

Wind-Solar Coalition Comments on Generation Interconnection Process Reform Initiative

Submitted by	Company	Date Submitted
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We believe the revised ISO GIPR Proposal to be a significant improvement over prior versions and respectfully present our third round of comments below.

- 1. Optional Preliminary Study:** We generally favor any additional venue for IC generation interconnection plan analysis and review before IR submittal to the ISO and offer the following specific comments.

The information needed to conduct these studies, including the latest Base Case and contingency data, should be provided to any entity qualified to receive it that is willing to execute the appropriate NDAs. Such parties should be entitled to perform any pre- or post-IR studies themselves that they believe would be helpful to them, or hire other parties they believe to be qualified to do so, to improve the viability and quality of any eventual IR submissions to ISO.

The ISO should update this information on a regular basis and ensure that the same information is available to all parties.

We also strongly support ISO's plan to provide a list of "recommended/qualified" consulting firms that can perform pre-IR application interconnection studies, with access to ISO and PTO technical staff, in addition to the broader information provision discussed above. To ensure the success of such a program, ISO should develop a set of criteria to qualify proper entities. ISO should use these same criteria to drop an entity from its "recommended/qualified" list if it fails to meet ISO's criteria – these firms should operate with the highest level of professional integrity.

In addition, the ISO should work with the PTOs, the CPUC, and the CEC to develop a transparent standard format and methodology acceptable for RA, licensing, and other purposes, to maximize the usefulness of these pre-IR studies, even if they are performed, or commissioned and paid for, by the ICs.

In general, though, the ISO could mitigate many of the issues raised by parties on the usefulness of this study by adopting a two-phase study process, as we have recommended for the regular interconnection-study process. As we have stated in our prior comments, we believe that this can be done in the timeline ISO in the last ISO proposal (see additional comments on study timing below).

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- Queue Cluster Windows:** We support the change from 6-month queue cluster windows to 4-month windows in the going-forward GIPR process. However, the ISO should close the current queue process, and open the new queue window, before the planned July 1st date, e.g., by April 1st. The ISO has been engaged in the GIPR for some months now, and most projects that were “close to” submitting IRs should already be in the queue. There is no reason that Clearing Group projects, which may already have been waiting a long time for their studies, should wait 3 more months for new projects that are not even in the queue yet before their applications can proceed.

However, we still believe that the ISO should use a pre-February 1st, 2008 SIS due date in ISO’s acceptance of the IR, rather than the date in their original SIS Study Agreement, as the determinant of whether projects already in the queue should qualify for the Serial Group. This will avoid arguments later about delays in the Feasibility Study part of the current process, or in ISO/PTO tendering of the SIS Study Agreement, that were not the fault of the IC.

In addition, we support ISO’s “straw proposal” to allow existing-queue projects with executed and approved PPAs that would otherwise be in the Clearing Group to qualify for inclusion in the Serial Group, for the following reasons.

- We do not support favored treatment of projects with PPAs over merchant projects generally; however, we are not aware of any viable merchant projects in the queue and, therefore, existence of an approved PPA may be a valid indicator of project viability.
 - This could help projects make any 2009-2010 CODs in their PPAs; such projects would be unlikely to make those deadlines if they need transmission upgrades and must wait until the conclusion of the ISO 2010 Transmission Planning Process (to be conducted during 2009) before construction of those upgrades commences.
 - Expedition of such projects could help LSEs meet their 2010 RPS requirements.
- Refundability of Study Deposits:** As you know, we previously opposed the \$250K requirement for up-front study deposits, with refundability only with IA execution, because such deposits would likely far exceed interconnection-study costs and ICs may need the information in the studies to determine, with certainty, their projects’ viability. However, the refund provisions in the latest ISO proposal reduce IC risks considerably, and we withdraw our opposition to the deposit requirement on that basis.
 - Site Control requirement:** We appreciate and support the revised site-control definition in the latest ISO proposal, though we continue to believe that site-control requirements so early in the process are not the best indicator of project viability.
 - Study timelines and process:** We were surprised and disturbed to discover, upon deeper examination of the latest proposal, that ISO has lengthened the timing for conducting the actual interconnection studies significantly – from 120 days to 210 days for existing-queue projects, and from 120 days to 150 or 180 days (unclear in the document) for the ongoing GIPR process. These changes were not flagged at the beginning of the proposal document, where ISO supposedly listed all the changes from the last version, and the reasons for them were not explained anywhere else in the document.

