

Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
<i>Mark J Smith 925 557-2231</i>	<i>Calpine</i>	<i>5-5-11</i>

Comments on topics listed in GIP 2 Straw Proposal:

Work Group 1

1. Develop procedures and tariff provisions for cost assessment provisions.

Comments:

In the introduction to this proposal, the Straw Paper “starts with a description of a potential end-state”. Calpine believes that the end state must include both incentives to move feasible projects forward on a least-cost of interconnection basis, but also assurances as early in the process as possible of the financial exposure to an IC. The current process ensures this by establishing a maximum exposure to network upgrade costs in Phase 1 studies. Network Upgrades are refundable over 5 years.

The “end state” includes GIP and TPP and optimizes upgrades driven by interconnection requests as well as those needed for reliability. All good.

However, Step 8 of the “end state” suggests cluster capacity “in excess of what is needed to meet policy mandates ... should not be fully reimbursed by ratepayers.” As indicated, this concept does indeed, bring up many “what if” questions.

Most particularly, what if a conventional generator is part of the cluster?

Any proposal to reverse the long-standing policy of reimbursing Network Upgrades is a radical departure from both CAISO policy and FERC precedent. Such a reversal would create enormous risk in the planning and development process and substantially raise prices to consumers.

Calpine suggests that the CAISO provide stakeholders a timeline that incorporates the current plans for GIP and TPP, and particularly highlights the timing of the envisioned cost allocation decision dates. If we understand correctly, this decision would be made long after Phase 1 and Phase 2 studies, and indeed, possibly after TPP incorporation.

Such uncertainty in the upgrade funding obligation turns reliable development planning on its head.

2. Clarify Interconnection Customer (IC) cost and credit requirements when GIP network upgrades are modified in the transmission planning process (per the new RTPP provisions)

Comments:

See Answer 1.

Work Group 2

3. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

Comments:

No Comment

4. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Comments

No Comment

5. Triggers that establish the deadlines for IC financial security postings.

Comments:

Calpine supports the proposed modifications, particularly, those which allow for a review period for draft Phase 1 and Phase 2 reports. We believe that such a review period will set the stage for prompt review and facilitate informed feedback when needed.

The proposal, however, substantially compresses the review and decision-making process for revised reports. Indeed, the financial posting is proposed to occur 30 calendar days after the posting of a revised and presumably final report. Calpine suggest this might be a bit tight for a full review and analysis of the revised results. 45 to 60 days might be better.

In addition, choices to downsize or change from Full Capacity to Partial Deliverability (if approved) or Energy Only designations must be made after receipt of a final Phase 1 report. Indeed, the CAISO may need time to perform Partial Deliverability analyses after delivery of a final Phase 1 report.

In sum, Calpine supports the proposal to allow review and feedback of draft reports, and believes that the marginal delays that may occur are reasonable.

In regards to the threshold definitions of what might be a “substantial” error or omission, Calpine supports the proposals of the CAISO as necessarily subjective, but reasonable. Calpine suggests that the CAISO also consider a “materiality” limit as well – such as Network Upgrades increase by 5 percent AND total Network Upgrades are at least \$1 million in the revised study.

Comments Template for April 14, 2011 Straw Proposal

6. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Comments:

Calpine generally supports a staged or phased payment plan for final security postings if indeed the construction occurs over a substantial period. Posting security months or years before that security will be used is an expensive and inefficient deployment of scarce capital.

Calpine supports reasonable conditions that must be met for staged postings. Obviously, there must be at least two distinct phases of construction. However, Calpine believes that the \$5 million dollar limit should be modified. Rather, the ISO may want to establish a "materiality" limit first (such as a total remaining security requirement of \$5 million) and then allow more flexibility with split amounts.

For instance, if Network Upgrades are \$10 million, and \$2 million will be spent in the first year, the current proposal would apparently not allow a staged posting. However, it is this circumstance exactly that should be addressed. If the LSE does not need the \$8 million for a year or more, there is no reason for the posting (remembering that the IC already has significant dollars at risk by then.)

7. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

No Comment

8. Information provided by the ISO (Internet Postings)

Comments:

No Comment

Work Group 3

9. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Comments:

No Comment.

