

Stakeholder Comments Template

Subject: Generation Interconnection Process Reform Initiative

Submitted by	Company	Date Submitted
<i>Abengoa Solar, Inc.</i> <i>Ausra, Inc.</i> <i>Brightsource Energy</i> <i>California Wind Energy Association</i>		<i>February 26, 2008</i>

This template has been created for submission of stakeholder comments on the following topics covered in the January 11 Market Notice regarding Generation Interconnection Reform Initiative. Upon completion of this template please submit (in MS Word) to isoqueue@caiso.com. Submissions are requested by close of business on **February 26, 2008**.

Please submit your comments to the following questions for each topic in the spaces indicated.

- 1. Should the ISO's deliverability study methodology be applied at the beginning of the Transmission Planning Process in order to set the targets for needed upgrades, or should it only be applied at the back-end of the Transmission Planning Process, with incremental transmission projects added to the plan as needed, to ensure that the new generation can pass the deliverability test as requested by the IC's?**

We do not see a need for either of these two special approaches because generator interconnections should not be treated any differently than other needs in the TPP, e.g., load growth, economic opportunities, or LT-CRR feasibility maintenance. In other words, we are not convinced that a separate deliverability analysis must be performed at all if these service requirements and deliverability elections are well-integrated into the TPP analyses.

All generators with IAs should be included in the TPP multi-scenario reliability and economic base cases. Depending on the study type (power flow, voltage stability, transient stability for peak/off-peak load conditions, or production simulation), these generators should be assumed to be generating power at their selected deliverability level, historically expected generation level or full nameplate capacity, as appropriate.

The transmission system should then be studied under N-0 and the appropriate contingency conditions to identify the need for transmission upgrades. If the studies identify the need for more transmission in order to meet the above objectives, then transmission alternatives to meet them should be identified and assessed, and they should be met if the transmission is then built.

2. **The CAISO is proposing 60 days for LGIA Execution. Is it reasonable to reduce the LGIA execution period from 60 days to 30 days in order to shorten the overall process timeline and potentially facilitate initial coordination with the Transmission Planning Process?**

We have no objection to shortening the IA execution period.

3. **The CAISO is proposing that, at a minimum, ICs who have funded the study would be allowed access to the cases used to perform the study. However, prospective developers have also expressed interest in having access to the latest base cases in order to perform their own feasibility studies. The ISO is seeking comments on providing these cases and contingency input files to these prospective developers. All parties would need to have signed the applicable non-disclosure agreements prior to gaining access to the base case models. When should base cases be made available? What information needs to be in these base cases to allow an IC to perform their own feasibility study?**

We fully agree with the proposal for broader information (including contingency inputs) and conditions for access. In addition to congestion study results and the latest basecases we recommend that the CAISO allow for ad-hoc pre-application meetings with prospective ICs to broadly answer their interconnection questions. The study and basecase information as well as pre-application ad-hoc meetings will allow prospective developers to screen out less-feasible projects before they ever enter the ISO queue, and to strengthen the proposals that are submitted (reducing the need for changes later). This should lower ISO/PTO workload and improve study results by helping to ensure that the most viable projects are submitted.

4. **In response to stakeholder input, the CAISO increased the number of clusters in its proposal from one to two per year. In order to accommodate this change, the number of studies per cluster has been reduced from two to one. Is this an acceptable trade-off? Which need is greater – more than one cluster per year or more than one study per cluster? Would providing the base cases as discussed in question 3 actually remove the desire for a two study process since each IC could perform their own feasibility study?**

We believe that the ISO can both: (1) conduct two cluster windows per year; and (2) perform the two-phase studies that ISO originally proposed for each cluster. Our proposed study schedule, repeated in more detail at the end of this document, shows how two queue windows and studies can fit within a year. We also support shortening the queue cluster windows to 4 months each to enable the two-window, two-study structure. We also support the ISO's original plan for Phase 1 and Phase 2 studies, with these qualifications:

- ***Phase 1 Study:*** Keep Phase 1 studies as simple as possible and only focus on Delivery Network Upgrade costs with binding cost estimates for such upgrades. Deposits for Phase 1 studies should total no more than the \$100K as originally proposed by ISO. Developers should be allowed to withdraw their project after this stage without any additional study cost obligations. This should result in a fewer number of projects continuing on into the more detailed and complex Phase 2 Studies. As will be noted below, a critical success factor to having the Phase 1 Study be completed within 2 months would be to use stakeholder reviewed per unit transmission cost data for the estimation of network upgrade costs.

