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February 29, 2012

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, D.C. 20426

**Re: California Independent System Operator Corporation  
Compliance Filing  
Docket No. ER12-502-\_\_\_\_**

Dear Secretary Bose:

The California Independent System Operator (ISO)<sup>1</sup> submits this filing in compliance with the Commission's January 30, 2012 order in this proceeding.<sup>2</sup> In the January 30 order, the Commission conditionally accepted the ISO tariff amendment to implement revisions pursuant to the ISO's Generator Interconnection Procedures (GIP) Phase 2 stakeholder efforts and directed the ISO to submit a compliance filing within 30 days.

## **I. Background**

The ISO filed the GIP Phase 2 tariff amendment on November 30, 2011. The tariff amendment encompassed 18 different items regarding modifications to the generator interconnection procedures and related *pro forma* generator interconnection agreements set forth in the ISO's tariff. A number of parties submitted comments and protests regarding the tariff revisions, which the ISO addressed in an answer filed on January 5, 2012 (January 5 answer).

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the ISO tariff. References herein to section numbers and appendices are references to sections and appendices of the ISO tariff unless otherwise indicated.

<sup>2</sup> *California Independent System Operator Corp.*, 138 FERC ¶ 61,060 (2011) (January 30 order).

In the January 30 order, the Commission conditionally accepted the tariff revisions, effective January 31, 2012, as requested by the ISO, subject to the ISO's submittal of a compliance filing in accordance with the Commission's directives, as to certain of the GIP Phase 2 items.

## **II. Proposed Tariff Revisions on Compliance<sup>3</sup>**

### **A. Item #2: Trigger for Interconnection Financial Security Posting Deadlines**

In the January 30 order, the Commission directed the ISO to modify the definition of a *substantial error or omission* in the revised Generator Interconnection Procedures, so that the definition of what constitutes a substantial error or omission is the same for both understatements and overstatements of costs.

To comply with the directive in Paragraph 24 of the January 30 order, the ISO has modified Section 6.10.1 of Appendix Y to define a substantial error or omission as an overstatement or understatement of the interconnection customer's cost responsibility for either network upgrades or participating transmission owner interconnection facilities by more than five percent or one million dollars, whichever is greater.<sup>4</sup>

### **B. Item #5: Reduction in Generator Project Size for Permitting or Other Extenuating Circumstances**

In the January 30 order, the Commission directed the ISO to modify the *pro forma* Large Generator Interconnection Agreement (LGIA) contained in Appendix CC to the ISO tariff to set out objective standards that will be applied in determining whether a reduction in the megawatt (MW) capacity of a generating facility by more than five percent is due to reasons beyond the interconnection customer's control.<sup>5</sup>

To comply with this directive, the ISO proposes to modify Article 5.19.4 of the LGIA to set forth the following objective reasons justifying a proposed reduction in MW capacity by more than five percent due to reasons beyond the

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<sup>3</sup> The section headings in Section II of this transmittal letter are the same as the section headings in the corresponding portions of the January 30 order.

<sup>4</sup> The revised Generator Interconnection Procedures are contained in Appendix Y to the ISO tariff.

<sup>5</sup> January 30 order at P 41.

interconnection customer's control. As revised, reasons beyond the control of the Interconnection Customer shall consist of any one or more of the following:

- (i) the Interconnection Customer's failure to secure required permits and other governmental approvals to construct the generating facility at its full MW generating capacity as specified in its interconnection request after the interconnection customer has made diligent effort to secure such permits or approvals;
- (ii) the interconnection customer's receipt of a written statement from the permitting or approval authority (such as a draft environmental impact report) indicating that construction of a generating facility of the total MW generating capacity size specified in the interconnection request will likely result in disapproval due to a significant environmental or other impact which cannot be mitigated;
- (iii) failure to obtain the legal right of use of the full site acreage necessary to construct and/or operate the total MW generating capacity size for the entire generating facility, after the interconnection customer has made a diligent attempt to secure such legal right of use. This subsection (iii) applies only where an interconnection customer has previously demonstrated and maintained its demonstration of site exclusivity (as defined in Appendix A of the ISO tariff) prior to invoking this subsection as a reason for downsizing.

If the interconnection customer is relying on either subsections (i) or (ii) as the basis for seeking downsizing greater than five percent, the customer must also demonstrate to the ISO that a reduction of MW generating capacity the reduced size that the customer proposes will likely overcome the permitting/approving authority objection or will otherwise cause the permitting authority to grant the permit. The customer may satisfy this demonstration requirement by submitting to the ISO either

- a writing from the permitting/approving authority to this effect; or
- other evidence of a commitment by the permitting authority that the MW capacity reduction will remove the objections of the authority to the permit/approval application.

