



## Submit comment on Track 2 Straw Proposal

Initiative: Interconnection process enhancements 2023

### 1. Please provide feedback on the proposal to provide data to stakeholders to enable the zonal approach to interconnection: \*

#### Overall Comments on Straw Proposal

As the template does not provide a space for feedback on the Straw Proposal overall, CalWEA first provides that feedback here.

A fundamental weakness of the Straw Proposal is that, in dramatically scaling back the number of projects that will be studied, the proposal attempts to score the viability of projects without a key piece of information that is essential to determining projects' viability: interconnection costs and timing. Without that information, only the most deep-pocketed developers interested in risk-taking will make substantial investments in a potential project, such that they will be able to show the indicators of progress reflected in the scoring criteria. As noted on p. 20, PG&E and Sonoma Clean Power commented that LSEs will not be able to meaningfully provide their interest in projects without sufficient information to understand potential network upgrade costs and timelines that determine the ultimate cost to utility customers and the ability of a resource to meet RA online date requirements. The Straw Proposal leaves the details of many elements of the scoring criteria to later workgroups, i.e., *CAISO has not yet determined whether the "clear and verifiable" scoring criteria that it promises can be realized and whether that scoring will produce a significant number of projects to proceed into the study group.*

Because essential information on transmission costs and timing will be missing, CalWEA is skeptical that a meaningful scoring rubric can be developed that will produce sufficiently viable projects in most or all zones. Instead, few projects are likely to score well (since few will have true indicators of viability) and proceed with studies and, therefore, either (1) projects with questionable viability will move forward on an arbitrary basis over other projects that may have more desirable characteristics, or (2) many projects will tie or fail to meet a minimum required score and will then be subject to a costly auction that will favor the most deep-pocketed developers. At the very worst, the rubric is likely to invite gaming.

These problems are compounded by the difficulty inherent in attempting to accurately determine zonal capacities, discussed below. In addition, calculating available zonal capacity for any queue cluster will depend on the status of earlier-queued projects, which will not be sufficiently known at the time of zonal capacity calculations.

Finally, but essentially for location-constrained resources such as onshore and offshore wind, the Straw Proposal would constrain these resources to zones with pre-existing transmission capacity, even when there are few or no resources available in these zones, effectively shutting out some location-constrained resources from the open-access process, even when these resources are

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needed to meet the CPUC's Preferred System Plan and LSEs' portfolio goals. Constraining studies to projects in zones with available transmission capacity will also drive up the cost of land (and thus supply prices) for projects in those zones and will fail to send signals to CAISO and the CPUC about promising new resources areas.

Please see the attached supplemental comments on the weaknesses of the Straw Proposal.

In contrast, CalWEA's reform [proposal](#) – which the CAISO did not address in its Straw Proposal or seriously discuss in stakeholder meetings – would achieve the goal of thinning the queue without raising the cost of entry and favoring deep-pocketed developers. It would do this by **providing reasonable interconnection cost and timing information up front, at a nodal level**, derived from Phase 1 studies that would be conducted similarly to CAISO's TPP studies for policy upgrades and applied as proxy costs for all interconnection customers. CalWEA's proposal would also enable more accurate accounting of offtaker interest in queued projects as proxy cost information would be shared with them, allowing them to make meaningful assessments of the commercial viability of projects. CalWEA's method would require that the time between Phase 1 and Phase 2 studies be extended beyond the current 90-day period to potentially six months but would enable all interconnection customers to be fairly considered rather than be rejected on an artificial and arbitrary basis. As CalWEA noted in making its proposal, however, it would also require location-constrained resources to be exempted from any scoring mechanism that limits project locations to CAISO-selected study zones.

For these reasons, CalWEA makes the following recommendations:

- As CAISO and workgroups attempt to develop meaningful scoring criteria and accurate zonal information, CAISO and stakeholders should also consider CalWEA's proposal on a parallel path. Once each path is more fully considered, the preferable path should be determined. Any scoring criteria developed by the working group could be applied under CalWEA's approach, which calls for viability scoring for projects before they enter Phase 2 studies (with the benefit of transmission cost and timing information).
- Under either approach, location-constrained resources such as onshore and offshore wind should be designated as Option A areas when there are enough interconnection applications (>500 MW) in a location-constrained resource area and where the resources are needed to fulfill the CPUC's Preferred System Plan (PSP) or LSE plans.
- If more time is needed, CAISO should put IPE Track 2 on hold and proceed with QC15 to ascertain the impact that CAISO's new site control requirements and FERC's additional entry fee and study deposits required under Order No. 2023. We expect these stringent requirements to considerably thin down the queue.

