



## Submit comment on Issue paper and straw proposal

Initiative: Interconnection process enhancements 2023

### 1. Provide your organization's comments on the proposed handling of Cluster 15 interconnection requests following the closure of the interconnection request submission window, as described in Section 2.

CalWEA strongly opposes the proposal to delay by nearly a year the processing of Cluster 15 (C15) applications after their initial acceptance on April 17, 2023, at which point Cluster 14 (C14) phase II studies and results meetings are expected to be completed (April 1, 2024). CalWEA strongly recommends that, instead, CAISO delay the C15 application deadline to shortly before the C14 process is expected to be completed (e.g., as late as March 2024). Delaying the C15 deadline will better promote the CAISO's objective of reducing its workload by enabling more thoughtful applications and discouraging speculative ones. That additional time will allow developers to consider a great deal of important new information that will enable better-informed decisions on submitting their interconnection applications. The additional information that is expected includes:

- C14 Phase 2 study results;
- The short-circuit duty information on existing substations that CAISO plans to provide to the industry by the end of March 2023;
- CAISO's 2022-23 transmission plan as adopted in May of 2023, as well as preliminary 2023-24 transmission planning information;
- a potential ruling following FERC's interconnection NOPR<sup>1</sup>;
- CAISO's rule changes for C15 (which will be more developed, if not final, by the end of 2023); and
- the CPUC's 2023 Preferred System Plan (which may reflect significant resource portfolio and busbar mapping changes<sup>2</sup>).

While the Issue Paper notes that CAISO anticipates implementing tariff revisions that will allow C15 interconnection customers to "refresh" their interconnection request (IR) in the year-long interim period, and to allow applications to be withdrawn for minimal or no cost at any time until study work begins in Q2, 2024, CAISO provides no indication of the extent to which changes will be allowed, nor is FERC approval of such changes certain. In any case, there is no good outcome to this plan: If extensive changes are allowed, such as changes in the point of interconnection and project size or COD, speculation and gaming will be invited. But if only minimal changes are allowed, developers

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<sup>1</sup> FERC Notice of Proposed Rulemaking on Improvements to Generator Interconnection Procedures and Agreements, published on June 16, 2022.

<sup>2</sup> Note, for example, that the CPUC is updating the decade-old assumptions that its California land-based wind resource map is based upon. CalWEA expects that the 2023 resource plan will identify significantly more commercial-grade wind energy resources than previously recognized.

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will not be able to adjust for the legitimate factors noted above. And, either way, substantial site exclusivity in-lieu and study deposits will be held for a year.

By contrast, there is no downside to delaying the application deadline to next year. CAISO staff can still focus on Cluster 14 applications, and discussions of rule changes for Cluster 15 can be held in parallel.

We also note that reforms following the CAISO's new initiative on deliverability challenges could help to address the concerns that are at the heart of this year's IPE: relieving CAISO's C14 workload and increasing the project pool for LSE procurement. In CalWEA's January 4, 2023, comments on the CAISO's Update Paper on Generator Deliverability Challenges, CalWEA explained that adopting the deliverability reforms we propose will immediately reduce the CAISO's workload by, for example, eliminating a study scenario and eliminating a highly unlikely study condition. As importantly, our proposed reforms would immediately increase the resources in the market by recognizing the existing grid's ability to reliably support far more deliverability capacity than is recognized under the current methodology.

### **2. Provide your organization's comments on the Other Issues for Consideration, as described in Section 2.**

The Issue Paper suggests that CAISO could explore whether offshore and out-of-state wind resources should be studied separately, given potential impacts from delaying the C15 schedule. CalWEA does not believe that special studies and processes are needed or appropriate for these resources; however, their needs would be served by delaying the C15 application deadline. Further, this, and especially the next, IRP-TPP cycle should advance the transmission needed to support the IRP portfolio, which will include these resources.

In the case of offshore wind, CAISO appropriately identified the numerous challenges faced by offshore wind development, including spreading offtake responsibility across a multiplicity of load-serving entities, developing major infrastructure, and fostering a new supply chain. These challenges and related uncertainties will benefit from time; thus, it once again makes sense to delay the C15 deadline. CalWEA previously explained why it would be technically difficult, if not impossible, and legally questionable to attempt to reserve transmission capacity for offshore wind resources.<sup>3</sup> Reserving transmission capacity would not guarantee offshore wind development, but it would tie it up for everyone, throughout the system.<sup>4</sup> The best (and perhaps only) way to approach transmission planning for offshore wind is for the CPUC (or the state as a whole) to coordinate the

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<sup>3</sup> See CalWEA's October 14, 2022, comments on CAISO's Transmission Planning Process Enhancements. Available at <https://stakeholdercenter.caiso.com/Comments/AllComments/fe469961-883e-4454-9adb-44eb6098b450#org-7ce3b7cc-d38a-4404-8f94-e9fa1619642a>.

