

Stakeholder Comments Template

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

Submitted by	Company	Date
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This template was created to help stakeholders structure their written comments on topics detailed in the April 14, 2011 *Straw 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 *no later than the close of business on May 5, 2011*.

Your comments on any these issues are welcome and will assist the ISO in the development of the draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide greater definition and clarity to each of the proposals as well as concerns you may have with implementation or effectiveness.

Comments on topics listed in GIP 2 Straw Proposal:**Work Group 1**

General comments: CalWEA and LSA support some elements of the CAISO proposals for the two items in this work group, particularly those promoting better integration of the GIP and the TPP. However, we continue to be concerned that the issues raised are so complex and involve so many high-level policy and legal issues, that the necessary details simply cannot be completed within the timeframe allowed for the GIP-2 effort.

We suggest that the CAISO effort here focus on identifying and addressing those high-level issues, and on issues related to better GIP-TPP coordination, with a continuing effort afterwards to address the numerous details that would be needed to implement the new approach.

1. Develop procedures and tariff provisions for cost assessment provisions.

This CAISO proposal has changed from an “Economic Test” that would be applied to proposed GIP-driven Network Upgrades (NUs) anywhere to a completely different proposal that would:

- Cover all costs, and all Interconnection Financial Security (IFS) postings beyond the Initial Posting, for transmission upgrades triggered in GIP studies that are included in the comprehensive plan from the annual CAISO Transmission Planning Process (TPP); and
- Cover no costs or IFS postings for other GIP-driven transmission upgrades.

LSA and CalWEA are encouraged generally to see the CAISO attempt to better coordinate the TPP and the GIP but oppose this proposal. We have many concerns about the proposal as described; moreover, the CAISO states that the proposal is “conceptual” in nature, but implementation details are extremely critical, and we cannot adequately comment on these proposals without them.

However, we set forth our initial comments and concerns here, based on information available now, and expect to comment further on the details that will be available later. Our comments in this section address closer coordination/integration of the GIP and TPP and process improvements to each, while the cost-allocation implications of the CAISO proposals (and related issues) are addressed under #2 below.

CalWEA and LSA believe that the GIP and TPP should be fully integrated, instead of maintained artificially as two separate processes. Full integration will ensure consistent study data, modeling, assumptions, and methodology, and avoid inconsistent results that may impact identification, funding, and cost allocation of needed upgrades.

The greatest disparity between the two is in the generation assumptions. Current GIP studies produce such massive transmission upgrades that there is little room in the TPP for optimizing efficient policy-driven transmission development. This result is apparent in the 2010-2011 CAISO Transmission Plan which, after tremendous effort was devoted to obtaining FERC authorization for consideration of “policy-driven” upgrades, actually determined very few such upgrades, in part due to the large amount of GIP-driven transmission projects incorporated into the plan.

Until renewable energy reaches cost parity with conventional resources, renewable-project development will largely track RPS requirements, and this is the requirement now used in the TPP. However, the large number of renewable-energy Interconnection Requests is moving the GIP on a transmission-planning trajectory that is losing connection to those market realities, and this problem will only worsen with the additional 35K MW in Cluster 4.

Full GIP-TPP integration would also remove the tremendous uncertainty for developers inherent in the CAISO proposal. Ideally, any “Economic Test” (or other test used to determine which transmission would be IC-funded) would rely on clear ex-ante criteria that developers could know and rely on very early in the study process. Under the CAISO’s proposal, however, a developer may not know whether it would be responsible for the entire cost of the upgrades (including carrying costs) or none of those costs until the TPP review is completed. Without guaranteed reimbursement, developers won’t have sufficient information to make informed decisions about their projects in the GIP until after TPP completion, at which point they may already have spent millions of dollars on project development.

For these reasons, CalWEA and LSA support further discussion of GIP-TPP combination in the upcoming working group activities.

2. Clarify Interconnection Customer (IC) cost/credit requirements when GIP network upgrades are modified in transmission planning process (per RTPP provisions)

Consistent with the proposed revisions for the “Economic Test,” the associated cost-allocation and credit requirements have changed significantly from the earlier CAISO issue paper. The initial discussion involved a simple clarification of the existing policy. As described above, the CAISO now proposes an entirely new framework that would relieve ICs of all posting or funding requirements beyond the Initial Posting for upgrades included in the TPP plan but retain the current posting/financing requirements and remove cost reimbursement for all other upgrades.

