



Decision on deliverability assessment methodology revisions proposal

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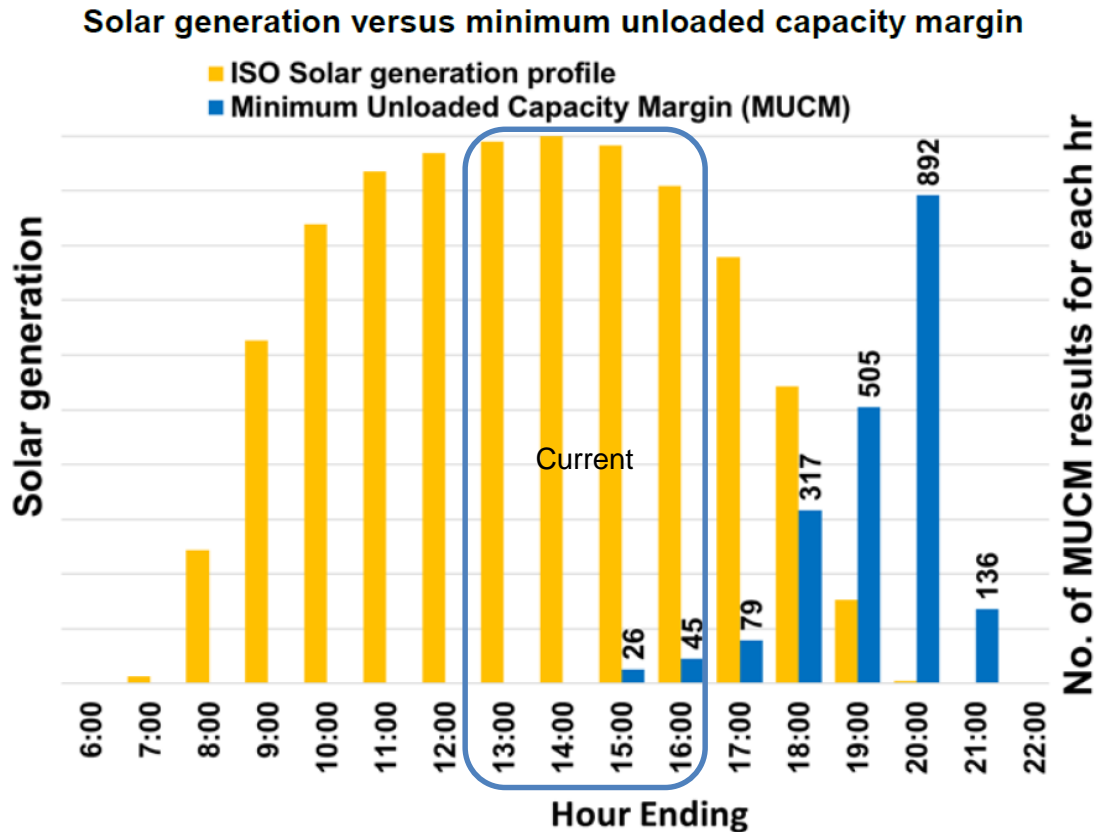
The ISO resource interconnection study process includes a deliverability assessment.

- Deliverability is assessed for resource adequacy purposes
 - Ensures interconnecting resources can be delivered to load centers under system peak conditions
 - Resources need deliverability status to qualify for resources adequacy contracts
- In order to retain deliverability status resources must maintain certain project viability conditions
- Resources that fail to maintain these viability conditions can lose their deliverability status and be converted to “energy only” projects

