

CalWEA Comments on PG&E WDAT Interconnection Reform

February 8, 2011

The California Wind Energy Association (CalWEA) appreciates the opportunity to comment on Pacific Gas and Electric Company's (PG&E's) Proposed Tariff to reform its WDAT Generation Interconnection Procedures. PG&E put forth its Proposed Tariff on January 20, 2011.

CalWEA appreciates the fact that PG&E, following in the footsteps of the Southern California Edison Company (SCE), is by and large adopting CAISO's GIP reform principles for its WDAT tariff reform proposal. This will help reduce confusion among the generation community and others when dealing with the very complex, and still somewhat convoluted, generation interconnection process and the related studies. We are further encouraged by the fact that PG&E has, to the extent practicable, adopted SCE's WDAT tariff language verbatim for its WDAT tariff. In that regard, CalWEA finds that effectively all the comments on SCE's proposal, jointly submitted by the Large Solar Association (LSA) and CalWEA, apply to the PG&E WDAT tariff reform proposal as well. Those comments are attached below for reference.

Our major comments specifically on the PG&E WDAT tariff proposal are presented below:

- Section 1.5: PG&E should allow the Interconnection Customer (IC) to submit a security deposit in lieu of site exclusivity. Given the expected long timeline to perform the WDAT study, especially under the cluster study arrangement, we do not see any reason for not allowing IC's to post a deposit for site exclusivity. At a minimum, this option should be allowed for those projects that are not studied under the Fast Track option. We note that PG&E's WDAT tariff proposal Section 4.2 (iii) contradicts this disallowance.
- Section 3.5.8: In Section 3.5.8, PG&E disallows COD extension for projects in the ISP. Given that PG&E has opted not to use commercial criteria to determine whether a project qualifies for the Independent Study Process (ISP), we do not understand why PG&E would disallow the COD extension for up to 3 years per the FERC's Order 2003 on the Generation Interconnection Process.
- Section 3.6.6.1 (iv): We believe that if, at any time, the Distribution Provider changes the Point of Interconnection (POI) for an IC Interconnection Request (IR) in a manner that is unacceptable to the IC and a compromise cannot be reached, the IC should be eligible to receive back all of its financial postings, including, but not limited to, its entire Interconnection Study deposit and Interconnection Financial Security (IFS) deposit, less all actual costs incurred or irrevocably committed by the Distribution and Transmission providers for the IR. This comment applies for the IRs studied as part of the ISP or cluster study.
- Section 3.6.6.3: We believe that, if the Distribution or Transmission Provider fails to gain the necessary permits to build the identified Distribution or Network upgrades for an IC Interconnection Request (IR), or has such necessary permits revoked, the IC should be eligible to receive back all of its financial postings, including, but not limited to, its entire Interconnection Study deposit and Interconnection Financial Security (IFS) deposit, less all actual costs incurred or irrevocably committed by the Distribution and Transmission providers for the IR. This comment applies to the IRs studied as part of the ISP or cluster study.

- Section 4.20: We are alarmed that the concept of re-studies is being re-introduced here. One of the most important principles behind the notion of cluster studies is to avoid the untenable re-study process. However, PG&E's proposal seems to keep the option to perform re-studies, potentially leading to the situation that caused us to go through GIP reform in the first place. We believe that re-studies should happen only in those cases where the Distribution or Transmission Provider has committed errors in its interconnection study process or a change request in the IR information is being analyzed by the Distribution or Transmission Provider.
- Section 4.22.2.5: The process for paying for Deliverability Assessment studies under different study arrangements is not clear and should be clarified.

ATTACHMENT

LSA & CalWEA Comments on SCE WDAT Interconnection Reform Principles (Posted December 21, 2010)

The Large-Scale Solar Association (LSA) & California Wind Energy Association (CalWEA) appreciate the opportunity to comment on SCE's Proposals to reform its WDAT Interconnection Procedures. SCE has put forth its proposals in documents dated October 7th ("*SCE WDAT Interconnection Reform Principles Document*"), October 28th (Attachment No 2, "Key Details" Document), and December 3rd ("SCE: First Draft" WDAT tariff language).

LSA & CalWEA recognize that the large and growing volume of applications in the WDAT queue has been created in part by renewable projects. Improving the efficiency of the interconnection process is an important part of achieving 33% RPS. As part of that, we appreciate the efforts of SCE and other CAISO Participating Transmission Owners (PTOs) to make their generation interconnection study processes, protocols and tariffs more consistent with those of the CAISO. Our specific comments on the SCE WDAT GIP tariff are applicable to the CAISO GIP tariff as well, and we intend to present them to the CAISO in its upcoming GIP reforms if we have not already done so.

Comments on the December 3rd "SCE: First Draft" WDAT tariff language

Coordination of the SCE WDAT and CAISO GIP Study Processes

SCE has made a significant effort to make its generation interconnection study process, protocols and tariff compatible with those of the CAISO GIP. However, the most critical component of making these processes compatible is still not clearly addressed in the proposed SCE WDAT tariff: whether the actual WDAT cluster study will be combined with the related CAISO GIP cluster study. The lack of clarification leads to significant uncertainty in the overall WDAT study process and all of its stated coordination points with that of the CAISO GIP process. LSA and CalWEA strongly recommend that SCE clearly state whether it intends to combine its WDAT cluster study with the related CAISO GIP cluster study in its planned WDAT interconnection process.