LSA and CalWEA strongly oppose this element of the proposal, which could undermine the competitiveness of the industry and/or impact future system reliability. The CAISO’s proposal would allocate transmission capacity from ratepayer-funded, policy-driven upgrades to early entrants on a first-come, first-served basis, without consideration of the ratepayer value of the resource or project readiness to move forward, and severely disadvantage later entrants.

In this sense, the CAISO proposal would actually pick the winners and losers in the LSE procurement process. The CAISO and stakeholders must work together, and with the CPUC, on GIP reform that complements the procurement markets, not confounds them by limiting access, and increasing supplier costs and risks.

Moreover, this proposal is unnecessary, because the current GIP funding requirements, and CPUC consideration of transmission costs in the Long-Term Procurement Process (LTPP), are sufficient to limit potential ratepayer exposure to transmission over-building.

If the CAISO nevertheless moves forward with its proposal, the details will be critical to establish feasibility and minimize potential negative impacts. Our concerns include the following:

- **Coordination with CPUC procurement process:** The CPUC procurement process already includes consideration of transmission costs, based on the assumption that ratepayers would ultimately fund those costs through Network Upgrade reimbursements to developers. If ICs are not entitled to such reimbursement, the CPUC procurement process (and resulting LSE procurement activities) must distinguish between projects that bear transmission costs and those that do not. It would be profoundly unfair to count transmission costs in the procurement process against projects that fund their own transmission. This issue would be complicated further for clusters and projects that rely partly on PTO-funded transmission in the TPP plan and partly on IC-funded upgrades.

- **Legal basis:** The proposal could be discriminatory, and unjust and unreasonable, under FERC precedent. FERC Order 2003, which was hotly debated over many years and several iterations, requires reimbursement of all Network Upgrades. While LSA and CalWEA understand that ratepayers should be protected from completely unreasonable transmission costs, developers also must be protected from being assigned high costs for facilities that will ultimately benefit the entire system, without receiving due compensation.

The CAISO must also implement measures to more actively and effectively manage the interconnection queue and address “queue-clogging” before implementing the new rule. Most stakeholders acknowledge that the queue contains many projects that will never materialize but are taking up “capacity” on the system. Otherwise, non-viable projects could prevent otherwise-viable projects from using approved and ratepayer-funded upgrades, causing assignment of significant, unnecessary, and non-reimbursable transmission costs that could jeopardize that viability.

Concerns about reasonableness would be increased by any retroactive application of new rules, as discussed above. Retroactive application would be unjust and unreasonable and would unfairly disadvantage developers who relied on the current GIP and GIA reimbursement policies in planning their projects and negotiating their PPAs.

- **Costing issues:** Full IC cost responsibility for transmission upgrades, without reimbursement, raises the importance of cost minimization and containment, i.e., ICs must be given more freedom to control their cost exposure. It would be unfair, for example, to impose these costs on ICs if there is any PTO right of first refusal to build the upgrades, since many stakeholders, including CalWEA and LSA, believe that PTOs tend to severely overestimate upgrade costs and include unnecessary facilities in their plans of service. At a minimum:
 - ICs must be allowed to build any stand-alone facilities whose cost is assigned to them; and
 - The CAISO should benchmark PTO costs for transmission facilities that are not stand-alone or otherwise must be built by the PTO against market prices for these facilities, and cap or contain them as is typical for private construction contracts.
- **Permitting of IC-funded upgrades:** The characterization of GIP-driven upgrades not included or approved in the TPP plan is very important. The CAISO must take care to avoid describing those upgrades as “not needed” or, as noted on the April 28th conference call, those findings might create a significant impediment to permitting those upgrades, even if ICs are providing the funding.
- **IC IFS implications to changes in the TPP:** The Straw Proposal clarifies the responsibility for IFS postings when transmission is funded by the transmission developer, e.g., through the TPP. However, the impacts of other potential changes in the TPP that would impact project development are not addressed. The CAISO should allow an IC to withdraw an IR without financial consequences (i.e., with full release of any posted IFS) for significant changes of a GIP-driven upgrade in the TPP, e.g., if the Point of Interconnection changes, the generator COD is delayed for more than a year, or there are other significant changes in the TPP.

