

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
Lee Terry Transmission Planning Branch ltery@water.ca.gov (916) 574-0664	California Department of Water Resources/State Water Project	September 29, 2011

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.

[SWP Response:](#)

Below are comments that SWP originally made during the July 2011 comment period and are restating because of their importance.

- Provide incentives through appropriate cost allocation for developers of new resources to select the most cost effective grid locations for interconnection.
- Limit the potential exposure of transmission ratepayers to the costs of building transmission additions and upgrades that are inefficient or under-utilized.

- Unless these objectives are attained, a viable market based on competing generation resources may be jeopardized. Among the most fundamental market prerequisites is accountability for cost choices and performance. Transmission additions and upgrades that are inefficient or under-utilized due to poor generation choices should have no place in the ISO markets. Further, competing generation resources should succeed or fail on their own merits, including but not limited to cost effective grid locations for interconnections. The policies and procedures under consideration here should reward, and not punish through unnecessary subsidies, cost-effective resource choices, including but not limited to distributed generation and energy efficiency. Transmission planning and cost allocation that subsidizes one form of generation can skew markets, result in undue discrimination, and create inefficiencies.

Allocating generator interconnection costs to the resource developers in a position to “select the most cost effective grid locations for interconnection” is essential in order to align incentives and consequences. Such cost allocation supports ISO markets, avoids discrimination in resource selection and protects ISO ratepayers.

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

[SWP Response:](#)

- Having ratepayers pay transmission upgrade costs not identified in the TPP process goes against CAISO’s original guiding principles stated at the start of this stakeholder process and should not be allowed.
 - If ultimately, ratepayers are required to pay for transmission upgrade costs, than those generators who come later and benefit from the upgrade should be required to reimburse ratepayers costs incurred for upgrade on pro-rata share of the capacity and not just applied on a going forward basis.
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.

SWP Response:

- As stated in CDWR’s July comments: Option 3C (action) may provide greater confidence that resources evaluated in the TPP process will not drop out. Part of assumed confidence of reduce risk is the fact that those generators who drop out will lose their security used to cover their bid.
 - Option 3A (first-come-first-serve) provides a framework that is more favorable in reducing risk exposure of resources dropping out when compared to Option 3B (pro rata).
- 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.
- 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.

- d. If Option 3B is selected, what is the appropriate metric and methodology upon which pro rata shares should be determined?
 - 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.
 - Should the ISO conduct separate auctions for large projects and small projects? If so, how should the ISO determine how much transmission capacity should be available in each auction?
 - 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?
 - 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?
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.
 - b. If only one option is to be chosen, which option does your organization favor and why?
 - 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?
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.
 - 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.
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?
 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.
 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.

SWP Response:

- SWP continues to support the ISO's straw proposal to contain transmission costs by having resources pay the costs of transmission network upgrade that are underutilized and inefficient. Allocating generator interconnection costs to the resource developers in a position to select the most cost effective grid location for interconnection is essential in order to align incentives and consequences. Such cost allocation avoids discrimination in resource selection and protects ISO ratepayers.