Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 ("GIP 2")

Submitted by	Company	Date
Shannon Eddy (*shannon@consciousventuresgroup.com*)	Large-scale Solar Association (LSA)	June 10th, 2011

As an initial matter, LSA has some general comments on CAISO's proposed process for incorporating the remaining GIP-2 elements into the upcoming GIP Business Practice Manual (BPM).

The CAISO said at the June 3rd stakeholder meeting that it is in the process of preparing this BPM, to be issued by the end of this summer. That version would cover the current process before the GIP-2 provisions; the CAISO would then propose GIP-2-related changes to that document, with the "stakeholder process" those changes essentially being the regular BPM Change Management Process.

LSA believes that the CAISO should work through the already-established working groups to develop the proposed GIP-2 changes to the BPM, and then channel those revisions through the BPM Change Management Process. This will ultimately save time and effort by all involved by using the cooperative efforts of the parties to develop the BPM language before it is released into the process.

Comments on topics listed in GIP 2 Straw 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.

LSA supports this proposal and looks forward to participating in the separate initiative.

Work Group 2

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

LSA supports the CAISO proposals for consistent formats and additional explanation, so ICs can better understand the PTO estimation methodologies. However, the Proposal continues to ignore the fundamental stakeholder concern with the current process, i.e., that current methodology and process have inflated Phase I Study cost estimates to the point where they do not function as an effective cost cap, as intended by the earlier GIPR reform.

Moreover, changes to the estimation methodology should be crafted in an open and transparent manner through the stakeholder process, not in a separate "off-the-record" negotiation with and between PTOs. Generation developers should have the opportunity to play an active role to ensure that the estimation methodology is reasonable and non-discriminatory. Thus, the final Proposal should provide for development of specific format and content changes through Work Group 2.

In addition, the CAISO should clearly state that this process will address these specific significant problems:

- ***Significant cost differences:*** Where the posted costs differ significantly between PTOs for the same equipment, installed under similar conditions, those differences should be clearly explained or resolved.
- ***Cost-estimation methodology:*** The CAISO tariff requires estimation of "anticipated" costs. The CAISO should clarify that this means realistic, expected costs, not the maximum conceivable costs.

  To ensure that this tariff requirement is followed, the CAISO must address specifically the use of contingency and "contractor" adders – particularly the huge adders applied by some of the PTOs. LSA believes that such adders are a violation of the tariff and inflate the estimated costs to the point that the Phase I cost cap is virtually meaningless. The CAISO should clarify whether it believes that the use of such adders is in compliance with its tariff and: (1) if so, explain why; and (2) if not, require that the PTOs change their estimation methodology accordingly. (See our related comments under Abandoned Plant Recovery (Issue 20) below.)
- ***500 kV cost estimates:*** The posted per-unit costs should include 500 kV facilities. These facilities have comprised a major cost component for many interconnection studies, and their omission from the posted costs list significantly limits the usefulness of the information. All three utilities have 500 kV projects that are either approved or under development, and there is no reason why they cannot use data from those projects to provide the required information.

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

LSA supports the Straw Proposal generally. However, the final Proposal should clearly state the CAISO's intent to work with non-PTOs to establish the enabling agreements and other arrangements needed to facilitate the same coordinated treatment currently afforded under the PTO WDAT framework. Otherwise, it will not be clear, for example, how this proposal would address disagreements between the CAISO and the non-PTO, e.g., if the CAISO studies identify the need for upgrades to the non-PTO facilities that the non-PTO's studies do not.

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

LSA agrees with the Proposal generally, except for these provisions related to finalization of interconnection studies:

- ***Deadline for comments on draft reports:*** As noted, there have been situations where the Results Meetings were scheduled very soon after the report is issued, providing the IC with little time to meet the proposed comment deadline of 5 BDs before the meeting. Moreover, more generally, the IC is not usually informed of the meeting date when the report is issued and thus would have no idea of how long it has to prepare comments.