- **Phase 2 Study:** This phase would include stability, short circuit, and off-peak congestion studies to identify reliability network and Interconnection Facility cost responsibilities for this smaller number of projects. We understand that a larger fee should apply to projects that are studied at this Phase.

Finally, if the number of IRs or capacity in any queue cluster window reaches a large number, say 50 IRs or 20,000 MW, like the proposed Clearing Group, the entire timeline for performing studies may need to be extended (possibly as long as twice our proposed time periods; i.e., 2 months to develop and share basecases, 4 months for Phase 1 studies, 2 months for sharing the results of Phase 1, 4 months for Phase 2 studies, and 2 months to share the results of Phase 2 studies leading to IA).

5. The CAISO has proposed that all projects with Interconnection System Impact Study Agreements that have an original due date of February 1, 2008 can move forward with the current LGIP process. Is this an appropriate cut-off to define a “Clearing Group” for the remaining projects? This goal is to complete those projects that continue under the existing LGIP rules prior to developing the base cases and grouping projects for the Clearing Group studies.

The new provision, based on the SIS completion date set forth in the SIS Agreement, is much better than the last proposal, which was based on completed SISs, because it allows for in-progress SISs that are late. However, it would be most appropriate to allow ICs to have the option to continue with the current process if the original SIS completion date set forth in their original IR validation from CAISO is on or before February 1, 2008, so long as any delay in the process was not attributable to the IC. We recognize that this adds an element of subjectivity and propose that the CAISO adopt a bright line rule, based upon its proposal to use the date set forth in the SIS Agreement, but allow exceptions if the IC can show that it timely met its requirements and should have obtained its SIS by February 1, 2008 but for delays by CAISO or the PTO.

6. What specific modifications would you recommend to the proposed definition of site control, if any?

As stated in our prior comments, we do not believe site control to be the best measure of project viability. We particularly oppose the ISO proposal for a full site-control demonstration or \$250K “in lieu of” deposit as an Interconnection Request (IR) validation requirement. This is because project developers, particularly for wind and solar projects that require considerable land areas, may in the ordinary course of project development acquire full site-control over a period of time that includes the interconnection process. Requiring them to show full site-control when submitting the IR (or face a burdensome deposit) would be counterproductive. This approach also appears to us to be contrary to FERC Order No. 2003.

If, however, a site-control requirement is imposed at IR submission, it should involve a relatively small fee (say \$50,000) and it should be limited to showing that a material amount of necessary property is covered. EnXco’s proposal that 50% of the needed acreage be under control is reasonable. More stringent site-control requirements or large in-lieu of deposits, if

required at all, should be postponed to the IA execution stage, to help ensure that only viable projects enter the Transmission Planning Process (TPP).

"Site Control" should be defined as (i) owning property, holding a leasehold interest in property or otherwise having rights to property sufficient for the construction and operation of the proposed generating facility; (ii) holding a binding option agreement that, upon execution, will provide the rights referred to in (i) above; or (iii) submission of a valid application for the use of BLM or other public lands, which application is not subject to a superior claim on the property in accordance with the rules of the BLM.

7. The CAISO proposes requiring non-refundable study deposits and refundable (non-refundable for Clearing Group only) deposits in lieu of Site Control as a means of ensuring viability of projects that apply for interconnection. What additional or alternate measures would you propose to ensure that only viable projects submit Interconnection Requests?

Rather than seek to restrict queue entry through punitive financial requirements or site control requirements, the ISO should use more positive means to keep the queue lean, such as:

- **Provision of information to aid project self-selection**, e.g.:
 - Base case models and data, as discussed above;
 - Standard equipment costs (see below)
 - System congestion information, as the ISO plans in its reformed process, per Order 890 requirements; and
 - Specific information on the relative desirability of different potential generation sites, as LS Power has suggested.
- **Better coordination with other processes**, such as elimination of utility RFO requirements that require projects bid to already be in the queue, which result in IRs for many times the MWs that will actually be constructed and overlapping applications for the same sites; and
- **Quick Phase 1 Study process**, as we recommend above, to provide critical information to ICs for first-level viability decisions, so they can withdraw less-viable projects at relatively low cost before more complex and costly Phase 2 Studies commence.

