

**COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION
ON PROPOSED TARIFF LANGUAGE FOR
LOCATION-CONSTRAINED GENERATION INTERCONNECTION FACILITIES**

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CalWEA welcomes the opportunity to comment on the October 1st ISO draft Tariff language for Location-Constrained Generation Interconnection Facilities (LCRIFs).

Our comments assume that, consistent with previously circulated tariff language to comply with Order 890, parties could submit suggestions for studies in that larger planning/study process which could result in LCRIFs, and that is why your proposed tariff language here addresses only complete LCRIF proposals that others might submit to ISO. In other words, LCRIF proposals could enter the ISO planning process in one of two ways:

- ***As the interconnection solution identified as optimal***, through the LGIP or in the larger transmission planning process, after consideration of a range of options (including Network Upgrade alternatives) in ISO studies of congestion, system needs, queued-project clusters, and related matters; or
- ***As a separate LCRIF proposal***, through the process covered in your tariff-language proposal here.

We would appreciate clarification if our understanding, as described above, is not consistent with the ISO's intention. If these two options are what the ISO intends, we urge the ISO to reference the first option in some brief way in the LCRIF tariff and/or Business Practices Manual.

Comments on Section 24.1.3 – Location Constrained Resource Interconnection Facility Projects, Paragraph (c)

- **Current language:** “Identification of one or more alternative transmission additions that would accomplish the objective of the proposal;”
- **Recommendations:** This provision should read instead: “Identification of the most feasible alternative transmission additions, including Network Upgrades, that would accomplish the objective of the proposal (at least three are recommended);”
- **Rationale**
 - The project proponent should be required to identify the best alternatives, not alternatives chosen to make its proposed project look good;
 - The project proponent should be required to specifically consider Network Upgrades; and
 - The language about a minimum of three alternatives is from the ISO's own earlier write-up and seems sensible to include.
- **Additional comment re undefined terms in this Section:** These terms should be defined:
 - Planning level cost estimate
 - Conceptual plan
 - Commercial operation date

Section 24.1.3.1 - Criteria for Qualification as a Location Constrained Resource Interconnection Facility

- **Current provision:** Subsection (a) provides that, to qualify, a facility must connect “two or more Location Constrained Resource Interconnection Generators in an Energy Resource Area to the ISO Controlled Grid.”
- **Recommendation:** Provide that the two generators be sponsored by different companies, and consider raising the number of facilities to three.
- **Rationale:** A fundamental premise of the LCRIF policy is that a shared gen-tie to a single resource area is more efficient than multiple gen-ties going to that area, but that such a facility cannot easily be financed by multiple companies with different project timelines. The difficulties are greatly reduced if the two projects have the same or substantially the same financial backing, and the economic efficiencies are greater if there are more than two projects.

Section 24.1.3.2 – Demonstration of Interest in a Location Constrained Resource Interconnection Facility

- **Current provision:** An LCRIF proponent must demonstrate, before starting LCRIF construction, interest in the LCRIF equal to sixty percent (60%) or more of its capacity, by showing that: (a) at least 25% of the capacity of the facility has executed LGIAs or SGIAs; and (b) the 35% balance is supported by additional LGIA/SGIAs, “firm power sales agreements” for a period of 5 years or longer, or a deposit equal to the cost of required studies.
- **Recommendations and Rationale:** CalWEA believes that it is reasonable to establish a higher threshold before constructing an LCRIF, for the purpose of guarding against stranded investment that could taint the RPS program (and the LCRIF policy) and to prevent creating undue advantages to resource areas that do not carry strong demonstrations of commercial interest. We therefore encourage the ISO to establish two levels of demonstrated interest:

- **The first threshold would be to support the study and potential CAISO approval of a proposed LCRIF.** The demonstration of interest at this level should be a showing that at least 50% of the capacity of the facility is supported by some combination of executed LGIAs/SGIAs or cash deposits representing a portion of the estimated LCRIF planning-level cost, with individual generators posting 10% of their pro-rata share (representing approximately the first year’s payment under the LCRIF policy).

The cash deposit would be refundable if the LCRIF is not approved. (The deposit option recognizes that IAs may be difficult to enter into without knowing what the transmission upgrades will be; those who sign IAs will be committed to pay for whatever associated costs materialize.)

- **The second threshold would be to support construction of the facility.** This stage will occur 1-2 years after LCRIF approval, when the permitting process is complete. At this point, the ISO should expect a substantial showing of commercial interest - at least 75% of the capacity of the facility supported by executed LGIAs/SGIAs.

