

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Straw Proposal, July 21, 2011**

| Submitted by | Company | Date Submitted |
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This template is for submission of stakeholder comments on the topics listed below, covered in the TPP-GIP Integration Straw Proposal posted on July 21, 2011 and discussed during the stakeholder meeting on July 28, 2011.

Please submit your comments below where indicated. At the end of this template you may add your comments on any other aspect of this initiative not covered in the topics listed. If you express support for a preferred approach for a particular topic, your comments will be most useful if you explain the reasons and business case behind your support.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on Tuesday, August 9, 2011.

1. The ISO has laid out several objectives for this initiative. Please indicate whether you organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.

While Agile Energy Inc. (“Agile”) agrees in principle with some of CAISO’s stated TPP objectives, such as greater transparency and certainty regarding transmission and incentivizing and expediting well-located, viable renewable energy projects, without more information and the specific details of the TPP Straw Proposal (“Proposal”), it is difficult to fully weigh in on the completeness and appropriateness of the listed objectives.

That said, while the CAISO Proposal is trying to address transmission constraints from a policy perspective, it appears to do so without fully taking into account the potential commercial consequences of such a change, such as: (1) limiting commercial competition by capping

transmission access; (2) promoting certain projects and geographic areas at the expense of others; and (3) in effect, turning power generation developers into transmission owners, but without the privileges and benefits that ownership would otherwise convey.

Lastly, the Proposal seems inconsistent with the stated clean-energy policy goals of the Brown Administration by capping available transmission for renewables at the 33% RPS target.

2. At the end of the Objectives section (section 4) of the straw proposal, the ISO lists seven previously identified GIP issues that may be addressed within the scope of this initiative.
 - a. Please indicate whether your organization agrees with any or all of the identified topics as in scope. If not, please indicate why not.

The scope of this initiative should include amending the CAISO GIP to give the interconnection customer (“IC”) greater flexibility to right-size projects and the opportunity to do that more than one time as projects drop out of the queue. The scope should also include the addition of realistic development milestones in the interconnection process to distinguish and prioritize viable projects from non-viable projects that have occupied the queue for years without achieving any meaningful development progress.

- b. Please identify any other unresolved GIP issues not on this list that should be in scope, and explain why.

In regard to the relationship between Cluster 3 and Cluster 4 applications:

- **Cluster 3 projects occupy a higher interconnection queue position than Cluster 4 projects and should be treated as such in the Phase II Study process. As higher-queued projects, they are required to post security well ahead of Cluster 4 to demonstrate their firm commitments to viable projects. The combined Phase II Study should identify transmission upgrades and allocate and cap costs in a manner that would sequence Cluster 3 projects ahead of Cluster 4 projects without having Cluster 4 projects trigger additional upgrades and re-impose costs on Cluster 3 after they have posted security. Agile believes such an outcome would be counter to the intent of the interconnection-queue process.**
- **By sequencing Cluster 3 ahead of Cluster 4 in allocating transmission upgrade costs, the CAISO can still meet its goals of**

streamlining the process while adhering to the original intent of its tariff without inflicting undue harm on Cluster 3 participants.

