Stakeholder Comments Template

Integration of Transmission Planning and Generation Interconnection Procedures (TPP-GIP Integration) Revised Straw Proposal, September 12, 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 September 12, 2011, and issues discussed during the stakeholder meeting on September 19, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on September 29, 2011.

1. Section 4 of the paper laid out several objectives for this initiative, including four previously-identified GIP issues to be included in scope. Please indicate whether your 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.

   BAMx and CCSF support the first six (6) objectives laid out by the CAISO in this initiative. In particular, we believe that Objective 4, i.e., to limit potential ratepayer exposure to costs for under-utilized or excessive transmission upgrades is of critical importance. Next in priority are Objectives 5 and 6 below.

   5. Provide greater certainty that transmission approved by CAISO will be permitted by siting authorities (e.g., CPUC)

6. Create greater transparency for all transmission upgrade decisions.

BAMx and CCSF caution the CAISO against resolving all four of the previously identified GIP issues, which form Objective 7, under this initiative. We believe that it is extremely important to get this new integration initiative approved as soon as possible. We believe that some of the issues such as restudying the process to account for queue attrition can be addressed with relative ease in the course of developing the final proposal for this initiative based upon the wide support among the Stakeholders.[1] To the extent some of these issues remain unresolved, they could be addressed in GIP-3 or separately under changes to the BPM or other processes within the existing tariff.

2. The revised straw proposal presents a timeline describing how the new TPP-GIP process would work. Please comment on the overall process design in terms of how well it meets the objectives of this initiative and how workable it is from a practical perspective. If you see ways it can be improved please offer concrete suggestions.

As BAMx and CCSF have stated in the comments to the CAISO's earlier straw proposal, it is desirable to have developers respond to TPP results. It appears to us that this will happen automatically due to the cyclical nature of the planning processes. In other words, the GIP and the TPP are both annual, iterative processes and if timed correctly, GIP and TPP will inform each other. For instance, any cluster projects, which have completed their Phase 1 studies and are deciding to continue into Phase 2 process, can review the results of the last available annual TPP. We therefore believe that the three-stage framework[2] outlined by the CAISO in its revised proposal is a workable framework. We do not necessarily agree with the study assumptions proposed for each of the two GIP study phases (as discussed in our response to question 3), however, we do conceptually support the proposed three-stage timeline for an integrated TPP-GIP process based on the practical mechanics and logistics of the interconnection process. We hope that this process will be effective in satisfying the objectives 4, 5 and 6 discussed in our response to Q.1.

[1] See Stakeholder Comments on the CAISO Straw Proposal at http://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionPlanning_GenerationInterconnectionIntegration.aspx.

[2] Stage 1 includes the GIP request window and study process; Stage 2 includes the TPP process to develop the annual comprehensive transmission plan and identify any additional network upgrades needed for the most recent cluster of IC projects that had completed their GIP studies; and Stage 3 includes the allocation of the benefits of ratepayer-funded transmission to the interconnection needs of individual IC projects and the allocation of costs for the additional upgrades to specific projects.

3. Please comment on the following specific aspects of the design of the proposed new TPP-GIP process, and offer concrete suggestions for improvement where needed.

    a. The study assumptions proposed for each of the two GIP study phases.

It is not just the very large amount of generation seeking interconnection through the CAISO's generation interconnection queue that is driving the unrealistic level of transmission network upgrades. BAMx and CCSF believe that a fundamental problem lies with the current deliverability assessment study methodology. It does not provide reasonable cost signals for connecting generation within the various renewable resource areas and in turn, fails to protect consumers from the cost responsibility of building transmission upgrades that are highly likely to be under-utilized and therefore inefficient. Furthermore, the existing delivery assessment fails to use a reasonably plausible pattern of generation dispatch for the simulated peak load system condition, and applies very strict standards that require the renewable resource to be 100% deliverable to satisfy the "full capacity" requirement. We therefore, urge the CAISO to revise the deliverability assessment methodology. Below we include our comments on some of the specifics of the CAISO's proposed design to integrate the TPP and the GIP; namely

