

## **Stakeholder Comments Template**

### **Generator Interconnection Procedures Phase 3 (“GIP 3”)**

#### **Issue Paper, posted March 1, 2012**

**Please submit comments (in MS Word) to [GIP3@caiso.com](mailto:GIP3@caiso.com) no later than the close of business on March 23, 2012.**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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For the seven topics listed below, we ask that you rank each with a score of 0, 1, 2, or 3 in the space indicated (a more detailed description of each topic is contained in the issue paper posted at <http://www.caiso.com/informed/Pages/StakeholderProcesses/GeneratorInterconnectionProceduresPhase3.aspx>).

Please ascribe the following definitions to your scores:

- 3: For topics that are high priority and urgent (i.e., the topic is a candidate for the first phase of GIP 3).
- 2: For topics that are high priority but of less urgency than a score of 3 (i.e., the topic is a candidate for the second phase of GIP 3).
- 1: For topics that have low priority (i.e., the topic could wait until the next GIP stakeholder initiative subsequent to GIP 3).
- 0: For topics that are not appropriate to address in a GIP enhancement initiative.

Stakeholders need not score, or comment on, every topic but are encouraged to do so where they have an opinion. The ISO will assume that a stakeholder has “no opinion” on issues for which no score is provided.

In addition to scoring each topic on which you have an opinion, please also provide your comments on each. Also, if you disagree with the characterization of any particular topic in the issue paper, please explain how you describe the issue, how this compares to the existing rules, and what the objective on that topic should be in this initiative. Also, provide specific proposals to address each of the topics you have given a score of 3 (i.e., high priority and urgent topics). For those topics you have given a score of 3, please provide the reasons and the business case for your perspective on the relative priority of the topic (e.g., explain the commercial impacts of not treating the topic as a Phase 1 high priority item in GIP 3).

Please also identify those topics which you believe may require a long time to address and therefore be candidates for work groups.

Please also provide any additional topics that you believe should be considered within the scope of the GIP 3 initiative; but, do not provide a score for these (the ISO will compile these into one composite list and use a survey process to request stakeholders to score them). For any additional topics that you provide in your comments, please provide specific proposals to address them.

Your comments in this regard will assist the ISO in the development of the Straw Proposal (on the Phase 1 high priority items) to be posted on April 10, 2012.

**Comments on Items listed in GIP 3 Issue Paper:**

AES is providing only limited comments on the CAISO's suggested potential GIP-3 issues – related to Issue #1 (“Downsizing”) and recommends several other items for inclusion in this effort.

1. **Downsizing** The potential need for an Interconnection Customer (“IC”) to downsize or and/or delay in the late stages of the interconnection process may arise for various reasons (both for commercial reasons and those beyond an IC’s control). An IC’s primary recourse may be to withdraw from the queue and re-enter a later cluster. The current tariff prohibits the ability to downsize or delay the commercial operation date if a later queued project is adversely affected. There is no allowance for an IC to build in the option to downsize or, compensate/indemnify materially affected later-queued projects, or to remedy material impact in any way. The objective of this topic would be to identify and explore potential remedies. (CAISO description)

**Score 0-3: 3.**

This is a very high-priority issue for developers. As explained in more detail below, the potential to lose an Interconnection Request (IR) or a GIA because of a need to downsize or cancel a portion of the project later, or to defer the COD, has caused developers severe financing problems.

**Comments:**

**Project downsizing:** Because of the long CAISO interconnection-study timelines and the long lead times for transmission development generally, generation-project development is typically in very early stages when an Interconnection Request (IR) must be submitted. For example, key environmental and engineering studies may not be complete, PPAs will not yet have been secured or sized, and transmission costs – a critical component – will not yet be known.

Thus, it is critically important that developers have flexibility in sizing the project throughout the development process, including after GIA execution. (The “partial termination” work in GIP-2 focused on phased projects, but developers of non-phased projects also need this flexibility, and there is no reason to limit downsizing capability based on whether or not the project is “phased” in the GIA.)

Currently, there are only limited opportunities to downsize a project:

- Right after the Phase I Study, when developers can downsize projects within 5 Business Days of the Results Meeting (see comments below on this point).
- The recent GIP-2 tariff changes provide for a 5% “safe harbor” capacity reduction for any reason, and a greater reduction (on a case-by-case basis) for permitting or site-control issues beyond the developer’s control.
- The CAISO has agreed to “Partial Termination” for some projects, on a case-by-case basis, where the failure of a later phase of a project to achieve COD does not affect the validity of a GIA with respect to an earlier phase. However, the CAISO has only agreed to these arrangements where construction of the associated NUs will take several years.

