

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Second Revised Straw Proposal, posted January 12, 2012**

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, which were discussed in the TPP-GIP Integration Second Revised Straw Proposal posted on January 12, 2012, and during the stakeholder meeting on January 19, 2012.

Please use the list of topics and questions below to structure most of your comments. At the end of the document you may offer comments on any aspect of this initiative not covered by the topics listed. When you state a preference for a particular approach on a topic or issue, your response will be most helpful if you clearly explain the reasoning and business case for your preference.

CEERT appreciates the opportunity to comment on the CAISO's TPP-GIP initiative. Our comments are below, in blue.

Section 1. High-level structure of the TPP-GIP Integration proposal. (Please use section 2 below to comment on the details of each element.)

1. The process as described in the January 12 paper and outlined below reflects the proposed process for projects in GIP cluster 5 and later. The process for existing queue projects (serial through cluster 4) will proceed according to the ISO's January 10, 2012 revised discussion paper.
2. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades.

CEERT supports the CAISO's move to "...rely more on the TPP and less on the GIP as the venue to identify and approve new rate-based transmission." We believe that the move to delineate option A and B projects is consistent with this approach and may provide an incentive for renewable generation projects to align with Competitive Renewable Energy Zones (CREZs) that reflect the optimization of fuel source, proximity to load, and minimal environmental impact. However, we do have two concerns with the A and B option approach.

First, it is not clear whether a significant number of projects will choose option B. Choosing option B will significantly increase the cost of such projects, while at the same time does not guarantee these projects will preserve their Net Qualifying Capacity (NQC) over time. Such a large financial commitment with uncertain consequences will surely not provide much incentive to take this route. Furthermore, it is unclear how deliverability or the cost for network upgrades will be allocated when both option A and B projects rely on the same network upgrades.

Second, and most importantly, while CEERT recognizes the need to rely on the CPUC to provide the scenario upon which the TPP will be based, we strongly encourage the CAISO to ensure that any such process be based on robust stakeholder input. While past TPP scenarios provided to the CAISO by the CPUC were roughly based on collaborative stakeholder input such as the Renewable Energy Transmission Initiative (RETI), the final scenarios reflected the limited view of the CPUC Energy Division staff. If the CAISO is going to base its TPP-GIP initiative on one scenario provided by the CPUC, this scenario must be fully vetted by stakeholders, and cannot solely reflect the Energy Division's own interpretation.

3. The requirement for customer-funding of network upgrades (option (B)) would apply only to delivery network upgrades (DNU); posting and reimbursement for reliability network upgrades (RNU) for all projects would remain as today.
4. The allocation of TPP-based deliverability to generation projects would occur after GIP Phase 2, rather than after Phase 1 as in the previous proposal.
5. Allocation of TPP-based deliverability – and project's ability to retain allocation – will depend on the project's completion of significant development milestones that demonstrate high confidence in attaining COD. (Specification of appropriate milestones is covered in the next section.)
6. The allocation of TPP-based deliverability should achieve the following objectives as far as possible: (a) select projects with high probability of completion; (b) limit ability of non-viable projects to retain the allocation; (c) provide sufficient certainty to enable financing of viable projects; (d) objectivity and transparency.

Section 2. Details of individual elements of the proposal.

GIP Phase 1

7. For extremely large cluster groups compared to the amount of "TP deliverability" (the amount supported by existing grid plus all approved upgrades to date), GIP phase 1 will study deliverability in each area up to the amount of TP deliverability plus a reasonable margin. The intent is to avoid excessive DNU costs that can result from extremely large clusters, while providing useful information on needed DNU and associated costs if generation development exceeds grid capacity.
8. Phase 1 will study RNU for all projects in the cluster.

9. As a result of Phase 1 each project will know its RNU and associated costs, and these results will establish cost caps for RNU as they do today.
10. The DNU and associated costs resulting from phase 1 will be advisory. The only formal use of Phase 1 DNU costs in the TPP-GIP process will be to establish posting requirements for projects advancing to phase 2 under option (B), as described below.

