162 FERC ¶ 61,207
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Kevin J. McIntyre, Chairman;
Cheryl A. LaFleur, Neil Chatterjee,
Robert F. Powelson, and Richard Glick.

California Independent System Operator Corporation Docket No. ER18-626-000

ORDER ACCEPTING PROPOSED TARIFF REVISIONS

(Issued March 9, 2018)

1. On January 9, 2018, the California Independent System Operator Corporation (CAISO) filed, pursuant to section 205 of the Federal Power Act,[1] two proposed sets of revisions to Appendix DD of its tariff, which addresses Generator Interconnection and Deliverability Allocation Procedures. The first set of revisions would reduce the interconnection request window by two weeks and allow more time for validation. The second set of revisions would allow interconnection customers that meet certain criteria to remain parked in the interconnection queue an additional year to participate in the next year's Transmission Plan Deliverability allocation. As discussed below, we accept CAISO's tariff revisions, effective March 11, 2018, as requested.

I. **Background**

2. CAISO's Generator Interconnection and Delivery Allocation Procedures (GIDAP) implement the requirements for generators requesting interconnection to the CAISO Controlled Grid and for allocating Transmission Plan Deliverability.[2] Under CAISO's current procedures, it accepts new generator interconnection requests during a window from April 1 to April 30.[3] Once CAISO and the transmission owner determine that the information associated with the request is complete and sound, they validate the request.[4]

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[1] 16 U.S.C. § 824d (2012).

[2] CAISO Tariff, Appendix DD (GIDAP) at Section 1.1, Objectives and Applicability. *See also* CAISO Tariff, Appendix A, Master Definitions Supplement (defining Transmission Plan Deliverability).

[3] Transmittal at 13.

[4] *Id.* at 14.

If the request does not meet the requirements, CAISO notifies the interconnection customer, who must provide additional information. Once provided, CAISO has five days to respond to the new information.[5] The process may repeat until the validation requirements are met. If an interconnection request has not met the validation requirements within the later of 20 business days after the close of the application window, or 10 business days after CAISO first provided notice that the interconnection request was not valid, then CAISO will deem the interconnection request invalid, and it cannot be included in the interconnection study cycle.[6] Once validated, CAISO must present a *pro forma* study agreement to the interconnection customer within thirty days of the close of the application window and have a scoping meeting within sixty days of the close of the application window.[7] The study process includes two phases of interconnection studies.

3. One of the key outcomes of a generator interconnection request is the deliverability designation. To request a Transmission Plan Deliverability designation, generators must complete a number of milestones set out in the GIDAP. These milestones are that the generator must have applied for the necessary government permits for construction, and either (1) has secured financing or represents to CAISO that it either has a regulator-approved Power Purchase Agreement or (2) is included on an active short list or other commercially recognized method of preferential ranking of power providers by a prospective purchasing load-serving entity.[8] CAISO will then study, and if available, allocate the Transmission Plan Deliverability and assign the financing of any delivery network upgrades indicated by the studies.

4. If there is sufficient Transmission Plan Deliverability, CAISO will allocate it to the interconnection customers in the current queue cluster that meet the minimum criteria. If there are more qualifying interconnection customers than Transmission Plan Deliverability available, CAISO will allocate the Transmission Plan Deliverability by ranking interconnection customers based upon which Transmission Plan Deliverability milestones have been achieved. CAISO's Tariff sets out three types of Transmission Plan Deliverability: Full Capacity Deliverability Status, Partial Capacity Deliverability Status, and Energy Only Deliverability. Full Capacity Deliverability Status means the generator will be able to deliver its maximum capacity to the grid under peak conditions. Partial Capacity Deliverability Status entitles a generator to deliverability of a specified fraction of its maximum capacity, and Energy Only status means the generator's full

[5] *Id.*

[6] *Id*. (citing CAISO Tariff, Appendix DD at Section 3.5.2.2.).

[7] *Id.* at 15 (citing CAISO Tariff Sections 6.1.1 and 6.1.2).

[8] *Id.* at 4-5. *See* CAISO Tariff, Appendix DD at Section 8.9.2.

output can be delivered subject to grid conditions, but is not responsible for Delivery Network Upgrades.[9] A Full Capacity Deliverability Status designation qualifies the generator's output to count toward a load-serving entity's monthly Resource Adequacy requirement.[10] The ability to fulfill Resource Adequacy requirements gives generation projects another possible revenue stream, making them more likely to be financially viable.

5. Interconnection customers that do not receive an allocation of Transmission Plan Deliverability and do not choose to finance their Delivery Network Upgrades on a merchant basis have the option to either "park" the project for one year to participate in the following year's Transmission Plan Deliverability allocation, convert their projects to Energy Only, or withdraw their interconnection requests.[11] Interconnection customers who park their requests are then included in the next year's Transmission Plan Deliverability allocation process on the same footing as those participating for the first time, based on their project's eligibility and criteria scoring at the time.[12] To proceed with their projects, customers must then execute a Generator Interconnection Agreement (GIA) and proceed with financing and construction.[13]

II. Notice of Filings and Responsive Filings

6. Notice of CAISO's filing was published in the Federal Register, 83 Fed. Reg. 2631 (2018), with interventions and protests due on or before January 30, 2018. NRG Power Marketing and GenOn Energy Management, LLC, the City of Santa Clara California, ITC Grid Development LLC, Modesto Irrigation District, and the Northern California Power Agency, filed timely motions to intervene. Invenergy LLC (Invenergy), Golden State Energy, First Solar, Inc., and GridLiance West Transco LLC filed motions to intervene and comments in support of CAISO's filing. San Diego Gas and Electric Company (SDG&E) and Southern California Edison (SoCal Edison) filed joint comments partially supporting and partially opposing CAISO's filing. The Solar Energy Industries Association (SEIA) and the Large-scale Solar Association (LSA) also filed joint comments that fully support part of CAISO's filing and request the Commission to conditionally accept the other part.