### Comments on Question 1

To inform developers on the zones where transmission capacity is available, CAISO plans to develop a heat map and associated information, as required under FERC Order No. 2023, and "will work to ensure consistency of single line diagrams for each of the transmission zones and transmission interconnection areas in the generation interconnection process. The diagrams will identify the boundaries of the zones/area, location of resources in the portfolios and the queue, the affected stations and the available TPD for allocation behind each of the transmission constraints." (p. 18.)

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The problem with this approach is that zonal capacity is neither clear-cut nor static, so there is no simple capacity number for each zone:

- Zonal capacity will be defined per transmission constraint, i.e., generation pockets or a 5% or 10% generation circle around deliverability-constrained flowgates. But gen pockets typically overlap, may lay inside a zone, or cross the zone boundary. Gen-pockets may not align with the zonal boundary.
- Inside the same zone, some locations (buses/nodes) are behind multiple constraints while others could be constraint-free.
- Within the same gen-pocket, connecting at different POIs will have different impacts (shift factors on the transmission constraint will differ). The deliverable generation capacity depends on the specific locations of the generators being considered.
- CAISO plans to apply an artificial capacity for POIs without any known constraints. Furthermore, if projects show up at any “favorable” location (zone or bus), they will impact, almost always adversely, all other “favorable” locations.
- CalWEA understands that automatically including all LRA-approved preferred resources of non-CPUC jurisdictional LSEs in the study group addresses the concerns of those entities summarized on p. 18, and we share the concerns raised about not studying resources outside of zones with TPD capacity. However, providing non-jurisdictional utilities automatic placement of their preferred resources in all zones provides undue preference over jurisdictional utilities. (The fact that zones have been designated by the CPUC does not necessarily equate to the preferences of jurisdictional utilities, which may include location-constrained resources outside of these zones, and the preferences of all jurisdictional utilities likely could not be accommodated in many zones.) CalWEA’s reform proposal provides a better solution to the concerns of the non-jurisdictional utilities.

Therefore, even with the information provided by CAISO, it may be difficult for an interconnection customer to determine whether capacity is available at a particular POI.

Partly because of these uncertainties, if CAISO moves forward with this proposal, it should raise the study group in each zone from 150% to at least 200% of the capacity for each zone to account for approximations, interactive effects, and uncertainties. This will help to ensure that the intended amount of capacity will survive the process such that the market is not excessively constrained, and LSEs have some opportunity to select from competing resources (although the Straw Proposal will still inherently and dramatically limit their options).

In addition, it will be important to determine, at the outset, when (to which queues) TPP capacity additions will be applied, and how much TPD capacity will remain available after prior queues. CAISO is going to modify the study process to single phase per FERC Order 2023. CAISO should provide a detailed timeline for the study and coordinate the studies with TPP such that the transmission upgrades approved through TPP immediately benefit the new queue cluster. CAISO should also make transparent how the prior queues will be treated when determining available zone capacity, e.g., will transmission capacity be reserved for parked projects before being available for the new queue cluster?

Finally, as noted under Q1, the Straw Proposal could shut out diverse, location-constrained (i.e., non-solar/battery) resources even when these resources are needed to meet the CPUC’s PSP and LSEs’ portfolio goals. If these resources are needed for the PSP, or if LSEs designate these resources as needed, such resources should be designated as Option A areas where there is a

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sufficient quantity (>500 MW) of interconnection applications in a particular area, regardless of whether TPD capacity is available for a zone.

### **2. Please provide feedback on proposed interconnection request requirements and interconnection request review \***

- a. Please provide suggestions for how to appropriately incorporate LSE interests and commercial procurement activities earlier in the process to support the objectives of the MOU.

As discussed above under Q1, under the Straw Proposal, LSEs will not have the network upgrade information they need to determine total costs to customers and the ability of a resource to meet RA online date requirements. Therefore, it will be uncommon to find definitive LSE interest in projects at the time of project scoring, let alone earlier in the process.

- b. Please share your thoughts on the relationship and potential trade-offs between the scoring criteria and auction elements.

