

# Subject: Generation Interconnection Process Reform Initiative

Submitted by	Company	Date
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## **Comments on Appendix U – Large Generator Interconnection Procedure (LGIP)**

### **1.2.2 Special Definitions for this LGIP**

**Interconnection Base Case Data:** Add a provision for release of Base Case data for the TPP as well.

**Phase II Interconnection Study:** Given the conversation at the July 1<sup>st</sup> meeting, the ISO should add a provision for expedited Phase II studies, not remove the helpful clarification added in the last round that this study would otherwise be conducted once per year. (We have no objection to SDG&E’s suggestion that there be two Phase II studies each year, to match the two cluster windows.)

#### **Site Control**

- **Terminology:** We continue to recommend a change in terminology here, because the requirement is not really for “site control” but “reasonable and serious progress toward acquiring exclusive rights to develop a generation facility on the site.” Moreover, while a developer may have priority generation development rights to the land, whether private or public, these rights do not themselves confer, the ability to develop a project on the site; this Iso requires the necessary permits. These concepts are reflected in the revised recommended definition below.
- **BLM land development rights:** We continue to recommend the clarification below that, for wind projects on BLM land, the equivalent demonstration of exclusive rights to energy development on a land parcel is an accepted “Type II” Right of Way application (which provides for exploration with the option to develop).

We understand from the July 1<sup>st</sup> meeting discussion that the ISO is still discussing this matter with the BLM. We urge the ISO to craft the BLM-related language to demonstrate an equivalent level of serious commitment to the 50% “control” requirement for private land, and to avoid a higher level of absolute certainty (e.g., issuance of final permits) that would be impossible for a developer to meet, given the higher deposit level that ISO proposes earlier in the process under the new rules.

- **Other:** We do not understand or agree with the ISO’s proposal to strike provision 1(c).

Proposed revised tariff language:

“Site Exclusivity” shall mean significant progress toward acquiring exclusive rights to develop the proposed project site, as shown by documentation reasonably demonstrating:

- (1) For private land or other public land not covered by subsection (2) below,
  - (a) Ownership of, a leasehold interest in, or a right to develop property upon which the Generating Facility will be located consisting of a minimum of 50% of the acreage reasonably necessary to accommodate the Generating Facility; or
  - (b) An option to purchase or acquire a leasehold in property upon which the Generating Facility will be located consisting of a minimum of 50% of the acreage reasonably necessary to accommodate the Generating Facility; or
  - (c) An exclusivity or other business relationship between the Interconnection Customer and the entity having the right to sell, lease or grant the Interconnection Customer the right to possess or occupy property upon which the Generating Facility will be located consisting of a minimum of 50% of the acreage reasonably necessary to accommodate the Generating Facility.
- (2) For Bureau of Land Management land, Bureau of Land Management acceptance of the Interconnection Customer’s Application for Right of Way for the proposed Generating Facility site or, in the case of a wind project, acceptance of the Interconnection Customer’s application for a Type II Right of Way.

3.5.1.2 **Use of Interconnection Study Deposit:** The CAISO should allow the Interconnection Customers (ICs) to apply unused study deposits towards future IR applications rather than forfeiting such deposits. Forfeited Study Deposits, to the extent allowed by the approved CAISO tariff, should be used to reduce the TAC, as all activities involved here are related to the development and build-out of transmission facilities.

3.8 **Withdrawal:** The added language provides that, if an Interconnection Customer (IC) successfully challenges ISO withdrawal and removal of its project from the Interconnection Study Cycle through the required ISO Tariff ADR process, the ISO will determine whether the project can be reinserted into that cycle; if not, compensation to the project would be limited to reimbursement of deposits and forfeited funds.

This is not acceptable, because failure to reinsert the project into that cycle would effectively put the project in the same position as it would have been in had it lost in the ADR process. Effectively, this proposal would render unreviewable any ISO decision to withdraw a project, and ICs would have no real rights to challenge it.