2A. Other GIP and TPP issues that should be addressed

- **Portfolio development:** Whether or not the GIP and TPP are combined, the CAISO financing proposal would significantly increase the importance of the TPP portfolios by making them the sole determinants of which transmission upgrades qualify for rate-base treatment. The criteria for information included in resource portfolios has been contentious in the past, and the CAISO should recognize that the method used to construct the current TPP portfolios was not subject to prior or extensive stakeholder review. For example, stakeholders, including LSA and CalWEA, have raised significant concerns about the appropriateness of the scoring criteria used to develop these portfolios in the CPUC's LTPP proceeding.

Given the fundamental importance of these portfolios to both the CPUC's and CAISO's planning processes, the CAISO must conduct TPP portfolio development through a comprehensive and transparent process that allows for higher levels of stakeholder participation and input, and consideration of additional realistic commercial-interest information from developers. The CAISO must also develop a clear method to incorporate information from multiple portfolios into the ultimate TPP plan, instead of relying mainly on a single portfolio like the 2010-2011 plan if it adopts this proposal.

- **Transitional issues:** Any changes must be prospective only, as developers have already applied for interconnection, made significant investments, and negotiated PPA prices relying on current reimbursement policies. Thus, any new policy should be implemented at the start of the next cluster process after the changes are approved, to avoid disrupting financing and other development efforts of projects in the queue.
- **Ensuring project readiness:** Both the GIP and TPP would work better (integrated or not) if changes in generation assumptions after GIP Phase II Studies have started were minimized. For example, CalWEA has suggested that the CAISO consider additional criteria besides the Initial IFS Posting for moving projects into Phase II Studies, i.e., that projects must meet at least meet one of the following milestones:
 1. Demonstrate environmental permit for the project;
 2. Demonstrate proof of project financing;
 3. Demonstrate proof of access right to the POI substation;
 4. Have an approved PPA; or
 5. Demonstrate equipment purchase order.

Projects not meeting any of these milestones would then be “parked” for one year and studied in the next year’s Phase 2 Study process (part of TPP) if they can then meet at least one of these milestones – otherwise, they must leave the queue. A project that is parked would also postpone its Initial IFS Posting by one year. (LSA has not yet taken a position on this proposal.)

- **Clearing non-viable projects from the queue:** Rather than tying up transmission capacity for generation projects that are clearly not moving forward into development, the CAISO should find an equitable way of identifying and eliminating such projects.

Work Group 2**3. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;**

The Straw Proposal elements are an improvement, as far as they go. The proposals for consistent formats and additional explanation should enhance understanding of the PTO estimation methodologies. However, the CAISO should also more actively manage this process through the following:

- **Resolution of significant cost differences:** Where the posted costs differ significantly between PTOs for the same equipment, installed under similar conditions, the CAISO should work with the PTOs to either explain those differences or resolve them.
- **Cost-estimation methodology**
 - **General concept:** The CAISO tariff requires estimation of “anticipated” costs. The CAISO should clarify that this means realistic, expected costs, not the maximum that can conceivably be justified.
 - **Treatment of contingency and other adders:** The CAISO tariff requires estimation of “anticipated” per-unit costs. CalWEA and LSA believe that use of contingency and “contractor” adders – particularly the huge adders applied by some of the PTOs – are a violation of this provision and inflate the posted costs to the point that the Phase I cost cap is virtually meaningless. The CAISO should clarify whether it believes that the use of such adders is in compliance with its tariff and: (1) if so, explain why; and (2) if not, require that the PTOs change their estimation methodology accordingly.
- **500 kV cost estimates:** The posted per-unit costs should include 500 kV facilities. 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 utilities have 500 kV projects that are either approved or under development, and there is no reason why they cannot use the information from those projects to provide the required information.

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

LSA and CalWEA support the Straw Proposal generally. However, it is not clear how this proposal would address disagreements between the CAISO and the non-PTO, e.g., if the CAISO studies identify the need for upgrades to the non-PTO facilities that the non-PTO’s studies do not.

