

LSA Comments on 2017 Expedited GIDAP Enhancements Revised Straw Proposal

The Large-scale Solar Association (LSA) hereby submits these comments on the August 30 document, 2017 Expedited GIDAP Enhancements – Revised Straw Proposal (Proposal). The Proposal – like the earlier Straw Proposal – would:

- **Allow cluster-study projects to “park” for one additional year**, under these conditions:
 - “RA Deliverability Condition:” There is Resource Adequacy (RA) deliverability available in the project area.
 - “Precursor NU Condition:” Network Upgrades (NUs) assigned to the project are not needed by later-queued projects.

The CAISO will consider whether this change should be permanent, as well as other GIDAP changes, in the planned Interconnection Process Enhancement (IPE) 2018 initiative.

- **Provide that “parked” projects must come out of parking status in order to request a Generator Interconnection Agreement (GIA).**
- **Revise the Interconnection Request (IR) submission/validation schedule**, to reduce the submission window and lengthen the validation time allowed.

Summary of LSA comments

LSA continues to support the IR submission/validation element of the Proposal.

LSA continues to support the “parking” extension generally but recommends removing both proposed extended-parking eligibility conditions, or at least significantly modifying them. Otherwise, they are likely to exclude many or most of the generation projects that would otherwise qualify for the parking extension.

LSA believes that the CAISO should defer consideration of its “clarification” that generation projects cannot pursue a GIA while parked, from this expedited process to IPE 2018. This “clarification” is actually a significant policy change proposed without adequate justification, i.e., inadequate demonstration of any problem here that should be addressed.

LSA’s concerns about the parking-extension conditions and GIA tender provision are explained further below.

Parking-Extension Provisions – General Comments

Based member input, LSA believes that imposition of one or both of the proposed conditions would very likely disqualify many or most of the Cluster 8 projects from the proposed parking extension. If that is true, of course it would render a major part of this initiative – the major motivation for initiating it in the first place – ineffective at best.

The Proposal does not provide any information indicating that the CAISO has considered this issue, and LSA strongly suggests that the CAISO do so before issuing the Draft Final Proposal. There are only 21 Cluster 8 projects parked, and some of those might not choose to apply for the extended parking. Even if they all do so choose, the impact will not be large in any case.

Parking-Extension Provisions – RA Deliverability Condition

The Proposal assumes that this condition is necessary for deliverability awards after the additional parking year. The Proposal acknowledges that dropouts of earlier-queued projects could free up deliverability afterwards but says “that result has occurred so infrequently in the past that the CAISO does not believe that it is prudent to allow projects to remain parked on the hope that it could happen.”

However, there are serious unresolved questions about the both amount of deliverability available and capacity that will actually be built in each area. Many of these questions would be addressed if the CAISO accepts LSA’s recommended IPE 2018 topics; below are examples of how those topics could change result in additional deliverability availability.

- **There may, in fact, be more (and, in some cases, considerably more) deliverability available in at least some areas than assumed to date in Interconnection Studies.**

For example, implementation of the Electric Load Carrying Capacity (ELCC) methodology has reduced solar-project deliverability significantly. Solar projects have typically been assumed at 90-100% of nameplate capacity in Interconnection Studies, but now they will count for half that amount or less of Qualifying Capacity (QC).

LSA’s IPE 2018 submittal suggested that the CAISO examine whether these reduced QC values under ELCC could allow more projects to receive deliverability with already-approved NUs. The RA Deliverability Condition would force parked projects to withdraw from the queue before this issue has even been considered.

- **The Affidavit process has likely inflated the number of projects that should receive or retain deliverability awards.** Much capacity now in the queue is clearly non-viable or at best, speculative, and the current Affidavit option allowing project owners to claim balance-sheet financing has allowed such non-viable projects to remain in the queue and reduce apparent deliverability available for later-queued projects.

In reality, virtually none of that generating capacity will be built if the project owners do not secure Power Purchase Agreements (PPAs), and the Affidavits just give them more time to linger in the hopes of getting a PPA eventually. Affidavit execution has few or no consequences for cluster-study projects with relatively low-cost NUs, or for serial-study projects using Affidavits to meet Commercial Viability Criteria (CVC).

LSA’s IPE 2018 submittal recommended elimination or tightening the use of balance-sheet financing Affidavits to secure and retain deliverability. This proposal could result in many or most of the projects with affidavit-justified deliverability awards/retention would lose their deliverability, making it available for other projects.