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We were particularly dismayed that the significantly longer study process apparently does not even include much of the project-specific Interconnection Facility design and cost estimates in the studies in prior proposals. The revised proposal requires ICs to execute an IA, and then commission (and pay for) yet another study, to get that information, even to a +/-20% cost accuracy level.

The ISO should fully explain these changes and, in the absence of such explanations, we oppose them. Moreover, the proposal should explicitly maintain IC rights to design and construct their own Interconnection Facilities, or hire qualified third parties to do so, as long as such design and construction complies with the prevailing standards.

- 6. **Credit posting requirements and LoC release proposals:** We support, in general, ISO’s proposal to require 20% coverage at IA execution and 80% at a later time. The 20% coverage at IA execution should be sufficient to weed out non-viable projects and, therefore, the 80% remainder can safely be posted at TPP conclusion without unduly compromising TPP integrity.

We also support, in general, the ISO proposal for limited LoC release, for valid reasons, after IA execution, as this should resolve at least some of the concerns with coordination of the interconnection process with the licensing, permitting, and PPA processes.

We further support the proposed list of valid reasons proposed by the ISO, but we request that a change in COD after TPP completion be added to the list.

However, we oppose linking LoC release to permitting or construction of specific transmission Network Upgrades. Like the proposed LoC conversion to cash to finance Network Upgrades (which we continue to oppose), this proposal would require tying specific network transmission projects (or parts of them) to specific generation clusters/generators; since actual transmission projects for generator interconnections would be designed in the TPP and could also meet other system needs considered there (e.g., load growth, reliability needs, economic projects, etc), that might be difficult or impossible to do.

In other words, the ISO GIPR proposal goes to great lengths to separate the generator interconnection study/cost estimation process from an actual network upgrade design process that will improve cost-effectiveness by integrating interconnections with other system needs. Tying LoC release to particular transmission projects is inconsistent with that major and beneficial provision; moreover, it will likely expose ISO to endless arguments about what portion of what upgrade is really intended to meet generator interconnection needs for each cluster (as opposed to all these other needs, as well as interconnection needs for other clusters).

Instead, ISO should keep the general structure of the LoC release proposal but tie it to simpler and more objective measures, e.g., time after TPP completion, as shown below. Our proposed timeframes are illustrative only and should be geared to the timing usually required to address the valid release reasons, e.g., PPA approval, permitting, and CEC licensing.

LoC RELEASE	ISO-PROPOSED TIMEFRAME	WIND-SOLAR PROPOSED TIMEFRAME
10% (half the posted 20%)	IA execution until TPP completion	IA execution until TPP completion
50% (of the posted 100%)	TPP completion until PTO construction application*	6 months after TPP completion
20% (of the posted 100%)	PTO construction application until construction commencement	12 months after TPP completion
0%	After construction commencement	18 months after TPP completion

* PTO Permit to Construct (PTC) or Certificate of Public Convenience & Necessity (CPCN)

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7. **ISO responses to stakeholder comments and recommendations:** We understand that this stakeholder process is being conducted on an expedited basis and believe that ISO has been responsive to stakeholder concerns, through proposal modification, in many areas. However, ISO should respond to stakeholders specifically, preferably in writing, with at least a brief explanation of its reasons for rejecting stakeholder recommendations for change. This would probably save time overall by reducing stakeholder need or desire to raise the same issues repeatedly, in conference calls and/or in written comments. (It would certainly do so for us.)

8. **COD feasibility:** The ISO proposal states (Pages 9/10, Paragraph b) that:

“If it is determined that the [IC] requested COD is not feasible, parties may agree to a new COD. Where the parties cannot agree, the COD determined reasonable by the ISO/PTO will be controlling where such COD is driven by the anticipated completion of necessary Reliability Network Upgrades and/or Interconnection Facilities. The IC must notify the ISO within 5 business days following the Scoping Meeting if the new COD is acceptable.”