If the interconnection customer is relying on (iii), then the customer must also reasonably demonstrate to the ISO that the proposed reduced capacity generating facility can be constructed on the small site over which the customer has been able to obtain legal rights of use.

**C. Item #7: Accommodation of Qualifying Facility Conversions, Repowering, Deliverability at Distribution Level, and Other Special Circumstances**

**1. Tariff Section 25.1**

In the ISO's January 5 answer, the ISO proposed to make the following clarifications of tariff revisions proposed in the GIP Phase 2 tariff amendment:

(1) remove the first sentence of the last paragraph of Section 25.1 of the tariff;

(2) add to Section 25.1.2 of the tariff a reference to Section 25.1(e) to make clear that the affidavit and verification procedures already set forth in Section 25.1.2 apply to generators of the type described in Section 25.1(e); and

(3) move the language proposed in Section 25.1 regarding recouping the costs of verification activities to Section 25.1.2.<sup>6</sup>

The Commission accepted the ISO's proposed clarifications in the January 30 order.<sup>7</sup> Accordingly, the ISO proposes to make the clarifications to Sections 25.1 and 25.1.2 in this compliance filing.

**2. Section 4.2.1.2 of Appendix Y**

In the January 5 answer, the ISO proposed to modify Section 4.2.1.2 of Appendix Y to include the following clarifications:

- Modify the first bullet point in Section 4.2.1.2(i) to state that the 100 MW limit set forth therein applies only to an incremental increase in capacity, not to the combination of existing capacity plus the incremental increase in capacity.<sup>8</sup>
- Modify the second bullet point in Section 4.2.1.2(i) to state that an interconnection customer may submit a request for a behind-the-meter capacity expansion prior to the commercial operation date of the original generating facility.<sup>9</sup>

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<sup>6</sup> January 5 answer at 24.

<sup>7</sup> January 30 order at PP 68, 75 (item (a)).

<sup>8</sup> January 5 answer at 25.

<sup>9</sup> *Id.* at 26.

- Modify the second bullet point in Section 4.2.1.2(i) to state that only all reliability network upgrades (not both delivery and reliability network upgrades) for the original generating facility must have been placed in service prior to commercial operation of the behind-the-meter capacity expansion.<sup>10</sup>
- Modify the third bullet point in Section 4.2.1.2(i) to state that the interconnection customer, with the consent of the ISO and the participating transmission owner, may make the generating facilities that will be tied to the expansion breaker a mixture of original and expanded generating facilities such that the total installed capacity behind the expansion breaker is equal to or greater than the planned amount of behind-the-meter capacity expansion.<sup>11</sup>
- Modify Section 4.2.1.2 to permit all prime mover technologies – not just wind and solar – to utilize the tariff section, so long as such generating facilities satisfy all of the requirements in the section.<sup>12</sup>

The Commission accepted each of these clarifications in the January 30 order.<sup>13</sup> Accordingly, the ISO proposes to include these clarifications to Section 4.2.1.2 in this compliance filing.

#### **D. Item #15: Partial Deliverability as an Interconnection Option**

In the January 5 answer, the ISO proposed to modify Section 6.9.4 of Appendix Y to state that the ISO and the participating transmission owner will evaluate whether one or more delivery network upgrades and/or reliability network upgrades can be eliminated from the cost estimate for purposes of calculating the financial security amount.<sup>14</sup>

The Commission, in the January 30 order, accepted the ISO's proposed modification.<sup>15</sup> Therefore, the ISO proposes to make that modification in this compliance filing.

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<sup>10</sup> *Id.* at 27.

<sup>11</sup> *Id.* at 27-28.

<sup>12</sup> *Id.* at 28.

<sup>13</sup> January 30 order at PP 69, 71-74, 75 (items (b)-(f)).

<sup>14</sup> January 5 answer at 34.

<sup>15</sup> January 30 order at PP 93-95.

### III. Materials Provided in this Compliance Filing

In addition to this transmittal letter, this compliance filing includes the following attachments:

Attachment A	Clean ISO tariff sheets reflecting the revisions described in Section II of this transmittal letter
Attachment B	Proposed tariff revisions in black-line format

### IV. Conclusion

The ISO requests that the Commission accept this filing as complying with the directives to revise the ISO tariff in the Commission's January 30 order. Please contact the undersigned with any questions regarding this matter.

