

## Stakeholder Comments Template

### Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics detailed in the July 5, 2011 *Revised Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>).

We ask that you please submit your comments in MS Word to [GIP2@caiso.com](mailto:GIP2@caiso.com) *no later than the close of business on July 14, 2011* so that there will be time to include them in Board documents.

Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Please also respond to the question “Do you support the proposal?” for each item listed below.

**Comments on topics listed in GIP 2 Draft Final Proposal:****Work Group 1****The ISO has determined that WG 1 topics should be taken out of the GIP 2 scope and addressed in a separate initiative with its own timeline**

CalWEA advocated such an arrangement from the beginning of the GIP 2 reform discussions. We support this decision by the CAISO and look forward to working with the CAISO in developing a reasonable solution.

**Work Group 2****1. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;**

**Do you support the proposal?** Yes, generally.

**Comments:**

CalWEA was pleased to hear at the July 7<sup>th</sup> stakeholder meeting that the CAISO's work to standardize and rationalize the posted PTO Per-Unit Costs would include:

- (1) Consistent methodology for multipliers and other adjustments to "base" costs; and
- (2) Guidance and clarification to PTOs of the requirement that such costs reflect "anticipated" costs, as specified by the tariff, including proper and uniform treatment of large contingency adders by some PTOs.

However, we remain concerned that the PTOs will continue to severely overestimate these costs, and based on the discussions to date, we are not confident that the CAISO will ensure that the PTO transmission costs are reasonable in magnitude as well.

In addition, we continue to support inclusion of 500 kV facilities in the posted costs. These facilities have comprised a major cost component for many interconnection studies, and their omission from the posted costs list significantly limits the usefulness of the information. All three PTOs have 500 kV projects that are either approved or under development, and data from those projects should be used to provide the required information.

**2. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);**

**Do you support the proposal?** Yes, generally, subject to the further clarifications below.

**Comments:**

As CalWEA has recommended before, the CAISO should aim to make CAISO interaction with the non-PTOs in this process similar to the PTO WDAT process, so that interconnection to those non-PTOs does not require duplicative work and financial expenditures. The final Proposal should also explicitly state these assurances given at the July 7<sup>th</sup> stakeholder meeting:

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- Existing projects in non-PTO system (operating or otherwise) will also have the opportunity to request deliverability on the CAISO system; and
- Projects in non-PTO system will be eligible for a refund of Network Upgrade costs on the CAISO system incurred in the interconnection study process.
- Studies already conducted by a PTO for a project interconnecting to a non-PTO facility in the BAA sufficiently satisfy the requirement for “ISO participation”

### 3. Triggers that establish the deadlines for IC financial security postings.

**Do you support the proposal?** Yes, with the exceptions stated below.

#### **Comments:**

CalWEA agrees with the Proposal generally, except for these provisions related to finalization of interconnection studies:

- **Deadline for comments on draft reports:** As noted, there have been situations where the Results Meetings were scheduled very soon after the report is issued, providing the IC with little time to meet the proposed comment deadline of 5 BDs before the meeting. Moreover, more generally, the IC is not usually informed of the meeting date when the report is issued and thus would have no idea of how long it has to prepare comments.

The CAISO stated at the July 7<sup>th</sup> stakeholder meeting that it would:

- Attempt to provide Results Meetings dates when reports are issued, or very soon thereafter, so ICs know how much time they have to prepare their written comments;
- Attempt to schedule Results Meetings for “simpler” projects (e.g., those with fewer upgrades required, and thus presumably necessitating fewer IC comments) first, giving ICs with more complex projects more time to comment;
- Allow ICs with less than 10 BDs before the pre-meeting comment deadline to provide comments closer to the meeting date or at the meeting; and
- Allow new issues to be raised in the post-meeting follow-up comments that are due 3 BDs after the meeting.

These clarifications would be an improvement. However, the CAISO should go further and simply state that ICs will have at least 10 BDs to review interconnection-study results after availability of the later of study results and updated base-case data, as suggested by Wellhead Energy, under all circumstances before comments are due to the CAISO.

