

**LS Power Comments on the September 27, 2019 Draft Final Proposal of the Deliverability
Assessment Methodology Revisions**

October 18, 2019

LS Power provides these comments to the CAISO's Draft Final Proposal of its Deliverability Assessment Methodology Revisions and responds to the CAISO's presentation and stakeholder call held on October 10 to discuss opportunities for adding storage at existing or new generation sites.

LS Power has two serious concerns with the CAISO's proposal. The first relates to the issue we raised in our August 2019 comments¹ around the lack of opportunity for existing energy-only projects to obtain a deliverability allocation. We continue to believe that CAISO should provide a transitional opportunity for advanced stage energy-only projects to compete for deliverability with more recent interconnection customers.

Our second concern relates to the CAISO's plan to require solar projects with deliverability calculated under the current methodology to decide by December 2 whether to add storage and transfer deliverability. This timeframe simply does not give projects sufficient time to make these significant decisions. CAISO should provide a reasonable time for developers to make these decisions before removing allocated deliverability.

Providing Energy-Only Projects an Opportunity to Compete for Deliverability

As we noted in our August comments, the CAISO's recently-revised allocation rules do not provide a chance for advanced stage energy-only projects to establish eligibility and compete for an allocation. CAISO's response to the suggestion by several parties to create a transitional opportunity for energy-only projects to qualify for deliverability was to state that "reconsidering the allocation order is out of scope of this initiative" and "most of the projects that failed to obtain a TPD allocation was due to the project's development status, not due to the availability of TPD".² By indicating that this suggestion regarding energy-only projects is out of scope CAISO is impeding the ability of these resources to meet requirements for urgently-needed capacity in California. Our August comments made clear that we are not suggesting that CAISO reconsider the allocation order. We requested that CAISO provide a transitional opportunity for advanced-stage energy-only projects to compete for this, out-of-the-ordinary, one-time allocation based on ELCC counting changes.

In addition, CAISO's assertion that project's development status was responsible for lack of TPD allocation is incorrect. Most projects did not get a TPD allocation because large transmission upgrades were required to make the projects deliverable. With the use of new deliverability

¹ LS Power comments filed in Aug 2019:

<http://www.caiso.com/Documents/LSPowerComments-GenerationDeliverabilityAssessment-StrawProposal.pdf>

² CAISO September 27 Draft Final Proposal at p. 10: <http://www.caiso.com/Documents/DraftFinalProposal-GenerationDeliverabilityAssessment.pdf>

assessment methodology, many previously-identified delivery network upgrades will be removed & any new deliverability that becomes available, according to CAISO's proposal, will be allocated to the most recently queued projects.

LS Power is only requesting the opportunity to compete in order to help meet important California policy goals and not to be denied that opportunity simply because CAISO's timing of implementation of the new methodology will inadvertently only benefit newer entrants to the queue. For example, while newer queued projects get the option to elect to proceed without a PPA³ as a means for demonstrating eligibility, a more advanced-stage energy-only project without a PPA is precluded from exercising this option because this energy-only project will not fall under any of the seven TPD allocation groups. Under this unique circumstance where deliverability will be made available solely because of a change in CAISO methodology, we believe that offering this option for newer projects while depriving more advanced-stage projects the same election amounts to undue discrimination. We do not see a justification for the differing treatment.

We believe there are a number of policy and reliability reasons that support CAISO providing a transitional opportunity for advanced energy-only projects to compete for deliverability. First, these projects are most likely to be able to come on line and assist with the urgent need the CAISO⁴ and CPUC⁵ have identified for resources to supply resource adequacy. A resource without deliverability cannot supply RA and hence would not be eligible to participate in Resource Adequacy RFOs by Load Serving Entities. Second, there are zero-emitting energy-only storage resources in the CAISO queue capable of supplying RA in crucial LCR pockets that could help with this urgent reliability need, but without deliverability they won't qualify to do so. California policy favors these resources which help further its GHG reduction goals and CAISO rules should provide every opportunity to facilitate their ability to provide Resource Adequacy. California has also planned for the retirement of resources using once-through cooling technology; storage with deliverability is well positioned to reduce the need to postpone these retirements if supported by CAISO. Finally, greater supply of resources capable of providing Resource Adequacy will provide competition that will also translate into ratepayer benefits.

CAISO has managed transitions in the past with sensitivity to facilitating the developer community's ability to meet RPS goals and take advantage of ARRA funding, and FERC has approved CAISO's requests for flexibility in its rules to meet California policy and reliability

³ CAISO GIDAP BPM, Section 6.2.9.4:

<https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Generator%20Interconnection%20and%20Deliverability%20Allocation%20Procedures>

⁴ In its Initial comments to CPUC PD, CAISO recommends that CPUC should authorize 4700 MW procurement instead of the 2500 MW procurement ordered by CPUC. CAISO Comment on CPUC's Sept. 12, 2019 IRP PD, Oct. 2, 2019, at 2: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M316/K459/316459781.PDF>.