Respectfully submitted,

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Attorneys for the California Independent System Operator Corporation

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing documents upon all of the parties listed on the official service list for the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, CA this 29<sup>th</sup> day of February, 2012.

/s/ Anna Pascuzzo  
Anna Pascuzzo

**Attachment A – Clean Tariff**  
**California Independent System Operator Corporation**  
**Fifth Replacement FERC Electric Tariff**  
**Generator Interconnection Procedures Phase II Compliance Filing**

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## **25.1 Applicability**

This Section 25 and Appendix U (the Standard Large Generator Interconnection Procedures (LGIP)), Appendix Y (the Generator Interconnection Procedures (GIP)), Appendix S (the Small Generator Interconnection Procedures (SGIP)), or Appendix W, as applicable, shall apply to:

- (a) each new Generating Unit that seeks to interconnect to the CAISO Controlled Grid;
- (b) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified with a resulting increase in the total capability of the power plant;
- (c) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified without increasing the total capability of the power plant but has changed the electrical characteristics of the power plant such that its re-energization may violate Applicable Reliability Criteria;
- (d) each existing Generating Unit connected to the CAISO Controlled Grid whose total Generation was previously sold to a Participating TO or on-site customer but whose Generation, or any portion thereof, will now be sold in the wholesale market, subject to Section 25.1.2; and
- (e) each existing Generating Unit that is a Qualifying Facility and that is converting to a Participating Generator without repowering or reconfiguring the existing Generating Unit, subject to Section 25.1.2.

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### **25.1.2 Affidavit Requirement**

If the owner of a Generating Unit described in Section 25.1(d) or (e), or its designee, represents that the total capability and electrical characteristics of the Generating Unit will be substantially unchanged, then

that entity must submit an affidavit to the CAISO and the applicable Participating TO representing that the total capability and electrical characteristics of the Generating Unit will remain substantially unchanged. If there is any change to the total capability and electrical characteristics of the Generating Unit, however, the affidavit shall include supporting information describing any such changes. The CAISO and the applicable Participating TO shall have the right to verify whether or not the total capability or electrical characteristics of the Generating Unit have changed or will change. The CAISO may engage the services of the applicable Participating TO in the CAISO's conducting such verification activities, in which case such costs shall be borne by the party making the request under Section 25.1.2, and such costs shall be included in any CAISO invoice for verification activities.

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## **Appendix Y GIP**

### **For Interconnection Requests**

#### **Generator Interconnection Procedures (GIP)**

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#### **4.2.1.2 Requirement Set Number Two: for Requests for Independent Study of Behind-the-Meter Capacity Expansion of Generating Facilities**

This GIP Section 4.2.1.2 applies to an Interconnection Request relating to a behind-the-meter capacity expansion of a Generating Facility. Such an Interconnection Request submitted under the Independent Study Process will satisfy the requirements of GIP Section 4.2.1 if it satisfies all of the following technical and business criteria:

- (i) Technical criteria.
  - The total nameplate capacity of the existing Generating Facility plus the incremental increase in capacity does not exceed in the aggregate one hundred twenty-five (125) percent of its previously studied capacity, and the incremental increase in capacity does not exceed, in the aggregate, one hundred (100) MW.
  - The behind-the-meter capacity expansion shall not take place until after the original Generating Facility has achieved Commercial Operation and all Reliability Network Upgrades for the original Generating Facility have been placed in service. An Interconnection Request for a behind-the-meter capacity expansion may be submitted prior to the Commercial Operation Date of the original Generating Facility.

- The expanded capacity for the Generating Facility has been placed under a separate breaker (the expansion breaker) such that the expansion can be metered separately at all times. With the consent of the CAISO and the applicable Participating TO(s), the Interconnection Customer may make the Generating Facilities that will be tied to the expansion breaker a mixture of original and expanded facilities such that the total installed capacity behind the expansion breaker is equal to or greater than the planned amount of behind-the-meter capacity expansion.
- Unless specifically requested by the CAISO, the total output of the Generating Facility does not exceed its originally studied capacity at any time. The CAISO will have the authority to trip the expansion breaker if the total output of the Generating Facility exceeds the originally studied capacity.
- The processing of an Interconnection Request for behind-the-meter expansion under the Independent Study Process shall not result in any increase in the rated Generating Facility electrical output (MW capacity) beyond the rating which pre-existed the Interconnection Request. Further, the processed Interconnection Request shall not operate as a basis under the CAISO Tariff to increase the Net Qualifying Capacity of the Generating Facility beyond the rating which pre-existed the Interconnection Request.