Financial Security Following Start of Construction

SCE has proposed that there would be no refund of any Interconnection Financial Security (IFS) after any component of the work has started. LSA & CalWEA strongly believe that this proposal is not practical and does not comport with the principle that Network Upgrades common to multiple generating facilities need to be advanced to meet the needs of the first of the project CODs. SCE should not have the ability to ask for and retain Financial Security for project elements that have not started construction. These construction elements may not have received required permits, may not have completed design work, or may simply be delayed to match the timing of the start of electricity sales. SCE continues to be protected from a cost perspective for the work that is proceeding, as 100% of cost estimates are due prior to the start of construction. Hence, this proposal does not match with the intentions of proposed GIP Section 10.2.1, which identifies that the timing of construction shall be determined to the maximum extent practical by the proposed COD.

In conclusion, we would like to reiterate the comments we have also made as part of the CAISO's GIP reform that the "Start of Construction" needs to be significantly better defined, particularly in relation to its impact on the Financial Security posting by Interconnection Customers and enforced forfeiture of such posting by the Distribution Provider and Participating Transmission Owner.

Accounting for Forfeited Interconnection Financial Security

SCE has proposed to eliminate the transfer of forfeited IFS to the CAISO. At the CAISO such forfeited Financial Security is credited to generator accounts through CAISO Tariff Section 37.9.4. SCE's proposal to retain unspent funds for their own shareholder benefit provides an inadvertent incentive. In this scenario, SCE will benefit from generators withdrawing from the queue and forfeiting the IFS. Instead, these funds should go towards reducing other generator costs.

Deliverability

LSA & CalWEA applaud SCE's effort to allow interconnecting projects, regardless of their size, to apply for and receive Full Capacity (FC) status as part of their WDAT IR application. However, since there seems to be no clear plans by SCE (or the CAISO) to merge the WDAT interconnection cluster study process with that of GIP, and given that the CAISO has not committed to allow non-GIP applications to apply for and receive full deliverability on an ongoing basis, it is not clear what mechanism will be used to study and grant interconnecting WDAT projects their requested Full Capacity status.¹ This ambiguity is even more acute for those Full Capacity IR applications that qualify for Independent Study Process – WDAT Section 5.6. Since these projects will be studied as Energy Only (EO) projects by SCE as part of the WDAT process, it is not clear how they can receive full deliverability status from the CAISO as the two mechanisms that CAISO offers to convert EO projects to FC projects do not systematically address this change in interconnection status.

LSA & CalWEA believe that projects that were studied in the earlier WDAT serial processes and do not require any additional studies after implementation of the WDAT reform should have their deliverability assessment studied as part of the Phase II study of Queue Clusters 1 and 2 rather than waiting for the Phase II study of Queue Cluster 4. In that regard, we are concerned that the SCE WDAT tariff will not be approved by FERC in time for WDAT projects to meet the deadline of March 31, 2011 (based on the Queue Cluster 4 timeline) set by the CAISO for the one-time full deliverability assessment study of WDAT projects. In that regard, we urge SCE (and other CAISO PTOs) to immediately file at FERC requesting that all generating projects operating or interconnecting to their system under the WDAT tariff be allowed to file for full deliverability status under the CAISO one-time full deliverability assessment, which has a prescribed deadline of March 31, 2011.

LSA & CalWEA would like to also note that SGIP WDAT projects are, due to the nature of their studies, deliverable into the PTO's distribution system. Those projects that have already received their study results or even entered into SGIAs would be disadvantaged, as they would now be required to return to the CAISO, pay full study deposits and wait for the Queue Cluster 4 for a deliverability assessment study.

Section 4.8.3.2.1 of the proposed SCE WDAT tariff clearly states that for the purpose of performing On-Peak Deliverability Assessment, the "established Net Qualifying Capacity (as defined in the ISO Tariff) values" for generators should be used in the deliverability assessment studies. Yet, we understand that the CAISO dispatches generators, whether those seeking deliverability assessment or those FC projects already in the

¹ CAISO offers two mechanisms for converting non-FC projects into FC projects. First, is a one-time process slated for any project of any size, whether in any of the CAISO queues or in operation, to apply for an receive Full Deliverability status as part of the Phase II interconnection study planned for Queue Clusters 3 and 4 (Section 8.1 of the CAISO GIP Tariff). Second, is an ongoing process to study and, subject to transmission availability, grant non-FC projects that apply for FC status either a "lower grade" full deliverability or partial deliverability status, or none at all, if no transmission is available.

basecase, significantly above their Net Qualifying Capacity in its deliverability assessment study resulting in the identification of unnecessary Delivery Network Upgrades. This obvious discrepancy should be addressed in the proposed tariff.