- **Definition of “substantial error or omission:”** CalWEA is concerned about the addition to the Proposal of the statement that “a dispute over the plan of service by an [IC]” is not a “substantial error or omission” unless the IC shows that the plan of service was based on an “invalid or erroneous study assumption” that if corrected would meet the threshold criteria above. Report revisions should also be considered when ICs propose better solutions than considered in the report, even if the assumptions were not “erroneous or invalid.”

We have found that CAISO and PTO staff frequently agree for Phase I Studies that IC-suggested solutions would be better – i.e., accomplish the same thing with a feasible solution at a lower cost – but say that there’s no time to correct the study. However, correction in Phase II removes the cost-cap protection that would be associated with a Phase I correction.

**4. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.**

**Do you support the proposal?** No.

**Comments:**

As discussed at the July 7<sup>th</sup> stakeholder meeting, CalWEA is concerned that the very general Proposal language – allowing posting requirements for the Third IFS Posting to be negotiated in the GIA but providing no other specifics – would leave too much uncertainty for this substantial financial commitment. The Proposal should be revised to provide for the following:

- **Posting for different discrete upgrades:** The different Network Upgrades are listed clearly in the study reports. The IC should explicitly be entitled to stage the postings based on the estimated start dates for each of these upgrades. Even SCE agreed with this interpretation at the stakeholder meeting.
- **Discrete components of each upgrade:** This concept would require separation of a particular upgrade into discrete parts, and that may or may not be feasible. However, if it is feasible, then the PTO should be required to do that, and the IFS postings should be timed accordingly.

**5. Improve process for interconnection customers to be notified of their required amounts for IFS posting**

**Do you support the proposal?** Yes.

**Comments:****6. Information provided by the ISO (Internet Postings)**

**Do you support the proposal?** Yes, but with the additional details described below

**Comments:**

The Proposal should be more explicit about the details of the information to be provided, and include a CAISO commitment to continue to develop the details in the GIP-2 Work Group process. The additional information should include the following:

- A complete set of maps, showing location and voltage information for transmission lines and substations (with substation names, and single-line diagrams for substation configurations and locations of transformers and other key equipment);
- Cluster group studies, within one week of issuance if possible; and
- Other information that will allow the ICs to replicate CAISO study results, including (but not limited to) TPP Study Plans, contingency files, transmission upgrade alternatives studied, and other data used in Reliability, Deliverability, and Short Circuit Duty studies.

The CAISO should also ensure that the information in the posted interconnection queues is up to date. For example, the queue should show the POI that is actively being studied, in addition to the originally requested POI (if they are different), and the expected study due dates. The tariff and BPMs should be updated, if necessary, to ensure that the updated information is shown.

Finally, the CAISO should post redacted versions of executed GIAs and interconnection-study results. MISO already posts such information (at <https://www.misoenergy.org/Library/Agreements/Pages/InterconnectionAgreements.aspx> and <https://www.misoenergy.org/Planning/GeneratorInterconnection/Pages/InterconnectionQueue.aspx>, respectively), and the CAISO should do the same.

### Work Group 3

#### 7. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

**Do you support the proposal?** Yes, but with the caveats described below.

##### **Comments:**

As a general matter, the CAISO should stop implying that it would actually move to terminate a GIA where the entire project is not built. CalWEA supports reasonable penalties for that situation to discourage project over-sizing, and efforts to eventually remove the ability of the project to use the non-built capacity, but it is highly inappropriate for the CAISO to maintain that it could terminate a GIA completely and disconnect part of a project that is actually completed and operating.

Specifically with respect to this proposal:

- The CAISO should clarify the financial-security requirements for the Partial Termination Charge. The CAISO's mention of this requirement at the stakeholder meeting was the first time this issue has been raised, and it should be incorporated into the Proposal with a complete explanation.
- The PTC should be refunded to the IC if the partial termination was involuntary (i.e., triggered by the CAISO or PTO for failure to meet milestones) but the CAISO/PTO fail to meet their milestones (e.g., fail to build the upgrade, or other failure).
- The CAISO should cap the PTC at \$10K times the canceled MW capacity. This will ensure that the charge is set at a reasonable level but still act as a considerable deterrent.