(ii) Business criteria.

- The Deliverability Status (Full Capacity, Partial Deliverability or Energy-Only) of the capacity expansion is the same as the Deliverability Status specified for the formally studied Generating Facility.
- The GIA is amended to reflect the revised operational features of the Generating Facility capacity expansion.
- The Interconnection Customer may at any time request that the CAISO convert the Interconnection Request for behind-the-meter expansion to an Independent Study Process Interconnection Request to evaluate an incremental increase in electrical output (MW generating capacity) for the existing Generating Facility. The Interconnection Customer must accompany such a conversion request with an appropriate Interconnection Study Deposit and agree to comply with other sections of GIP Section 4 applicable to an Independent Study Process Interconnection Request.

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**6.9.4 Determination of Impact of Modifications Decreasing Generating Capacity Output or Deliverability Status Reductions on Calculation of Initial Financial Security Posting**

After receiving from the Interconnection Customer any modification elections involving decreases in electrical output (MW) of the Generating Facility and/or changes (*i.e.*, reductions) in deliverability status as permitted in Section 6.9.3 above, the CAISO, in

coordination with the applicable Participating TO(s), will determine, based on best engineering judgment, whether such modifications will eliminate the need for any Delivery Network Upgrades and/or Reliability Network Upgrades identified in the Phase I Interconnection Study report. The CAISO and applicable Participating TO(s) will not conduct any re-studies in making this determination.

If the CAISO and applicable Participating TO(s) should determine that one or more Delivery Network Upgrades identified in the Phase I Interconnection Study are no longer needed, then, solely for purposes of calculating the amount of the Interconnection Customer's initial Financial Security Posting under Section 9.2, such Delivery Network Upgrade(s) will be considered to be removed from the plan of service described in the Interconnection Customer's Phase I Interconnection Study report and the cost estimates for such upgrades shall not be included in the calculation of Interconnection Financial Security in Section 9.2. The CAISO will inform in a timely manner any Interconnection Customers so affected, and provide the Interconnection Customers with written notice of the revised initial Interconnection Financial Security posting amounts. No determination under this Section 6.9.4 shall affect either (i) the timing for the initial Interconnection Financial Security posting or (ii) the maximum value for the Interconnection Customer's total cost responsibility for Network Upgrades established by the Phase I Interconnection Study report.

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## **6.10 Revisions and Addenda to Final Interconnection Study Reports**

### **6.10.1 Substantial Error or Omissions; Revised Study Report**

Should the CAISO discover, through written comments submitted by an Interconnection Customer or otherwise, that a final Phase I or Phase II Interconnection Study Report (which can mean a final Phase I or Phase II Interconnection Study Report for cluster studies or a final System Impact or Facilities report for the Independent Study Process) contains a substantial error or omission, the CAISO will cause a revised final report to be issued to the Interconnection Customer. A substantial error or omission shall mean an error or omission that results in one or more of the following:

- (i) understatement or overstatement of the Interconnection Customer's cost responsibility for either Network Upgrades or Participating TO Interconnection Facilities by more than five (5) percent or one million dollars (\$1,000,000), whichever is greater; or
- (ii) results in a delay to the schedule by which the Interconnection Customer can achieve Commercial Operation, based on the results of the final Interconnection Study, by more than one year.

A dispute over the plan of service by an Interconnection Customer shall not be considered a substantial error or omission unless the Interconnection Customer demonstrates that the plan of service was based on an invalid or erroneous study assumption that meets the criteria set forth above.

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### 9.3.1.3 Posting Amount for Participating TO's Interconnection Facilities.

Each Interconnection Customer for a Small Generating Facility assigned to a Queue Cluster and each Interconnection Customer for a Small Generating Facility in the Independent Study Process shall post an Interconnection Financial Security instrument such that the total Interconnection Financial Security posted by the Interconnection Customer for Participating TO Interconnection Facilities equals the lesser of (i) \$1 million or (ii) thirty (30) percent of the total cost responsibility assigned to the Interconnection Customer for Network Upgrades in either in the final Phase I Interconnection Study, final Phase II Interconnection Study, System Impact Study, or Facilities Study, whichever is lower. In no event shall the total amount posted be less than \$100,000.