As discussed under Q1 and the previous and next sub-questions, absent information on necessary transmission upgrades, it will be difficult or impossible to devise scoring criteria that are “clear and verifiable” and that will produce the identified amount of capacity to advance the study group. This will lead to the need for an auction to allocate the right to be studied for any excess capacity in a zone after applying the viability criteria or to break a tie. (Given the vague, arbitrary, and imprecise nature of the scoring criteria, it would only be fair to include projects across a range of scores in the auction, not just two with the same score. However, if the number of tied resources is limited, the studied capacity should be raised above the study limit to accommodate all tied projects.)

Conducting an auction would be complicated and onerous and would favor the most deep-pocketed developers who may be seeking a corner on the market given the limited number of projects that would be studied under the Straw Proposal. Given the lack of critical transmission information to inform an auction bid, placing bids that are refunded only upon commercial operation will be risky. Thus, only the most deep-pocketed developers willing to take risks will participate and prevail in the auction. The costs of this risk-taking, combined with more limited market options, will be passed onto consumers. This is an undesirable circumstance compared to LSEs receiving transmission cost and timing information for all available projects, and then indicating interest in projects on a complete-information basis, as would occur under CalWEA’s reform proposal.

- c. Please share specific feedback on and recommendations for scoring criteria that are both reasonable at the interconnection request stage and easily validated by the ISO. Please indicate interest in participating in a workgroup to refine scoring criteria.

As indicated in our comments under Q1 and the previous sub-question, it will be difficult, and likely impossible, to develop non-arbitrary scoring criteria (beyond the site control requirements already in effect) that will produce enough projects to subscribe the study group absent information on interconnection costs and timing. Interconnection information is necessary to enable developers to move forward with project development (such as initiating and progressing under CEQA review) and to allow LSEs to discern total project costs and online dates that would enable short-listing, let alone PPAs. As a result, the likely outcome will be that most studies will be performed based on auction results from a very limited pool of deep-pocketed developers. For these reasons, CalWEA recommends against the Straw Proposal approach.

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If the Straw Proposal nevertheless moves forward, however – and because a scoring approach would also be needed under CalWEA’s proposed approach (which would benefit from transmission cost information being known to all parties in advance of scoring) – we offer the following recommendations on the scoring methodology.

First, to ensure that the relatively few location-constrained resources in the queue are studied, CAISO should exempt these resources from the scoring criteria and designate such resources as Option A areas to be studied if they are included in the CPUC’s PSP or if LSEs designate them as needed, where there is a sufficient quantity (>500 MW) of interconnection applications in a particular area, regardless of whether TPD capacity is available for a zone.

Comments on each of the proposed scoring criteria elements are as follows.

### Commercial Readiness

- Subsume “Letter of Interest” under “Commercial readiness”. Letters of interest and shortlist positions are comparable indicators (especially because some shortlists are not so short and do not necessarily indicate an intent to negotiate). Including “Letter of interest” as a separate criterion could invite gaming, where projects with shortlist positions also obtain a letter of interest.
- Status as a “preferred resource in an LRA-approved LSE resource plan” should be eliminated, as most, if not all, resources will meet that criterion.
- Executed PPAs should be required for a minimum of 10 years. 10 years is required to satisfy RPS and MTR requirements, and few, if any, new projects will be built without a 10-year term. At a minimum, a 10-year term should earn more points than a 5-year term.
- Commercial readiness should be worth considerably more than a maximum of 50 of 240 total points (21%). CalWEA suggests a maximum award of 40-50% of total points. A position on a shortlist, and especially an executed PPA, reflects all other criteria as LSEs will have conducted at least some due diligence on the viability and value of a project.
- Distinguish among executed PPAs based on early termination rights. Given the lack of available information on transmission costs, most, if not all, PPAs will include the right to terminate the contract when that information becomes available if those costs are higher than agreed upon. (CalWEA’s proposal addresses this circularity problem.) However, any contracts that do not have early termination rights should be awarded substantially more than the 20 additional points suggested in the proposal.
  - CalWEA suggests that three tiers be created for “executed PPAs”. The first, and lowest-scoring, tier would be for contracts that include termination rights based on transmission upgrade costs and separate early termination rights for other contract elements (other than events of default). The second tier would be for contracts that include early termination rights only based on transmission upgrades costs. The third, and highest-scoring, tier would be for contracts with no early termination rights (other than events of default). ICs would attest to the terms and attach the contract.