There are two approaches that could be used to avoid depriving ICs of their rights to challenge an ISO withdrawal decision:

- **Expedited review process:** The ISO has been reluctant to establish expedited review or ADR processes, but we believe that this would be the most workable solution to this situation.
- **Reinstatement:** Alternatively, the ISO could be required to reinstate the IC as closely as possible to the position it would have been in had the ISO not erroneously withdrawn the project. This might require amending studies on an expedited basis; however, the ISO should not be allowed to assign any additional cost responsibility to other ICs that have already received their Phase I Study results.

This additional effort required by either an expedited review process or reinstatement of a project that successfully challenges ISO removal from the planning cycle would help ensure that the ISO takes such action. ICs should not be penalized for exercising their right to challenge the ISO's actions in this respect.

- 5 **Scoping Meeting:** The CAISO, as well as the Interconnection Customer, should be required to bring any relevant “system studies previously performed.” We understood from the June 10<sup>th</sup> meeting that the CAISO agree with this provision, but we did not see the change in the latest version.

In addition, we still support stakeholder comments from the June 10<sup>th</sup> meeting that CAISO should provide at this meeting information on other Interconnection Requests (number/location/MWs/delivery choices) in the same general area (i.e., those that are likely to be placed in the same study cluster), and we request that the ISO add language to this effect.

- 6.2 **Scope & Purpose of Phase 1 Interconnection Study:** The CAISO should clarify: (1) how the selected Deliverability Level will be used in this study; and (2) that this study will produce cost estimates that are binding for IFS posting and for the rest of the interconnection process.

- 6.3.1 **Reliability Network Upgrades:** This provision should clarify that any conditions that can be addressed through regular CAISO congestion-management procedures and/or a RAS/SPS that meets the new CAISO RAS requirements do not warrant a Reliability Network Upgrade (e.g., an RAS/SPS would be considered a Reliability Network Upgrade).

#### 6.3.2.1 **On-Peak Deliverability Assessment**

- **Sensitivity cases:** The WSC continues to agree with the CPUC's comment at the June 10<sup>th</sup> meeting that simplistic “removal of the highest cost Delivery [NU]” is not the best way to proceed. At a minimum, the study results should show: (1) deliverability without any Deliverability NUs (i.e., the CAISO should add back in the deleted language providing for this; and (2) the option that would result in the deliverability of the most output at the least cost (per the CPUC suggestion).

For example, the CPUC pointed out that the CAISO proposal could result in the counter-productive scenario where the most expensive upgrade is removed but most of the cluster output could then not be delivered. This kind of result would be “easy” for the PTO and CAISO but useless to developers.

- **Partial-deliverability election:** Assuming results that are useful, as described above, each developer should be allowed to make its own decision on whether to reduce its project size or deliverability election in this situation to help reduce the Delivery NUs; that decision should not belong to the CAISO or PTO. Moreover, the CAISO should allow for less-than-full deliverability status for projects in these situations, since (as pointed out at the June 10<sup>th</sup> meeting) proportional downsizing of the project may not be an option (e.g., due to equipment sizing, PPA obligations, etc.)

If sufficient developers do not reduce project size or deliverability to enable the facility and cost reduction, then so be it. These are supposed to be proxy-cost studies anyway, and the CAISO should not get mired down in an overly precise process at this stage.

- **Impact of deliverability decision on required Interconnection Financial Security (IFS):** The CAISO said at the July 1<sup>st</sup> meeting that developers that reduce their deliverability in response to the Delivery Assessment results, even to zero (i.e., switch to Energy-Only status from Full Deliverability status) would nevertheless be required to post IFS to cover its full share of the Delivery NU that it no longer needs.

This is not acceptable, particularly given that these cost estimates are only proxy costs. A change to Energy-Only status (or, as we recommend, a partial-deliverability election) means that the ISO will not plan Delivery NUs for that project in the Phase II Study and TPP, and there is no justification for requiring financial security to cover such facilities. Moreover, should the project be forced to withdraw later on, it would be at risk for forfeiture of IFS for facilities that the PTO would never have built for it in any case.