Each Interconnection Customer for a Large Generating Facility assigned to a Queue Cluster and each Interconnection Customer for a Large Generating Facility in the Independent Study Process shall post an Interconnection Financial Security instrument such that the total Interconnection Financial Security posted by the Interconnection Customer for Participating TO Interconnection Facilities equals the lesser of (i) \$15 million or (ii) thirty (30) percent of the total cost responsibility assigned to the Interconnection Customer for Participating TO Interconnection Facilities in either the final Phase I Interconnection Study, final Phase II Interconnection Study, System Impact Study, or Facilities Study, whichever is lower. In no event shall the total amount posted be less than \$500,000.

Notwithstanding the foregoing, if the costs of the estimated Participating TO Interconnection Facilities are less than the minimum posting amounts set forth above, the posting amount required will be equal to the estimated Participating TO Interconnection Facilities amount.

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## CAISO TARIFF APPENDIX CC

### Large Generator Interconnection Agreement

#### for Interconnection Requests in a Queue Cluster Window

that are tendered a Large Generator Interconnection Agreement on or after July 3, 2010

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**5.19.4 Permitted Reductions in output capacity (MW generating capacity) of the Generating Facility.** An Interconnection Customer may reduce the MW capacity of the Generating Facility by up to five percent (5%) for any reason, during the time period between the Effective Date of this LGIA and the Commercial Operation Date. The five percent (5%) value shall be established by reference to the MW generating capacity as set forth in the "Interconnection Customer's Data Form To Be Provided by the Interconnection Customer Prior to Commencement of the Phase II Interconnection Study" (Appendix B to Appendix 3 of the GIP).

The CAISO (in consultation with the applicable Participating TO(s)) will consider an Interconnection Customer's request for a reduction in the MW generating capacity greater than five percent (5%) under limited conditions where the Interconnection Customer reasonably demonstrates to the Participating TO and CAISO that the MW generation capacity reduction is warranted due to reasons beyond the control of the Interconnection Customer. Reasons beyond the control of the Interconnection Customer shall consist of any one or more of the following:

- (i) the Interconnection Customer's failure to secure required permits and other governmental approvals to construct the Generating Facility at its total MW generating capacity as specified in its Interconnection Request after the Interconnection Customer has made diligent effort to secure such permits or approvals;
- (ii) the Interconnection Customer's receipt of a written statement from the permitting or approval authority (such as a draft environmental impact report) indicating that construction of a Generating Facility of the total MW generating capacity size specified in the Interconnection Request will likely result in disapproval due to a significant environmental or other impact that cannot be mitigated;
- (iii) failure to obtain the legal right of use of the full site acreage necessary to construct and/or operate the total MW generating capacity size for the entire Generating Facility, after the Interconnection Customer has made a diligent attempt to secure such legal right of use. This subsection (iii) applies only where an Interconnection Customer has previously demonstrated and maintained its demonstration of Site Exclusivity prior to invoking this subsection as a reason for downsizing.

If relying on subsections (i) or (ii) above, in order to be eligible for a capacity reduction greater than five percent (5%), the Interconnection Customer must also demonstrate to the CAISO that a reduction of MW generating capacity of the Generating Facility to the reduced size that the Interconnection Customer proposes will likely overcome the

objections of the permitting/approving authority or otherwise cause the permitting/approving authority to grant the permit or approval. The Interconnection Customer may satisfy this demonstration requirement by submitting to the CAISO either a writing from the permitting/approving authority to this effect or other evidence of a commitment by the permitting/approving authority that the MW capacity reduction will remove the objections of the authority to the permit/approval application.

If relying on subsection (iii) above, the Interconnection Customer must also reasonably demonstrate to the CAISO that the proposed reduced-capacity Generating Facility can be constructed on the site over which the Interconnection Customer has been able to obtain legal rights of use.

Upon such demonstration to the reasonable satisfaction of the CAISO (after consultation with the applicable Participating TO) the CAISO will permit such reduction. No permitted reduction of MW generation capacity under this Article shall operate to diminish the Interconnection Customer's cost responsibility for Network Upgrades or to diminish the Interconnection Customer's right to repayment for financing of Network Upgrades under this LGIA.