  The final Proposal should provide that the IC will have a minimum of 10 BDs to provide comments, or that otherwise comments may be provided closer to the meeting date, at the meeting, and/or through a follow-up communication. It would also be helpful if the Results Meeting date could be provided at the time that the report is issued, so ICs know how much time they have to prepare their written comments for discussion at the Results Meeting.

- ***Final Report amendment:*** PG&E expressed concern at the June 3rd stakeholder meeting about the $1K dollar criterion for report amendment. LSA has no problem with raising this threshold, e.g., to a 2% change in Interconnection Facilities costs or 5% change in Network Upgrade costs. (The lower IF threshold is justified because of the non-reimbursable nature of those costs, assuming the current cost-reimbursement policies.)

- ***IFS Posting delay:*** The threshold should be set at a level that would impact the IC's decision on whether to post or its ability to raise the necessary resources to do so. LSA recommends that the CAISO consider setting the threshold for delaying a posting at 5% of IF costs and 20% of NU costs.

  Also, the CAISO should clarify what happens if an IC disputes the study results, posts the required IFS, and then later prevails in the dispute. While the IC should have the right to then drop out of the queue, with full release of any posted IFS, the CAISO should also clarify how that might impact the study assumptions and results.

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

LSA concurs generally with the Proposal but are concerned that the more general language included in the Proposal – allowing posting requirements for the Third IFS Posting to be negotiated in the GIA but providing no other specifics – would leave too much uncertainty for this substantial financial commitment. The Proposal should be revised to provide for the following:

- **<u>Posting for different discrete upgrades:</u>** The different Network Upgrades are listed clearly in the study reports. The IC should be entitled to stage the postings based on the estimated start dates for each of these upgrades, with that ability not dependent on further CAISO or PTO agreement.

- **<u>Discrete components of each upgrade:</u>** This concept would require separation of a particular upgrade into discrete parts, and that may or may not be feasible. However, if it is feasible, then the PTO should be required to do that, and the IFS postings should be timed accordingly.

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

LSA supports the Final Proposal, with the clarification that the BPM should be effective, and Initial IFS Posting notices should be issued, by December 1st, 2011. However, additional details of the proposal should be addressed in the working group.

6. Information provided by the ISO (Internet Postings)

The CAISO should provide the following, with details determined in the GIP-2 Work Group process:

- A complete set of maps, showing location and voltage information for transmission lines and substations (with substation names, and single-line diagrams for substation configurations and locations of transformers and other key equipment);
- Cluster group studies, within one week of issuance if possible; and
- Other information that will allow the ICs to replicate CAISO study results, including (but not limited to) TPP Study Plans, contingency files, transmission upgrade alternatives studied, and other data used in Reliability, Deliverability, and Short Circuit Duty studies.

In addition, the CAISO should ensure that the information in the interconnection queues is up to date. For example, the queue should list the POI that is actively being studied, rather than the originally requested POI (if they are different), and the expected study due dates should be shown. The tariff and BPMs should be updated, if necessary, to ensure that the updated information is shown.

Work Group 3

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

As a general matter, LSA takes issue with the CAISO's suggestion that a proper remedy for a project that is constructed and operating, but at a lower MW capacity than specified in the GIA, would be termination of the GIA (and, thus, project disconnection from the grid). Though damages may be appropriate, depending on the circumstances, there is nothing to suggest that complete termination would be a reasonable result where a generator is on-line.

Specifically with respect to this proposal, the CAISO should clarify that payment of the proposed termination charge would relieve the IC from further cost responsibility (and result in release of the associated IFS), i.e., that the IC would not have to pay both the termination charges and the upgrade costs.

LSA appreciates the additional explanation provided by the CAISO in the Proposal, but we continue to believe that the CAISO should provide some examples illustrating the actual application of this concept. The CAISO should construct these examples through the upcoming work group meetings.

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

LSA continues to be troubled by the widely disparate treatment of phased projects compared to non-phased projects that are otherwise similar with respect to Partial Termination provisions. The impact on the CAISO/PTO of the potentially stranded transmission upgrades, and on later-queued generation projects, would be the same, for example, for: (1) a 600 MW project with three 200-MW phases that cancels the last phase; and (2) a 600 MW project without construction phases that cancels the last 200 MW because it did not receive a permit for the full project.