### Permitting Status

- “Indications of community support” is unlikely to be meaningful and the few points proposed for this criterion is not worth the due diligence that would be required to determine meaningful levels of such support.

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### Project Attributes

- The criterion that a project “Meet the requirements of a current CPUC procurement order or non-jurisdictional LSE’s Request for Proposals” should be eliminated, as (presently) it would eliminate RPS-eligible projects, or projects that would fulfill the CPUC’s PSP, that do not qualify under CPUC procurement orders aimed at meeting Resource Adequacy requirements. (Wind- and solar-only projects are ineligible under the CPUC’s mid-term reliability orders but will be necessary to charge eligible storage capacity.) The CPUC may, or may not, issue broad procurement orders in the future; instead, it could rely on long-term procurement guidance with procurement orders focused narrowly on specific resources.

### Project Location

- It is not clear how points could be awarded for not triggering ADNUs before the studies are done.

### Expansion on an Operating Facility

- This criterion should be worth a fraction of the points earned from a firm, executed PPA (the proposed scoring suggests it would be of nearly equal value). Project expansion doesn’t necessarily translate to higher viability; the project still needs an offtake agreement and might trigger network upgrades. Any permitting advantages would be recognized in the permitting criterion.

d. Please provide feedback on auction design and use of auction revenues.

See response to question 2.b, above.

### **3. Please provide feedback on the study process elements of the straw proposal \***

a. Please provide feedback on the modifications to the Option B process.

The Option B process, under which projects pay for network upgrades with reimbursement for ADNUs only through congestion revenue rights (CRRs), has been in effect since 2014, but has never been used. Therefore, Option B, which may now also need to meet a minimum viability score, is not a meaningful option. Meaningful open access will require replacing the zonal approach with one that provides meaningful information on upgrades costs and timing to all ICs prior to Phase 2 studies.

Option B projects should be allowed to compete for a TPD allocation because TPD could become available due to load changes, generator changes and other system condition changes.

### **4. Please provide feedback on proposed modifications to Transmission Plan Deliverability (TPD) and Interim Deliverability \***

a. TPD allocation

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It is premature to discuss TPD capacity allocation at this time. However, CalWEA disagrees with CAISO's proposal to prevent Energy Only projects from re-seeking TPD allocations unless they have achieved COD (Group C). If an EO project has obtained a PPA or is shortlisted, there is no reason that it should not be allowed to re-seek TPD allocation through Options A or B. These projects could be more viable than newer projects and should not be arbitrarily excluded from the TPD process.

### b. Interim Deliverability

CAISO proposes to construct a methodology for multi-year interim deliverability between the in-service date of an LDNU and the project-requested COD. Please clarify whether this will be accomplished in the deliverability reform initiative or IPE-2. Also please clarify why only the LDNU service date is specified.

## 5. Please provide comments and feedback on Contract and Queue Management elements of the straw proposal \*

CalWEA reiterates the comments that we made in August:

We believe that the Queue Management Initiative should be completely reconsidered. The specific measures suggested by Queue Management for managing the projects that have already completed their studies imply that such projects stay in the queue and request MMAs for frivolous reasons rather than to address real business needs as developers seek to advance their projects. And the solutions offered by QM appear to be intended to limit the activity of such projects simply to reduce the workload on CAISO and PTO staff as opposed to innovatively solve the real problems that real projects are facing. For example, measures such as limiting the lifetime of a project in the queue to seven or 10 years from the date of interconnection application seems to forget that transmission upgrades identified as part of interconnection studies these days often require construction periods that far exceed 5 years (sometimes as long as 10 years), and that construction would at best start three or more years after the interconnection application has been accepted by the CAISO.

In short, CalWEA finds queue management reforms to be distracting and recommends that all QM proposals be reconsidered as part of a proceeding separate from the 2023 IPE.

We offer a few additional specific comments below.

a. Does the one-time withdrawal opportunity sufficiently address the assignment of costs of withdrawn projects?

b. Are the updates to the Limited Operation Study sufficient?