#### 6.3.2.2 **Off-Peak Deliverability Assessment**

- **Terminology:** This study should simply be called an “off-peak study,” to avoid confusion with the on-peak “Deliverability Assessment” that is currently required for Resource Adequacy purposes.
- **Assumptions/cost allocation:** This Study should only assume that generation that would normally be operating in off-peak hours is operating, especially generation in the cluster or local area, i.e., not assume that all local generation is operational at peak capacity unless that is actually expected to occur under normal operating conditions. Likewise, the allocation of the cost of any (optional) delivery upgrades should only be to Full-Capacity resources in the cluster that are expected to be operational under the conditions studied.
- **Sensitivity cases:** This study should include the same capacity-addition sensitivity cases as recommended for the On-Peak Deliverability Assessment above.

- 6.4 **Use of Per-Unit Costs to Estimate Network Upgrade Costs:** The CAISO should retain the requirement for full disclosure of per-unit cost estimates (or at least cost ranges) used to determine developer cost responsibility, as well as a stakeholder process for validating such estimates.

#### 6.6 **Phase I Interconnection Study Procedures**

#### 7.5 **Phase II Interconnection Study Procedures**

- We understand the time pressure on the CAISO to perform the Transition Cluster studies, including the large number of projects and lack of adequate tariff authority. Unfortunately, the CAISO’s proposed timeline for the Transition Cluster Phase 1 Study would mean that the generators in the Transition cluster can only realistically interconnect to the system in 2016.

The CAISO and PTOs should take specific and targeted measures to speed the Transition Cluster Phase 1 study process, per the timeline below. These steps include:

- (1) Starting Transition Cluster IR processing immediately, i.e., even before FERC GIPR approval is granted;
- (2) Starting the Transition Cluster base case development in parallel to the IR processing;

- (3) Starting Phase 1 studies as soon as base cases are developed and shared with participants (we believe these studies can start on November 1, 2008);
- (4) Complete the Phase 1 results process, including IA signing and IFS posting, as Phase 1 studies are completed (rather than waiting for the Phase 1 study of all IRs to be completed); and
- (5) Expand the timeline for the 2009 TPP (for the 2010 Transmission Plan) into May of 2010, so the Transition Cluster results can be included. (This need not delay initiation of the 2010 TPP.)

2008												2009												2010											
Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
				GIPR FERC Approval								2009 TPP (for 2010)												2010 TPP (for 2011)											
				New Agreements Site Control Ver.																															
				Grouping/ Basecase Development				Transition Cluster Studies (Phase I)				Results Mtg/ IA Signing/ LOC Posting				Phase II up to Step 23 Study				Join 2009 TPP & allow delayed results till May 2010															

- **First GIPR Cluster Window:** The first Cluster Window after the Transition Cluster will likely be rather sparse. Hence, we strongly recommend that the CAISO modify its current study timeline for this first new “normal” LGIP cluster so that the associated network upgrades, if any, for the committed generators in this cluster (those that have posted LoCs) can be determined via the 2010 TPP cycle (for the 2011 ISO Transmission Plan).

Such treatment is also warranted because these projects could already have waited an extended period to begin the validation and study process, due to the transitional need to extend this window to a full year

- **Phase 1 Study timelines generally:** The Phase 1 study timeline is still unnecessarily long, especially for LGIP studies beyond the Transition Cluster, particularly given that the CAISO is reserving its rights to adjust the duration as it deems necessary. Instead, the timeline for the Phase 1 study should reflect the number of projects and groupings to be studied (we propose a shorter timeline than the proposed timeline if the number of projects is less than 30).
- **Missed study timelines:** The proposed retention of the current Tariff provisions allowing the CAISO and PTOs to miss any and all study timelines with only “notice” to the Interconnection Customer, an explanation, and a new completion date is not acceptable. The CAISO mentioned at the June 10<sup>th</sup> meeting that developers can complain to FERC when deadlines are missed; however:
  - An opportunity to be embroiled in potentially lengthy FERC litigation is inconsistent with the goals of the GIPR to achieve certainty and expedition in the interconnection process; and
  - If the Tariff provides that the CAISO/PTO only have to provide notice, an explanation and a new date, then technically they have complied with the Tariff, and there is technically no Tariff violation to complain about.