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**Attachment B – Marked Tariff**  
**California Independent System Operator Corporation**  
**Fifth Replacement FERC Electric Tariff**  
**Generator Interconnection Procedures Phase II Compliance Filing**

## 25.1 Applicability

This Section 25 and Appendix U (the Standard Large Generator Interconnection Procedures (LGIP)), Appendix Y (the Generator Interconnection Procedures (GIP)), Appendix S (the Small Generator Interconnection Procedures (SGIP)), or Appendix W, as applicable, shall apply to:

- (a) each new Generating Unit that seeks to interconnect to the CAISO Controlled Grid;
- (b) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified with a resulting increase in the total capability of the power plant;
- (c) each existing Generating Unit connected to the CAISO Controlled Grid that will be modified without increasing the total capability of the power plant but has changed the electrical characteristics of the power plant such that its re-energization may violate Applicable Reliability Criteria;
- (d) each existing Generating Unit connected to the CAISO Controlled Grid whose total Generation was previously sold to a Participating TO or on-site customer but whose Generation, or any portion thereof, will now be sold in the wholesale market, subject to Section 25.1.2; and
- (e) each existing Generating Unit that is a Qualifying Facility and that is converting to a Participating Generator without repowering or reconfiguring the existing Generating Unit, subject to Section 25.1.2.

~~The CAISO shall be authorized to verify whether the requirements of Section 25.1(b), (c), (d), and (e) apply to each existing Generating Unit, and the owner of the existing Generating Unit, or its designee, shall be responsible for any costs related to that verification process pursuant to the Business Practice Manual. The CAISO may engage the services of the applicable Participating TO in the ISO's conducting such verification activities, in which case such costs shall be borne by the such party making the request under Section 25.1, and such costs shall be included in any CAISO invoice for verification activities.~~

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### 25.1.2 Affidavit Requirement

If the owner of a Generating Unit described in Section 25.1(d) or (e), or its designee, represents that the total capability and electrical characteristics of the Generating Unit will be substantially unchanged, then that entity must submit an affidavit to the CAISO and the applicable Participating TO representing that the total capability and electrical characteristics of the Generating Unit will remain substantially unchanged. If there is any change to the total capability and electrical characteristics of the Generating Unit, however, the affidavit shall include supporting information describing any such changes. The CAISO and the applicable Participating TO shall have the right to verify whether or not the total capability or electrical characteristics of the Generating Unit have changed or will change. The CAISO may engage the services of the applicable Participating TO in the CAISO's conducting such verification activities, in which case such costs shall be borne by the party making the request under Section 25.1.2, and such costs shall be included in any CAISO invoice for verification activities.

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## Appendix Y GIP

### For Interconnection Requests

#### Generator Interconnection Procedures (GIP)

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#### 4.2.1.2 Requirement Set Number Two: for Requests for Independent Study of Behind-the-Meter Capacity Expansion of Generating Facilities~~for Solar and Wind Technologies~~

This GIP Section 4.2.1.2 applies to an Interconnection Request relating to a behind-the-meter capacity expansion of a~~where the existing~~ Generating Facility, prime mover is wind technology or solar technology. Such an Interconnection Request submitted under the Independent Study Process will satisfy the requirements of GIP Section 4.2.1 if it satisfies all of the following technical and business criteria ~~for behind-the-meter capacity expansion of a Generating Facility~~:

- (i) Technical criteria.
  - The total nameplate capacity of the existing Generating Facility plus the incremental increase in capacity does not exceed in the aggregate one hundred twenty-five (125) percent of its previously

studied capacity, ~~and the incremental increase in capacity~~ and does not exceed, in the aggregate, one hundred (100) MW.

- The behind-the-meter capacity expansion shall not take place until after the original Generating Facility has achieved Commercial Operation and all Reliability Network Upgrades for the original Generating Facility have been placed in service. An Interconnection Request for a behind-the-meter capacity expansion may be submitted prior to the Commercial Operation Date of the original Generating Facility.
- The expanded capacity for the Generating Facility has been placed under a separate breaker (the expansion breaker) such that the expansion can be metered separately at all times. With the consent of the CAISO and the applicable Participating TO(s), the Interconnection Customer may make the Generating Facilities that will be tied to the expansion breaker a mixture of original and expanded facilities such that the total installed capacity behind the expansion breaker is equal to or greater than the planned amount of behind-the-meter capacity expansion.
- Unless specifically requested by the CAISO, the total output of the Generating Facility does not exceed its originally studied capacity at any time. The CAISO will have the authority to trip the expansion breaker if the total output of the Generating Facility exceeds the originally studied capacity.
- The processing of an Interconnection Request for behind-the-meter expansion under the Independent Study Process shall not result in any increase in the rated Generating Facility electrical output (MW capacity) beyond the rating which pre-existed the Interconnection Request. Further, the processed Interconnection Request shall not operate as a basis under the CAISO Tariff to increase the Net Qualifying Capacity of the Generating Facility beyond the rating which pre-existed the Interconnection Request.