Allowing LOS 9 months before synchronization still provides insufficient time. If CAISO couldn't provide a multi-year operational study even for information only, CAISO should at least reinforce operational short circuit assessments in the current Phase II study and annual reassessment study across all study areas in a consistent manner. (SCE provides SCD generation sequencing implementation studies, which are operational SCD assessments. Other PTOs don't. It is a tariff requirement that Phase II studies "Coordinate in-service timing requirements based on operational studies in order to facilitate achievement of the Commercial Operation Dates of the Generating Facilities.")

c. Comments on adding asynchronous generating facility requirements in the SGIA

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- d. Comments on removal of suspension rights
- e. Comments on TPD Transferability proposal
- f. Comments on viability criteria and time-in-queue limit
- g. Comments on project Modification updates
- h. Comments on postings for shared network upgrades
- i. Comments on timing of incorporating MMAs into the GIA
- j. Comments on timing on starting network upgrades



## **Supplement to CalWEA 10/12/23 Comments on IPE-Track 2 Straw Proposal**

The CAISO's Straw Proposal cannot satisfy the arbitrary and capricious standard essential to its long-term implementation and survival.

FERC's mandate is to protect consumers. But the proposed "scoring" standard/procedure does not protect consumers. Nor does the proposed scoring standard take into account important factors FERC would rationally consider in assessing how transmission capacity should be expanded.

The scoring standard's numerous, not well-defined criteria do not directly relate to critical criteria FERC is obligated to consider. The Straw Proposal (see, for instance, at p. 23) literally never mentions cost, an odd omission if the reviewing Commission is charged with ensuring just and reasonable rates.

Nor does the pending proposal consider which sites proposed to be interconnected will, alone or in combination, operate most frequently, thus utilizing the transmission build-out most efficiently, contributing the most use/revenue to defray substantial fixed transmission costs, and maximizing renewable output. Also missing from the criteria is any consideration of the duration of output to be served by the transmission investment, an important variable in a world of intermittent resources. The greater the use of the renewable resource, the greater the offset carbon-emitting generation.

Nor does the Straw Proposal appear to attribute any value in scoring to diversity in locations. For instance, wind power facilities in Northern California will have different seasonal and daily production profiles than those in the desert Southwest, which in turn will be different from the generation profiles of offshore wind facilities. The modeling and other considerations that go into the CPUC's Preferred System Plan (PSP) will be informed by these differences, which are critical to the State's success in implementing its renewable goals, but the Straw Proposal does not take the PSP into account.

The proposal's cap at 150% of available transmission capacity within a zone is also arbitrary and capricious, creating a distorted pathway. CAISO's zones (*e.g.*, PG&E North of Greater Bay, covering about 40% of the State) are huge. Within a single zone, congestion conditions run the gamut. (See CAISO Dept. of Market Monitoring, Annual Report on Market Issues and Performance, Chapter 6 discussion of Intra-Zonal Congestion, April 2007). Moreover, because some new resources can relieve, rather than aggravate, congestion, the use of a static pre-

project average would diminish the apparent value of a new resource near a congested area. CAISO's transmission capacity estimate is purely based on the deliverability assessment, which doesn't consider the operational merits and doesn't value new resources relieving congestion.

The 150% cap based on available transmission capacity is illogical for another reason. Starting with existing available capacity in the worst-constrained area treats its need for expansion as the same as for a less-constrained region. However, from the perspective of logic, the worst-constrained region might deserve the greatest inducement to expand capacity. But the CAISO Proposal homogenizes all regions, capping new projects at 150% of available capacity.

Nor does the 150% standard appear to explicitly consider the cost differences that transmission capacity expansion would experience between locations. Again, the CPUC's PSP takes transmission costs, and other planning considerations, into account, but the Straw Proposal does not consider the PSP. Re-stringing towers sandwiched between densely traveled highway and rail line right of ways presents a significantly different cost outcome as opposed to restringing towers in the middle of the desert or farmland.

The 150% based on available transmission is an illogical standard for another reason as well. A tightly constrained area, with (for instance) available transmission capacity of 10 MW, would only be able to accommodate 15 MW of additional capacity under this standard, even if the need (as reflected in the low level of available transmission capacity) is very great. A region with copious amounts of available transmission capacity (*e.g.*, 500 MW) would accommodate 750 MW of additions, regardless of whether that was the highest and best use of the scarce resources that can address the issue. This does not reflect rational decision-making.

The result would be an arbitrarily selected set of winners and losers, because the "scoring" criteria fundamentally ignore factors critical to the need for, and success of, new transmission projects. Whatever the merits of displacing market signals with governmental planning, the results of the proposed criteria will be worse than either those of other approaches, because this Proposal is detached from the attributes that are critical to making a generation project successful and are a single template for divergent climates, regions, existing transmission circumstances and markets.