Project's Decision to Enter Phase 2 and Implications of Decision

11. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades. Once a project chooses and the deadline for phase 2 is passed, the project cannot switch to the other option.
12. A project choosing (A) will have to post for its RNU under today's rules, but not for DNU.
13. A project choosing (B) will have to post for both RNU and DNU. Its DNU posting amount will use phase 1 results for the project's study area, converted to a DNU rate (\$ per MW of deliverability) = (cost of incremental DNU)/(deliverability MW studied above TP deliverability amount). The posting amount will = rate x (project MW), where project MW reflects how the project is modeled in the deliverability study depending on the resource type, would typically be less than nameplate for renewables.
14. A project choosing (B) will be eligible for TPP-based deliverability if available, but should expect very low probability of obtaining it and should plan to fully fund its needed DNU.

GIP Phase 2

15. ISO will perform a baseline re-study at the start of each phase 2 study process. The re-study will assess impacts of status changes – project drop-outs or revised COD, new transmission expansion approvals, etc. As a result, the RNU or DNU for some projects may be modified and their GIAs revised.
16. Phase 2 will study RNU for all projects in phase 2.
17. Phase 2 study will assume that all TP deliverability is used up by (A) projects and existing queue, and then will model (B) projects at requested deliverability status to assess their incremental DNU needs.

Allocation of TPP-based Deliverability

18. Once phase 2 results are completed and provided to the projects, the 120-day period for negotiating and executing the GIA begins. Option (A) projects that demonstrate completion of certain milestones within this period will be able to execute GIAs at their requested deliverability status, with no cost responsibility for DNU. Option (B) projects that complete the same milestones would be eligible for TPP-based deliverability, but would receive an allocation only if capacity is available.

19. The proposed milestones required are (a) completion of all permitting required to begin project construction, and (b) either a PPA approved by buyer's regulatory authority or demonstration of committed project financing. PLEASE COMMENT on whether these milestones are appropriate, or if not, what milestones would be preferable and explain why. Please keep in mind the objective that milestones must provide a high confidence that the project will meet its planned COD.
20. PLEASE COMMENT on what could constitute evidence of committed project financing as an alternative to regulator-approved PPA for item (b) above.
21. All option (A) projects that meet the milestones by the time required would be able to execute FC GIAs at this time, even if the total amount exceeds the TP deliverability available. In that case, the ISO would expand the TPP planning portfolio in that area for the next TPP cycle, to provide sufficient deliverability.
22. Any project that obtains TPP-based deliverability would have additional milestones in its GIA which track progress toward COD. Failure to meet one of these milestones would cause the project to lose its deliverability allocation, but would not necessarily terminate its GIA if the project wishes to continue as EO.
23. An option (A) project that does not meet the milestones by the time required would have an opportunity again in the next GIP phase 2 cycle, one year later. If it does not qualify by the end of the next year's 120-day GIA period, it must either withdraw from the queue or continue under an Energy Only (EO) GIA.
24. An option (B) project that does not obtain TPP-based deliverability in the current cluster cycle (120 days from phase 2 results to GIA execution) will no longer be eligible for TPP-based deliverability and must proceed to GIA that includes full self-funding of its DNU.
25. If a (B) project drops out after phase 2 instead of executing a GIA that includes self-funding of its DNU, it loses a portion of its posting. PLEASE COMMENT on how much of the posting should be forfeited, and explain your logic.

Other Proposal Elements

26. DNU paid for by an interconnection customer would fall under the merchant transmission provisions of the ISO tariff and would be eligible for allocation of congestion revenue rights commensurate with the capacity added to the ISO grid. The customer would be able to select a non-incumbent PTO to build the project, provided it is a "green field" project and the builder meets qualifications specified in the ISO tariff.
27. If a (B) project funds DNU that provide more capacity for deliverability than the project needs, the funding party or parties would need to fully pay for the DNU, but would receive reimbursement for the excess deliverability from later projects that are able to use it.
28. Some projects that go forward under these new provisions could be subject to reduction in annual net qualifying capacity (NQC) for one or more years. This could occur if

transmission capacity in an area must be expanded through the TPP to accommodate the amount of deliverable capacity that achieves COD in that area. Consistent with the ISO's January 10 discussion paper on cluster 1-2 approach, "existing" projects would not be subject to the reduction, but "new" projects would be. "New" would include all cluster 5 and later projects that elect option (A).

