Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal posted on November 13, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due December 6, 2018 by 5:00pm
(*updated from December 3 during the stakeholder meeting*)

The draft final proposal posted on November 13, 2018 and the presentation discussed during the November 20, 2018 stakeholder meeting can be found on the CAISO webpage at the following link:
http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx
Please use this template to provide your written comments on the Issue Paper topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Issue Paper for convenience.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

Specific Question regarding the establishment of the Maximum Cost Exposure (MCE). Would stakeholders prefer:

(1) the MCE remain established at the true cost exposure of a project that demonstrates the ultimate cost the project could be responsible for when taking into consideration potential system changes, without opportunity for reduction?

OR

(2) the MCE could be adjusted downward with the MCR, but could ultimately go back up if system changes occur, similar to how the MCR can increase pursuant to Appendix DD, Section 7.4?

EDF-R strongly supports (2) above, with three additional comments.

First, the current tariff provision, reflected in option (2), has proven workable, and the CAISO has not sufficiently justified a change. Developers and their financiers have demonstrated that they understand the nuances of this policy, and no problems have arisen that EDF-R is aware of.

Second, option (2) is a much more accurate characterization of the practical implications of CAISO's policy than option (1). It is extremely rare for any MCR increase to follow a decrease – i.e., the significant "system change" assumed in the current tariff provision is, by definition, very rare, and it is even rarer that such changes impact generator cost responsibilities. (EDF-R is not aware of any such changes that have impacted generator cost responsibilities.)

Finally, EDF-R cautions that the CAISO may receive biased answers given the way the question is posed. The reference to "true cost exposure" without explanation here is misleading, since (as noted above) the "true cost exposure" is overwhelmingly the MCE with the new (lower) MCR, and not the MCE as the CAISO implied in the question.

10. Additional Comments

EDF-R was surprised to see that all the other details for the CAISO's complex Track 4 proposals for Current Cost Responsibility (CCR), Maximum Cost Responsibility (MCR), and Maximum Cost Exposure (MCE) not covered in the single question above are apparently intended to be covered in this one "Additional Comments" category.

Generally, the CAISO's proposals can be divided into two main types:

- **Policy clarifications and formalization:** These CAISO proposals would provide additional structure to the current framework and, therefore, they are generally helpful. **EDF-R supports these CAISO proposals.**

  Proposals in this category include generally the proposed definitions of Assigned Network Upgrades (ANUs), Conditionally Assigned Network Upgrades (CANUs), Precursor Network Upgrades (PNUs) (with the exceptions noted below), and the Maximum Cost Exposure (MCE) definition in option (1) above.

- **Policy changes:** These CAISO proposals are uniformly unfavorable to generators and developers, and they lack sufficient justification. **EDF-R opposes these proposals.**

  Generally speaking, the CAISO's proposals in this category would significantly increase both risk and uncertainty to developers, causing them to delay their commitments to construct projects where possible until the uncertainty is resolved. This would be contrary to the CAISO's stated objective of encouraging generators to make decisions as soon in the process as possible:

"CAISO asserts that the primary purpose of the interconnection financial security provisions contained in the GIDAP, like those contained in the GIP, is to ensure that developers have sufficient 'skin in the game' such that they are encouraged to make decisions regarding the status of their projects as early in the process as possible, and so that non-viable projects can be identified and not inhibit the overall progress of other projects in the queue." *California Independent System Operator Corp.*, 140 FERC ¶ 61,070, P 23 (2012).

EDF-R's positions on the CAISO's proposals in this category are summarized in the chart below and explained further in the remainder of this section.

ISSUE	*CAISO TRACK 4 PROPOSAL*	*EDF-R COMMENT SUMMARY*
ISNU definition & treatment*	100% of upgrade cost included in MCR & MCE	**Primary:** Include allocated cost in MCR/MCE **Compromise:** Treat difference between allocated & 100% of cost as a CANU – room for 100% allocation but removed if other projects reach PTO cost-responsibility milestone (see below)
PTO NU cost-responsibility milestone	PTOs assume cost of NUs still needed when all projects assigned cost drop out without making third posting	Retain GIA execution as applicable milestone – no evidence PTOs/ratepayers harmed by current policy, harm to developers certain
Other GIDAP 14.2.2 changes	Projects needing Precursor NUs (PNUs) or CANUs early for COD or deliverability must post security for & fund them	Expand current provisions to upgrades needed early for deliverability but retain current assignment of only "expediting" costs
RNU reimbursement impacts of CANU-to-ANU conversion	CANUs converting to ANUs could put projects over RNU reimbursement limits, or increase forfeits for those already over those limits	Do not allow CANUs converting to ANUs to put projects over RNU reimbursement limits, or increase forfeits for those already over those limits – discourages projects from locating in areas where they can make use of upgrades already triggered
Phase I Study CANU allocation	100% of each CANU would be allocated to each project, to deter "gaming"	No evidence of such gaming has been provided. Also ignores the considerable cost & effort to prepare Interconnection Requests.