5. Triggers that establish the deadlines for IC financial security postings.

- **Initial IFS Posting:** LSA and CalWEA concur with the Straw Proposal generally; however, we are concerned that the IFS positing deadline is unchanged, even with delays caused from CAISO/PTOs study issues.
- **Second IFS Posting:** LSA and CalWEA concur generally with the Straw Proposal but have two concerns:

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- **Second IFS posting deadline:** No objection to proposed timeline or process generally, but concerned that the IFS posting deadline is unchanged even with delays caused from CAISO/PTOs study issues..
- **GIA completeness:** The draft GIA sent to the IC 60 calendar days after the draft Phase II Study is issued must be a complete draft, e.g., the appendices must include the costs and requirements of the Phase II Study. Issuance of a complete draft GIA is an important milestone in ICs resource development efforts, and the IC should not be required to post the second financial security sooner than 60 days after CAISO issues a complete draft GIA.
- **Third IFS Posting:** We are concerned that the phasing of the third posting (100% of cost responsibility) is only tied to separate and discrete Network Upgrades and not actual development steps for each upgrade. For example, the posting amount could be tied to PTO costs at each stage, e.g., less for design or permitting phases where significant equipment or construction costs have not yet been incurred.
- **IFS Posting amounts:** We are concerned that the CAISO did not include the LSA proposal to reduce IFS posting amounts in certain cases where an IC has a PPA, major permits, or both, i.e., where a developer already has “skin in the game” in the form of PPA deposits and the like. Under the current system, a developer with a more-viable project must put more money on the line (i.e., IR deposits, PPA deposits, as well as costs of permitting etc) than a developer with a less-viable project, even though the incentive structure should be just the opposite. ICs that have demonstrated less progress should be required to post higher security to show that they are serious about development and using the IR to actually develop a project. The CAISO gave no reason in its Straw Proposal for not including the provision that LSA suggested.

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

LSA and CalWEA concur generally with the Straw Proposal, with the following exceptions:

- **“Separate and discrete” cost threshold:** The \$5 million threshold for “separate and discrete” phases is appropriate for projects of at least 100 MW, but it is too high for smaller projects. For projects under 100 MW, a threshold of \$1 million for every 20 MW (e.g. \$2 million for a 40 MW project) would be more appropriate.
- **Time between Qualified Phases:** The proposed requirement for 12 months between Qualified Phases is excessive, given the amounts of security involved. The minimum time should be reduced to six months.
- **Posting dates for Qualified Phases:** If no Qualified Phase proceeds a non-qualified phase, the posting date for the first Qualified Phase should not be advanced more than 5 months to coincide with the earliest non-qualified phase. Rather, any such non-qualified phases that would start construction within a six-month period should be aggregated and treated like a separate Qualified Phase. Furthermore, the posting date of any phase should not be advanced ahead of the receipt of all required permits for that phase (whether or not it attains status as a Qualified Phase).

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

CalWEA and LSA support the Straw Proposal, with the clarification that the BPM should be effective, and Initial IFS Posting notices should be issued, by December 1st, 2011. However, additional details of the proposal should be addressed in the working group.

8. Information provided by the ISO (Internet Postings)

The CAISO should provide the following:

- A complete set of maps; and
- 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.

Work Group 3**9. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.**

The CAISO should clarify that payment of the proposed termination charge would relieve the IC of further cost responsibility (and result in release of the associated IFS), i.e., that the IC would not have to pay both the termination charges and the upgrade costs. Other aspects of this proposal should be addressed in the working groups, once the CAISO has clarified the details of this proposal (including calculation of the associated charges) and the other implications are discussed further.

10. Reduction in project size for permitting or other extenuating circumstances

As a general matter, the CAISO should recognize the substantive similarities between cancellation of one or more phases of a generation project and cancellation of the same amount of capacity of a non-phased generation project. The impact on the CAISO/PTO of the potentially stranded transmission upgrades, and on later-queued generation projects, would be the same, for example, for: (1) a 600 MW project with three 200-MW phases that cancels the last phase; and (2) a 600 MW project without construction phases that cancels the last 200 MW.