(ii) Business criteria.

- The Deliverability Status (Full Capacity, Partial Deliverability or Energy-Only) of the capacity expansion is the same as the Deliverability Status specified for the formally studied Generating Facility.
- The GIA is amended to reflect the revised operational features of the Generating Facility capacity expansion.
- The Interconnection Customer may at any time request that the CAISO convert the Interconnection Request for behind-the-meter expansion to an Independent Study Process Interconnection Request to evaluate an incremental increase in electrical output (MW generating capacity) for the existing Generating Facility. The Interconnection Customer must accompany such a conversion request with an appropriate Interconnection Study Deposit and agree to comply with other sections of GIP Section 4 applicable to an Independent Study Process Interconnection Request.

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#### **6.9.4 Determination of Impact of Modifications Decreasing Generating Capacity Output or Deliverability Status Reductions on Calculation of Initial Financial Security Posting**

After receiving from the Interconnection Customer any modification elections involving decreases in electrical output (MW) of the Generating Facility and/or changes (*i.e.*, reductions) in deliverability status as permitted in Section 6.9.3 above, the CAISO, in coordination with the applicable Participating TO(s), will determine, based on best engineering judgment, whether such modifications will eliminate the need for any Delivery Network Upgrades and/or Reliability Network Upgrades identified in the Phase I Interconnection Study report. The CAISO and applicable Participating TO(s) will not conduct any re-studies in making this determination.

If the CAISO and applicable Participating TO(s) should determine that one or more Delivery Network Upgrades identified in the Phase I Interconnection Study are no longer needed, then, solely for purposes of calculating the amount of the Interconnection Customer's initial Financial Security Posting under Section 9.2, such Delivery Network Upgrade(s) will be considered to be removed from the plan of service described in the Interconnection Customer's Phase I Interconnection Study report and the cost estimates for such upgrades shall not be included in the calculation of Interconnection Financial Security in Section 9.2. The CAISO will inform in a timely manner any Interconnection Customers so affected, and provide the Interconnection Customers with written notice of the revised initial Interconnection Financial Security posting amounts. No determination under this Section 6.9.4 shall affect either (i) the timing for the initial Interconnection Financial Security posting or (ii) the maximum value for the Interconnection Customer's total cost responsibility for Network Upgrades established by the Phase I Interconnection Study report.

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#### **6.10 Revisions and Addenda to Final Interconnection Study Reports**

##### **6.10.1 Substantial Error or Omissions; Revised Study Report**

Should the CAISO discover, through written comments submitted by an Interconnection Customer or otherwise, that a final Phase I or Phase II Interconnection Study Report (which can mean a final Phase I or Phase II Interconnection Study Report for cluster studies or a final System Impact or Facilities report for the Independent Study Process) contains a substantial error or omission, the CAISO will cause a revised final report to be issued to the Interconnection Customer. A substantial error or omission shall mean an error or omission that results in one or more of the following:

- (i) understatement or overstatement of the Interconnection Customer's cost responsibility for either Network Upgrades or Participating TO Interconnection Facilities by more than five (5) percent or one million dollars (\$1,000,000), whichever is greater; or

(ii) ~~overstatement of the Interconnection Customer's cost responsibility for either Network Upgrades or Participating TO Interconnection Facilities of more than twenty (20) percent; or~~

~~(iii)~~(ii) results in a delay to the schedule by which the Interconnection Customer can achieve Commercial Operation, based on the results of the final Interconnection Study, by more than one year.

A dispute over the plan of service by an Interconnection Customer shall not be considered a substantial error or omission unless the Interconnection Customer demonstrates that the plan of service was based on an invalid or erroneous study assumption that meets the criteria set forth above.

\* \* \*

### 9.3.1.3 Posting Amount for Participating TO's Interconnection Facilities.

Each Interconnection Customer for a Small Generating Facility assigned to a Queue Cluster and each Interconnection Customer for a Small Generating Facility in the Independent Study Process shall post an Interconnection Financial Security instrument such that the total Interconnection Financial Security posted by the Interconnection Customer for Participating TO Interconnection Facilities equals the lesser of (i) \$1 million or (ii) thirty (30) percent of the total cost responsibility assigned to the Interconnection Customer for Network Upgrades in either in the final Phase I Interconnection Study, final Phase II Interconnection Study, System Impact Study, or Facilities Study, whichever is lower. In no event shall the total amount posted be less than \$100,000.