The ISO should not look to signed PPAs to constitute the above showings. The ISO is not now in, and probably should not get into, the business of reviewing the “legitimacy” of contracts, which (based on stakeholder comments) could be a controversial undertaking. Moreover, the draft tariff language (paragraph (b)(i)) does not define what would qualify as a “firm power sales agreement,” and there is no rationale for the proposed 5-year minimum term.

Section 24.1.3.3 – Coordination with Transmission Additions Proposed by Non-Participating Transmission Owners: The reference to a “person” other than a PTO should be replaced with the word “entity” other than a PTO.

Section 24.1.3.4 – Evaluation of Location Constrained Resource Interconnection Facilities

- **Paragraph (a):** This section states that, in evaluating, ranking, and prioritizing eligible LCRIF projects, the ISO will consider whether the transmission facility exceeds applicable ISO grid planning (reliability) standards.

The rationale for this criterion is not evident. All proposed facilities should meet ISO reliability standards, but it seems wasteful for an LCRIF to be built to exceed those standards and have either ratepayers or interconnecting generators have to bear the excess cost. (The exception is where upgrades were intentionally included to provide other “additional reliability or other benefits to the ISO Controlled Grid” (one of the other evaluation criteria).

- **Paragraph (c)**

- **Non-LCRIG interconnections:** This provision should include consideration in the proposed LCRIF design of non-LCRIGs in the ERA that would be served by the LCRIF – perhaps as an addition to Paragraph (c)(6). It is critical to address this issue, in order to avoid the situation discussed in stakeholder conversations where an LCRIF is justified and sized based on the expected local LCRIGs but then non-LCRIGs (e.g., a couple of large fossil plants) build first and crowd out the LCRIGs.

At a minimum, the ultimate LCRIF design must consider other likely non-LCRIG development in the area (e.g., non-LCRIGs with high interconnection queue positions and/or with expected on-line dates before the expected on-line dates for the LCRIGs that qualify the LCRIF).

- **Paragraph (c)(4):** The distance is not the only determinant of feasibility – this provision should also consider other relevant factors, such as terrain, environmental sensitivity, land ownership, etc
- **Paragraph (c)(6):** This provision should also consider the extent to which the identified alternatives would provide such “additional reliability or other benefits to the ISO Controlled Grid.”
- **General comment:** To the extent that a submitted LCRIF proposal does not include adequate consideration of network transmission alternatives but the ISO nevertheless believes that the proposal has merit, there should be an affirmative ISO obligation to study and consider those alternatives before approving the LCRIF.

ISO Tariff Appendix A – Master Definitions Supplement

- **Energy Resource Area (ERA):** We continue to believe that the ISO interconnection queue provides sufficient indication of where ERAs should be considered, with a separate certification process being unnecessary. However, assuming that the ISO retains this provision in general, we offer these additional comments.

- **“Joint” CEC/CPUC proceeding:** The requirement in the first sentence that the CEC and CPUC ERA certification occur through a “joint proceeding” is unnecessary – it should be sufficient that they both certify the ERA, whether together or separately.
- **ISO discretion:** As in our past comments, we continue to urge that the ISO reserve for itself the option to approve LCRIFs, for example where:
 - The larger Order 890 transmission-planning study process indicates that an LCRIF would be the optimal interconnection method for LCRIGs with high queue positions in a non-ERA; and/or
 - The CEC or CPUC certifies an area as an ERA but the other does not, as agencies can have differences of opinion.
- **High Voltage Transmission Facility**
 - **Voltage-level phasing:** If 200 kV is the threshold, the ISO should consider a more flexible definition. For example, transmission facilities are sometimes operated at lower voltages initially, with higher-voltage operation later as line loading increases; this kind of phasing should be considered where optimal.
 - **Ultimate voltage level:** The ISO grid itself includes lines down to 60 kV, and there is no conceptual reason we know of to restrict LCRIFs to 200 kV or higher (though lower-voltage facilities might be covered under the PTO LVTRR, not the HVTRR). The ISO should consider allowing lower-voltage facilities, down to 60 kV, to qualify for this financing treatment when such facilities are determined to be the optimal interconnection method.
- **Location-Constrained Resource Interconnection Generator (LCRIG) :** The ISO has retained the provision discussed earlier that the main LCRIG qualification be a location-constrained fuel source. As noted in past stakeholder discussions, this may prove problematic, e.g., for:
 - **Solar generation:** The fuel source is widely available in locations close to the ISO grid, and other factors (e.g., land cost and availability) tend to dictate the location; and/or
 - **Fossil plants using emissions-injection technology:** There has been considerable discussion, at the CEC and elsewhere, of injecting carbon and/or other emissions into, for example, EOR wells and saline formations. The proposed definition would disqualify fossil generation tied to those technologies from LCRIG status, even where state policy supports development of such generation.