With respect to this specific proposal, the 5% figure is arbitrary and too low. Instead, CalWEA and LSA support a safe harbor threshold size reduction up to 20% of the generating facility size, based on permitting activities to date.

Before GIA execution, the CAISO should reflect the change in the Phase II Study if possible. After GIA execution, the CAISO should expressly provide that failure to build the project for permitting reasons would not trigger a GIA default, and make a good-faith effort to examine whether the required Network Upgrades change as a result the size reduction.

If there is no change, there should be no change to the Network Upgrade costs or timing of any reimbursement. If Network Upgrades are no longer needed, the IC should be responsible for irrevocable costs under a framework similar to that proposed for cancellation of phased projects, with the Partial Termination Charge determined at the time that the size reduction is known.

Finally, if an IC remains responsible for a Network Upgrade cost, it should remain eligible for any reimbursement to the extent that the upgrades are used by a subsequent project or load.

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

Generally, we support the Proposal, but not to the extent that it may require Network Upgrades to be completed for reimbursement to begin, rather than having the generation on-line dates trigger the reimbursement. The Proposal document appears to continue the current policy of providing reimbursement based on the in-service date of the generating facility, without requiring that all the NUs be in service for reimbursement to begin. The Proposal would modify the current policy commencing reimbursement once the entire generating facility is complete, allowing reimbursement to begin for as discrete generation phases defined in the GIA are completed, proportional to the project capacity in each phase.

LSA supports this proposal. However, the example and discussion at the June 3rd stakeholder meeting seemed to imply that transmission network upgrades would also have to be in-service for reimbursement to begin for the costs of those upgrades. This has never been a condition of reimbursement before, and the CAISO has not provided sufficient justification for this significant policy change.

There is no risk of upgrades not being "used and useful" once a generating facility (or a proportional portion of it) is on-line, so the need to delay reimbursement to cover that risk would no longer exist. Many cluster studies include Delivery Network Upgrades that can take many years to complete, and there is no justification for the PTO to retain the IC's funds beyond the generation in-service date; moreover, given the current state of the interconnection queue, it is also likely that upgrades identified in the GIP and included in the GIA may never be built.

In addition, like the GIA partial termination provisions discussed above, non-phased generation projects should also be eligible for proportional repayments on the same basis as phased generation projects.

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

LSA has no additional comments in this area beyond our earlier input that the BLM materials referenced in the issue paper do not seem to indicate that any change in the site exclusivity requirements for projects on federal lands is needed.

11. CPUC Renewable Auction Mechanism

There do not appear to be any proposal details to comment on in the Proposal. Of course, the CAISO should work with the CPUC to make sure that their respective requirements are compatible. (Issue #12(c) below contemplates how these resources may be treated in interconnection studies.)

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

b. QF Conversion and deliverability

c. Distribution level deliverability

LSA found the CAISO path framework to be helpful and support these elements in the Proposal. However, with respect to "behind-the-meter" changes under Path 3:

- The capacity restriction and requirement that all Network Upgrades be in service for BTM changes to be approved, are unnecessarily restrictive; these changes should be allowed as long as the other criteria are met;
- The capacity triggered by the expansion breaker can be any generating capacity in the facility, as long as it is the right amount of capacity, and is not required to be the specific capacity added; and
- The deliverability level studied in the interconnection studies should be clearly stated, in both the studies and the GIA, to prevent later confusion.

Work Group 4

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

LSA supports the Proposal. However, consistent with the discussion at the June 3rd meeting, the CAISO should clarify that the amount of the Initial IFS Posting would be reduced to reflect any lower costs in the Phase II Study results below the Phase I costs used to set that posting.

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.

LSA does not object to the Proposal.

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

LSA does not object to the Proposal.

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

LSA supports the Proposal.

