

# Stakeholder Comments Template

## Subject: Generation Interconnection Process Reform Initiative

Submitted by	Company	Date
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This template has been created for submission of stakeholder comments on the following topics covered in the June 10, 2008 stakeholder meeting regarding Generation Interconnection Reform Initiative. Upon completion of this template please submit (in MS Word) to [isoqueue@caiso.com](mailto:isoqueue@caiso.com).

Submissions are requested by close of business on **June 17, 2008 or sooner**.

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

**1. Definitions: (a) Is the definition of Site Control adequate, and, in particular, is part (1)(c) subject to manipulation? (b) Where should the dividing line be between “pre-construction” and “construction” activities?**

- (a) The “site control” definition requires clarification because, for wind projects on BLM land, the equivalent demonstration of exclusive rights to a land parcel is an accepted “Type II” Right of Way application (which provides for exploration with the option to develop). The heading should also be modified to reflect the fact that, while a developer may have priority rights to the land, whether private or public, these rights do not themselves confer, the ability to develop a project on the site, which also requires the necessary permits. In this instance, the CAISO should ensure that a developer has exclusive rights to the property (or 50% of it) associated with the project for which it seeks transmission studies.

Proposed change to proposed tariff language:

“Site ~~Control~~ Exclusivity” shall mean 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, the Interconnection Customer must have received 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.
- (b) As stated before, the WSC opposes conversion of developer Letters of Credit (LoCs) to cash to fund transmission upgrades, including the complex associated system that CAISO will require to: (i) attribute cost responsibility for potentially multiple, multi-purpose Network Upgrades to individual generator clusters and units; and (ii) track spending on each attributed upgrade and draw down each developer's LoC accordingly. However, the remainder of this response assumes that the CAISO does not change this aspect of its proposal.

WSC believes that "construction" starts only after the PTO has initiated irrevocable financial commitments for the construction of the needed transmission upgrades and received all necessary regulatory permits. After construction starts, the PTOs should provide developers monthly reports with a description of progress made and costs broken down by FERC account (per the Uniform System of Accounts) for each NU. Developers must have the right to request and obtain documentation to support PTO expenses and to conduct periodic audits.

**2. How should retained funds from unused and forfeited Interconnection Study Deposits or Interconnection Financial Security be assigned by the CAISO – to reduce the Transmission Access Charge or to market participants that pay the Grid Management Charge in accordance with CAISO Tariff Section 37.9.4?**

The CAISO should allow the ICs to apply their unused study deposits towards future IR applications rather than forfeiting such deposits. The forfeited IFS, 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.

In addition, to the extent that the forfeited IFS from a developer has been expended to fund one or more Network Upgrades (e.g., to help fund upgrades needed to serve other projects in the same cluster, or later projects), that developer should be entitled to a proportional share of the additional CRRs enabled by those upgrades. The ISO could use the same methodology to determine those CRRs as for Merchant Transmission investments.

### 3. General comments and suggestions on mechanisms to ensure proper coordination between the CAISO's Transmission Planning Process and the Phase II Interconnection Studies.

We assume that this question refers to LGIP Section 7.2 and offer the following comments.

- 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 LoCs 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 CAISO now envisions 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.
- 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. Furthermore, we are not aware of any rational methodology that the CAISO could use for tying Network Upgrades to generation projects and to apportion each developer's IFS between the different Network Upgrades tied back to them.
- 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.

### 4. Deliverability:

- **With respect to the On-Peak Deliverability Assessment under Section 6.3.2.1, what criteria should the CAISO use in determining whether to reduce deliverability of those Interconnection Customers in a Group Study based on a sensitivity analysis removing the "highest cost" Delivery Network Upgrade? Does the CAISO solicit consent from each Interconnection Customer selecting Full Capacity Deliverability Status? What if some Interconnection Customers do not consent? How should the reduction be allocated?**

First, the WSC agrees with the CPUC 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 additional NUs (i.e., the CAISO should not delete that language from Section 2.4.3, as it said it would at the June 10<sup>th</sup> meeting); 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.

Assuming results that are useful, as described above, each developer should be allowed to make its own, independent decision on whether to reduce its deliverability 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 their project size or deliverability to enable the facility/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.