It would be patently unfair to only allow a 5% size reduction for a non-phased project before triggering the uncertainties of a case-by-case review, with absolutely no criteria for that review specified in advance. The 5% figure is arbitrary; reductions in project size due to permitting issues can far exceed 5%, and that figure is arbitrary in any case.

LSA and CalWEA appreciate CAISO inclusion of this issue in the GIP-2 scope. Because permitting is a dynamic process, and the units of development are often smaller than conventional generators, solar and wind plants may not have a determination on the permitted size of a project until years into the permitting and transmission processes. The CAISO should allow projects to adjust size due to permitting or other extenuating circumstances without having to necessarily rely on ex-ante project phase sizing and PTC in the GIA. This is important during two time periods:

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- **From start of Phase II Study to GIA:** As SCE pointed out at the recent stakeholder meeting, transmission plans can change after the completion of the Phase II Study; therefore, it would be best to have the system plan reflect changes as soon as possible after they are known. The same is true for generation projects; the full system plan should reflect new information as soon as possible. In light of this fact, the CAISO should clarify that it would allow a project to reduce size due to permitting at any time after the Phase II study begins and not just after GIA execution and/or completion of an initial phase. It would seem preferable to allow projects to adjust for size before GIA execution if the same permitting facts become known during Phase II. (Note that the GIP already allows project size reduction between Phase I and II for any reason.)
- **After GIA execution:** As the Straw Proposal notes, identification of costs up-front can reduce certainty. We recommend adding certainty in two areas:
 - A default related to permit-related project size reduction should be explicitly curable through payment of a fee, if circumstances warrant a fee, rather than requiring that the full MW be installed.
 - The methods used to determine that fee should be specified in advance.

Thus, we recommend that the CAISO adopt the LSA proposal that was submitted before. Key elements of that proposal are described below.

CalWEA and LSA support the CAISO's safe harbor proposal generally but believe that the 5% size limit is too low. Solar and other renewable technologies are highly scalable, and many permitting constraints that can appear late in the permitting process. CalWEA and LSA support a safe harbor threshold size reduction up to the lower of 20% of the generating facility size or 50 MW.

For size changes larger than the "safe harbor," the CAISO should specify how it would review a change in project size. CalWEA and LSA recommend that the CAISO assessment follow these principles:

- First, the CAISO should expressly recognize that project size reductions after GIA execution for allowed reasons should not trigger a default under the GIA.
- Second, the PTO should make a good-faith effort to examine whether the required Network Upgrades change as a result of the size reduction.
 - If there is no change, there should be no change to the Network Upgrade costs or timing of any reimbursement.
 - If Network Upgrades are no longer needed, the IC should only be responsible for costs after mitigation is explored. An option for cancellation should be provided that is compatible with any adopted PTC provisions, so projects are not incented to phase their development in the GIA solely to reduce potential partial termination costs.
 - If an IC remains responsible for a Network Upgrade cost, it should remain eligible for any reimbursement to the extent that the upgrades are used by a subsequent project or load.

The CAISO should take a holistic view of these various provisions, to ensure a logical overall structure. If the CAISO allows significant flexibility with phased projects but virtually none for non-phased projects, it will effectively incenting phasing even where no valid reason exists for them.

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

Generally, we support the Straw Proposal, with the modifications listed below.

- **10% holdback:** It is unnecessary for the PTO to hold back 10% for any Network Upgrades that are already in service. There is no reason at that point to penalize the IC if the Network Upgrades are working to the benefit of the system, and the costs can be recovered in rates. The requirement that ICs post security to cover upgrade for their entire project is sufficient to incent development of the rest of the project.
- **Treatment of GIA breaches:** If the IC later breaches the GIA, future repayments should be offset only to the extent that there are actual losses or damages resulting from the breach. If other generators use the Network Upgrades not used by an IC, and the PTO is able to rate base the transmission facilities covered in an IC's GIA, then repayments should not be offset solely as a penalty.
- **Reimbursement commencement:** The current CAISO policy is to commence reimbursement when the entire generation project is placed into service. There is no requirement stated that the Network Upgrades to serve the project must all be in-service for this reimbursement to begin. The implication is that the developer has addressed the potential ratepayer risk that such Network Upgrades would not be used and useful due to a generator project failure, and that reimbursement would then be appropriate.

