Stakeholder Comments Template

# Integration of Transmission Planning and Generator Interconnection Procedures (TPP-GIP Integration)

# Draft Final Proposal, posted February 15, 2012

| Submitted by | Company | Date Submitted |
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| Jim Filippi<br>Jim.Filippi@firstsolar.com<br>(415) 935-2498 | First Solar | March 1, 2012 |

**Section 1. Overall support for the draft final proposal.**

Please select one of the following options to indicate your organization's overall level of support for this proposal: (1) fully support, (2) support with qualification, or (3) oppose. If you choose (2) please describe your qualifications or specific modifications that would allow you to fully support the proposal.

We support this proposal with qualification.

The following changes need to be made now to make Option (A) workable:

- All RNUs and LDNUs should be fully reimbursable commencing upon the Commercial Operation Date of the Interconnection Customer's project.
- Negotiation of a GIA after Phase 2 should be a requirement only if the project is granted a PPA. Lacking a PPA, a short-listed project should be able to remain in "parked" status. (Requiring all short-listed projects to negotiate GIAs will lead to many more projects with GIAs and deliverability allocations than will be successfully developed.)
- Before the later of the PPA approval date, the GIA effective date and the resulting assignment of deliverability, any postings of Interconnection Financial Security should be completely reimbursable upon withdrawal from the queue. Until these three milestones are achieved, the project is not holding a deliverability allocation that may be needed by other projects, and withdrawal from the queue would not adverse other projects.

We have many questions regarding the Energy Only and (B) options as proposed. The parking concept (requirements, options, duration and cost) also needs a lot of work. We

would be willing to support a proposal with the Option (A) changes listed above as a means to start Cluster 5 if CAISO commits in its tariff filing to work on these other issues, particularly queue parking details, in the GIP3 stakeholder effort.

**Section 2. Major differences between the 2/15 draft final proposal and the earlier 1/12 second revised straw proposal.**

1. In response to stakeholder concerns about the previous proposal that ratepayers would reimburse customers fully for all reliability network upgrades (RNU), the draft final proposal will determine whether a project is eligible for full, partial or no reimbursement in a manner that aligns with the allocation of TP deliverability under this proposal.

   Option (A) projects should receive full reimbursement for all RNUs, as provided in the proposal.

2. Projects that submit energy only interconnection requests and do not seek deliverability will be reimbursed for RNU up to a maximum of $40,000 per MW of generating capacity.

   This maximum reimbursement amount, based on the average of GIP phase 2 RNU costs for cluster 1 and 2 projects, excluding the four highest cost per MW projects, seems too low and could use some further development. Application of this reimbursement limit to the sample group would result in more than half of the group receiving only partial reimbursement. We can understand not wanting to reimburse unduly expensive RNUs, but denying half of the applicants full reimbursement for typical RNUs goes much too far. In addition, the amount that ultimately is selected for the maximum should be subject to adjustment over time in accordance with some process or index.

3. The proposal distinguishes between area delivery network upgrades (ADNU) and local delivery network upgrades (LDNU), where ADNU are generally identified through the TPP to provide deliverability to a targeted MW amount of generation in an area, while LDNU are identified through the GIP studies to provide resource-specific deliverability.

   The LDNUs identified in Phase 1 studies should be considered for inclusion in the TPP as ADNUs. Objective criteria for deciding whether such LDNUs should become ADNUs in the TPP or remain LDNUs in the GIP should be developed in the GIP3 effort.

4. The process for allocation of TP deliverability will be the key determinant of whether a generation project is required to post security and/or pay for a share of ADNU costs after phase 2. All projects will be required to post security for their shares of RNU and LDNU costs. Eligibility for ratepayer reimbursement of these security postings after commercial operation begins will align with whether the project was allocated TP deliverability and then meets the criteria to retain the allocation.

   We support this concept with the qualification that, until the later of the PPA approval date, the GIA effective date and the resulting assignment of

deliverability, any postings of Interconnection Financial Security should be completely reimbursable upon withdrawal from the queue. Until these three milestones are achieved, the project is not holding a deliverability allocation that may be needed by other projects, and withdrawal from the queue would not harm other projects. The protection provided by proposed process for allocation of TP deliverability makes withholding some or all of the interconnection financial security upon withdrawal unnecessary and, therefore, unreasonable.

5. The allocation of TP deliverability to generation projects under this proposal will occur for the first time at the end of the GIP phase 2 study process for cluster 5, i.e., during the first quarter of 2014. Before the ISO allocates TP deliverability to any cluster 5 projects, the ISO will first determine how much of the TP deliverability provided by the most recent transmission plan must be encumbered by projects in the existing queue (serial through cluster 4) that are in good standing with respect to their PPAs and GIAs, any expansion of MIC that was addressed in the TPP, and any deliverability for distributed generation (DG) allocated to regulatory authorities under the DG Deliverability initiative in progress. After accounting for these encumbrances, the remaining amount of TP deliverability will be available for qualified projects in cluster 5.