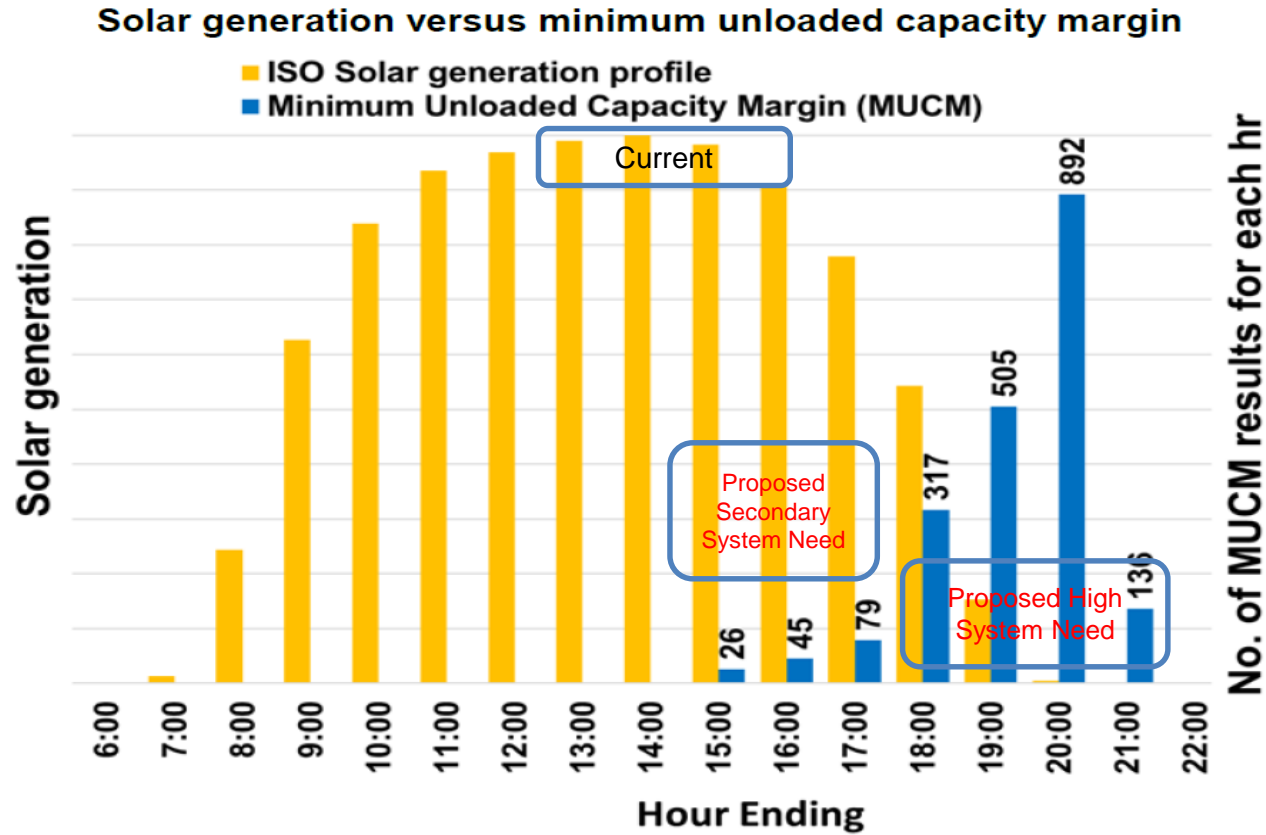
Management is seeking Board approval of three changes to its deliverability assessment methodology.

1. Changes to the on-peak deliverability assessment
 - High system need scenario
 - Secondary system need scenario
2. Changes to off-peak deliverability assessment
 - New “off-peak” deliverability status
 - Off-peak deliverability status is needed to retain scheduling priority
3. One-time change to the transmission planning deliverability allocation process

Current deliverability assessment hours no longer reflects the period of most critical system needs.



Management proposing to modify on-peak deliverability assessment hours to align with period of highest system need



Management is proposing a new off-peak deliverability methodology to address emerging renewable curtailment concerns.

- Proposed on-peak deliverability methodology change should produce fewer transmission upgrades.
- Majority of stakeholders are concerned with increased risk of renewable curtailment.
 - Current on-peak deliverability methodology provided some implicit protection against excessive curtailment
 - ISO transmission planning process is not timely enough to identify and approve upgrades to mitigate their risk
- Current off-peak deliverability assessment is for information only.

Key elements of Management's proposed off-peak deliverability assessment:

- Generation interconnection customer can elect for an “off-peak deliverability status”
- Evaluate system conditions when *excessive* renewable curtailment is caused by transmission constraints
 - Interconnection customer up-front funds identified local upgrades
 - Upgrade cost is fully reimbursable
- Rely on transmission planning process for large area upgrades
- Off-peak deliverability status provides a scheduling priority once the generator is in operation

Management is proposing a one-time change to the transmission planning deliverability allocation process

- Numerous developers requested this one-time change to the deliverability allocation process citing:
 - New deliverability assessment methodology will make a substantial amount of additional deliverability capacity available
 - ISO projecting a generating capacity shortfall beginning in 2021 that requires expedited generation development
 - Higher federal investment tax credits for solar projects sunset in 2022

Overview of the one-time change to the transmission planning deliverability allocation process.

- Change will allow any interconnection customer that has completed the interconnection study process and is an active project in the interconnection queue to seek deliverability by representing that it elects to “proceed without a PPA”
 - Will be subject to all the restrictions and obligations under that option
- Any interconnection customer selecting this option will be allocated transmission planning deliverability last
 - Moves the “proceeding without a PPA” allocation group from the 3rd to 7th step in the 7-step allocation group priority ranking
 - Allocation groups 1 and 2 remain unchanged
- Ends with this one cycle, ISO will revert to the current tariff transmission planning deliverability allocation process thereafter

Stakeholder feedback

- Stakeholders generally support the proposed changes with some exceptions:
 - “Excessive” curtailment should be managed only through transmission planning process
 - Should proceed immediately with the on-peak changes and defer off-peak changes
 - Energy-only projects denied full capacity deliverability status in the past due to lack of transmission should be allowed to compete for the additional transmission deliverability provided by these changes
 - Desire to see clarifications on various details or questions that could not be fully addressed in the limited time available to develop this proposal

Management recommends the Board approve the update to the deliverability methodology.

- On-peak deliverability methodology changes better align with system needs
- Off-peak deliverability methodology changes address concerns over renewable curtailment
- One-time change to deliverability allocation is appropriate and responsive to developer's requests
- The majority of stakeholders strongly support having these changes go into effect early next year
- Management will continue to engage stakeholders and clarify outstanding implementation issues through the development of the draft tariff revisions and supporting documentation