to develop structures, including cost recovery agreements, minimum contribution requirements, and other mechanisms to prevent cost shifting.[7]

However, FERC identifies that states must play a role in the cost allocation of network upgrades. FERC requires CAISO to increase transparency of network upgrade costs to provide "state public utility commissions and other state regulators the information necessary to allow them to understand which transmission costs are caused by which transmission customers, so that they can sub-allocate these costs to the appropriate retail customers."[8] The Order should not be read as limiting the ability of state regulators or utilities to recover transmission-related costs from the large load customers causing them.

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[3] Order, at 43.
[4] Order, at 45.
[5] Order, at 44.
[6] Order, at 51.
[7] Order, at 51 and 76.
[8] Order, at 45.

CAISO's straw proposal is consistent with FERC's concerns and directive. CAISO agrees that the network upgrade costs associated with large loads presents a cost shifting risk, and proposes to leave the cost allocation of interconnection costs, including network upgrades, in the hands of participating transmission owners (PTOs) rather than taking a "top-down" approach. CAISO explains that PTOs maintain a direct relationship with retail customers and state regulators, possess expertise and experience in cost allocation, and will be the ones to construct and own the facilities, so should therefore be responsible for cost allocation.[9]

CAISO then offers two structures that would protect against cost shifts from network upgrades associated with large loads. First, the Straw Proposal explains that requiring upfront payments for network upgrades would directly reduce the PTO's revenue requirement recovered from all customers through the regional transmission access charge.[10] The second structure directly applies transmission revenues against the PTO's revenue requirement, through mechanisms such as security, minimum demand charges, exit fees, and other adjustment account mechanisms.[11] Multiple such mechanisms are already required for Facilities Types 1-3 in PG&E's Rule 30.

NRDC supports incorporating an upfront advance requirement for network upgrade costs associated with large loads paired with adjustment account mechanisms, similar to the treatment of costs for Facilities Type 1-3, as it both protects customers from cost shifts and creates an incentive for large loads to locate where fewer transmission upgrades are required.

Multiple parties submitted stakeholder comments on September 2 in response to CAISO's Straw Proposal, which generally reinforce this approach. SDG&E states that "[r]equiring the Eligible Customer requesting service on behalf of the Large Load to provide

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[9] Straw Proposal, at 25.
[10] Straw Proposal, at 26.
[11] *Id.*

advance funding of necessary Network Upgrades will help to mitigate this cost shifting risk," and that "an advance funding requirement has the added advantage that it creates an incentive for Large Loads to interconnect at transmission locations that do not require costly Network Upgrades."[12] Both SCE and SDG&E recognize that CAISO will likely retain a role in identifying costs attributable to large loads and ensure revenues are aligned with costs, especially should a large load not materialize as expected.[13]

The CPUC's comments to the Straw Proposal note that retail rate design alone cannot address certain requirements or obligations associated with FERC-jurisdictional transmission assets.[14] However, requiring customer advances, security, or minimum charges for network upgrade costs is best understood as retail rate design and retail cost recovery, not a reallocation of FERC-jurisdictional costs. These advances can be refunded as transmission revenues are collected through the transmission access charge over a long period, as would be the case for Type 1-3 Facilities. Such mechanisms would ensure that transmission costs are recovered through retail rates in a fair and reasonable manner.

For these reasons, the proposals advanced and supported by NRDC, TURN, Cal Advocates, and Sierra Club to require advances for network upgrades for transmission-level customers taking service under Rule 30 are consistent with the objectives of the FERC Order and CAISO's emerging framework. Those proposals are within the state's jurisdiction and should be adopted.

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[12] San Diego Gas and Electric (SDG&E), Comments to CAISO's Straw Proposal (available at https://stakeholdercenter.caiso.com/Comments/AllComments/43a11ec9-fe21-4255-bb1c-336ad3703845#org-4e381d82-e95c-4016-bb58-586b44198e5a).

[13] SDG&E Comments, Southern California Edison Comments to CAISO's Straw Proposal, (available at https://stakeholdercenter.caiso.com/Comments/AllComments/43a11ec9-fe21-4255-bb1c-336ad3703845#org-ab2f16b7-46bb-4f70-98c0-ba96b4baaeb9).

[14] California Public Utilities Commission (CPUC) Comments to CAISO's Straw Proposal, (available at https://stakeholdercenter.caiso.com/Comments/AllComments/43a11ec9-fe21-4255-bb1c-336ad3703845#org-44e8e616-d17d-4636-9810-76f9b958b592).

C. *Rule 30 should include flexible interconnection options.*

FERC raised concerns that CAISO's current framework does not consider the opportunity of large load flexibility, recognizing that flexible large load arrangements can reduce or defer the need for network upgrades.[15] Doing so can benefit all ratepayers by lowering infrastructure costs and reducing the risk of cost-shifts and stranded costs. In response, CAISO proposed two flexible interconnection pathways: (i) Flexible Interim Load Interconnection (FILI), and (ii) Flexible Load Interconnection Permanent (FLIP).[16]

Rule 30 could and should be adapted to offer flexible interconnection options that align with a FILI or FLIP tariff, although it may ultimately fall to CAISO to determine the operational requirements and implementation framework.

That said, several implementation details remain to be seen. For one, flexibility should not be enabled through the use of emitting resources. California's climate and clean-energy policies support reductions in greenhouse gas emissions and increasing reliance on clean electricity sources. If large loads can qualify for flexible service by installing onsite gas generation or operating diesel backup generators, then the program may ultimately incentivize emissions increases by potentially offering lower financial obligations and accelerated interconnection. Any flexible interconnection pathway should therefore have guardrails that ensure flexibility is provided through load shifting, energy storage, renewable generation, or other non-emitting resources.

Second, any reduction in Rule 30 financial obligations should be tied to demonstrable system benefits. If flexible interconnection is incorporated into Rule 30, customers should only receive reduced financial obligations to the extent their flexibility produces quantifiable benefits,

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[15] Order, at 61-62.
[16] Straw Proposal, at 38.

such as avoided or deferred network upgrades, reduced congestion costs or locational marginal prices, or reduced need for reliability and ancillary service procurements. Without such a showing, it would be difficult to justify additional cost-shifting risks from large-load customers to ratepayers by lowering financial obligations.

III. CONCLUSION

NRDC appreciates the Commission's consideration of FERC's Order in regard to PG&E's Electric Rule 30. In considering both new frameworks and ongoing issues regarding Rule 30, the Commission should ensure network upgrade costs do not result in cost shifts to other customers, and should ensure that Rule 30 aligns with likely future actions by CAISO, including flexible service options.

Respectfully submitted,

Dated: September 9, 2026

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