Completion within the stated timelines is critical to ensuring that generation projects and clusters can properly feed into the next available TPP. The consequences of missing that opportunity can be severe for developers (who must bear the financing risk for NUs under the CAISO's current approach, in addition to project development risk), since construction of their required NUs (and, therefore, their CODs) could slip an entire year as a result.

The timelines for these studies have been extended several times in this stakeholder process to accommodate ISO and PTO workload concerns, and the time allowed should be sufficient for the defined work. The CAISO and PTOs must commit to firm deadlines, to be extended further only for reasons of force majeure, and they must secure whatever resources they require to meet the study timelines. At a minimum:

- **Study completion dates should be dates certain and stated in the Tariff**, including a requirement that Network Upgrades to support the interconnection will be considered in the TPP for the next calendar year after the Phase 1 Study is complete; and
- **ISO/PTO failure to meet these deadlines should be considered a Tariff violation**, subject to enforcement action by FERC. Since there will likely only be a limited number of cluster studies in progress at a given time, this should not be unduly burdensome. This provision would at least give affected developers a basis for complaint and, if appropriate, for requesting relief (e.g., third-party performance of studies – see comments below). (As a possible compromise, the tariff should specify narrow and legitimate reasons why the timelines might slip – e.g., unusually large number of projects on the cluster – and those reasons should not include lack of in-house ISO/PTO engineering resources.)

6.7.1 **Commercial Operations Date:** The ISO should add explicit language providing that: (1) delay of the developer COD should only be allowed if it is not physically possible to construct the Reliability NUs in the time allowed - in no circumstance should this be based on the convenience of the PTO or its unwillingness or inability to build transmission facilities due to financial reasons; and (2) the developer may request temporary Energy-Only interconnection if Interconnection Facilities and any needed Reliability NUs can be constructed before the Delivery NUs are completed.

7.1 **Scope of Phase 2 Interconnection Study:** The “+/- 10%” cost estimate for Interconnection Facilities has been changed to a “+/- 20%” cost estimate. What is the difference in the methodologies for these two accuracy levels, and how will the CAISO/PTO ensure that the estimated cost will be within that range?

## 7.2 **Coordination of Phase 2 Interconnection Study with Transmission Planning Process**

- The Tariff language should be expanded to include: (1) incorporation of the Study results into the TPP, and (2) a provision to tie transmission projects coming out of the TPP back to generation clusters or individual projects, or a method setting forth how that would be done. Such linkage is necessary if the CAISO retains its current proposal to tie cash conversion of IFS and related provisions to physical construction of specific transmission projects, and to ensure consistency with the original objective of a fully integrated TPP that optimizes transmission additions to meet generator interconnections with other system needs.

- We generally support the process in the flowchart presented by Robert Sparks at the June 10th GIPR meeting, showing that the Phase 2 Study prior to the TPP would mainly determine, for generation projects that have posted IFS: (1) their final interconnection points and Interconnection Facilities, and similar issues better addressed prior to the TPP; and (2) whether or not their needed Network Upgrades must be determined as part of the TPP. However, the revised language tariff not does not reflect this; moreover, this flowchart has been appended to the latest (June 27<sup>th</sup>) version of the written ISO GIPR Proposal document, but none of the text was revised to reflect it either.
- We continue to be extremely concerned that the bifurcation of the planning process into the TPP and the separate Phase 2 study will fail to identify potential efficiencies from consideration of all system needs (including, but not limited to, generator interconnections) and optimizing Network Upgrades to meet them. The ISO appears to have removed all reference in the Phase 2 Study description to consideration of load growth, economic transmission upgrades, or any other system need. This increases further our concerns that the Phase 2 Study, separate from the TPP, will effectively turn into a cluster-based Facility Study and simply feed into the TPP, without any optimization occurring.

