



California ISO
Shaping a Renewed Future

Interconnection Process Enhancements

Addendum to the Draft Final Proposal for Topics 1 and 2

September 24, 2013

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Interconnection Process Enhancements

Addendum to the September 12, 2013

Draft Final Proposal for Topics 1 and 2

1 Introduction

The ISO posted its draft final proposal for Topic 1 (future downsizing policy) and Topic 2 (disconnection of a completed phase or phases of a project due to failure to complete a subsequent phase) on September 12. The ISO subsequently issued a modification to how it proposes to calculate a downsizing generator's share of downsizing study costs in a supplemental presentation posted on September 18. On September 19 the ISO held a stakeholder web conference to discuss both the draft final proposal and the supplemental presentation. During the September 19 stakeholder web conference the ISO discussed its intention to issue an addendum to the draft final proposal to explain its proposed modification regarding downsizing study costs. Following the stakeholder web conference the ISO has identified another modification it is proposing to make to its draft final proposal regarding reductions in interconnection financial security postings.

This addendum is intended to present both of these modifications to stakeholders. This addendum will be discussed during a stakeholder web conference on October 3. The due date for written stakeholder comments on both the September 12 draft final proposal and this addendum is extended to October 7 (rather than the previous deadline of October 3).

2 Downsizing study costs

Consistent with the one-time downsizing opportunity approved by FERC in 2012, under the draft final proposal downsizing generators will be obligated to finance the costs of evaluating the impacts of their downsizing. Throughout this initiative stakeholders have broadly supported this requirement. In this section the ISO refines its draft final proposal for how to calculate a downsizing generator's share of the costs of the GIDAP reassessment study, which under the ISO's proposal will be the vehicle used to evaluate generator downsizing impacts.

2.1 September 12 draft final proposal and September 18 presentation

In the September 12 draft final proposal, the ISO proposed that the downsizing generator's share of actual study costs will be equal to the actual costs of that particular annual GIDAP reassessment multiplied by a ratio with the quantity of one in the numerator and the sum of three quantities in

the denominator. The three quantities in the denominator would be: (i) the number of new downsizing requests; (ii) the number of interconnection request withdrawals since the last GIDAP reassessment; and (iii) the number of projects that have reduced the MW generating capacity or changed deliverability status of their proposed facilities under the GIDAP requirements. The ISO subsequently realized that the proposed denominator was too limited, however, because the GIDAP reassessment study is a central component of the interconnection study process for all interconnection customers proceeding through the GIDAP. Thus, given the essential role of the reassessment study in the overall GIDAP design, the cost of the reassessment study should be distributed over all projects for which the study is performed, including projects moving through the GIDAP as well as projects participating in the annual downsizing window.

On September 19 the ISO held a stakeholder web conference to discuss the draft final proposal. In advance of the web conference, the ISO posted an agenda and presentation on September 17, and then posted a supplemental presentation on September 18 to revise the calculation of the study cost shares for downsizing generators. In the supplemental presentation, the ISO identified that the cost share calculation in the September 12 draft final proposal did not reflect the full scope of drivers and beneficiaries of the GIDAP reassessment study and therefore needed to be amended. The supplemental presentation used as an example the GIDAP reassessment study that will be performed in 2015 and identified the multiple purposes of that study (pursuant to Appendix DD Section 2.4.3)¹. The purposes of the 2015 study were listed as follows:

1. Setting up the transmission plan deliverability allocation for Cluster 6 and parked Cluster 5 projects;
2. Accounting for the transmission plan deliverability awards and subsequent decisions by Cluster 6 and parked Cluster 5 projects;
3. Setting up the Phase II study for Cluster 7 projects;
4. Setting up the Phase I study for Cluster 8 projects; and,
5. Assessing the impacts identified in the September 12 draft final proposal:
 - a. New downsizing requests from the proposed Oct-Nov 2014 downsizing request window;
 - b. Interconnection request withdrawals since the last reassessment; and,
 - c. Projects that reduced their size since the last reassessment.

¹ This section specifies that for interconnection requests in Cluster 5 and subsequent Clusters, the interconnection studies consist of a Phase I interconnection study, a reassessment conducted prior to the commencement of a Phase II interconnection study, a Phase II interconnection study, and an update to the Phase II interconnection study report to reflect the results of a reassessment conducted after the transmission plan deliverability (“TP Deliverability”) allocation process for the Cluster.

Based on these multiple purposes and the potential beneficiaries (pursuant to Appendix DD Section 3.5.1.2)², and continuing with the 2015 reassessment example, the supplemental presentation went on to clarify that a downsizing generator's share of actual study costs would be equal to:

$$\text{Total GIDAP reassessment cost} \div (n_1 + n_2 + n_3 + n_4 + n_5)$$

where

n_1 = number of valid downsizing requests, queue withdrawals and projects that reduced size since last reassessment

n_2 = number of parked Cluster 5 projects

n_3 = number of Cluster 6 projects

n_4 = number of Cluster 7 projects

n_5 = number of Cluster 8 projects.

2.2 Modification to the September 12 draft final proposal

Upon further consideration following the September 19 web conference, the ISO has concluded that it is not appropriate to include sub items 5b and 5c in the denominator of the formula and is now proposing that these two items be removed from the calculation of downsizing study cost shares. The reasons for this are as follows. First, although interconnection request withdrawals (i.e., item 5b) are studied in the reassessment, they are not allocated a cost share of the reassessment study and to include them in this list would result in the reassessment costs not being fully allocated to the beneficiaries of the GIDAP reassessment. Second, projects that reduced their size since the last reassessment (i.e., item 5c) are already accounted for by item 2 listed above.