<sup>4</sup> We also wish to comment on the Issue Paper's statement that while "some level" of transmission capacity exists for offshore wind off the Central Coast, it would focus on studying the transmission to support material amounts of offshore resources in the North Coast. CalWEA urges CAISO not to assume that there will be sufficient transmission for a full build-out of the Morro Bay offshore wind resource area (particularly absent deliverability methodology reform). CalWEA expects that sophisticated developers to submit applications in Clusters 14 and 15 in an attempt to secure any available transmission in this area, as well as any capacity that might become available in planning transmission for the North Coast, underscoring again the need for offtake agreements to be issued for these resource areas.

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process for offtake and to foster the issuance of power purchase agreements as quickly as possible. This will allow developers to apply for, and secure, interconnection agreements in the normal course.

Similarly, in the case of out-of-state wind, CalWEA does not support any unique process. Existing processes can accommodate out-of-state resources, including resources that are dependent on subscriber-based out-of-state lines into California. Again, to the extent that there are challenges to be addressed, delaying the C15 submission deadline and issuance of offtake agreements will help.

Both offshore and out-of-state resources that are supported by offtake agreements will benefit from deliverability methodology reforms and interconnection process reforms that advance the most commercially viable projects.

### **3. Provide your organization's comments on the proposed Interconnection Process reform to only accept or process Interconnection Requests where the transmission system has available or planned capacity identified in the ISO transmission plans, as described in Section 3.1.**

CalWEA strongly opposes this proposed reform because it is antithetical to open-access, would constrain competition and, in any case, is simply unworkable. Therefore, it is not a promising strategy for accomplishing the CAISO's goals of reducing the size of the queue and increasing the market availability of viable projects. Instead, we urge CAISO to pursue more practical strategies aimed at fostering more informed Phase 1 applications and impeding premature projects from entering Phase II studies, as we discuss in response to Question 7, below.

Limiting IRs to locations where the transmission system has available or planned capacity, as identified in ISO transmission plans, would prejudge the market and give market power to companies that happen to have tied up land around certain substations. It also presumes that the CPUC-CEC process of identifying preferred locations for development (in the resource portfolios given to the CAISO to support its planning) proves out in reality. As a recent presentation of draft CEC land-use screens made clear, "The geospatial land-use screens inform high-level estimates of technical renewable resource potential for electric system planning and should not be used, on their own, to guide siting of generation projects nor assess project-level impacts."<sup>5</sup> The ability to develop projects in particular areas at assumed costs may or may not pan out at the site-specific level or even zonal level.

Moreover, "available capacity" is interactive at the bus (not zone) level. So, while, say, 1,000 MW of capacity may appear to be available at a certain substation and 2,000 MW may appear to be available at another, development at one location can easily diminish the available capacity at the other.

Thus, it is not a simple thing to determine where the system has capacity. Currently, the CAISO allocates available transmission capacity through the Transmission Plan Deliverability (TPD) study at the end of the study process, based on indicators of project viability (e.g., site control and power

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<sup>5</sup> Energy Commission Docket 21-SIT-01, "Workshop Overview and Land Use in Electric System Planning" (March 13, 2023). (Emphasis in original.)

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purchase agreements). Developers will not have this information upfront, and it is not reasonable to expect them to.

Instead, as we discuss below, the same result of guiding developments towards desirable areas on the grid (which cannot be known in advance) can be accomplished by providing developers with accurate grid information upfront, and adding a criterion for advancing to Phase 2 studies that screens for high transmission costs per megawatt. This is the appropriate order: allow developers to identify and market what they have determined (based on site-specific assessments and other considerations) to be promising development sites and seek access to the grid, rather than limiting development opportunities at the get-go in the absence of complete information.

#### **4. Provide your organization's comments on the proposed Interconnection Process reform to limit the number of interconnection request in a study area based on the transmission capacity being planned for that area, as described in Section 3.2.**

This proposal raises the same problems as the previous one. If there are more IRs than capacity in a particular area, how is CAISO going to select which ones move forward? The notion of auctioning capacity is antithetical to open-access. Decisions about which projects succeed should be made by landowners, investors, local siting officials, and in the competitive procurement marketplace. They should not be made, as the Issue Paper suggests, by PTOs or "the resource procurement community," by allowing the highest (and most deep-pocketed) bidders to corner the market, or via "generic" studies that may not be accurate for the project at hand (although such studies could be used to inform prospective applicants in pre-application meetings, as noted in response to Question 7). Ultimately, arbitrarily limiting IRs in this and other ways could lead to inadequate reliability resources.