We have requested clarification numerous times about how the ISO intends to perform this optimization, but that clarification has not been forthcoming. It appears that the ISO may have shifted its focus in the post-Phase 1 process from searching for the best transmission solution to meet all system needs together to identifying transmission for generator interconnections that can be more readily allocated among ICs.

- We fundamentally oppose, on the numerous grounds we have previously stated, any effort by the CAISO to use the Phase 2 Study to apportion Network Upgrade costs to individual generation projects when the actual Network Upgrades to be built will not be determined until later, in the TPP that follows.
- In addition to clarifying the Phase 2-TPP relationship, the CAISO should clarify the RETI-TPP relationship and, in particular, opportunities for stakeholder input once RETI information or plans enter the CAISO planning process.

#### 7.6 **Accelerated Phase 2 Study Process:**

- **Timeline:** The timeline for this study was increased from 120 days in prior versions to 150 days, with no explanation. In the absence of compelling reasons, we recommend returning to the prior timeline; three months should be sufficient for an “expedited” study for a single project.
- **Eligibility:** Should be expanded to include projects needing Network Upgrades that can be approved by ISO Management without Board approval.

#### 9.2 **Initial Posting of Interconnection Financial Security:** The ISO should consider a minimum IFS posting level less than \$500,000 for smaller projects, or for larger projects needed little or no Network Upgrades.

9.4.1.4 **Increase in the cost of Interconnection Customer Interconnection Facilities Based on a CAISO Change in the Point of Interconnection:** Despite discussion at the July 1<sup>st</sup> meeting regarding a potential cost threshold for this change, we recommend leaving the language as is. It appears that the ISO and PTOs will be hard-pressed to meet their study deadlines (see comments above) without spending time verifying developer cost estimates for their own facilities.

9.4.3 **Use of Retained Interconnection Financial Security Funds:** We strongly disagree with the ISO's revised proposal, to credit these funds to the ISO Grid Management Charge (GMC) and support the prior proposal for crediting these funds instead to the High Voltage Transmission Access Charge (HVTAC).

Moreover, we continue to maintain that the developer should receive a proportional share of the additional CRRs enabled by the Network Upgrades that were to be funded with the forfeited funds. The ISO could use the same methodology to determine those CRRs as for Merchant Transmission investments.

11 **Large Generator Interconnection Agreement (LGIA) timing:** We continue to maintain that the developer should have the option to execute the IA after the Phase 1 Study, perhaps with contingent appendices providing for revision of Interconnection Facilities after the Phase 2 Study. Some developers may find earlier LGIA execution to be critical in arranging plant financing.

12.2.2 **Advance Construction of Network Upgrades that are an Obligation of an Entity other than the Interconnection Customer:** This language was a subject of considerable discussion at the July 1<sup>st</sup> meeting and is still extremely unclear. We believe that the language below states what is (or should be) the intent here:

- The applicable PTO(s) will be obligated to construct a Network Upgrade originally planned for a generation project that has been withdrawn, where the ISO, in consultation with those PTO(s), determines that the NU is needed to support the COD(s) of one or more later generation projects.
- The applicable PTO(s) must use Reasonable Efforts to construct the project in time to meet the CODs of those later generation projects if it is physically possible to do so.

**Deleted Section 13.4:** The CAISO should restore the deleted provisions allowing third-party studies. As discussed above, this option might be one form of relief should the CAISO/PTO fail to meet the stated study timelines, and in any case, there is no reason to deprive developers of this current option if all the developers in a cluster agree.