We also continue to oppose the differential treatment of phased projects and non-phased projects with respect to Partial Termination provisions, as described below.

**8. Reduction in project size for permitting or other extenuating circumstances**

**Do you support the proposal?** No.

**Comments:**

CalWEA continues to be troubled by the widely disparate treatment of phased projects compared to non-phased projects that are otherwise similar with respect to Partial Termination provisions. The impact on the CAISO/PTO of the potentially stranded transmission upgrades, and on later-queued generation projects, would be the same for a cancellation of a later project phase and a size reduction of the same size due to a permit restriction.

The 5% figure is arbitrary and too low. The safe harbor provision should explicitly allow a reduction of up to 20% of the generating facility size when the IC has exerted reasonable efforts to permit the entire project, based on permitting activities to date. For example, Planning Commission staff recommended a SunPower project reduction from 250 MW to 175 MW (30%) in San Luis Obispo Counts for environmental reasons, though the final project size was restored to the original proposal later in the process.

The CAISO should also make the following process changes:

- **Pre-GIA execution:** If the size reduction occurs before GIA execution, the CAISO should reflect the change in the Phase II Study if possible.
- **Post-GIA execution:** If the size reduction occurs after GIA execution, the CAISO:
  - Expressly provide that failure to build the project for permitting reasons would not trigger a GIA default; and
  - Make a good-faith effort to examine whether the required Network Upgrades change as a result the size reduction.
    - If Network Upgrades are still needed, there should be no change to the Network Upgrade costs or reimbursement, with the reimbursement timing based on completion of the permitted project capacity.
    - If Network Upgrades are no longer needed, the IC should be responsible for irrevocable costs under a framework similar to that proposed for cancellation of phased projects, with the Partial Termination Charge determined at the time that the size reduction is known.

**9. Repayment of IC funding of network upgrades associated with a phased generation facility.**

**Do you support the proposal?** No.

**Comments:**

The Proposal is internally inconsistent, and inconsistent with current reimbursement policies. The Tariff already provides for reimbursement to begin based on the generator COD, with no requirements that transmission upgrades be completed before cost reimbursement begins. As confirmed at the July 7<sup>th</sup> stakeholders, as well as prior meetings, the PTOs all base their reimbursement policies on the generator COD. Commercial Operation Date is a defined term in the CAISO tariff, and it includes only generator facilities, not associated transmission upgrades.

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This element, as suggested by CalWEA and other stakeholders in the original GIP-2 scoping effort, was intended to simply provide for phased reimbursement of transmission upgrade costs as a generation project was completed, instead of delaying reimbursement until the COD of the entire generation-project capacity. No other policy changes are required.

Instead, the CAISO Proposal would significantly change the basis for reimbursement to require that transmission upgrades associated with a competed generation-project phase be completed before cost reimbursement begins. There are numerous problems with this proposal:

- **Lack of a means to determine Network Upgrades for project phases:** It is not clear how NUs for each generation-project phase would be identified for reimbursement purposes, since: (1) interconnection studies do not identify upgrades for each phase; and (2) an IC could decide to phase a project after study completion but before the GIA is executed.
- **Internal inconsistency:** The CAISO justified the proposal for phased projects by stating that “COD” of a project phase could be interpreted to include completion of all the transmission upgrades needed to provide its requested deliverability.

First, as noted above, the CAISO tariff “COD” definition does not support this interpretation.

Second, it is not even necessary for all the Reliability Network Upgrades in the GIA to be completed for a generator to interconnection and achieve its COD, much less Deliverability NUs. For example, a project could interconnection before all RNUs are complete if a Limited Operation Study under the LGIA finds that such interconnection would be safe, and a project could be fully deliverable for RA purposes before all the DNUs are complete (e.g., if a higher-queued project in the area is cancelled).

- **Inconsistency with current policy:** The CAISO said it was not proposing to change reimbursement policies for non-phased projects, i.e., reimbursement would continue to require full generation-project completion/commercial operation. However, the CAISO has not explained why, if “COD” for project phases includes completion of NUs for that phase, the same would not apply to “COD” for an entire non-phased project.