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

LSA supports the Proposal provisions that would set the Interconnection Facilities posting caps at the same level as the Network Upgrade caps. We still support consideration in the upcoming meetings of the following additional approaches to defining Interconnection Facilities generally:

- ***CalWEA proposal:*** Define the scope of PTO IFs as the transmission span between the breaker bay position and the first structure outside the substation, with no deposit requirements assigned to facilities beyond this fist structure. The IC can build the rest or contract separately with the PTO or any other qualified entity to build the facilities. Under these circumstances no deposit cap will be needed.
- ***LSA proposal:*** BrightSource Energy, enXco, and First Solar had developed a proposal, summarized below to improve the quality of Interconnection Facility cost estimates before the Second IFS Posting. Both the Initial and Second IFS Posting amounts should be capped, to the extent that this proposal, or a variation, is not adopted.
  - Add detail to the Phase II Study Report on IF cost components, including a breakdown of the elements and costs for the EH&S and the Property Rights sections. Activities which can be performed by the IC should be noted as "optional" and, if the IC elects to perform them, the related costs would be subtracted from the IF cost estimates for purpose of the IFS postings.
  - Allow the IC to request a Facilities Assessment of the PTO Interconnection Facilities and Distribution Upgrades any time between publication of the Phase I Study Report and 7 days after the Phase II Results Meeting.

The Facilities Assessment would be provided for in the Generator Interconnection Study Process Agreement and would not require a separate agreement and include either of the following, at the IC's option: (1) review of the easements to determine easement enhancements if telecom lines are added to existing electric poles; or (2) a field survey and engineering study to determine which electric poles would require replacement.

- The "later of" dates listed in Straw Proposal section 5.2.3 for the Second Posting will include a minimum of 60 days after the publication of the Interconnection Facilities and Distribution Upgrades Facilities Assessment, (as long as the study is requested within the timeframe listed above).
- If the IF and Distribution Upgrades cost estimates or in-service dates change due to the Facilities Assessment by more than the thresholds identified in Straw Proposal Section 5.2.3, then the final report date will be revised accordingly.

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

LSA still believes that the prior LSA/CalWEA proposals would be helpful to consider in this GIP-2 process. If the CAISO decides nevertheless to exclude them from this process, they should be explicitly be included in the upcoming Work Group 1 effort to revamp the study process.

19. Consider limiting interconnection agreement suspension rights

SCE. the party that raised this issue, has since indicated that it agrees that the applicable GIA restrictions on suspension rights already address its concerns. Therefore, further action is not needed in this area, and the CAISO should eliminate this item from the GIP-2 scope.

20. Consider incorporating PTO abandoned plant recovery into GIP

LSA supports inclusion in the CAISO tariff of 100% abandoned-plant treatment for upgrades that the PTO is compelled to finance and construct because of GIP cost-cap guarantees (i.e., funding the gaps left when a project drops out late in the process, or when upgrade costs exceed interconnection-study estimates), and where the "abandonment" was due to circumstances beyond the PTO's control, as described and explained in numerous FERC orders.

However, our support for this proposal is contingent on removal of the unreasonable contingency and other adders to the PTO Per-Unit Costs that unreasonably inflate study cost estimates (Issue #1 above). If the PTOs are entitled to receive 100% abandoned-plant cost recovery for such facilities, there is no reason for the use of high contingency adders. That is, by receiving 100% abandoned-plant treatment, the PTOs have "de-risked" their exposure for transmission-cost overruns and should not also mitigate that risk through high cost estimates.

LSA cannot support abandoned-plant treatment without a commensurate reform in the cost-estimation methodology, as described in Issue #1 above. However, the abandoned-plant treatment should also apply to differences between the original cost estimates and more recent updates, as long as the PTO can demonstrate that the difference is reasonable. This should address PTO concerns on this issue and remove any justification for the inflated contingency amounts in the per-unit cost estimates.

We agree with SCE that this item should be included in the current GIP-2 effort and not deferred to the upcoming separate Work Group 1 effort.

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

LSA supports the Proposal.

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

LSA generally supports the Proposal. However, the work group should address situations where generators connected to the distribution system have different requirements from those connected to the transmission system. For example, the generators connected to the distribution system generally operate with fixed power control rather than voltage control.