Thus, continuing with the 2015 reassessment example, the ISO is now proposing that a downsizing generator's share of the actual study costs would be equal to:

$$\text{Total GIDAP reassessment cost} \div (n_1 + n_2 + n_3 + n_4 + n_5)$$

where

n_1 = number of valid downsizing requests from Oct-Nov 2014 request window

n_2 = number of parked Cluster 5 projects

n_3 = number of Cluster 6 projects

n_4 = number of Cluster 7 projects

² This section requires that the ISO shall charge and the interconnection customer shall pay the actual costs of the interconnection studies.

n_5 = number of Cluster 8 projects

This calculation ensures that a downsizing project, as one of several beneficiaries of the GIDAP reassessment study, only pays its appropriate share of the study costs. The terms in the denominator as proposed in this addendum would have the effect of reducing a downsizing generator's share of the actual study costs relative to calculation presented in the September 12 draft final proposal.

3 Reduction in posting requirements

The ISO believes that each downsizing interconnection customer should be obligated to continue to finance the costs of certain network upgrades that have been identified for the project during the interconnection study process if projects in the same or later queue are shown to need such upgrades. The ISO has consistently taken this position throughout this initiative and stakeholders have broadly supported this approach. The relevant upgrades include the upgrades previously triggered by the downsizing generator at its full size as well as alternatives to these previously triggered upgrades. The cost cap on the downsizing generator's cost responsibility remains the lower of the Phase I or Phase II cost allocation – the ISO has not proposed any change to this principle under its annual downsizing proposal.

If a downsizing generator's network upgrades are eliminated or reduced in scope, however, then a reduction in the interconnection customer's interconnection financial security posting requirements may result. In this section the ISO modifies the draft final proposal to address the timing of any applicable reduction in the customer's required financial security posting that may result from downsizing of the project.

3.1 September 12 draft final proposal

In response to the July 18 straw proposal, PG&E proposed in its written comments that downsizing requests should not result in a reduction in postings already made; but rather, any reduction in posting requirements should be trued up at the next posting. For example, if a downsizing project has completed its second posting and the downsizing resulted in a reduction of its posting obligation, then the reduction would occur as a true-up at the time of the third posting.

The ISO considered PG&E's proposal and in the September 12 draft final proposal stated that it did not support PG&E's proposal because of the possibility that such a true-up may not occur until several years in the future, especially if network upgrade construction is delayed.

3.2 Modification to the September 12 draft final proposal

Upon further consideration, the ISO has concluded that PG&E's proposal is the more reasonable approach and is proposing in this addendum that any reduction in posting requirements be trued-

up at the next posting and not result in a reduction in postings already made. This revised approach would bring this element of the ISO's annual downsizing proposal into alignment with the ISO's general existing practice of making such true-ups at the next posting rather than making an immediate reduction in postings already made. To be more specific, if through the GIDAP reassessment study the network upgrades triggered by a non-downsizing generator are eliminated or reduced in scope and this results in a reduction in the posting requirements for a non-downsizing generator because of a reduction in the costs of network upgrades assigned to that customer, then such reductions will be true-up at the next posting.³ Since the ISO is proposing to study the combined impacts of downsizing requests through this same GIDAP reassessment study, it would be inappropriate not to treat their reductions in posting requirements similarly.

Under the prior one-time downsizing process, the combined impacts of downsizing requests were not studied in the GIDAP reassessment, as it was not yet in place and the one-time downsizing opportunity was limited to pre-GIDAP projects. Instead, the combined impacts of the one-time downsizing requests were assessed in a special downsizing study conducted solely for the purpose of the one-time downsizing opportunity. Any reduction in posting requirements that resulted from this special study were made, consistent with explicit tariff requirements, shortly after the completion of the downsizing study rather than being true-up at the next posting. Based on its experience in implementing the one-time downsizing process, the ISO has found that this one-time exception in reducing postings already made prior to the next required posting, was an extremely complicated, highly labor intensive and very cumbersome process.

Thus, for all of the reasons discussed above, the ISO is now proposing, in this addendum to its September 12 draft final proposal, to true-up any reductions in posting requirements at the next posting.

4 Stakeholder process next steps

Table 1 summarizes the anticipated stakeholder process schedule for the remainder of the IPE initiative for Topics 1 and 2. Although written stakeholder comments on the September 12 draft final proposal were originally due by October 3, the ISO will now hold a stakeholder call on October 3 to discuss this addendum and so has delayed the comment due date to October 7.

³ Under Appendix DD Section 11.5, for interconnection customers having selected Option (B), the most recent reassessment conducted under Section 7.4 in any interconnection study cycle following the interconnection customer's receipt of its Phase II interconnection study report shall provide the most recent cost estimates for the interconnection customer's area delivery network upgrades ("ADNUs") and the interconnection customer shall adjust its interconnection financial security for network upgrades to correspond to the most recent estimate for ADNUs. This exception to the ISO's general existing practice of making such true-ups at the next posting is appropriate because Option (B) projects are posting for the non-reimbursable ADNUs they are required to fund and therefore represent a special case. Under GIDAP there are no posting requirements for ADNU for Option (A) projects due to transmission plan deliverability allocations.

Table 1 – Stakeholder process schedule

Date	Milestone
September 12	Post draft final proposal for topics 1 and 2
September 17	Post agenda and presentation for September 19 stakeholder web conference
September 18	Post supplemental presentation regarding downsizing study costs
September 19	Stakeholder web conference
September 24	Post addendum to the September 12 draft final proposal for topics 1 and 2
October 3	Stakeholder web conference
October 7	Stakeholder comments due on both the September 12 draft final proposal and the September 24 addendum
November 7-8	ISO Board meeting
Early 2014	FERC filing