Generally, there is no reason to delay reimbursement until all NUs are completed. There is no risk of upgrades not being “used and useful” once a generating facility (or a proportional portion of it) is on-line, so there is no justification for the PTO to retain the IC’s funds beyond the generation COD; moreover, given the current state of the interconnection queue, it is also likely that upgrades identified in the GIP and included in the GIA may never be built.

In addition, like the GIA partial termination provisions discussed above, non-phased generation projects should also be eligible for proportional repayments on the same basis as phased generation projects.

### 10. Clarify site exclusivity requirements for projects located on federal lands.

**Do you support the proposal?** Yes, with the caveats explained below.

#### **Comments:**

CalWEA has no additional comments in this area beyond our earlier input that the BLM materials referenced in the issue paper do not seem to indicate that any change in the site exclusivity requirements for projects on federal lands is needed. If such changes are needed, the CAISO should state them in the final Proposal.

**11. CPUC Renewable Auction Mechanism**

**Do you support the proposal?** Yes

**Comments:**

There do not appear to be any proposal details to comment on in the Proposal. Of course, the CAISO should work with the CPUC to make sure that their respective requirements are compatible.

**12. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements****a. Application of Path 1-5 processes**

**Do you support the proposal?** Yes, with the exceptions noted below.

**Comments:**

CalWEA found the CAISO path framework to be helpful and support these elements in the Proposal. However, with respect to “behind-the-meter” changes under Path 3:

- **The deliverability level studied in the interconnection studies should be clearly stated**, in both the studies and the GIA, to prevent later confusion; and
- **The limits placed on the behind the meter capacity expansion (25% of the project size or 100 MW whichever is less) should be removed.** They are unnecessary, considering the operational limits placed on such expansion.

**b. Maintaining Deliverability upon QF Conversion**

**Do you support the proposal?** Yes.

**Comments:**

**c. Distribution Level Deliverability**

**Do you support the proposal?** Yes.

**Comments:**

**Work Group 4****13. Financial security posting requirements where the PTO elects to upfront fund network upgrades.**

**Do you support the proposal?** Yes, with the caveats explained below.

**Comments:**

The CAISO should state explicitly that the amount of the Initial IFS Posting would be reduced to reflect any lower costs in the Phase II Study results below the Phase I costs used to set that posting, regardless of whether the PTO is financing NU upgrades.

**14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.**

**Do you support the proposal?** No position.

**Comments:**

**15. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.**

**Do you support the proposal?** No position.

**Comments:**

**16. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility**

**Do you support the proposal?** No position.

**Comments:**

**17. Consider adding a "posting cap" to the PTO's Interconnection Facilities**

**Do you support the proposal?** Yes, but we also support our further proposal below.

**Comments:**

CalWEA supports the Proposal provisions that would set the Interconnection Facilities posting caps at the same level as the Network Upgrade caps, assuming that the current IF definition is maintained. However, we still support consideration in the final Proposal of re-defining Interconnection Facilities, at the IC's option, such that:

- The scope of PTO IFs should only include those facilities that the IC could not build on its own (i.e., facilities that will be placed on PTO-owned property), with no deposit requirements assigned to facilities beyond this first structure.
- The IC can build the rest or contract separately with the PTO or any other qualified entity to build the remaining facilities.

Under these circumstances, no deposit cap will be needed.

**18. Consider using generating project viability assessment in lieu of financial security postings**

**Do you support the proposal?** No.

**Comments:**

CalWEA has proposed that project milestones – e.g., PPA execution – be required for Phase II Study entry and for GIA execution. The CAISO has deferred these proposals to either the upcoming Work Group 1 initiative or the GIP-3 effort next year. CalWEA believes that these proposals should have been incorporated into GIP-2 and is disappointed that they are not.

