Stakeholder Comments Template

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

Submitted by	Company	Date Submitted
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First Solar has been extensively involved with the development of comments for the Large Scale Solar Association. We fully support the LSA comments and provide these comments as a supplement.

Comments on topics listed in GIP 2 Draft Final Proposal:

Work Group 1

Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline

Work Group 2

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

   Comments:

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

   Comments:

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

Comments:

We request CAISO consider a day for day delay in the posting date if an invoice is not received within 30 days of the posting date.

Tariff Section 11.1.1 of Appendix Y indicates that the PTO and the CAISO should tender a draft GIA together with draft appendices within 30 days of the final Phase II Interconnection Study report; however, this timeline has not always been met. Therefore, we suggest that the deadline for the 2nd Financial Security Posting also be delayed day for day if the draft GIA, together with draft appendices, which reflect the final Phase II Interconnection Study has not been tendered within 60 days of the final Phase II Interconnection Study.

The draft final proposal suggests that there are three different categories of post-study changes:

1) Non-material, no report change (but some type of written correspondence w/ appropriate clarification)
2) Sufficient to warrant a report amendment, but not enough to warrant relief to the posting date
3) Sufficient to warrant a report amendment, and enough to warrant relief to the posting date

The challenge with this is that the IC may not know whether the change will fall into bucket "2" or bucket "3" until after the report amendment is issued. Further, there is no deadline set for issuing the bucket "2" report. The IC needs logistical time to reflect an amendment in the final posting amount.

To address this, First Solar suggests this potential resolution:

1) Also delay the posting to 30 days after the tender of an invoice which reflects the final Phase II Study report and any amendments. Clarify that if an amendment is expected, any invoice that does not reflect that amendment is not valid.

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

Comments:

CAISO identified the security posting disconnect which can arise when the IC and PTO enter into an E&P agreement to accelerate certain work scope in advance of an LGIA, and the IC makes advanced payments. First Solar suggests that the E&P agreement identify 1) any E&P scope that is duplicative of Phase II Study report scope, and 2) E&P payments (or portions of E&P payments) which cover some portion of Phase II Study report cost estimates.

The CAISO Tariff would be updated to reduce the 2nd and 3rd Financial Security posting amounts for any cash or security posted under the E&P agreement that covers some portion of the Phase II Study report cost estimates.

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

   Comments:

   See discussion under Item 3.

6. Information provided by the ISO (Internet Postings)

   Comments:

   In Appendix Y Section 3.6, the Tariff indicates that certain information will be public, including "the station or transmission line or lines where the interconnection will be made". We have received guidance that the queue lists the originally requested POI rather than the POI actively being studied (if they are different). We suggest that the BPM should be updated to clarify that the queue should list the POI actively being studied.

Work Group 3

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

   Comments:

   Determination of the Partial Termination Charge multiplier

   The denominator of the partial Termination Charge multiplier is proposed to be the entire MW listed in the queue. With the quantity of projects submitting interconnection requests in cluster #4, it is clear that the supply of renewable energy projects exceeds California's current demand for renewable energy projects. Therefore, we suggest a higher threshold for counting MW in the denominator. This could be the maximum MW identified for the region in any one of the TPP planning scenarios, the MW in the queue that have made the 1st Interconnection Financial Security ("IFS") Posting or some other greater threshold than entering the queue.

   Limit to the Partial Termination Option Period

   To the extent that the Partial Termination Charge is the IC's maximum exposure for failure to build capacity, and the IC is able to elect the PTC after construction of the Transmission facilities have begun, the partial termination provisions also enable a scenario where ratepayers are at risk for the cost of the upgrades (even if the IC is funding the upgrades). Ratepayer funded investments in transmission must balance different goals: 1) the state reaches its RPS target, 2) the contract structure enables projects to be built, and 3) the investments in transmission are utilized. Item #2 & 3 require a careful balance between rights of individual generators and ensuring that the ratepayer funded transmission is used appropriately. The trickiest potential situations may be when the PTO is ready to begin construction and the associated IC is not yet ready to start construction. Under standard tariff conditions, the IC must show that it is committed to the project and the Upgrades by posting the balance of the Upgrade cost (Third IFS Posting) and funds that are spent or committed are not refunded unless the project comes online. There are two cases where this may not be the case 1) Abandoned Plant, and 2) Partial Termination (with or without Abandoned Plant).

We support CAISO's effort to put milestones into the Partial Termination provisions and we believe that it is important to start putting details into what these milestones would look like. The specific milestones and language for use of the partial termination clauses have not yet been outlined; below we provide some comments on the milestones identified in the non-conforming "Abandoned Plant" LGIAs signed last year.