- The GIP component retains today's two-phase study process
- TPP cycle proceeds in parallel, producing a final comprehensive plan prior to start of GIP Phase 2

The GIP component retains today's two-phase study process

The CAISO should make every attempt to minimize modeling generation projects studied in prior clusters as well as the associated network upgrades associated with them based on more robust milestones such as, Power Purchase Agreements (PPA) approvals. The CAISO needs to determine an approach to develop a more realistic representation of the likely facilities from previous cluster or serial study efforts. The CAISO should develop alternative ways to accomplish the above objective and share those alternatives with stakeholders in their next proposal.

TPP cycle proceeds in parallel, producing final comprehensive plan prior to start of GIP Phase 2

We support the following elements of the CAISO's proposal conditioned on performing deliverability assessments for clusters 3 & 4 in TPP rather than in GIP.

- TPP follows existing provisions to identify reliability, policy- driven, economic elements, other tariff categories
- CAISO and CPUC collaborate to specify resource portfolios to meet policy objectives

- TPP addresses interconnection needs of portfolio MW in each study area, not needs of specific customers
- ICs decide whether to enter GIP Phase 2 based on approved comprehensive transmission plan and Phase 1 study results
- Planners compare projects that enter GIP Phase 2 against final TPP plan to determine project MW amount in each area that can be served by final plan
- GIP Phase 2 determines incremental network upgrades needed to meet needs of total MW of projects that enter Phase 2, and estimates costs of such upgrades

The revised straw proposal assumes the deliverability assessment will be conducted independent of the TPP; i.e., it will remain as part of the GIP. As stated in our answer to Q.3a, we believe that the delivery assessment methodology needs to be significantly revised. Furthermore, if the TPP-GIP integration framework would be applicable to clusters 1 through 5 (and inactive LGIAs), then we would support the CAISO's proposed design "As Is". However, if the CAISO recommendation is to exclude not only clusters 1 and 2, but also clusters 3 and 4 from the proposed initiative, we urge the CAISO to consider performing delivery assessments for clusters 3 & 4 (if not for clusters 1 through 4) in TPP rather than in GIP. We outline this process in our answers to Questions 6b and 7 below.

b. The information available to interconnection customers at each decision point in the process.

BAMx and CCSF support the current CAISO-proposed design in combination with the changes suggested by BAMx/CCSF in our response to Q.3a in order to provide interconnecting customers (IC) adequate information to make informed decisions as shown in the table below.

Process	**Information Source**
GIP Phase 1	**Last Year's TPP:** Identify renewable resource areas and particular locations that can accommodate additional renewable generation using existing and approved transmission.
TPP (Delivery Assessment for Cluster 3&4)	**Last Year's TPP, GIP Phase 1 study results:** Identify transmission network upgrades that are eligible for ratepayer funds if determined to be reliability, economic or policy-driven.
GIP Phase 2	**GIP Phase 1 study results and Most recent TPP:** Distinguish between transmission network upgrades

	triggered by Phase 1 study that are identified as economic or policy-driven and those that are not.

c. The "soft" nature of the GIP cost caps, whereby interconnection customers and ratepayers will have shared responsibility for upgrade costs that exceed the cost cap. Comment on both (i) the appropriateness of sharing this cost responsibility, and (ii) the ISO's specific proposal for how the costs would be shared.