**19. Consider limiting interconnection agreement suspension rights**

**Do you support the proposal?** No.

**Comments:**

This proposal is unnecessary, because:

- **This problem would likely be extremely uncommon.** The Tariff (LGIA Section 5.16) already prohibits exercise of suspension rights for upgrades “identified in the Phase II Interconnection Study as common to multiple Generating Facilities.” Thus, for the problem that the CAISO/SCE fear to occur, a transmission upgrade would have to be:
  - Found to be needed by (i.e., allocated 100% to) a single project in the entire cluster, under the current flow-based study methodology and cluster-study process; and
  - Critically needed by later projects in the same area.
- **The PTO would retain the IC’s IFS** and could draw on it if the generation project is later cancelled.
- **The proposal to give PTOs abandoned-plant treatment for GIP-related upgrades would mitigate any PTO financial risk.**

**20. Consider incorporating PTO abandoned plant recovery into GIP**

**Do you support the proposal?** Yes.

**Comments:**

CalWEA supports inclusion of abandoned-plant treatment in the CAISO Tariff for upgrades that the PTO is compelled to finance and construct. Such blanket approval obviates the need for the PTOs to apply any contingency adders to their NU cost estimation.

**Work Group 5****21. Partial deliverability as an interconnection deliverability status option.**

**Do you support the proposal?** Yes, with the caveat explained below.

**Comments:**

CalWEA supports the new Partial Deliverability options as consistent with the original GIPR reforms, e.g., providing information in interconnection studies on deliverability achievable without the most expensive Network Upgrade. However, we do not support the CAISO's position that the Phase I cost cap would not be adjusted if ICs reduce deliverability to avoid a Network Upgrade.

**22. Conform technical requirements for small & large generators to a single standard**

**Do you support the proposal?** No position.

**Comments:**

**23. Revisit tariff requirement for off-peak deliverability assessment.**

**Do you support the proposal?** Yes.

**Comments:**

**24. Operational partial and interim deliverability assessment**

**Do you support the proposal?** Yes, with the caveats explained below.

**Comments:**

The annual assessment should give priority for awards of existing deliverability to Full Capacity interconnection customers over to those seeking deliverability through the separate annual CAISO assessment. FC customers, who have made substantial contractual and financial commitments to fund Delivery Network Upgrades, should have superior rights to use availability deliverability over those that have not made such commitments.

The CAISO agreed with this position in the stakeholder meeting, but CalWEA believes that it should be explicitly stated in the final Proposal.

**25. Post Phase II re-evaluation of the plan of service**

**Do you support the proposal?** No.

**Comments:**

There is no proposal to comment on – just deferral of this topic to the “Work Group 1” effort.

CalWEA supported the prior proposal, which provided for an assessment of the need for certain Network Upgrades (e.g., if a large project drops out of the queue), with a change that would allow ICs to request an assessment of changes along with the CAISO or PTOs. Those general elements could still be included with GIP-2, even if the CAISO and PTOs are still “assessing the required network upgrades modeled in the base cases” and looking at specific projects.

**Other Comments:****1. If you have other comments, please provide them here.**

**Examination of study data, assumptions, and methodology (Work Group 5):** CalWEA continues to object to the omission of issues related to interconnection study data, assumptions, and methodology in the Straw Proposal scope, especially for the Deliverability Assessment. The CAISO has repeatedly promised that it would include this issue in the GIP-2 scope, to give stakeholders a chance to better understand (“look under the hood”) and, where appropriate, suggest changes to the study process. For example, we would like to explore the following concepts with the CAISO:

- **Study assumptions**, including the determination of generation output profiles (which can be different for the projects using the same technology in different study clusters);
- **Cost allocation**, including allocation:
  - Within a cluster, e.g., allocating to each project only the portion of an upgrade that it will actually use, instead of the entire upgrade cost pro rata; and
  - Between clusters, e.g., if the present pro rata allocation is retained, allocating some upgrade costs from one cluster that triggers an upgrade to later clusters in the same area that would also benefit from it. The current process functions similarly to the old serial-study process, where one project would trigger an upgrade that exceeds its direct needs and later projects in the same area would get a “free ride,” except now the inequity is between higher-queued and lower-queued study clusters in the same area.

These issues are critical to the integrity and accuracy of the entire interconnection-study framework. We request that, if they are not addressed in GIP-2 effort, the CAISO keep its commitment by establishing a separate effort to examine these significant issues and/or include them in the upcoming separate Work Group 1 effort.