* *Includes their reflection in the ANU, CCR, MCR, & MCE definitions.*

Identification and treatment of Interconnection Service NUs (ISNUs)

The CAISO's proposal to include only the allocated ISNU cost in the CCR is an improvement from the last proposal. However, the proposal to separate these RNUs from others and treat them differently – including 100% of costs in MCR and MCE – still has not been justified. CAISO's explanation for this proposal is basically that they will be needed if all other projects in the study cluster drop out; however, that may also be true of other NUs, and the CAISO has not adequately explained why these upgrades should be subject to more stringent requirements.

Moreover, if multiple projects sharing an ISNU are actually built, inclusion of full ISNU costs in the MCR/MCE serves no purpose beyond making room for other costs to be imposed on the project. The higher the number of projects sharing an ISNU, the less the likelihood that only one will use the upgrade, and the more unfair a 100% MCR/MCE cost is for each project.

These facts strongly support EDF-R's prior compromise proposal, which the CAISO did not address. This proposal is repeated below (revised to reflect the CAISO's latest changes), and EDF-R asks that the CAISO address it here.

Compromise proposal: If CAISO retains the proposal to include 100% of ISNU costs in the MCR (and, by extension, the MCE), the the difference between allocated ISNU cost to a project and 100% of the ISNU cost for the upgrade should be treated as a CANU. Thus, this excess cost would be reduced or removed from the MCR/MCE once other projects sharing the upgrade execute GIAs (or, if the CAISO retains the proposed third IFS milestone for PTO NU funding, once other projects make their third IFS postings).

Thus, consider an ISNU (e.g., a switching station) shared by two projects. They would each be allocated ½ the cost as an ANU, and their CCRs and security postings would reflect that split allocation (which we understand to be the CAISO's current proposal).

However, instead of being simply included in the MCR/MCE (where it cannot be removed), the difference between that 50% allocation and the full 100% cost would be treated as a CANU for both projects, i.e.: (1) Included in the MCR (and thus the MCE); but (2) eliminated from the MCR/MCE if the other project executes a GIA (current provision) or makes the third IFS posting (CAISO proposed milestone).

This proposal would ensure room for a 100% ISNU allocation in a project's cost responsibility as long as there is a higher likelihood that it must solely fund an ISNU; it would then reduce the cost exposure as other projects reach the applicable funding milestone where the cost shift is less likely. EDF-R believes that this proposal is fully consistent with the intent of the tariff regarding cost reallocation and offers better protection to PTOs than the current framework.

Milestone revision for PTO Network Upgrade (NU) cost-responsibility assumption

Currently, a still-needed NU can be assigned to later-queued projects if all earlier-queued projects assigned the upgrade drop out before executing a GIA. The CAISO proposal would change that demarcation to the third IFS posting, i.e., later-queued projects could be assigned those costs if all earlier-queued projects drop out without making the third posting.

However, the proposal does not offer any justification why this long-standing provision should be changed. For example:

- **What harm have PTOs suffered that would be mitigated by this proposal** – e.g., how often (and at what cost) have PTOs been required to finance NUs when projects dropped out between GIA execution and the third posting? Remember, only financing costs are relevant, not total upgrade costs (reimbursable by the PTO even if financed by developers).

- **To what extent have these costs been mitigated by the forfeited security from the project(s) dropping out?** By GIA execution, generation projects have already made the first IFS posting, and probably the second as well. The forfeited amounts are based on total estimated NU costs, not just those for upgrades still needed, and not just financing costs.

Forfeits would be high if estimated upgrade costs (and PTO/ratepayer financing risks) are high. (If estimated upgrade costs are low, PTO/ratepayer risk would likewise be low.)

EDF-R understands that forfeited funds go into a different "bucket" and don't directly fund still-needed upgrades. However, they are still dollars that largely flow back to ratepayers. The question here is, on net, the degree to which the forfeited funds for upgrades needed and not needed offset PTO financing costs only, for still-needed NUs only.

Undoubtedly, this proposal would hurt developers by imposing significantly more cost uncertainty for much longer. GIA executions are already postponed by potential tender closer to project Commercial Operation Dates (CODs) and project parking. The third posting would prolong that uncertainty considerably, since it may not be due for years after GIA execution.

Without addressing the questions above, the proposal would risk this harm to developers without evidence that PTOs/ratepayers are currently suffering any harm. Even if the answers to these questions show that they are suffering any such harm, the CAISO would have to balance the degree of that harm with the harm to developers. The current proposal simply does not reflect that important tradeoff.

Moreover, mechanics of this proposal have not been adequately considered or discussed with stakeholders. For example, there is no information on:

- **Applicability of this proposal to generation projects with phased third postings.** What if projects make only partial third postings – would the CAISO check to see if those postings included the upgrades in question to determine the CANU status of later-queued projects?