The CAISO's revised proposal states that

"*If Phase 2 results indicate that an IC's cost responsibility for incremental NU is greater than its Phase 1 cost cap, the additional cost of the NU will be covered by transmission ratepayers up to the point where ratepayers are covering 20 percent of the total cost of the NU. If the total cost of the NU exceeds the Phase 1 cost estimate by more than 20 percent, then ratepayers and ICs will split the total cost in a 20-to-80 percent ratio.*"

We strongly oppose the CAISO's proposal to have ratepayers funding any network upgrade cap exceedance. We believe it is inappropriate for ratepayers to share the burden for capital costs for network upgrades that are not identified by the TPP as either "policy-driven" or "economic." These costs should be the sole responsibility of the corresponding IC. Transferring any costs associated with such network upgrades from the IC customer to ratepayers would violate the fundamental objective of the current initiative to limit potential ratepayer exposure to costs for excessive transmission upgrades.

4. In the revised straw proposal, the ISO identifies four options by which allocation of ratepayer funded upgrades could be allocated.

a. Please rank the options, Option 3A, 3B, 3C, or 3F, from 1 (most appropriate) to 4 (least appropriate) your organization believes to be the most appropriate means for determining the allocation of ratepayer-funded upgrades. Please explain the reasons for your preference? If there other options the ISO should consider, please describe them and explain why they could be superior to the other options.

The CAISO should favor the option that is expected to result in the most efficient utilization of ratepayer-funded upgrades. We believe that Option 3B satisfies this criterion better than the other three options.

b. Based on stakeholder feedback during the September 19 stakeholder meeting, many parties stated the ISO would likely need to utilize more than one of the identified options. Please provide comment regarding

what combination of these options will best facilitate the efficient allocation of ratepayer funded transmission capacity. Please provide as much detail as possible.

No comments at this time.

c. If Option 3A is selected, what are appropriate milestones to determine which projects are the "first comers?" In particular, some stakeholders have suggested that only projects with signed PPA should be allowed to qualify. Please comment on the appropriateness of this criterion and any others that might be needed.

No opinion at this time.

d. If Option 3B is selected, what is the appropriate metric and methodology upon which pro rata shares should be determined?

No opinion at this time.

e. If Option 3C is selected, then how should such an auction be conducted? Specifically, the ISO seeks comments regarding whether an auction should be an open bid or closed bid and held in a single round or an iterative bidding process? Please provide as much detail as possible.

BAMx and CCSF suggest a closed bid and a single-step auction to minimize any gaming or exercise of market power on part of ICs. BAMx supports the CAISO proposal of using forfeited monies to reduce the cost of the ratepayer-funded portion of the network upgrades.[3]

1. Should the ISO conduct separate auctions for large projects and small projects? If so, how should the ISO determine how much transmission capacity should available in each auction?

No comment at this time.

f. If Option 3F is selected, how shall transmission capacity be allocated to the LSEs? In particular, is the existing methodology for allocating import capacity to LSEs for RA (tariff section 40.4.6.2) applicable in the present context? If not, how should it be adapted?

[3] If a winning IC fails to reach commercial operation, then it forfeits its auction payment.

No comment at this time.

g. All of the options provided could create opportunities to buy/sell allocations of capacity created by ratepayer-funded projects. Is there a need for the ISO to set up rules to prohibit or manage such sales?

No comment at this time.

5. In cases where an IC pays for a network upgrade and later ICs benefit from these network upgrades, the ISO has proposed two options, Options 3E and 3G to resolve the "first mover-late comer" problem.

a. Does the ISO need to select one of these options or should both be implemented? If both, please explain or give an example of how the two could work together.

No comment at this time.

b. If only one option is to be chosen, which option does your organization favor and why?

No comment at this time.

c. In option 3G, should the "late comer" be responsible for paying back ratepayers for the portion of the network upgrades already covered by ratepayers or simply take over paying for the portion of the network upgrades covered by ratepayers moving forward?

We support proposal that a "late comer" IC be responsible for paying back ratepayers for the portion of the network upgrades already covered by ratepayers.

6. In order to transition from the current framework to the new framework, the ISO proposes that the entire existing queue including Clusters 3 and 4 proceed under the original structure, and that Cluster 5 would proceed using the new rules.

a. Does your organization support this transition approach? If not, please indicate how it should be modified and provide the justification for your proposal.