- **Should a similar sensitivity be performed for the Off-Peak Deliverability Assessment? If so, the same questions as above must be addressed.**

A similar sensitivity should be performed for this assessment, as described above. Our response to the questions CAISO has raised are the same.

## **5. Other comments on Appendix U – Large Generator Interconnection Procedure (LGIP)**

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

**Full Capacity Deliverability Status:** Clarify that “summer peak Load” means “CAISO Controlled Grid Coincident System Peak Load.”

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

**Phase II Interconnection Study:** The CAISO should clarify that:

- This is “the ‘engineering’ study conducted or caused to be performed...”
- This study is intended to finalize the Point of Interconnection and the Interconnection Facilities, and to conduct preliminary Network Upgrades. The Network Upgrades will be finalized as part of the TPP, consistent with the CAISO presentation at the June 10<sup>th</sup> meeting (see further comments below).
- As noted above, we strongly recommend that any reference to allocation of Network Upgrade costs in this study, before the TPP, be stricken.

**Phase I Interconnection Study:** The last sentence should clarify that this study will determine approximate total costs based on the per-unit costs posted by the CAISO.

- 3.5.1.4 **Use of Site Control Deposit:** The provision that the deposit would be forfeited at LGIA execution is a new element, not mentioned in the written GIPR proposal, and it has not been explained or justified. The CAISO said at the June 10<sup>th</sup> meeting that this provision would be deleted, and we assume that the next draft will show that deletion.
- 3.5.2.2 **Deficiencies in Interconnection Request:** The requirement that all required information be submitted by 20 days after the cluster-window close should instead be keyed from the CAISO deficiency notice, i.e., if the CAISO notice is later than the 6 Business Days provided, the deadline should be extended.
- 3.6 **Internet Posting:** The posted information should include information on whether the posted projects have requested Energy-Only or Full Capacity interconnection.
- 5 **Scoping Meeting:** The CAISO, as well as the Interconnection Customer, should be required to bring any relevant “system studies previously performed.” We understand from the June 10<sup>th</sup> meeting that the CAISO agrees with this provision and intends to make this change in the next version.

In addition, we support stakeholder comments from the June 10<sup>th</sup> meeting that the 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).

- 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 LoC 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 meeting the new CAISO RAS requirements do not warrant a Reliability Network Upgrade.
- 6.3.2.2 **Off-Peak Deliverability Assessment**
- Section 6.3.2.1 (On-Peak Deliverability Assessment) provides that “an additional Deliverability Assessment will be performed to estimate the MW of deliverable generation capacity in the Group Study if the highest cost Delivery Network Upgrade component were removed from the preliminary Delivery Network Upgrade plan.” Presumably, this provision was included there to address questions about whether a lesser degree of deliverability might be available without all the upgrades in the plan. This provision should be added for the off-peak assessment in this section also. (See our additional comments above.)
  - Currently, only the on-peak assessment is required for Resource Adequacy purposes. The CAISO clarified at the June 10<sup>th</sup> meeting that it does not intend that this additional assessment be a factor for Resource Adequacy purposes, and that should be explicitly stated in the Tariff language.

**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 the necessary stakeholder process for validating per-unit cost estimates that will be used to determine various transmission cost estimates.

**6.6 Phase I Interconnection Study Procedures**

**7.5 Phase II Interconnection Study Procedures**

- 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 20).
- 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 Phase 1 study for the transition cluster 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 on July 1<sup>st</sup>, i.e., even before FERC GIPR approval is granted;
- (2) Starting the Transition Cluster basecase development parallel to the IR processing;
- (3) Starting Phase 1 studies as soon as basecases 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) to be expanded 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			
									2009 TPP (for 2010)												2010 TPP (for 2011)														
									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														

- 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

- 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, 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).