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

LSA generally supports the Proposal. However, we are still considering whether consideration of off-peak Deliverability Upgrades in the TPP offers sufficient protection for generators in high off-peak production areas.

24. Operational partial and interim deliverability assessment

LSA appreciates the CAISO's willingness to address this issue and incorporate its earlier recommendations, and we support the Proposal. However, the CAISO should clarify the following:

- The content of the reports, which should be explored in the upcoming working-group meetings;
- The annual nature of the studies, i.e., that the CAISO will conduct these studies each year, in time to use the results in the following-year RA compliance showings, and include: (1) all projects on-line where Delivery Network Upgrades are not yet complete; and (2) all projects with CODs in the following calendar year; and
- The methodology for allocating deliverable capacity. The CAISO should clarify:
  - ➢ That that use of existing deliverability by Full Capacity interconnection customers be given priority over assignment of such capability to those seeking deliverability through the separate annual CAISO assessment. FC customers, who have made substantial contractual and financial commitments to fund Delivery Network Upgrades, should have superior rights to use availability deliverability over those that have not made such commitments.
  - ➢ How the deliverability capability will be allocated more generally. The Proposal indicates that the deliverability will be allocated by size and flow impact, but the mechanics of the allocation methodology should be more fully described.

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

LSA supports SCE's proposal for more formal provisions in this area, and their inclusion in the current GIP-2 effort, except that:

- ICs (in addition to PTOs) should be entitled to request re-evaluation of GIP-driven upgrades on the same basis as PTO re-evaluation requests are allowed; and
- Removal of decision to remove upgrades from the GIA should be subject to approval of the IC also, not just the CAISO and the PTO, since the GIA is a three-way agreement.

The CAISO should consider whether these re-assessments should be part of the annual TPP or the partial-deliverability analyses, to prevent piecemeal or inconsistent treatment.

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.

This appears to be a reference to LS Power's statement that Article 11.4 of CAISO's pro forma GIA, which allows ICs to make a one-time election to request CRRs in lieu of transmission-cost reimbursement, is not in compliance with the latest version of Standard FERC LGIA (Order 2003-C). LS Power believes that CAISO's current Article 11.4 language may be based on an old version of FERC's Standard LGIA (Order 2003-B) and recommends that the CAISO conform this language to the latest version of Standard FERC LGIA – specifically, to delete the "Transmission Credits" section and add the word "cash" before repayment in second line of Article 11.4.1 – in order to comply with IRS Rev. Proc. 2005-35.

LSA has not had time to assess this proposal and recommend that it be further discussed in the upcoming working group meeting.

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

LSA has no objection to correcting this reference.

Other Comments:

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

Examination of study data, assumptions, and methodology (Work Group 5): LSA continues to object to the omission of issues related to interconnection study data, assumptions, and methodology in the Straw Proposal scope, especially for the Deliverability Assessment. The CAISO has repeatedly promised that it would include this issue in the GIP-2 scope, to give stakeholders a chance to better understand ("look under the hood") and, where appropriate, suggest changes to the study process. For example, we would like to explore the following concepts with the CAISO:

- ***Study assumptions***, including the determination of generation output profiles (which can be different for the projects using the same technology in different study clusters;
- ***Cost allocation***, including allocation:
  - Within a cluster, e.g., allocating to each project only the portion of an upgrade that it will actually use, instead of the entire upgrade cost pro rata; and
  - Between clusters, e.g., if the present pro rata allocation is retained, allocating some upgrade costs from one cluster that triggers an upgrade to later clusters in the same area that would

also benefit from it. The current process functions similarly to the old serial-study process, where one project would trigger an upgrade that exceeds its direct needs and later projects in the same area would get a "free ride," except now the inequity is between higher-queued and lower-queued study clusters in the same area. (CalWEA proposal).

These issues are critical to the integrity and accuracy of the entire interconnection-study framework. We request that, if they are not addressed in GIP-2 effort, the CAISO keep its commitment by establishing a separate effort to examine these significant issues and/or include them in the upcoming separate Work Group 1 effort.