14.6 **Change in CAISO Operating Control:** The revised language is clearer than the prior version but not equitable to the Interconnection Customer. Specifically, the current provision for transfer of unspent IC funds to the former PTO is not justified. The CAISO has no idea what rules will apply to interconnections to network facilities no longer under its control; consequently, it should: (1) complete any studies in progress; (2) provide the results to the IC and the former PTO; and (3) refund any unspent funds to the IC, which then would coordinate with the former PTO to complete the interconnection process.

## Comments on Appendix Z – Large Generator Interconnection Agreement (LGIA)

### Article 1 – Definitions

#### Commercial Operation

##### Commercial Operation Date

Include provisions for phase-in of generation projects here – suggested language to be added to the current definitions is shown below.

**Commercial Operation** shall mean the status of an Electric Generating Unit (EGU) at a Generating Facility that has commenced generating electricity for sale, excluding electricity generated during Trial Operation. The IC shall submit to the CAISO any phased implementation plan for its EGU. Where the EGU is composed of different portions (e.g., different turbines or panels, or groups of same) included in the same Interconnection Request, some of which will be operational before others, Commercial Operation shall refer to the first such equipment to become operational.

**Commercial Operation Date (COD)** of an Electric Generating Unit (EGU) shall mean the date on which the ~~EGU~~Electric Generating Unit at the Generating Facility commences Commercial Operation, as agreed to by the applicable Participating TO and the Interconnection Customer pursuant to Appendix E to this LGIA. Where different portions of the EGU (e.g., different turbines or panels, or groups of same) included in the same Interconnection Request will become operational at different times, the COD shall refer to the Commercial Operation of the first operational portion. The Interconnection Facilities and/or Network Upgrades to accommodate such later additions may be phased in, consistent with the submitted phased implementation plan.

- 5.1.3 **Option to Build:** We continue to believe that the developer option to design and construct Interconnection Facilities and/or Stand-Alone Network Upgrades should be available generally, and not limited to cases where the PTO cannot complete the construction on time.
- 5.2 **General Conditions Applicable to Option to Build:** Item 8 should clarify that the PTO to which the Participating TO's Interconnection Facilities will be transferred could be a PTO other than the local PTO, e.g., an independent transmission company that becomes a new PTO.
- 11.3 **Network and Distribution Upgrades:** We continue to recommend that the ISO add language clarifying that the developer's obligation to fund Network Upgrades is limited by the Phase 1 Study results and subsequent IFS posting.
- 11.4.1 **Repayment of Amounts Advanced for Network Upgrades:** We continue to oppose use of IFS conversions to cash to fund Network Upgrades. However, should that become part of the LGIP, we continue to advocate the following:
- The developer should have the option to forego repayment or CRRs, and instead collect the PTO rate of return for the funds advanced; and
  - Where the developer chooses repayment, it should be entitled to its proportionate share of the CRRs enabled by its cashed-out IFS, appropriately reduced each year as the refund process proceeds, until all financing expenses and interests are paid in full.

- 12.1 **General:** The CAISO should clarify the costs that will be included in the monthly invoice.
- 12.2 **Final Invoice:** The added language appears to require an Interconnection Customer to pay to the relevant PTOs additional money if actual Network Upgrade construction costs exceed “the Interconnection Customer’s “actual payment for estimated costs.” We object in the strongest terms to any provisions that would require ICs to pay costs in excess of those identified in the Phase 1 Study. This would completely undercut a primary objective of the GIPR – provision of up-front cost certainty, to minimize or eliminate the common queue reshuffling and re-studies under the current process.

### **Comments on Appendix Y – Large Generator Interconnection Study Process Agreement (LGISPA)**

- 8.0 This provision states that, “The CAISO shall not be responsible for any additional costs, including, without limitation, costs of new or additional facilities, system upgrades, or schedule changes, that may be incurred by the [IC] as a result of changes in such data and assumptions.” The meaning of this statement is not clear in the context of the new process, where Interconnection Customer costs for Network Upgrades are fixed in the Phase 1 Study. At most, this statement should apply only to Interconnection Facilities, and even then it should reference the IC’s right to partial Financial Security release if costs change by more than the threshold amount.