Instead, CAISO should adopt the type of processes and objective criteria that we discuss in response to Question 7, below.

#### **5. Provide your organization's comments on the proposed Interconnection Process reform to require projects to have a PPA or be shortlisted to proceed to phase II studies, as described in Section 3.3.**

Again, this proposal is not workable. Buyers will need cost information from the Phase 2 studies to make final procurement decisions. Most PPAs have "out" clauses pending actual transmission costs; if the cost estimate turns out to be too high, the buyer will cancel the PPA. But currently, other opportunities will arise for the buyer from projects that did not have a PPA but got lower transmission cost estimates. CAISO should resist temptations to make such advance determinations itself, or through some imagined coordinated effort among buyers as suggested.

#### **6. Provide your organization's comments on the proposed Interconnection Process reform to only open a new Interconnection Request window when warranted, as described in Section 3.4.**

Notions of abandoning the annual open access window, or worse -- halting new interconnection requests entirely until the queue diminishes to some predefined level, are extreme and would be

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particularly harmful to resources and technologies other than those that now dominate the queue (i.e., solar photovoltaics and battery storage). Resources that are less common now, such as land-based and offshore wind, may become more attractive to developers due to technology advancements, regulatory or market signals, or policy preferences. To close regular open access opportunities would undermine the ability for the market to evolve to changing circumstances, particularly since three or four years are required to go through the interconnection process. (Unfortunately, by raising this draconian prospect, CAISO has likely prompted many more submissions into the C15 window.)

Eliminating a predictable schedule for open access is particularly problematic for wind energy developers and other types of more site-constrained resources. Commercial-grade wind energy resources are much more site-specific than commercial solar opportunities, and dramatically more limited than battery storage siting opportunities. Obtaining siting approval for batteries is also comparatively much less difficult than siting wind energy projects. Therefore, solar and battery project developers are more able to submit interconnection requests based on more ubiquitous opportunities and run with those that pan out. Wind projects, on the other hand, are very limited and developers have no such opportunities to “cast a wide net.”

If CAISO moves forward with any notions of eliminating open access opportunities, it should take into account the need for resource and technology diversity. Very few wind energy projects exist in the entire queue, and it will be very unfortunate if these diverse resources were eliminated from the market as a result of the site control requirements adopted last year, which result in forfeiting a \$250,000 deposit 30 days after the initial meeting. CAISO should also reconsider this requirement for wind and other diverse resources and require deposit forfeiture only after Phase 1 study results are available.

### **7. Please provide your organization’s comments on alternative elements to those described in Section 3. Any alternatives provided must align with the principles described in the IPE 2023 Issue Paper & Straw Proposal and the discussion at the beginning of Section 3.**

Rather than seeking to limit applications in the Phase 1 study process, CAISO should focus on providing developers with useful pre-application information and thoughtfully raising the bar for Phase 2 applications.

CAISO should institute pre-application meetings to provide developers with meaningful upfront information about upgrade costs and timelines for specific locations on the grid. To inform these meetings, CAISO could average results for projects that have been studied in previous or current studies. Such information will mitigate the current shotgun approach that many developers have been taking. In addition, it would be useful for CAISO to advise prospective interconnection customers of the location and volume of existing and planned capacity identified in the CPUC’s IRP busbar mapping and transmission planning processes.

CAISO should also continue to focus on ways of raising the bar for Phase 2 applications to discourage, and even impede, projects in early stages of development and promote those that are more advanced, taking care not to discourage small projects and developers focusing on a limited number of projects. For C15, CAISO has made site exclusivity compulsory for projects to proceed into Phase 2, which will help. FERC may, in its interconnection NOPR, approve of higher deposit requirements (we continue to advocate a sliding scale based on the number of applications

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submitted by a single company, or group of affiliated companies). Commercial viability requirements could also be added to enter phase 2 (e.g., commercial interest showings such as a letter of intent or position on a short list) and/or projects could be required to pass a threshold below some expected transmission cost per megawatt. Out-of-state resources on a subscription transmission line could be required to show that the line is fully subscribed to the CAISO boundary. CAISO could establish criteria to limit the time that projects can remain in the queue if they do not demonstrate that the project is advancing.

Such ideas should be fully explored and tested before leaping to solutions that seem likely to violate FERC's open access policies.

### **8. Provide any additional comments on the IPE 2023 March 13, 2023 stakeholder call discussion.**

While CalWEA understands that the workload associated with the interconnection queue has become overwhelming and unsustainable for the CAISO, CAISO must take great care not to curtail open access and limit market competition. Labeling those infringements as a “proactive approach” to transmission planning or “a more nimble queue” cannot obscure the reality that CAISO is proposing to limit open access. As the Paper states, the proposals get ahead – far ahead – of FERC's 2022 Interconnection NOPR.