We particularly oppose the non-refundable nature of the proposed \$250,000 IR application fee. This fee: (1) can far exceed likely study costs; and (2) will be counterproductive, particularly if developers hesitate to withdraw less viable projects early because withdrawal will result in forfeiture of the deposit.

Finally, we favor a tiered IR application fee based on project size, as set forth in our initial proposal.

8. How important is the accuracy of Interconnection Facilities costs prior to signing an Interconnection Agreement? What is an acceptable \pm % accuracy?

This is a difficult question to address in the hypothetical. Each project and each developer is different. At this point, we would say that accuracy is important and CAISO should strive to find an appropriate balance between expedition and accuracy. Obviously, the larger the dollar amount at issue, or the smaller the project at issue, the tighter the bandwidth will need to be. From a developer standpoint, the key is that they are not surprised down the road with a revised cost estimate that upsets their pro forma economic assumptions for the project.

9. Other?

Standard equipment costing: We support the use of standard per-unit transmission costs to expedite various transmission upgrade-cost estimations and to reduce the potential ISO/PTO-IC costing disputes. These costs should be:

- Reviewed by stakeholders;
- Publicly available (see above), so that developers can make their own interconnection estimates before IR submission; and
- Updated on a regular (e.g., biennial) basis.

Up-front Network Upgrade funding & potential PTO risk: We strongly oppose ICs' funding of Network Upgrades through Letter of Credit conversion to cash, for the following reasons:

- **Higher costs to ratepayers:** Ratepayers would end up financing the network transmission upgrade cost twice -- once when the generator finances the project, recovering the cost over a period of up to five years, and again when the PTO refunds the cost to the generator and refinances it for recovery over the next several decades. In addition, since generator cost-of-capital is higher than PTO capital costs, up-front IC funding may further raise costs that ratepayers eventually bear. PTO costs are not mitigated by use of IC financial posting to pay for upgrades.
- **Lack of feasibility:** To implement this proposal, the ISO would have to "circle back" after the TPP and assign the resulting network transmission upgrades back to IC clusters, and then to individual projects, which may be difficult or impossible since those network upgrades will have been designed to meet multiple objectives (e.g., generator interconnections, but also load growth, economic opportunities, LT-CRR feasibility maintenance, etc). ISO would then have to track expenditures for different upgrades and draw on individual IC LoCs each month.
- **Lack of logic:** The new GIPR process is purposely designed to separate the interconnection "proxy costing" from the actual upgrade design, and IC up-front funding of specific upgrades (even if they could be identified and fairly attributed to different generation projects – see above) is fundamentally inconsistent with that concept.
- **Lack of need:** There are many effective risk-mitigation measures available to PTOs that could be used to reduce to alleviate downward pressure on their credit metrics and/or reduce the pressure on their borrowing needs. For example, PTOs can request FERC approval of:
 - Inclusion of 50% of CWIP in ratebase, for all new transmission construction;

- Inclusion of 100% of CWIP in ratebase, for new incentive projects approved through the ISO transmission expansion plan, or by the CPUC, which could include projects to access renewable energy;
- Cost-recovery assurance, if these projects are canceled through no fault of theirs;
- A transmission-rate formula, to eliminate cost-recovery lag by recovering forward-looking estimated transmission capital costs, subject to annual true-ups to reflect actual plant placed into service; and/or
- ROE incentives, to compensate them for construction risk, and accelerated plant depreciation so they get their invested capital returned sooner.

Timing of IC reimbursement: In line with our proposals on upfront funding, we believe that IC LoCs or funds should be released upon generator COD, not over a 5-year period because the PTOs can place the cost of the network upgrades into ratebase and begin recovering the costs plus a return from their customers. Thus, once the PTOs begin recovering their costs, there is no longer any reason to maintain the LoCs.