We offer the following comments to offer in this area, consistent with our earlier comments on COD changes after TPP completion.

- The ISO should be required to explain thoroughly to the IC why the COD cannot be met.
- The ISO should allow 15 Business Days for IC confirmation of a new COD.
- The IC should have access to the regular ISO ADR process on this matter, if there is a continuing IC-ISO/PTO disagreement on the COD.
- The IC should have the option to remedy the condition leading to the delay, including:
 - Interconnect its project(s) as energy-only, if the delay is related to deliverability upgrades;
 - Build its own Interconnection Facilities, if the delay is related to the timeline to build such facilities.

9. **Generation Size & Deliverability Level:** The ISO proposal states (P. 10, Footnote 4) that:

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

The ISO further states that (P. 12, Paragraph c):

“Depending on the MW increments of deliverability created by upgrades identified in the Studies, the IC may have the option of reducing their project size or changing their deliverability status in order to reduce or eliminate the cost of Delivery Network Upgrades for which they would be responsible. This decision must be made prior to executing an IA. The required LOC for Delivery Network Upgrades will be adjusted accordingly.”

IC ability to adjust project size or deliverability level to mitigate or eliminate the need for costly transmission upgrades is extremely valuable, and ultimately will benefit ratepayers and other stakeholders as well. Hence, the ISO should make this feature universally available to all ICs if such changes would reduce costs in the study.

The ISO should also provide details on the methodology it will use to adjust Delivery Network Upgrade costs for projects reducing their size or deliverability level.

10. Upfront Funding of Network Transmission Upgrades: The ISO proposal states (P. 11, Paragraphs e & f) that:

“The IC will be required to replace all or a portion of the LOC with cash (unless the PTO at its option agrees to fund) when construction starts on the Network Upgrades assigned to a project. Actual Network Upgrades will be identified through the TPP. The IC will only be responsible to fund Network Upgrades up to the limit of its LOC.”

“That portion of the IC’s LOC or other funds unused or used to construct Network Upgrades would be released or refunded to the IC over a period not to exceed 5 years from COD. COD is defined as date when entire project capacity is on line.”

We continue to believe, as stated in our prior comments, that conversion of IC LoCs to cash unnecessarily complicates the reform process, offers no any benefit, and would create several drawbacks (most notably, higher final transmission-upgrade costs for the ISO TAC recovery). We will not repeat those detailed arguments, or our suggestions for more-effective PTO investment-risk mitigation, here.

Nevertheless, if despite or in addition to such investment-risk mitigation measures, the ISO insists on retaining PTO ability to draw upon IC LoCs to fund transmission development, we offer another this additional comment.

ICs choosing to receive Network Upgrade refunds, instead of FTRs/CRRs, should:

- **Receive their refunds upon COD**, instead of the current cumbersome and costly 5-year process; or, alternatively:
- **Receive the regulated PTO rate of return** on such expenditures, in lieu of receiving their funds back within 5 years after COD. This provision would:
 - Provide a reward mechanism commensurate with the transmission investment risk transferred to ICs; and
 - Reduce transmission-development costs borne by ratepayers when IC LoCs are converted to cash and used to pay for transmission upgrades.

11. Wind-Solar Coalition positions on other issues: We continue to maintain our earlier positions on the issues listed below, which were articulated in our prior comments, and we request that ISO reconsider (or, as noted above, at least explain) its failure to adopt our recommendations. We will not repeat our arguments here for each point but refer ISO to our Second Round comments for further details and explanations.

- Conversion of LoCs to cash (and ties to funding specific Network Upgrades)
- Tiering of various deposit amounts for smaller projects
- Procedures for changing generator CODs after TPP completion
- Tying of fees, deposits, and financial commitments to generation projects, not developers (i.e., a new developer should not be required to satisfy these requirements if they were met by the original developer for the same project)