- **If the Revised Cluster 4 Phase I Study methodology, the Transmission Planning Process (TPP), or any other initiative delays the start of the Phase II Study for Cluster 3 and 4, CAISO should conduct a separate, accelerated Phase II Study for Cluster 3.**
 - **The CAISO should revise the Phase II methodology to assign “priority” to Cluster 3 projects over Cluster 4 projects. This is fair, not only because Cluster 3 projects have a higher queue position (which demonstrates an earlier firm commitment of capital, time and resources to developing a viable project), but also because the revised Cluster 4 Phase I methodology will underestimate costs assigned to Cluster 4 and likely result in fewer post-Phase I dropouts from that cluster. This will keep Cluster 4 larger than otherwise, raising the upgrades needed for the two clusters together in Phase II. Thus, the CAISO should assign upgrades and costs to Cluster 3 before determining upgrades and costs for Cluster 4 in the Phase II Studies to prevent harm to Cluster 3 projects caused by the new Cluster 4 study methodology.**
 - **Cluster 3 applicants should receive full refund of their financial security postings and the option to decide whether they want to continue in the new process or withdraw their applications and receive due compensation for time, expense and lost returns. This right to withdraw should apply up to the due date for the Second IFS Posting.**
3. Stage 1 of the ISO’s proposal offers two options for conducting the GIP cluster studies and transitioning the results into TPP.
- a. Which option, Option 1A or Option 1B, best achieves the objectives of this initiative, and why? Are there other options the ISO should consider for structuring the GIP study process?
 - **The benefit of Option 1A, retaining the two-phase study process, would be allowing ICs the opportunity to right-size their projects after the Phase I Results. This is beneficial because it permits ICs to adjust their capacity to avoid unreasonably expensive network upgrades. Agile believes that, when developers of Cluster 3 projects downsize their projects after Phase I to avoid expensive transmission upgrades, in addition to the financial security amount being reduced, the overall cost cap should be reduced as**

well. In right-sizing, the IC foregoes the upside of developing a larger project and as such, the corresponding network upgrades associated with the larger project should be revised to reflect the new right-sized capacity - otherwise there is little point to right-sizing. At a minimum, as discussed above, the CAISO should not assign the cost of any of those upgrades to those Cluster 3 projects in Phase II.

- While the expedited timing of Option 1B is appealing, it is not clear from the Proposal how a one-phase study process would allow ICs to right-size their projects.

b. What, if any, modifications to the GIP study process might be needed?

In regard to the relationship between Cluster 3 and Cluster 4 applications:

- Cluster 3 projects should be given priority in the Cluster 3-4 Phase II Study ahead of those projects in Cluster 4, as discussed above.
- If the revised Cluster 4 Phase I Study methodology, the Transmission Planning Process (TPP), or any other initiative delays the start of the Phase II Study for Cluster 3 and 4, CAISO should conduct a separate, accelerated Phase II Study for Cluster 3, as noted above.
- The CAISO should revise the Phase II methodology to assign “priority” to Cluster 3 projects over Cluster 4 projects. This is fair, not only because Cluster 3 projects have a higher queue position (which demonstrates an earlier firm commitment of capital, time and resources to developing a viable project), but also because the revised Cluster 4 Phase I/TPP methodology will underestimate costs assigned to Cluster 4 and likely result in fewer post-Phase I dropouts from that cluster. This will keep Cluster 4 larger than otherwise, raising the upgrades needed for the two clusters together in Phase II. Thus, the CAISO should assign upgrades and costs to Cluster 3 before determining upgrades and costs for Cluster 4 in the Phase II Studies to prevent harm to Cluster 3 projects from the new Cluster 4 study methodology.
- Cluster 3 applicants should receive a full refund of their financial security postings and the option to decide whether they want to

continue in the new process or withdraw their applications and receive due compensation for time, expense and lost returns.

4. Stage 2 of the straw proposal adds a step to the end of the TPP cycle, in which the ISO identifies and estimates the costs of additional network upgrades to meet the interconnection needs of the cluster. Please offer comments and suggestions for how to make this step produce the most accurate and useful results.

Without knowing the location of the TPP Study Areas and their associated transmission capacity allocation, it is difficult to comment at this time on the mechanics of this proposed Stage 2 step.

5. Stage 3 of the straw proposal identifies three options for allocating ratepayer funded upgrades to interconnection customers in over-subscribed areas.
 - a. Please identify which option, Option 3A, 3B, or 3C, your organization prefers and why. Are there other options the ISO should consider?

Agile is in favor of prioritizing the development of viable projects that have posted development security and completed specific development milestones. Therefore, without seeing the details behind any of the proposals, Option 3A seems most preferable at this time.

- b. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?”