Mitigation of the transmission financial commitments for network upgrades: In our Round 1 comments, we proposed that ICs' transmission financial commitment, calculated as part of the CAISO LGIP studies, be (i) set at something less than the full "but for" cost determination, (ii) mitigated through graduated posting and (iii) capped. In effect, we proposed that the financial commitment be considered an "earnest money deposit", rather than an "advance payment". This approach would ensure that developers demonstrate a commitment to the project and the financial wherewithal to complete the project, while at the same time avoiding potentially burdensome financial requirements that could discourage or unnecessarily increase the costs of the project. The earnest money approach is also supported by the same reasons offered above in support of PTO upfront funding of network upgrades: (i) lower ratepayer costs; (ii) the facilities to be built will serve multiple functions and are not necessarily attributable to individual generators and (iii) the costs determined through the LGIP studies are just estimates and will not track actual network upgrade facilities.

We offered a cap of \$10,000/MW for such purposes. The CAISO has ignored our proposal to mitigate and cap ICs' transmission financial commitment in its latest whitepaper. Although we continue to believe that the proposed \$10,000/MW cap is sufficient, we are open to considering a larger cap on ICs' transmission financial commitment and are also willing to consider a minimum value for ICs' transmission financial commitment. The key is to establish some reasonable set of parameters within which developers can understand the costs of doing business in California.

Firming of COD after TPP: As we have stated before, the COD, carefully negotiated by all parties as part of the IA, should be treated a firm date by all parties entering into TPP. The TPP

should account for the COD in determining transmission-expansion needs, including the in-service date for specific transmission upgrades.

If the COD cannot be reasonably met through the TPP, or because of subsequent events outside the control of the ISO and PTOs (e.g., regulatory delays):

- The ISO/PTO should be required to thoroughly explain the reason for the delay;
- The IC should have access to the regular ISO ADR process (as the ISO has maintained that parties would, as part of its reformed TPP), to address any disputes related to the delay; and
- The IC for that project should be allowed, among other remedies, to:
 - Delay or withdraw the project, without forfeiture of its posted transmission financial commitment(s);
 - Interconnect at the identified points of interconnection on its COD, subject temporarily to a lower deliverability level (or Energy Only) until the identified transmission upgrades are complete, as long as such an interconnection is physically possible and would not cause reliability problems; and/or

Assignment of application fees and financial postings: All application fees and financial postings should stay with the project and not the developer, i.e., a new developer should not be asked to post an additional application fees or financial commitments for a project in the queue where such commitments were fully posted by the original developer.

Deliverability adjustment: We strongly support CAISO's proposal to allow ICs to adjust their projects deliverability level to reduce transmission upgrade requirements and the project's transmission cost responsibility.

“On a case by case basis, the CAISO may also provide a MW estimate for the amount of generation in the pocket which would be deliverable without triggering a particularly high cost transmission constraint.”

We, however, recommend that the CAISO provide this opportunity in all cases or at least in all cases where the IC's cost responsibility exceeds a threshold of say \$5/kW. We further recommend that the CAISO provide this opportunity both between Phase 1 and Phase 2 studies as well as between Phase 2 and IA signing.