BAMx and CCSF strongly oppose with this transition plan. BAMx and CCSF oppose the CAISO management proposal to exclude cluster 3 and 4 generation

projects from the TPP-GIP integration initiative. The positive impact of this initiative in implementing CAISO and FERC policy in favor of comprehensive regional transmission planning as well as limiting the cost to ratepayers would be effectively eviscerated by exempting precisely those projects proposed to meet the 33% RPS and beyond. The magnitude of the potential damage from this decision far outweighs any justifications articulated to date by the CAISO for undermining this initiative before it is even final.

As elaborated in our comments[4] to the CAISO's earlier straw proposal on this initiative, the CAISO has approved enough transmission already to meet the 33% RPS goal, but has more than 60,000 MW in today's queue beyond what is needed. Since none of the Cluster 3 or 4 projects have signed LGIA's, our proposal is to make all of the Cluster 3 and 4 projects subject to the new Tariff provisions. Clusters 3 and 4 should not be given an option to continue under the existing rules.

The CAISO management proposal was communicated orally to stakeholders for the first time at the September 19th meeting. The reasons offered were that 1) the "regulatory risk" of failure in seeking FERC approval to apply the CAISO proposal to Clusters 3 and 4 was too high; 2) Cluster 3 had already completed Phase 1 of the prior GIP process; 3) in the event Cluster 3 was handled under the existing rules, then it would be unfair to subject Cluster 4 to the new rules when many of the same transmission lines and proposed new capacity as Cluster 3 would be included but treated differently, and 3) that legal challenges to application of the new rules to Clusters 3 and 4 would create intolerable regulatory uncertainty for extended periods of time.

None of these arguments provide sufficient justification for exposing the ratepayers to the billions of dollars in potentially unneeded proposed upgrades, increased potential for under-utilized transmission capacity and the attendant risk of stranded investment that could result from allowing Clusters 3 and 4 to advance without further assessment under the new TPP-GIP integrated process. Furthermore, exempting Clusters 3 and 4 from the new framework would render Objective 4 meaningless. We address each point in turn as follows.

First, all proposals face regulatory risk at FERC. The CAISO has not pointed to a single source for its assessment that its current initiative is unlikely to win FERC approval, either through citation to FERC precedent or any other information source. Recent precedent suggests the opposite conclusion. For example, the newly adopted FERC Order 1000 has articulated a clear policy of requiring regional transmission planning to identify cost-effective transmission network upgrades to relieve congestion, enhance reliability and implement

[4] BAMx/CCSF Joint Comments to the CAISO dated August 9, 2011 on the TPP-GIP Integration Straw Proposal, July 21, 2011.

public policy requirements. The CAISO's recently approved Revised Transmission Planning Process (RTPP) was designed to pursue the same policy objectives. If the CAISO decision to exempt Clusters 3 and 4 stands, these policies will exist in name only. In California, allowing the 33% RPS to be met and exceeded by projects that were never subject to a statewide planning analysis is against the public interest and highly irresponsible.

Second, the fact that Cluster 3 has completed the GIP Phase 1 is irrelevant precisely because the GIP Phase 1 process is not a substitute for TPP analysis. Further, this position implies that completion of Phase 1 was tantamount to certain regulatory approval for the projects in Cluster 3. There is nothing about completion of the GIP, Phase 1 process in and of itself that confers exemption from statewide planning and guaranteed CAISO or regulatory approvals. If it did, there would be no need for this stakeholder initiative to integrate the GIP with the TPP. Clearly, the magnitude of Clusters 3 and 4 both in amount of megawatts and implied costs suggests even greater need to apply a comprehensive planning evaluation, not an exemption from one. Now is the time to make this new initiative effective for as many ICs as possible in order to obtain the benefits of the CAISO's RTPP. This is a necessary correction to the existing rules, which failed to consider ratepayer impacts or integrated planning needs.