Milestones such as posting required financial security, demonstrating site control, achieving a CPUC-approved PPA, obtaining required discretionary permits, executing a Generator Interconnection Agreement.

- c. If Option 3B is selected, what is the appropriate methodology for determining pro rata cost shares?

Agile is concerned that a pro rata approach would not distinguish between viable, actively developed projects and less viable, dormant projects when determining network upgrade cost allocations.

- d. If Option 3C is selected, how should such an auction be conducted and what should be done with the auction proceeds from the winning bidders?

Agile is concerned that an auction approach could risk increased transmission costs to ratepayers resulting from unnecessarily high auction bids.

6. The straw proposal describes how the merchant transmission model in the current ISO tariff could apply to network upgrades that are paid for by an interconnection customer and not reimbursed by transmission ratepayers. Do you agree that the merchant transmission model is the appropriate tariff treatment of such upgrades, or should other approaches be considered? If you propose another approach, please describe the business case for why such approach is preferable.

The vast majority of IC's are first and foremost in the power generation business, and their business models do not reflect privately owning and operating transmission assets. Introducing a new GIP process by which network upgrades are not reimbursed fundamentally changes the nature of the renewable generation development business. As such, Agile needs more time than CAISO has allowed to fully comment on the implications of such a dramatic transition to merchant transmission development and ownership.

7. Stage 3 of the proposal also addresses the situation where an IC pays for a network upgrade and later ICs benefit from these network upgrades.
 - a. Should the ISO's role in this case be limited to allocating option CRRs to the IC that paid for the upgrades?

See answer 6

- b. Should the ISO include provisions for later ICs that benefit from network upgrades to compensate the earlier ICs that paid for the upgrades?

See answer 6

8. In order to transition from the current framework to the new framework, the ISO proposes Clusters 1 and 2 proceed under the original structure, Cluster 5 would proceed using the new rules, and Clusters 3 and 4 would be given an option to continue under the new rules after they receive the results their GIP Phase 1 studies.
 - a. Please indicate whether you agree with this transition plan or would prefer a different approach. If you propose an alternative, please describe fully the reasons why your approach is preferable.

Under the current GIP, Agile plans to post its Cluster 3 Phase I deposits the end of August, as it has already received its Phase I Results. With the newly proposed CAISO revisions, Agile feels it is necessary to comment on the potential impacts and implications of changing methodologies “mid-stream.” Agile’s comments focus on the relative treatment of Cluster 3 vs. Cluster 4 projects concerning posting of financial security and relative cluster “priority” in their joint Phase II Study. Generally speaking, if the Proposal is adopted:

- If the current financial-security posting schedule is maintained, any Cluster 3 postings should be fully refundable if the CAISO changes the rules (per the current TPP-GIP integration initiative) or fails to give Cluster 3 study priority (see below).
 - The CAISO should revise the Phase II methodology to assign “priority” to Cluster 3 projects over Cluster 4 projects. This is fair, not only because Cluster 3 projects have a higher queue position (which demonstrates an earlier firm commitment of capital, time and resources to developing a viable project), but also because the revised Cluster 4 Phase I methodology will underestimate costs assigned to Cluster 4 and likely result in fewer post-Phase I dropouts from that cluster. This will keep Cluster 4 larger than otherwise, raising the upgrades needed for the two clusters together in Phase II. Thus, the CAISO should assign upgrades and costs to Cluster 3 before determining upgrades and costs for Cluster 4 in the Phase II Studies to prevent harm to Cluster 3 projects from the new Cluster 4 study methodology.
- b. If the straw proposal for the transition treatment of clusters 3 and 4 is adopted and a project in cluster 3 or 4 drops out instead of proceeding under the new rules, should the ISO provide any refunds or other compensation to such projects? If so, please indicate what compensation should be provided and why.

Cluster 3 Applicants should receive a full refund of their financial security postings and the option to decide whether they want to continue in the new process or withdraw their applications and receive due compensation for time, expense and lost returns.