10. Reduction in project size for permitting or other extenuating circumstances

Comments:

No Comment

11. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

Calpine supports the proposal which allows for partial refunds of network Upgrades for phased generation construction. Such an approach could allow multiple, modular power blocks, for example of geothermal energy, to be most economically integrated into the grid.

Also, as the CAISO indicates in the last paragraph of this section, a related issue is the policy to not *begin* the refund process until all Network Upgrades are installed and therefore are “used and useful”.

In the rapidly changing market, Calpine is experiencing longer and longer lead times for the development and installation of Network Upgrades. Indeed, as suggested in the Straw at page 29, some upgrades are scheduled to take 84 months to complete.

It seems plainly unfair for the CAISO to delay the start of refunds (more importantly, to hold valuable capital – even if with modest interest) for 7 years. Rather, Calpine suggests that the CAISO consider a mechanism wherein the refunds start immediately upon COD. The refunds themselves would be based only on what has been placed in service, of course. Certainly, if the Network Upgrades are constructed and the generator is operating, it follows that those upgrades are “used and useful”.

12. Clarify site exclusivity requirements for projects located on federal lands.

Comments:

No Comment

13. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

- a. Fast Track application to facility repowerings

Comments:

Calpine supports the use of Fast Track for *any* repowering of less than 5 MW – as an incremental increase. The proposal suggests that the limitation is on gross, not incremental capacity.

This limitation makes little technical sense to Calpine. The powerflow impacts of a new or repowered 5 MW machine are no different than the impacts of an incremental 5 MW on a 500 MW plant.

Allowing Fast-track processing for small incremental additions would increase the speed-to-market and RPS attainment of for instance co-located solar facilities.

b. QF Conversion

Comments:

Calpine believes that the CAISO proposals provide much needed clarity on the conversion process.

c. Behind the meter expansion

Comments:

Calpine supports the CAISO proposal to allow incremental generation expansion up to approved interconnection capacity. Indeed, Calpine supports the possibility of “redundant capacity”. That is, different technologies utilizing the same interconnection.

For example, peaking plants have very low capacity factors and are used only during periods of critical stress. The interconnection capacity is therefore greatly underutilized. Additional capacity could be added to the same site, for instance solar, which would provide higher utilization of the scarce interconnection resource.

Operational controls would, of course be established to ensure that the total interconnection capacity was not exceeded without CAISO approval. And as suggested in the Straw, generation tripping could be included as a CAISO last resort.

d. Distribution level deliverability

Comments:

No Comment

Work Group 4

14. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

No Comment

15. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO’s role in and potential impacts on the three-party LGIA.

Comments:

Calpine’s Corporate Insurance Department is reviewing the modifications and we will submit late comments if issues arise.

16. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Comments:

No Comment

17. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

No Comment

18. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

No Comment

Work Group 5

19. Partial deliverability as an interconnection deliverability status option.

Comments:

Calpine supports Partial Deliverability as a reasonable option for IC projects that face single and substantial Network Upgrades.

As discussed in the paper, the current tariff allows an IC to request a study of the level of deliverability that could be offered but-for the largest cost Network Upgrade. This "partial" deliverability could and should be offered to parties. Indeed, this analysis should become a part of the Phase 1 study, and delivered along with the draft Phase 1 report.

However, Calpine suggests that there also be a path to allow a Partial Deliverability designation to later buy-up to a Full Capacity designation if conditions change. The paper is silent on this important topic.

20. Conform technical requirements for small and large generators to a single standard

Comments:

No Comment

21. Revisit tariff requirement for off-peak deliverability assessment.

Comments:

Calpine supports the CAISO's proposal to drop the required off-peak deliverability analysis as inconsistent with peak-period RA valuations. We support continuing the analysis for informational-only purposes.

Further, Calpine believes that historic Cluster studies should be revised – or any remaining Phase 1 or Phase 2 studies should incorporate this important and logical modification.

22. Annual updating of ISO's advisory course on partial deliverability assessment

Comments:

No Comment

23. CPUC Renewable Auction Mechanism requirement for projects to be in an interconnection queue to qualify

Comments:

No Comment

Other Comments:

1. Provide comments on proposals submitted by stakeholders.

No Comment

2. If you have other comments, please provide them here.

Thanks for allowing us to provide comments