The CAISO proposal would commence reimbursement before the entire plant is complete, but only if the plant was built in phases specified in the GIA and the "all the network upgrades are placed into service." The proposal implies (though this is not clearly stated) that reimbursement should be proportional to the MWs of the completed generation plant phases compared to the total plant capacity. It is appropriate to provide some repayment as the generation project comes on-line and we support that element of the proposal

However, this proposal represents a significant policy change, shifting the repayment basis from the generation project completion progress to Network Upgrade completion by adding a requirement that all the upgrades must be in service before any reimbursement would begin. That element of the proposal should be changed.

Many cluster studies include Delivery Network Upgrades that can take many years to complete; moreover, as SCE has noted, there may be multiple years of uncertainty about whether the Network Upgrades will even be implemented. Thus, the PTO could retain IC funds for Reliability Network Upgrades, and the earlier Delivery Network Upgrades, for many years (or even indefinitely) after the upgrades are in service and can be included in rates, and (in many cases) many years after completion of the generation plants that were assigned the cost of those upgrades in the GIP study process.

Thus, LSA and CalWEA favor the apparent CAISO proposal to begin reimbursement for upgrade costs as the generation project is completed, in phases or otherwise in discrete portions; however, the added requirement that all upgrades must be in service should be removed. 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.

12. Clarify site exclusivity requirements for projects located on federal lands.

LSA and CalWEA support confirming CAISO requirements to conform to BLM rules. However, we have reviewed the BLM materials referenced in the issue paper, and they do not seem to indicate any change in the site exclusivity requirements for projects on federal lands. Further, we prefer to resolve any issues in the GIP-2 process, to avoid the need for a separate effort later this year.

13. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements**a. Fast Track application to facility repowerings****b. QF Conversion****c. Behind the meter expansion****d. Distribution level deliverability**

CalWEA and LSA support the Straw Proposal for these elements.

Work Group 4**14. Financial security posting requirements where the PTO elects to upfront fund network upgrades.**

LSA and CalWEA support the Straw Proposal.

15. 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.

CalWEA and LSA do not object to the Straw Proposal.

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

CalWEA and LSA do not object to the Straw Proposal.

17. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

LSA and CalWEA support the Straw Proposal.

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

CalWEA and LSA have proposed the two different approaches below in working-group meetings, for CAISO and stakeholder consideration. We wish to explore both in future meetings.

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- **CalWEA proposal:** Define the scope of PTO IF as the transmission span between the breaker bay position and the first structure outside the substation, 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 facilities. Under these circumstances no deposit cap will be needed.
- **LSA proposal:** Summarized below.
 - Cap the first IFS posting for Interconnection Facilities, equal to the cap for Network Upgrades: 15% of the estimate, \$20,000 / MW, or \$7.5 million.
 - Add detail to the Phase II Study Report on IF cost components, including a breakdown of the elements and costs for the EH&S and the Property Rights sections. Items which can be performed by the IC should be noted as "optional". If the IC elects to perform those activities, the related costs would not be included in the IF cost estimates for purpose of the IFS postings.
 - Allow the IC to request a Facilities Assessment of the PTO Interconnection Facilities and Distribution Upgrades any time between publication of the Phase I Study Report and 7 days after the Phase II Results Meeting.

The Facilities Assessment would be provided for in the Generator Interconnection Study Process Agreement and would not require a separate agreement and include either of the following, at the IC's option: (1) review of the easements to determine easement enhancements if telecom lines are added to existing electric poles; or (2) a field survey and engineering study to determine which electric poles would require replacement.
 - The "later of" dates listed in Straw Proposal section 5.2.3 for the Second Posting will include a minimum of 60 days after the publication of the Interconnection Facilities and Distribution Upgrades Facilities Assessment, (so long as the study is requested within the timeframe listed above).
 - If the IF and Distribution Upgrades cost estimates or in-service dates change due to the Facilities Assessment by more than the thresholds identified in Straw Proposal Section 5.2.3, then the final report date will be revised accordingly.

Work Group 5

19. Partial deliverability as an interconnection deliverability status option.

LSA and CalWEA generally support the Straw Proposal.