- **Which generation projects have made third postings.** GIA filings are public, but the third-posting milestone is variable under the tariff (based on commencement of Construction Activities), and information on developer postings is not public. Today, developers can easily check the CAISO Interconnection Queue to determine whether GIAs have been executed for projects in areas they are considering for future development and, therefore, which major upgrades will not be allocated to their projects. The CAISO proposal would thus require that posting information be included in the public queue also.

- **Applicability of this proposal to current generation projects.** It would be extremely unfair to apply this proposal to projects now operating or in the interconnection queue, e.g., to: (1) Increase the MCRs of projects in the queue to include 100% of ISNU costs; or (2) increase their MCRs to include upgrades assigned to earlier-queued projects where a GIA has been executed but the third IFS posting has not yet been made.

  The CAISO has taken steps in other parts of the 2018 IPE initiative to avoid adverse retroactive changes, so any changes in this area (i.e., reflecting actual policy changes, beyond simple policy clarifications) should be going-forward only, i.e., applicable only to Cluster 12 or later projects.

In summary, this proposal is not well-justified, may address problems that do not exist, may not help PTOs/ratepayers (while it will certainly harm developers), and is not fully fleshed out.

Other changes to GIDAP 14.2.2

- **Current tariff:** GIDAP Sections 14.2.2 & 14.2.3 require PTOs to make "Reasonable Efforts" to accelerate NUs: (1) Assigned to earlier projects and needed sooner for later-queued project Commercial Operation Dates (CODs); or (2) included in the CAISO Transmission Plan but needed sooner for generation-project In-Service Dates (ISDs). The IC is required to pay the "associated expediting costs."

  The IC is not required to securitize/finance/pay for the NUs entirely. This interpretation is supported by lack of a provision removing those responsibilities from the projects originally assigned them. Certainly, those responsibilities should not be assigned to both the project seeking expedition and the projects originally assigned the upgrade responsibility.

  Under the current CAISO Track 4 proposal, projects are not required to post security for or fund PNUs, or for CANUs unless they become ANUs. However, they apparently must do both post and fund PNUs and CANUs needed before their scheduled ISDs or CODs) – i.e., if:

  - The PNUs/CANUs are RNUs and the projects want to declare COD before completion of these NUs by the earlier queued cluster; or
  - The PNUs/CANUs are DNUs and the projects want to declare COD with "permanent" (FCDS/PCDS) deliverability before completion of these NUs by the earlier-queued cluster (in the last proposal – not explicit here but seems to be intended).

  This proposal would apply even if the projects currently assigned the cost of these upgrades has already executed a GIA (or made the third IFS posting), and it does not provide for any removal of cost responsibility from those projects. This raises the potential for multiple allocations of, and payment for, costs for the same transmission projects.

  EDF-R believes that some changes are needed to GIDAP 14.2.2 generally. EDF-R agrees that Section 14.2.2 should be changed to extend it to NUs needed for deliverability to later-queued projects, so that it doesn't only apply to NUs needed for COD/In-Service dates.

  However, the CAISO should retain the current requirement that ICs fund only the cost to expedite transmission projects, not the entire upgrade. The policy change to complete funding has not been justified or discussed with stakeholders.

Potential impacts of CANU-to-ANU conversion on Reliability NU (RNU) reimbursement

The Addendum states that, if a CANU is converted to an ANU and the new ANU is an RNU, the cost may put a project over RNU reimbursement cap.

EDF-R opposes this proposal. CANU conversion to ANU should not be allowed to put projects over the RNU reimbursement cap, since those costs were not triggered by the "recipient's" study cluster. The cap helps ensure that projects don't locate in areas where they trigger large RNUs, but they can't help upgrades triggered by others earlier. In fact, the CAISO should be encouraging project location in areas where other projects have already triggered upgrades, so those upgrades can be better utilized and new interconnections can be more economic.

The CAISO proposes to include a CANU component in the MCR/MCE that would be the lower of the Phase I and Phase II Study CANU cost. However, the Phase I Study would allocate 100% of each CANU to each impacted project in the cluster. (The Phase II CANU cost would be only the allocated cost.)

The CAISO stated that this proposal is intended to deter potential "gaming," i.e., where developers with projects in an area where an expensive CANU was previously identified submit many bogus projects in that area, get a low CANU allocation to each project, and then withdraws most of the projects submitted before the first IFS posting is due. However, no evidence was provided that this has ever happened, i.e., this proposal may be another solution in search of a problem.

The proposal also:

- Does not consider the high cost of preparing IRs and posting $250K for each IR submitted (or, $500K if the developer does not secure Site Exclusivity for each bogus project).
- Ignores the fact that this incentive already exists generally in the CAISO's structure, e.g., generation developers often run their own studies and, if this was really a viable option, could do this wherever an expensive upgrade might be indicated.
- Is inconsistent with the approach taken elsewhere in the CAISO proposal, i.e., would put a project or cluster in the same situation as if the upgrade was allocated to them initially.
- Could put projects starting to seek a PPA with a huge CANU cost hanging over them in a difficult situation.

11. New Topics – Interconnection Request Acceptance and Validation Criteria

11.1 Interconnection Request Acceptance

11.2 Validation Criteria