29. It was suggested by some stakeholders at the January 19 meeting that as an alternative to applying NQC reductions if the need arises, the ISO should allow the new projects to count fully for resource adequacy without any NQC reduction so that the projects and the LSE buyers are insulated from any direct impacts, and then make up for any resulting shortfall in resource adequacy capacity via ISO backstop capacity purchases. PLEASE COMMENT on this proposal.

30. Please use the space below to offer comments on any other aspect of the proposal not covered above.

Partial Deliverability: The CAISO states that the primary objective of TPP-GIP is to make cost effective use of ratepayer funding. However, under the current mechanism for assigning deliverability, a generator project is either deemed deliverable or not, depending on whether there is sufficient transmission to reliably access the full nameplate output of the generator. No partial deliverability option currently exists. Such a binary deliverability assessment makes certain that a project which is deemed deliverable will have adequate transmission to deliver its full output to load, which, for a conventional generator, does not in any way impact the optimal usage of the relevant transmission capacity. However, Variable Energy Resources (VERs) such as wind and PV may have temporally complementary output characteristics, and so forcing each resource to be fully deliverable may not optimally utilize existing or planned transmission capacity. A partial deliverability allocation to such resources could in principle optimally utilize transmission capacity, and reliability issues could be addressed through the judicious use of curtailment when aggregated outputs maximize the transmission capacity. The cost of such curtailment activity to VER operators may be offset by the decrease in cost of Deliverability Network Upgrades (DNU). Furthermore, in some cases, when VER projects interconnect before the relevant DNUs have been completed, partial deliverability would give such project the ability to provide Resource Adequacy to the system and fully utilize whatever transmission assets currently exist. Specifically, we are advocating an expansion of the deliverability concept to include temporary deliverability pending completion of DNU, as well as sharing of DNU between wind and solar. For these reasons, CEERT encourages the CAISO to explore the possibility of utilizing partial deliverability assessments. Such an approach could optimize the use of existing and planned transmission assets and would make efficient use of ratepayer funding.

Alignment of TPP-GIP with the CPUC RA and LTPP Processes: CEERT would like to commend the CAISO for their efforts at aligning the GIP with the TPP. The characteristics of the current GIP queue reflect a lack of coordination between transmission planning and developer objectives, which, if not addressed, could lead to inefficient study processes and less than optimal transmission planning. It is our opinion

that the current TPP-GIP initiative will go a long way to addressing some of these concerns, contingent on the selection of a TPP input scenario that reflects stakeholder involvement and coordination with other regional efforts. However, there are two more pieces of the puzzle that need to be aligned in order to create a more efficient overall process for complying with California's 33% RPS: Alignment with the CPUC RA process, as well as alignment with the Long Term Procurement Process (LTPP).

The current RPS procurement process is based on energy only, which incentivizes procurement of the lowest cost renewable resources, regardless of their operational characteristics or value to the grid. There is currently no explicit mechanism for reflecting the value or cost of a given resource to the grid. The CAISO has recently begun development of a flexible ramping product to ensure that flexible resources are available in real time to balance the increasingly variable generation stack. While out of scope for this particular initiative, CEERT would like to take the opportunity to recommend including consideration of the interplay between the current RPS procurement process with resource adequacy considerations in a manner that would provide incentives for the development of appropriate resources in the context of the larger transmission planning process. Without a more forward looking and comprehensive procurement and resource adequacy process, one that is aligned with the overall transmission planning process, there will not be proper incentives to develop appropriate resources, which will result in an inefficient and financially uncertain mechanism for procuring resources needed to maintain grid reliability. Furthermore, both the RA and TPP processes need to become forward looking and multi-year, and explicitly recognize pending retirements. Comprehensively aligning all these processes may result in reducing ratepayer burden and in development of a transmission network that better supports a balanced and robust portfolio of renewable resources.

SCE's West of Devers Project: We would like to take this opportunity to encourage the CAISO to consider the importance of SCE's West of Devers project – approved in plan but not close to having permits due to challenges in negotiating with the Morongo tribe.

Conclusion: CEERT appreciates the opportunity to provide feedback to the CAISO on this important initiative, and commends the CAISO for developing a mechanism for dealing with the current interconnection queue backlog in a manner that is consistent with robust transmission planning, contingent upon a stakeholder based transmission plan consistent with other regional efforts.