20. Conform technical requirements for small and large generators to a single standard

CalWEA and LSA generally support the Straw Proposal. However, the work group should address situations where generators connected to the distribution system have different requirements from those connected to the transmission system. For example, the generators connected to the distribution system generally operate with fixed power control rather than voltage control.

21. Revisit tariff requirement for off-peak deliverability assessment.

LSA and CalWEA generally support the Straw Proposal. However, we are still considering whether consideration of off-peak Deliverability Upgrades in the TPP offers sufficient protection for generators in high off-peak production areas.

22. Annual updating of ISO's advisory course on partial deliverability assessment

LSA and CalWEA appreciate the CAISO's willingness to address this issue, and the proposal is a small step in the right direction. The information in the annual assessments should be useful for PPA negotiations, especially in cases where construction of Delivery Network Upgrades (DNU) will extend several years beyond the project COD, assuming that partial deliverability is allowed before all DNUs are complete.

However, the advisory study will not be of any value at all unless the CAISO works with the CPUC and stakeholders to allow partial deliverability to be counted toward RA Requirements, and to thus use the study to establish deliverability before all DNUs are complete. Specifically, the CAISO should:

- Revise its apparent position (as stated on the April 28th conference call) that all DNUs must be complete before a project can be counted toward any LSE RA Requirements. There may well be reasons why a project would partly or fully deliverable well before completion of DNUs; for example:
 - Higher-queued generation projects in the same area may have later CODs, initially or due to development delays, thus temporarily freeing up deliverability provided by the DNUs for those higher-queued projects; and/or
 - Generation projects with CODs earlier than others in their study cluster may become deliverable even before all the DNUs are completed for the cluster.
- Provide for the use of this assessment to actually determine project deliverability for RA purposes, just before and then after a project's COD. The annual deliverability assessment will consider all the latest information about other relevant generation projects and transmission upgrades to calculate the project's deliverability the following year. There is no reason why the CAISO should then ignore it in its annual NQC update process; instead, the CAISO should:
 - Coordinate the release of the annual study with LSE RA compliance deadlines;
 - Use the annual study conducted the year before a project's expected COD to establish an RA NQC value for the project for the following year, if the COD is before June 1st. This would be consistent, for example, with the current CAISO practice to consider transmission and generation projects expected to be on-line to establish RA Local Capacity Requirements (LCRs).
 - Use the annual studies in subsequent years to update the RA NQC figures for the following year, until all DNUs are complete.

The CAISO suggested during the stakeholder meeting that project could seek use of available deliverability in the system through the annual study already included in the GIP for that purpose. However, it is unacceptable to force a project that is funding DNUs for Full Capacity status to compete with others that have not undertaken such obligations. Instead, projects whose DNUs are not yet complete should receive first use of available deliverability while their DNUs are under construction.

23. CPUC Renewable Auction Mechanism requirement for projects to be in an interconnection queue to qualify

CalWEA and LSA support CAISO/CPUC coordination to facilitate RAM solicitation schedules.

Other Comments:**1. Provide comments on proposals submitted by stakeholders.**

LSA and CalWEA have the following opinions on SCE proposals discussed at the April 28th meeting:

- **Re-evaluation of GIP-driven upgrades:** We support the SCE proposal, except that:
 - ICs (in addition to PTOs) should be entitled to request re-evaluation of GIP-driven upgrades at any time; and
 - Removal of decision to remove upgrades from the GIA should be subject to approval of the IC also, not just the CAISO and the PTO, since the GIA is a three-way agreement.
- **Elimination of IC suspension rights:** This proposal is unnecessary, since the suspension right is already limited by GIA Section 5.16, which provides an exception in cases where upgrades that would be affected are needed to interconnect other generation projects.
- **Abandoned-plant provisions in CAISO Tariff:** CalWEA and LSA support inclusion of abandoned-plant treatment in the CAISO Tariff for upgrades that the PTO is compelled to finance and construct.

2. If you have other comments, please provide them here.

Examination of study data, assumptions, and methodology (Work Group 5): CalWEA and LSA are disappointed that the CAISO did not follow our recommendation to include the issue of 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;
 - 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. (CalWEA proposal).