Thus, even though CAISO’s observation about later capacity availability may have been true in the past, it may not be true in the future. Imposing the RA Deliverability Condition now would render projects in many areas ineligible for the additional parking year before the IPE 2018 scope is even determined, and long before those issues are resolved and any revisions implemented. Under current rules, once that opportunity is lost, there is no way to regain it.

If this condition is retained, at a minimum the earlier determinations of “available deliverability” should be modified to reduce deliverability for earlier awards and remaining capacity, to account for both: (1) The ELCC QC reductions; and (2) subtract deliverability awarded/retained by projects with balance-sheet Affidavits.

Parking-Extension Provisions – Precursor NU Condition

The CAISO is proposing this condition out of concern for later-queued generation projects. If projects withdraw from the queue before executing a Generator Interconnection Agreement (GIA), later-queued projects could be assigned costs for any NUs still needed. (If a project withdraws after GIA execution, Participating Transmission Owners (PTOs), not later-queued projects, must fund still-needed NUs in the GIA.) Since parked projects have not executed GIAs, cost-allocation uncertainty for later-queued projects would last for a longer period.

The CAISO should not apply this condition as a “blanket” criterion but should consider more narrow rules of thumb, situational analyses, and/or reasonableness tests applied by CAISO staff. While this would increase workload somewhat for the CAISO, there are strong reasons for taking this more nuanced approach:

- **The precursor NUs might not be needed until the parked project comes on-line.** If the parked project is willing to be subordinated for deliverability to later-queued projects disadvantaged if the NUs are delayed by the parking extension, then this criterion is not needed. For example, if a parked project is large, later-queued projects could be awarded deliverability without the precursor NU, and the extended-parking project could receive its deliverability once the precursor NU is complete.
- **Some NUs are very small, or the amount of a larger NU allocated to an extended-parking project is very small,** so the amount of the cost uncertainty to the later-queued projects is likewise very small. Of course, it is unfair for developers to worry about very large contingent upgrade costs, but that concern should be lessened considerably if the contingent costs are low.

Pursuit of a GIA While Parked

The Proposal offers this “clarification” on p.16:

To mitigate risk to a PTO that would become responsible for building a network upgrade due to a project that executed a GIA subsequently withdrawing, parking a project excludes that project from the opportunity to be tendered a GIA. A project will have to come out of parking to be tendered a GIA, including the first year and second year of parking. Moreover, if a project has already been tendered a GIA, all negotiations will be suspended when it enters parking status.

This “clarification” is puzzling, for several reasons.

First, it is actually a significant policy change. For example, the CAISO's Proposed Revision Request (PRR) 981 sought to clarify that, under the current tariff, parked projects can request GIAs while parked¹. The statement above seems to imply that, contrary to the CAISO's statements in PRR 981, parked projects cannot request a GIA while parked.

Second, it is not clear how requiring a generation project to come out of parking before requesting a GIA would "mitigate risk to a PTO that would become responsible for building a network upgrade due to a project that executed a GIA subsequently withdrawing." On the contrary, a parked project has already deferred PTO assumption of that risk, and presumably it would request a GIA because it wants to stay in the queue and not because it expects to subsequently withdraw. The CAISO should welcome actions by such projects to progress toward Energy-Only operation pending resolution of the deliverability issue.

Third, the CAISO tariff also allows a project with a completed Interconnection Study to request an Engineering and Procurement (E&P) agreement to advance the interconnection before a GIA is finalized. E&P agreements are an important option, but in many cases it is to the advantage of all parties to simply move forward with a GIA expeditiously.

In summary, this proposal requires significant additional information and consideration in a larger context before it is adopted. If the CAISO believes that this change should be considered, it should defer that discussion to the IPE 2018 initiative.

¹ The CAISO subsequently withdrew that PRR after complaints about a second provision of the PRR, "clarifying" that an IC with a parked project – which is not required to make the second financial-security posting until after the parking period ends – to make that second posting before the PTO would tender a requested GIA. The CAISO's current proposal to require a project to come out of parking to request the GIA does not mention the second posting, but it may also be part of the proposal. The CAISO should not use the current initiative as a "back-door" method to implement the financial-security posting requirement it could not justify in the BPM Change Management process.