⁵ CPUC PD issued on September 12 recommends 2500 MW procurement of System RA capacity in three phases between Aug. 2021 and Aug. 2023. R.16-02-007, [Proposed] Decision Requiring Electric System Reliability Procurement for 2021-2023, Sept. 12, 2019, at 2, Ordering ¶ 2: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M312/K522/312522263.PDF>.

needs. Another example is reducing the New Resource Implementation & Interconnection timeframes significantly when new MWs were needed for Aliso Canyon reliability issues. CAISO has indicated a need for new capacity for operational flexibility and reliability in comments to the CPUC and the recent presentation to the Board⁶ on the potential resource shortage starting in 2020 of 2,300 MW, rising to 4,700 MW by 2022. We believe this is another instance where the CAISO should exercise its broad discretion to design a process that supports the grid, ratepayers and provides generation developers a fair and equitable opportunity to compete for the deliverability made available by the CAISO's change in methodology.

Our recommendation for implementation of this transition is as follows. CAISO should allow all advanced-stage prior queue energy-only projects that desire TPD allocation, a one-time opportunity to receive an allocation under Allocation Group 3, as defined in CAISO GIDAP BPM. We propose that advanced-stage energy-only projects should be defined as those which in addition to meeting the TPD Allocation Affidavit requirements, have the ability to achieve In Service Date (ISD)⁷ by 2021. Achieving ISD in early 2021 allows a good chance that some of these projects can achieve Commercial Operations by Aug 2021; which is the timeline for first critical system capacity as recognized by CPUC & CAISO. Achieving ISD in late 2021 allows a good chance that these projects can achieve Commercial Operations by June 2022; which is the timeline for second critical system capacity need according to CAISO's comments filed in response to CPUC Proposed Decision on System capacity procurement. This aligns with the policy and reliability reasons that support this opportunity for energy-only projects.

AFC Deliverability

CAISO GIDAP tariff section 9 lists a few Additional Annual Deliverability Assessment options. One of these options previously allowed for projects was to apply for Annual Full Capacity Deliverability. CAISO has recently discontinued use of this option; however there are a few Queue Cluster projects that are still under CAISO study process for this option. We recommend that any advanced-stage energy only projects that applied for Annual Full Capacity Deliverability Option, and for which the deliverability allocation results have not yet been published (i.e. these are still in study process), should be allocated available deliverability upon implementation of the new deliverability methodology. Since a significant amount of deliverability will become available with the use of this new methodology it is only equitable that these projects are also provided an opportunity to attain deliverability.

December 2 deadline for adding storage or losing allocated deliverability

In a stakeholder call held on October 10, CAISO laid out a process by which solar projects with deliverability can submit a request to add storage to their facilities and "capture" the

⁶ CAISO Board of Governors meeting, Briefing on post 2020 grid operational outlook, Sept. 18, 2019, at slide 6: <http://www.aiso.com/Documents/Briefing-Post-2020-GridOperationalOutlook-Presentation-Sep2019.pdf>.

⁷ Achieving ISD means all required Interconnection Facilities and Reliability Network Upgrades for the project are complete and project begins testing & other activities towards achieving Commercial Operations.

opportunity to transfer deliverability at existing levels. We fully agree that solar projects should be provided a chance to add storage and transfer deliverability before that deliverability is lost due to CAISO changing its methodology. However, CAISO's proposal with respect to this transfer is impractical for several resources, as explained below.

Transfer of deliverability from Solar to Storage will not be a feasible option for most operational solar projects. Most of these projects are under existing financing and PPA structures that may impose limitations that would require amendments to facilitate adding storage. For instance, if exercising this transfer option leads to an existing solar project losing its Full Capacity Deliverability Status (FCDS) for the full amount of the solar facility, which it will, based on CAISO's transfer rules, then this transfer option will be impractical for most operating solar projects where their PPAs require projects to maintain FCDS status at all times for the full output of the facility. CAISO should clarify that existing operational solar projects are able to transfer deliverability to storage projects up to the MW amount that is still required for Solar to still be able to retain FCDS. As an example, let's take an existing 100 MW solar project. Let's assume that it is currently being studied at 85 MW for it to be FCDS under the existing methodology and let's assume it will be studied at 10 MW to be fully deliverable under the new methodology for it to be FCDS. This solar project should be able to transfer up to 75 MW deliverability to a related storage project while still preserving FCDS for the entire 100 MW of the solar project. If CAISO does not allow this, then the Existing Solar projects will be hugely disadvantaged. These projects put up the required capital to build, paid for interconnection facilities, took significant financial risks in bringing a full capacity deliverable solar project for the state. For these projects to not have a reasonable opportunity to transfer deliverability to storage based on shortcomings in CAISO's proposed implementation plan (without impacting their FCDS status at full output) will essentially mean their MW capacity will be released and will potentially be awarded to newer queued projects as a windfall. This will inadvertently lead to CAISO picking winners and losers, which we don't believe is CAISO's intent.

We believe that all facilities with a current allocation of deliverability should be afforded more time to resolve some of these complex issues before submitting a MMA. There are many factors that drive these important decisions with respect to requesting transfer of deliverability from solar resource to storage. Developers need to make important commercial and technical decisions about storage design, size and configuration. We note that the timeline to request transfer by the December 2 deadline is extremely short. CAISO should allow additional time to complete the full support for the MMA and expeditiously clarify the transfer rules as these apply to existing solar projects. Finally, we request that CAISO clarify how allocated deliverability will be addressed during the retention affidavit process.

LS Power appreciates the opportunity to provide these comments. As always, we are prepared to engage with the CAISO to assist with working through these issues.

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