9. Some stakeholders have expressed a need for the ISO to restudy the need for and costs of network upgrades when projects drop out of the queue. The ISO seeks comment on when and restudies should be conducted, in the context of the proposed new TPP-GIP framework.

At a minimum, studies should reflect the impacts of the original queue (Phase I) and then the revised queue upon dropouts and right-sizing (Phase II). Any new study process should provide the IC with the time to both receive and review study results and the opportunity to flexibly right-size their project to mitigate network upgrade exposure. In addition, the large contingencies inserted into the study results conflict with the goal of providing accurate study results during the process.

10. Some stakeholders have suggested that there may be benefits of conducting TPP first and then have developers submit their projects to the GIP based on the TPP results. Does your organization believe that conducting the process in such a manner is useful and reasonable?

Without knowing how the TPP will work, it is difficult to comment on the usefulness and reasonableness of this suggestion. However, it should be noted that while this might be an ideal situation in theory, CAISO must deal with currently active projects in the interconnection queue following the current GIP rules. Changing the rules ‘midstream’ will have serious consequences and must be addressed. Please see below Agile’s view on how to best handle that potential transition.

11. Please comment below on any other aspects of this initiative that were not covered in the questions above.

Under the current GIP, Agile plans to make its Initial IFS Posting for its Cluster 3 projects at the end of August. That said, with the newly proposed CAISO revisions, Agile feels it is necessary to comment on the potential impacts and implications of changing methodologies. Agile’s comments focus on the relative treatment of Cluster 3 vs. Cluster 4 projects concerning posting of financial security, the implications of changing the rules “mid-stream,” and the relative Cluster 3 and Cluster 4 project “priority” in their joint Phase II Study. Generally speaking, if the new Cluster 4 study methodology or the TPP Proposal is adopted:

- **It would be unduly discriminatory to require Cluster 3 projects to post financial security before Cluster 4 projects without any other changes, since under the proposed methodology, Cluster 3 dropouts would not be taken into consideration in the Cluster 4 base case. The specific intent of posting financial securities and right-sizing project capacities is to filter the queue and provide CAISO with greater accuracy for future studies.**
- **If the current posting schedule is maintained, any Cluster 3 postings should be fully refundable if the CAISO changes the rules (per the**

current TPP-GIP integration initiative) or fails to give Cluster 3 study priority (see below).

- The CAISO should revise the Phase II methodology to assign “priority” to Cluster 3 projects over Cluster 4 projects. This is fair, not only because Cluster 3 projects have a higher queue position which demonstrates an earlier firm commitment of capital, time and resources to developing a viable project, but also because the revised Cluster 4 Phase I methodology will underestimate costs assigned to Cluster 4 and likely result in fewer post-Phase I dropouts from that cluster. This will keep Cluster 4 larger than otherwise, increasing the upgrades needed for the two clusters together in Phase II. Thus, the CAISO needs to assign upgrades and costs to Cluster 3 ahead of Cluster 4 in the Phase II Studies to prevent harm to Cluster 3 projects from the new Cluster 4 study methodology.
 - As the TPP and Cluster 4 Methodology are closely interconnected, Agile wishes to reference the comments that it submitted to the CAISO on August 4, 2011 in response to the Proposed Revisions to the Cluster 4 Methodology.
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About Agile:

Agile Energy, Inc. develops utility-scale electric power generation assets in North America, primarily deploying solar photovoltaic and concentrated PV technologies. Currently focused on projects ranging in size from 15 MW to 300 MW, the company has the ability to develop larger projects in select situations.

With over 100 years of combined experience in power project development (AES, Calpine, PacifiCorp, CH2M HILL), Agile knows the power business. Backed by Good Energies, Inc., one of the world’s leading private investors in renewable energy and enabling technologies, Agile Energy is emerging as one of the most reliable, determined and creative development companies in the renewable energy sector.