	Date Range	Activities - First Queue	Date Range	Activities - Second Queue
1-Jan	Day 1-120 (4 months)	<ul style="list-style-type: none"> CAISO opens the queue window and invites IR applications. ICs submit their IRs, including the interconnection point and deliverability level for their project(s). CAISO starts IR validation and grouping of projects. CAISO identifies deficiencies in project applications and works with ICs to resolve them within one month. CAISO closes the application window on day 120. 		
1-May	Day 121-150 (1 month)	<ul style="list-style-type: none"> CAISO completes the IR validation process. CAISO finalizes the generator grouping. CAISO conducts scoping meetings with individual ICs to identify interconnection point(s) and project grouping arrangements. CAISO identifies the relevant basecase(s) and study scenarios in coordination with ICs. 		
1-Jun	Day 151-180 (1 month)	<ul style="list-style-type: none"> CAISO prepares the relevant basecase(s) and study scenarios in coordination with PTOs and shares them with ICs. 		
1-Jul	Days 181-240 (2 months)	<ul style="list-style-type: none"> CAISO performs Phase I studies to determine the needed delivery transmission upgrades and assigns cost responsibility among projects. 	Day 1-120	<ul style="list-style-type: none"> CAISO opens the queue window and invites IR applications.
1-Sep	Days 241-270 (1 month)	<ul style="list-style-type: none"> If IC chooses to enter into Phase II studies, CAISO and ICs work on entering into Phase II studies. If IC chooses to submit its project into the next queue cluster window, it will have at least 30 days to do so at this time. 		<ul style="list-style-type: none"> ICs submit their IRs, including the interconnection point and deli project(s).
1-Oct	Days 271-330 (1 month)	<ul style="list-style-type: none"> CAISO performs Phase II studies to determine all network reliability upgrades and the associated cost responsibilities for each project. CAISO determines individual projects' interconnection facility needs and the associated cost responsibilities. 		<ul style="list-style-type: none"> CAISO starts IR validation and grouping of projects. CAISO identifies deficiencies in project applications and works v one month.
			Day 121-150	<ul style="list-style-type: none"> CAISO completes the IR validation process. CAISO finalizes the generator grouping. CAISO conducts scoping meetings with individual ICs to identify project grouping arrangements. CAISO identifies the relevant basecase(s) and study scenarios in
1-Dec	Days 331-360 (1 month)	<ul style="list-style-type: none"> CAISO informs ICs of all of their financial commitments. IC chooses to enter into IA knowing its financial commitments, elects to continue with an unexecuted IA, or drops out. IC works with CAISO and PTO to select a reasonable COD. CAISO, PTO and IC sign the IA. IC posts the first installment of its transmission cost responsibility for all of its projects with signed IAs. 	Day 151-180	<ul style="list-style-type: none"> CAISO prepares the relevant basecase(s) and study scenarios in c shares them with ICs.
	Date Range	Activities - Third Queue		
1-Jan	Day 1-120	<ul style="list-style-type: none"> CAISO opens the queue window and invites IR applications. ICs submit their IRs, including the interconnection point and deliverability level for their project(s). CAISO starts the process of grouping projects. CAISO identifies deficiencies in project applications and works with ICs to resolve them within one month. 	Days 181-240	<ul style="list-style-type: none"> CAISO performs Phase I studies to determine the needed delivery assigns cost responsibility among projects.
			Days 241-270	<ul style="list-style-type: none"> If IC chooses to enter into Phase II studies, CAISO and ICs work studies. If IC chooses to submit its project into the next queue cluste 30 days to do so at this time.
			Days 271-300	<ul style="list-style-type: none"> CAISO performs Phase II studies to determine all network reliabi associated cost responsibilities for each project. CAISO determines individual projects' interconnection facility n responsibilities.
1-May	Day 121-150	<ul style="list-style-type: none"> CAISO completes the IR validation process. CAISO finalizes the generator grouping. CAISO conducts scoping meetings with individual ICs to identify interconnection point(s) and project grouping arrangements. CAISO identifies the relevant basecase(s) and study scenarios in coordination with ICs. 		
1-Jun	Day 151-180	<ul style="list-style-type: none"> CAISO prepares the relevant basecase(s) and study scenarios in coordination with PTOs and shares them with ICs. 	Days 331-360	<ul style="list-style-type: none"> CAISO informs ICs of all of their financial commitments. IC chooses to enter into IA knowing its financial commitments, e unexecuted IA, or drops out. IC works with CAISO and PTO to select a reasonable COD. CAISO, PTO and IC sign the IA. IC posts the first installment of its transmission cost responsibility signed IAs.
			Date Range	Activities - Fourth Queue
1-Jul	Days 181-240	<ul style="list-style-type: none"> CAISO performs Phase I studies to determine the needed delivery transmission upgrades and assigns cost responsibility among projects. 		
1-Sep	Days 241-270	<ul style="list-style-type: none"> If IC chooses to enter into Phase II studies, CAISO and ICs work on entering into Phase II studies. If IC chooses to submit its project into the next queue cluster window, it will have at least 30 days to do so at this time. 		
1-Oct	Days 271-300	<ul style="list-style-type: none"> CAISO performs Phase II studies to determine all network reliability upgrades and the associated cost responsibilities for each project. CAISO determines individual projects' interconnection facility needs and the associated cost responsibilities. 		
1-Dec	Days 331-360	<ul style="list-style-type: none"> CAISO informs ICs of all of their financial commitments. IC chooses to enter into IA knowing its financial commitments, elects to continue with an unexecuted IA, or drops out. IC works with CAISO and PTO to select a reasonable COD. CAISO, PTO and IC sign the IA. IC posts the first installment of its transmission cost responsibility for all of its projects with signed IAs. 		