Other capacity reductions besides those described above are subject to the “Material Modification” test, which results in loss of queue position if the modification is found to be material. However, there are other reasons (e.g., failure to obtain a PPA for the entire project capacity, loss of a PPA, or inability to finance the whole project) why developers need sizing project-sizing flexibility.

AES understands the CAISO’s concerns about developers “right-sizing” their Interconnection Requests (IRs). However, the most effective way to address this concern is through financial penalties for downsizing where harm to other projects is demonstrated, not through termination of the IR or GIA, since the potential for such action could make generation projects non-financeable.

At a minimum, the CAISO should allow project downsizing of any amount, at any time after studies are complete, under the following conditions:

- **Developers continue to meet any obligations to pay for Network Upgrades (NUs) on the schedules specified in their GIAs.** This will avoid impacting later-queued projects, because no costs will be transferred to them and any Network Upgrades (NUs) that they might be depending will still be built, and on the expected schedule.
- **Developers forego cost reimbursements for the transmission associated with the capacity not built.** The CAISO may be concerned that, as a result of project downsizing and transmission-cost reimbursement provisions, ratepayers might ultimately bear the cost of transmission facilities that are not “used in useful,” and this condition would ensure that ratepayers would not bear such risk.

Additional nuances could also be explored in this effort. For example:

- The proposed “first comer, late mover” TPP-GIP Integration Initiative mechanism could be used to compensate the downsizing developer if other projects make use of the upgrades.
- The developer’s cost obligation could be reduced if the NU(s) can be downsized or cancelled without adversely impacting later-queued projects, with the developer paying for the study to make this determination. For example, if the downsizing allows a \$7.5 million transformer to be used instead of a \$10 million transformer identified in the earlier interconnection studies, the project GIA would be modified to substitute the less-costly transformer.
- Additional penalties beyond payment of transmission costs could be considered, but only where there is demonstrated harm.

**COD delays:** It is critically important that developers have flexibility in moving the COD where necessary, throughout the development process, including after GIA execution

COD delays for projects that are otherwise viable do not materially harm later-queued projects as long as developers continue to meet the transmission-payment obligations on the schedules specified in their GIAs. The CAISO tariff definition of a “Material Modification” is one that “has a material impact on the cost or timing of any Interconnection Request or any other valid interconnection request with a later queue priority date.” COD delays where the developer continues to fund the NUs for the project on schedule do not meet this definition, because the later-queued projects continue to receive the queue position (and associated benefits) that they applied for and their CODs will not be impacted.

The CAISO’s October 18, 2011 Technical Bulletin – Generator Interconnection Procedures: Material Modification and Suspension states that the CAISO will permit COD delays that are not a Material Modification. However, the Technical Bulletin does not establish a “safe harbor” COD delay for projects which continue to meet NU payment obligations on the schedules in their GIAs.

The CAISO should consider in GIP-3 explicitly providing such a provision. The CAISO should also clarify any damage potential to later-queued projects that it believes will come from other COD delays and provide for compensation in situations where any damage is demonstrated.

**Other Comments:**

1. Please list any additional topics that you believe should be considered for the scope of GIP 3; but, do not assign a score (the ISO will use a subsequent survey process to invite stakeholders to score additional topics). For any additional topics that you suggest, please provide the reasons and the business case for your perspective on the relative priority of the topic (e.g., explain the commercial impacts of not treating the topic as a Phase 1 high priority item in GIP 3). Also, identify those topics which you believe may require a long lead time to address and therefore be candidates for work groups. And lastly, please provide specific proposals to address each additional topic you have suggested.

**AES response:** LSA recommends that the CAISO consider the following additional item for inclusion in GIP-3:

- **Clarification of tariff and GIA provisions related to “dividing up” LGIAs into multiple phases or generating projects:** Developers have found it necessary to split projects into smaller pieces – e.g., phases or LLCs/generating projects – in order to better meet LSE PPA procurement opportunities and/or make financing more manageable. The CAISO has allowed these changes in GIAs on a case-by-case basis, but there is no transparency to developers generally about what is allowed and what is not.

AES believes that these kinds of changes to a GIA should be allowed, as long as the parties involved (e.g., different LLCs) are “related” to the entity that submitted the IR. This item would address the substance and timing of such changes, to ensure that the rules that apply to them are clear.