Decision Point #2: In the event that the PTO has a final non-appealable permit but the IC does not yet have its comparable permit (Group 2 Milestones / Decision Point #2 in the Abandoned Plant LGIAs):

- If there are no other projects that need the Upgrade that has its permit and is ready to start construction, then the project can maintain its queue position and remain under the Partial Termination structure with no additional requirements
- If there are other projects that have permits in hand are ready to start construction then:
    - If the IC is in permit litigation or appeals for the MW subject to partial termination, the IC can elect to make the full IFS posting at start of Construction of the Upgrades to maintain its queue position. The current withdrawal provisions under Tariff Appendix Y Section 9 should apply to any portion of the project that does not receive a final permit (rather than the Partial Termination Charge). Refunding only the security that was not spent or committed removes the risk from the ratepayers. The IC is in the best position to assess likelihood of success; placing the financing at risk indicates a strong project and the project should be able to maintain its rights to its Full Capacity deliverability. Once the permit is received the Partial Termination provisions would be reinstated.
    - If the IC is not in permit litigation or appeals, then:
        - If a different project would use the capacity, they should gain rights to it.
        - If there is not a different project that would use the capacity, then the IC should be able to keep its queue position.

Decision Point #3. In the event the IC has a final non-appealable permit and the PTO is ready to start construction (Group 3 Milestones), however, the IC cannot show that it has completed its EPC contract or closed financing, there should be a decision point. (Decision Point #3 in the Abandoned Plant LGIAs)

- If there is no other project that would use the Upgrade that has its permit and is ready to start construction, then the project can maintain its queue position and remain under the Partial Termination structure with no additional requirements; the PTO can delay its construction of the line to minimize risk to ratepayers.

- The Upgrades are going to start construction; one or more alternate projects have their permits and are ready to start construction. If the IC cannot meet the financing

& construction milestones, then under the non-conforming Abandoned Plant provisions, the PTO has the option to extend the applicable deadline. We suggest the Partial Termination milestones keep the (90 day) extension at the discretion of the PTO. Beyond this, the rights to an extension should be structured as follows. There are two sub-cases:

- There are one or more other later queued projects that were not allocated capacity on the Upgrade, but are ready to make use of the capacity. This later queued project would have: 1) obtained Financial Close and commenced Construction Activities, or 2) obtained Financial Close and can commence Construction once a condition precedent of obtaining transmission deliverability is met. The transmission capacity is reallocated to that later queued project. (There should not be an ability to post and continue to maintain the rights to the transmission deliverability and the capacity should be allocated to alternate projects.)
- There are no other later queued projects that were not allocated capacity on the Upgrade, that are ready to start construction. Cancelling the GIA is of no benefit to ratepayers as there are no alternate later queued projects that would get built in its place. It is in the best interest of the ratepayers to allow the project to maintain its GIA while it continues to perfect the project and pursue financing. However, if a later queued project subsequently obtains Financial Close, then that project should gain access to the transmission deliverability. The cost of maintaining the Partial Termination LC should be useful in ensuring that the IC has some costs to holding its queue position.

As mentioned above, we support CAISO's effort to put milestones into the Partial Termination provisions. However, queue positions for IC projects that are not ready when the PTO is ready should not be automatically terminated. Rather, the remedy should depend on the situation and guidelines should be developed in advance. Maintaining a partial termination option requires a difficult balance of a developer's need to perfect a project and other developers' need to move forward if they have perfected their projects. As can be seen from our comments above, we believe that additional provisions are needed to ensure that the option that one developer purchases for partial termination does not become an impediment to other development in the area.

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

   Comments:

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

   Comments:

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

    Comments:

11. CPUC Renewable Auction Mechanism

    Comments:

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

    a. Application of Path 1-5 processes

       Comments:

    b. Maintaining Deliverability upon QF Conversion

       Comments:

    c. Distribution Level Deliverability

       Comments:

Work Group 4

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

    Comments:

14. 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:

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

    Comments:

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

    Comments:

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

    Comments:

18. Consider using generating project viability assessment in lieu of financial security postings

    Comments:

19. Consider limiting interconnection agreement suspension rights

    Comments:

20. Consider incorporating PTO abandoned plant recovery into GIP

    Comments:

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

    Comments:

    Do studies include sufficient information for the developer to have an informed decision?

    First Solar requests an example to clarify how the rules would apply.

    If a cluster is 1000 MW and 400 MW are deliverable before network upgrades.

    If one 100 MW project reduces its deliverability capacity to 40 MW (the project shifts 60 MW EO or canceled altogether), is that 40 MW fully deliverable and can that project avoid an allocation of the network upgrades?

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

    Comments:

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

    Comments:

24. Operational partial and interim deliverability assessment

    Comments:

First Solar support the temporary deliverability as an option, though it is not clear that such an option will be sufficient to support project financing.

25. Post Phase II re-evaluation of the plan of service

    Comments:

New Topics since straw proposal

26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.
    Comments:

27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.
    Comments:

Other Comments:

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