LSA and CalWEA once again question the entire premise of Off-Peak Deliverability Assessment. We find this assessment to be completely inconsistent with the underlying premise that deliverability assessment is intended to demonstrate the ability of a generating unit (existing or interconnecting) to meet the RA capacity requirement from that generator. If, as we have heard from the CAISO staff, the Off-Peak Deliverability Assessment is intended to deal with reliability study of a generating unit (existing or interconnecting), then it should NOT be used in the deliverability assessment process and the upgrades identified as part of the Off-Peak Deliverability Assessment must not be labeled as Delivery Network Upgrades.

Interconnection Financial Security Postings

SCE should revise Sections 4.23.2.3 and 4.23.2.4 to cap the IFS for interconnection facilities and distribution upgrades, as the current first IFS for network upgrades is capped at \$20/kW. With added communication lines and escalated values for permitting and properties costs, SCE's estimates for both interconnection facilities and distribution upgrades are extremely conservative, erring significantly in favor of overestimating costs. The purpose of the first IFS is to ensure developer commitment, not to have a reserve for actual construction costs, which are not determined until the LGIA is signed and final engineering begins. SCE should cap the first posting for all upgrades (interconnection facilities and distribution and network upgrades) at \$20/kW. For the second IFS, SCE should cap the entire posting at a fixed dollar amount, similar to the cap of the second IFS network upgrades. We recommend a cap in the range of \$10 million for all upgrades: interconnection facilities and distribution and network upgrades. We recognize that CAISO has no similar cap. However, we, until recently, have not seen the same highly conservative numbers come out of the CAISO studies.

Refund of Interconnection Financial Security Postings

Section 4.23.6.1 of the proposed SCE WDAT tariff identifies several conditions under which and Interconnection Customer can receive a portion of its IFS Posting back. LSA and CalWEA are concerned that the very important condition where the Distribution Provider (or the Participating Transmission Owner) fails to receive proper permits to build the transmission or distribution upgrades needed to interconnect the generating project and or to deem such project as deliverable has not been addressed as part of these condition. In fact, we believe that under this condition, the entire IFS Posting should be refunded to the Interconnection Customer.

LSA and CalWEA find Section 4.23.6.3 to be redundant as this condition for withdrawal of a project due to failure to obtain necessary permit is already covered in Section 4.23.6.2. However, in addition to our redundancy concern, we are concerned that it can force an Interconnection Customer to pay for Network Upgrades above the cost cap identified as part of the Phase 1 and Phase 2 interconnection studies for its share of such upgrades.

Determination of Electrical Independence for the ISO Grid

Section 5.5.1 of the SCE WDAT Tariff seems to imply that for an interconnecting project to qualify for Independent Study Process, it has to have NO impact on the CAISO system. We find this condition not only impossible to meet but also irrelevant to the objective of finding whether a project actually impacts any other

higher queued generation projects interconnecting the CAISO system. LSA and CalWEA suggest that this criterion to be modified to correctly represent the condition that it is intended to cover.

Accuracy of Interconnection and Distribution Upgrade Costs

The WDAT process is critical for preserving a fair and open system for generation interconnection and to achieve the required new generation to support 33% RPS. It is critical that distribution upgrades including communication costs are accurately evaluated and assigned to WDAT projects. To that end, SCE must strive for additional reforms. The following are some changes that LSA & CalWEA urge SCE to consider and formally adopt in their tariff.

- **Cost and Design accuracy and transparency.** An estimate of Phase 1 and Phase 2 cost estimates should be shared with the Interconnection Customer, providing the Customer with the chance to comment on the estimates, before the Phase 1 and Phase 2 study is deemed final and the financial security posting is considered due. Some specific proposals regarding ways to improve accuracy and transparency are included in our previous comments.
- **Communication costs.** SCE should release its design requirements for communications and provide unit cost estimates for review by stakeholders. To the extent the communication upgrade is for the sole use of the IC, the IC has the option of constructing the communication facilities to the standards required by SCE and, hence, this cost should not even be part of the SCE interconnection cost unless the Interconnection Customer agrees with such an arrangement after receiving Phase 1 and Phase 2 cost estimates.
- **Permitting costs.** Our members that have received WDAT estimates have observed that SCE is using extremely conservative cost estimates for its survey and permitting costs, which it calls Environmental Health and Safety Costs. SCE should release its estimating methodology and unit cost estimates for review by stakeholders before finalizing them in their Phase 1 and Phase 2 study results. SCE should also be required to use project-specific survey information provided by the IC, or observed in the field, to update its EH&S project specific cost estimate. This could be done at the beginning of Phase 1 or Phase 2 or presented in the cost estimate.
- **Loss factors.** As stated in the Stakeholders meeting, we are enthusiastic about SCE's focus on the issue of the Distribution Loss Factor credits and finding a way to implement their tariff in a practical manner. We fully support SCE to work diligently with the CAISO to resolve this long standing conflict, but in addition urge SCE, and other applicable PTO's, to fulfill their requirements as stated in the tariff regardless of the cooperation of the CAISO.