- 6.7.1 **Commercial Operations Date:** Delay of the developer COD should only be allowed if it is not physically possible to construct the upgrades in the time allowed, and 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. This provision should include the explicit ability of the generator to request temporary Energy Only interconnection if Reliability Network Upgrades can be constructed before the Delivery Network Upgrades are completed (or if Reliability NUs are not needed).
- 7.1 **Scope of Phase 2 Interconnection Study:** The Tariff language refers to a “+/- 10%” cost estimate for Interconnection Facilities. How will the CAISO/PTO ensure that the estimated cost will be within that range?
- 7.8 **Re-Study:** There is no point to re-studies in the Phase 2 process when the final Network Upgrades will be determined in the TPP. We were also extremely concerned to learn at the June 10<sup>th</sup> meeting that the CAISO could extend the Phase 2 Study weeks or months beyond the stated duration “if it believes that more study is needed,” potentially to the point of missing one (or perhaps more) TPP cycles and delaying LGIA execution for weeks or months (more on LGIA timing below).
- 9.3: **Second Posting of Interconnection Financial Security:** In every version of the CAISO GIPR proposal since very early in the process, the Phase 1 Study was intended to fix developer cost responsibility. The proposed re-setting of developer cost responsibility and the IFS posting in this provision is completely inconsistent with that principle, removes the major cost certainty intended to be provided through this reform process, and thus must be deleted.
- 9.4.2.4 **After Commencement of Construction Facilities:** There is no provision to tie facilities coming out of the Transmission Planning Process back to a generation cluster or individual project, so how will this be determined? (See comments above.)
- 11 **Large Generator Interconnection Agreement (LGIA) timing:** 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 will 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:** As mentioned at the June 10<sup>th</sup> meeting, this section should be re-written to clarify CAISO’s intent here. For example:
- What is meant by the requirement that the Interconnection Customer pays the PTO “to the extent that the entity became contractually obligated to finance the Network Upgrade prior to the requirement to post Interconnection Financial Security?”
  - What cases would there be where “the entity with a contractual obligation to construct such Network Upgrades was not subject to the Interconnection Financial Security Provisions of this LGIP”?
  - Which entity is supposed to pay “only that portion of the costs of the Network Upgrades that the applicable [PTOs] have not refunded to the Interconnection Customer”?

12.2.4 **Amended Interconnection Study:** This provision should be deleted. Why would an Interconnection Study, which will be performed before an IA is executed, be “amended, as needed, to determine the facilities necessary to support the requested In-Service Date as specified in the LGIA”? Wouldn’t the studies be conducted assuming the same in-service date already?

**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 CAISO should re-write this position, including correction of the terminology, to clarify its intent. For example, regarding the reference to the “successor Participating TO” – if the CAISO loses functional control, the new entity with control over the interconnection point would not be a PTO.

## 6. **Additional comments on Large Generator Interconnection Agreement**

### **Article 1 – Definitions**

**Commercial Operation Date:** Include a provision on phase-in of renewable projects here. This is to cover the ability of renewable generation projects to phase in over a number of years, as opposed to the typical one-time commissioning of thermal power plants.

**Participating TO’s Reliability Network Upgrades:** Clarify that these upgrades are not those needed to facilitate delivery of the generating facility’s output, and that no such upgrades are required if congestion or other impacts can be managed through the ISO congestion management process.

**Phase II Interconnection Study:** Clarify that:

- This is “the ‘engineering’ study conducted or caused to be performed...”
- This study is intended to finalize the Point of Interconnection, the Interconnection Facilities, and preliminary Network Upgrades. Those upgrades will be finalized as part of the TPP, consistent with the CAISO presentation at the June 10<sup>th</sup> meeting (see further comments above).
- As noted above, the provision that this study also include “an equitable allocation of those costs to Interconnection Customers for their individual Generating Units” should be stricken.

**Phase I Interconnection Study:** The last sentence should clarify that this study will determine approximate total costs based on the per-unit costs posted by the CAISO.

5.1.3 **Option to Build:** 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.

- 11.3 **Network and Distribution Upgrades:** This provision should mention 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:** As noted below, we are opposed to the provision of using IFS as advances for Network Upgrades. However, should that become part of the LGIP:
- 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.” Consistent with the need to provide generators with up-front cost certainty to minimize or eliminate queue reshuffling, the posted Financial Security Amount is supposed to be the maximum cost that an Interconnection Customer is liable for, so this provision should be eliminated. (See comments above on LGIP Section 9.3.)
- 13 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: “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.” This statement should be applicable 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.

## **7. Additional comments on LGIP Study Agreement**

- 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.