Each Interconnection Customer for a Large Generating Facility assigned to a Queue Cluster and each Interconnection Customer for a Large Generating Facility in the Independent Study Process shall post an Interconnection Financial Security instrument such that the total Interconnection Financial Security posted by the Interconnection Customer for Participating TO Interconnection Facilities equals the lesser of (i) \$15 million or (ii) thirty (30) percent of the total cost responsibility assigned to the Interconnection Customer for Participating TO Interconnection Facilities~~Network Upgrades~~ in either the final Phase I Interconnection Study, final Phase II Interconnection Study, System Impact Study, or Facilities Study, whichever is lower. In no event shall the total amount posted be less than \$500,000.

Notwithstanding the foregoing, if the costs of the estimated Participating TO Interconnection Facilities are less than the minimum posting amounts set forth above, the posting amount required will be equal to the estimated Participating TO Interconnection Facilities amount.

\* \* \*

## CAISO TARIFF APPENDIX CC

### Large Generator Interconnection Agreement

#### for Interconnection Requests in a Queue Cluster Window

that are tendered a Large Generator Interconnection Agreement on or after July 3, 2010

\* \* \*

**5.19.4 Permitted Reductions in output capacity (MW generating capacity) of the Generating Facility.** An Interconnection Customer may reduce the MW capacity of the Generating Facility by up to five percent (5%) for any reason, during the time period between the Effective Date of this LGIA and the Commercial Operation Date. The five percent (5%) value shall be established by reference to the MW generating capacity as set forth in the "Interconnection Customer's Data Form To Be Provided by the Interconnection Customer Prior to Commencement of the Phase II Interconnection Study" (Appendix B to Appendix 3 of the GIP).

The CAISO (in consultation with the applicable Participating TO(s)) will consider an Interconnection Customer's request for a reduction in the MW generating capacity greater than five percent (5%) under limited conditions where the Interconnection Customer reasonably demonstrates to the Participating TO and CAISO that the MW generation capacity reduction is warranted due to reasons beyond the control of the Interconnection Customer. Reasons beyond the control of the Interconnection Customer shall consist of any one or more of the following:

- (i) the Interconnection Customer's ~~include events in the nature of~~ failure to secure required permits and other governmental approvals to construct the Generating Facility at its ~~total full~~ MW generating capacity as specified in its Interconnection Request after, if the Interconnection Customer has made diligent ~~effort~~ efforts to ~~do so~~ secure such permits or approvals;
- (ii) the Interconnection Customer's receipt of a written statement from the permitting or approval authority (such as a draft environmental impact report) indicating that construction of a Generating Facility of the total MW generating capacity size specified in the Interconnection Request will likely result in disapproval due to a significant environmental or other impact that cannot be mitigated;
- (iii) failure to obtain the legal right of use of the full site acreage necessary to construct and/or operate the total MW generating capacity size for the entire Generating Facility, after the Interconnection Customer has made a diligent attempt to secure such legal right of use. This subsection (iii) applies only where an Interconnection Customer has previously demonstrated and maintained its demonstration of Site Exclusivity prior to invoking this subsection as a reason for downsizing.

If relying on subsections (i) or (ii) above, in order to be eligible for a capacity reduction greater than five percent (5%), the Interconnection Customer must also demonstrate to the CAISO that a reduction of MW generating capacity of the Generating Facility to the reduced size that the Interconnection Customer proposes will likely overcome the

objections of the permitting/approving authority or otherwise cause the permitting/approving authority to grant the permit or approval. The Interconnection Customer may satisfy this demonstration requirement by submitting to the CAISO either a writing from the permitting/approving authority to this effect or other evidence of a commitment by the permitting/approving authority that the MW capacity reduction will remove the objections of the authority to the permit/approval application.

If relying on subsection (iii) above, the Interconnection Customer must also reasonably demonstrate to the CAISO that the proposed reduced-capacity Generating Facility can be constructed on the site over which the Interconnection Customer has been able to obtain legal rights of use.

Upon such demonstration to the reasonable satisfaction of the CAISO (after consultation with the applicable Participating TO) the CAISO will permit such reduction. No permitted reduction of MW generation capacity under this Article shall operate to diminish the Interconnection Customer's cost responsibility for Network Upgrades or to diminish the Interconnection Customer's right to repayment for financing of Network Upgrades under this LGIA.

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