   This is acceptable.

6. If there is some TP deliverability available for allocation to projects in the current cluster and to option (A) projects in the prior cluster that opted to park for a year, such projects must at least meet the minimum threshold criteria of being included on an active LSE short list and having submitted the necessary permit applications in order to be eligible for the allocation of TP deliverability.

   Being included on an active LSE shortlist may be too low of a threshold. Most of the shortlisted projects will not receive PPAs. CAISO should avoid tying up TP deliverability by assigning it to shortlisted projects, and then having to wait until those projects lose their deliverability allocation before it becomes available to other competitors. Raising the threshold to receipt of an approved PPA and an effective GIA would avoid this problem.

7. If the volume of projects that meet the threshold exceeds the amount of TP deliverability available, the ISO will calculate a numerical score for each project based on the criteria and point values presented in the proposal, and will allocate deliverability to the highest scoring projects without regard to whether the project chose option (A) or (B).

   We support this concept.

8. A project that is allocated TP deliverability under the proposed approach will be required to demonstrate annually that it meets the criteria for retaining the allocation; i.e., (i) no regression with respect to criteria on which it received the allocation; (ii) executed GIA is in good standing (no ISO notification of breach); (iii) no delay of COD unless for reasons beyond customer's control. If a project loses its allocation, it must either withdraw from the queue or convert to energy only deliverability status.

We support the basic concept here, but there are some troubling details. What constitutes regression is not clear. For example, if a project receives a permit but then the permit is challenged, is that regression? (We think the mere existence of a challenge should not be considered a regression.)

Also, ISO notification of GIA breach should not be considered a regression, since the GIA will provide opportunities to cure the breach. If the project cures the breach, permanent loss of TP deliverability, as proposed, seems unfair and unreasonable. Only a duly approved termination of the GIA, or an amendment of the GIA to convert it to Energy Only, should be considered grounds for revocation of TP deliverability.

9. An option (A) project that does not receive TP deliverability after parking for one year must either withdraw from the queue or execute an energy only GIA. To allow parking for a longer period would complicate the GIP study process by maintaining a backlog of projects to be studied for RNU and LDNU that may not be making progress but have little incentive to withdraw.

ISO should provide projects two incentives to withdraw from the queue: 1) payment of annual study fees to stay "parked" and refresh the Phase 2 study for the project, and 2) full reimbursement of Interconnection Financial Security upon withdrawal. The proposed study process already contemplates having more projects in an area than the deliverable capacity, so having more projects in the study should not present an undue burden. With these incentives, it would not be necessary to limit the number of years that a project pays to be restudied, and the end result would not be much different than the project withdrawing from the queue and then resubmitting an Interconnection Request in the next cluster, except that the time, effort and expense of ISO handling another Interconnection Request and conducting another Phase 1 study would be avoided.

10. An option (B) project that does not receive TP deliverability within the allocation process immediately following its phase 2 study results must either withdraw from the queue or execute a GIA committing it to pay its share for all required network upgrades without ratepayer reimbursement.

No comment.

11. Projects that withdraw from queue after the phase 2 study results may be eligible for partial refund of their first financial security postings in accordance with existing tariff provisions, as expanded by the following new eligibility conditions: (1) An (A) project will be eligible if it fails to be allocated TP deliverability; the period for "early" withdrawal under this condition will be 18 months from phase 2 study results. (2) A (B) project will be eligible if its phase 2 cost estimate for ADNU exceeds its phase 1 estimate by the smaller of 20 percent or $20 million. The "early" withdrawal period will be 180 days from phase 2 study results.

We will support the proposal only with full reimbursement for (A) projects, as explained in section 4 above.

12. The ISO will maintain the March 31, 2012 closing date for the cluster 5 request window, in contrast to April 30 as stated in the previous proposal. In recognition of the possibility that FERC's order may significantly modify the proposal that the ISO Board rules on in March and the ISO files shortly thereafter, the ISO's filing will include a provision to allow parties to withdraw requests up to 10 days after the FERC order without any penalty applied to the refund of their initial study deposits.

    We support this concept.

**Section 3. Please provide any additional comments on major structural components of the proposal.**

13. GIP Phase 1

    The new TPP resource scenarios should become available around time that GIP Phase 1 starts and should be considered in determining the MW amount to be studied for deliverability in each study area.

14. Transition from Phase 1 to Phase 2

15. GIP Phase 2

    The ISO will perform a baseline re-study process prior to the beginning of each GIP phase 2. The proposal states, "Where the re-study finds changes to the previously-identified DNU and RNU and their plans of service, the ISO will use the results to amend the GIAs and then to develop the base case for the current cluster phase 2 study." If the GIA amendments only reduce scope and cost of NUs, that's fine. But, if ISO can increase the scope and cost of NUs in signed GIAs, it will make projects unfinanceable.

16. Allocation of TP Deliverability Post Phase 2

17. Subsequent to the Allocation Process

**Section 4. Please use the space below to offer comments on any other aspect of the proposal not covered above.**