Third, the suggestion that Cluster 4 should also be exempt from the new rules simply in the event that Cluster 3 was given an exemption is misplaced. Taking this action would clearly compound the injustice of allowing the 33% RPS to be met and/or exceeded by a collection of projects that were never evaluated in a comprehensive planning process. It may be even more important for Cluster 4 projects to be included in the TPP analysis because it may represent an even larger and more costly queue than Cluster 3 given the recent attrition in the Cluster 3 queue.

Fourth, the threat of legal challenges should the CAISO implement its adopted and approved transmission policy can not and should not be allowed to dictate the CAISO's decisions in this initiative. Legal challenges are available to all aggrieved market participants on any side of the controversy over the transition plan. Obviously, the CAISO does not eliminate the possibility of delay and uncertainty due to potential legal challenges by appeasing one group of stakeholders in this controversy when legal challenges are possible by any of this initiative's stakeholders. The CAISO should not assume that those opposed to allowing Clusters 3 and 4 to escape TPP analysis are tacitly agreeing to refrain from legal challenges simply because they have not yet threatened the CAISO explicitly with such challenges in the comments to date.

b. Given the potential size of clusters 3 and 4, if these clusters proceed under the existing rules is there a need to create new rules that would strengthen the incentives for less viable projects to drop out of the queue rather than proceed into the GIP phase 2 study process? If so, please offer concrete suggestions and explain why your suggestions would be effective and reasonable.

We believe that the first-best solution to this problem is to incorporate Clusters 3 and 4 into the new initiative. At the very least, as stated in our response to Questions 3a and 7, the delivery assessment of the projects in cluster 3 and 4 should be transferred into TPP. This step would be very effective in having less viable projects in cluster 3 and 4 to drop out of the queue rather than proceeding to GIP Phase 2 or signing LGIAs. TPP should be able to provide clear guidelines to the cluster 3 & 4 generators regarding the probabilities of their network upgrades to be funded by ratepayers.

7. Some stakeholders expressed interest in determining only the reliability upgrades and costs in the GIP studies and to consider the need for delivery upgrades in the TPP. The ISO seeks comment regarding the feasibility/desirability of separating the assessment of reliability and delivery upgrades in this manner. In particular, how would this approach improve the process of identifying delivery upgrades that ICs would be required to pay for?

BAMx and CCSF believe that transferring the evaluation of deliverability network upgrades from the GIP to the TPP is a workable approach. We believe if the CAISO's final proposal is to exempt Clusters 3 and 4 from the new initiative, then it is critical that at least delivery upgrades for Clusters 3 and 4 be considered as part of the TPP. This process would work as follows.

- In the TPP process, which would take place between GIP phases 1 and 2, the specific projects that require network deliverability upgrades will be identified. The CAISO would determine whether the network upgrades triggered by Clusters 3 & 4 projects are the most appropriate to meet the RA obligations for the CAISO grid.
- Projects not chosen for deliverability upgrades in the TPP have several options. They could choose to continue interconnection as an "energy only" project, pay for deliverability upgrades, withdraw from the queue subject to appropriate refunds, or suspend their interconnection process for a year while retaining their queue position.

Shifting delivery assessment of Clusters 3 & 4 projects into TPP would help contain the potentially enormous amount of implausible transmission indicated in the GIP studies. In addition, this process would create more meaningful opportunities for all prospective generators including Cluster 5 and those that follow, which would be covered under the new framework.

8. Stakeholders have expressed concerns about the appropriate time to restudy the needs for and costs of network upgrades when projects drop out of the queue. Therefore the ISO seeks concrete suggestions for when and how restudies should be conducted.

   No comment at this time.

9. Please offer any other comments on the revised straw proposal, including any suggestions for improvement of the proposal or other issues your organization believes the ISO must address in this initiative.

   No comment at this time.