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[9] *Id.* at 3.

[10] *Id*.

[11] *Id.* at 5.

[12] *See* GIDAP business practice manual section 6.2.9.4.

[13] Transmittal at 10.

III. Discussion

A. Procedural Matters

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

B. Substantive Issues

8. CAISO proposes two sets of revisions to its GIDAP in addition to some administrative tariff revisions. The first substantive revisions reduce the interconnection request window from thirty to fifteen days, adding the fifteen days to the time for correction and validation of what CAISO states have become increasingly complex interconnection requests. The second extend from the current one year to two, the amount of time that a project may remain "parked," provided certain conditions are met.

9. We will accept CAISO's proposed tariff revisions as they appear to be just and reasonable, and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful.

1. Additional Time for Validation and Correction

a. CAISO Proposal

10. CAISO states that the current interconnection process allows interconnection requests to be submitted between April 1st and April 30th. However, it notes that the majority are submitted during the last week of the window. For an interconnection request to be valid under Section 3.5.2 of the GIDAP, the interconnection customer must submit an interconnection study deposit, documents demonstrating site exclusivity or a site exclusivity deposit, and a completed interconnection application as set forth in Appendix 1 to the GIDAP.[14]

11. If an interconnection request does not meet validation requirements,[15] CAISO will notify the interconnection customer and explain the basis for its determination. The interconnection customer must then submit the additional information needed for a valid request. CAISO then notifies the interconnection customer within five days as to whether

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[14] Transmittal at 14 (referring to CAISO Tariff, Appendix DD at Section 3.5.1, Initiating an Interconnection Request).

[15] *See* CAISO Tariff, Appendix DD at Section 3.5.2, Validating Interconnection Requests.

the interconnection request is valid. If not, the process repeats itself until validation, which can take many cycles.[16]

12. With the recent integration of a more diverse set of resources, CAISO states it has been receiving more complex interconnection requests, and the interconnection queue now contains many hybrid renewable and energy storage projects. Furthermore, CAISO states the complexity of the technology makes analysis and validation more difficult for CAISO and transmission owners, and it also makes data correction and last-minute changes more difficult for interconnection customers. The result is that the current window for validation and scoping could jeopardize CAISO's and transmission owners' responsibility to keep the Phase I studies on schedule.[17] To address these issues, CAISO proposes to shorten the interconnection request window, and to lengthen the time for correction and validation.[18] Instead of the entire month of April to submit interconnection requests, CAISO proposes to open the interconnection request window on April 1st and close the window on April 15th. This will allow CAISO, transmission owners, and interconnection customers an additional fifteen days of validation and correction without delaying the remaining study schedule. Furthermore, CAISO proposes to tender the *pro forma* study agreement to the interconnection customer at the close of the cluster application validation process, by May 31st. Finally, CAISO proposes to adjust the scoping meeting deadline to June 30th.[19]

b. Comments

13. SDG&E and SoCal Edison support this portion of CAISO's proposal, asserting that they do not believe the proposal will burden generators' ability to submit timely interconnection requests, but will instead provide more time to cure interconnection request deficiencies, and will not shorten the time to conduct required interconnection studies.[20] SEIA and LSA state that additional efficiencies will be achieved from these tariff revisions.[21]

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[16] Transmittal at 14.

[17] *Id*.

[18] *Id.* at 15 (referring to CAISO Tariff, Appendix DD at proposed Section 3.3.1).

[19] *Id.* (referring to CAISO Tariff Appendix DD Proposed Section 3.5.2 of CAISO GIDAP, and Section 3.3 Timing for Submitting Interconnection Requests).

[20] SDG&E/SoCal Edison Comments at 4.

[21] SEIA/LSA Comments at 7-8.

c. Commission Determination

14. We find that CAISO's proposed schedule changes[22] appear to be just and reasonable, and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. CAISO suggests that generation developers do not require an entire month simply to submit interconnection requests. Instead, they require more time to work with the CAISO and transmission owners to make corrections to their interconnection requests to prepare for cluster studies. The proposed revisions will adjust the deadlines to shorten the window for interconnection requests by removing fifteen days from the cluster application window and adding that time to the validation process. The revisions will also provide date-certain deadlines for tendering the *pro forma* study process agreement and for the scoping meeting. We find that moving fifteen days from the cluster application window to the validation process will avoid delaying the overall interconnection process timeline and allow all parties more time to review or correct submittals during the validation process. Finally, we note these changes are supported by all who provided comments.

2. Expanded Parking

a. CAISO Proposal

15. CAISO states that the current parking option was developed in 2012, in response to stakeholders' concerns that the length of the allocation window following the completion of the Phase II study was not sufficient for some viable projects to achieve the project development milestones needed to obtain a Transmission Plan Deliverability allocation.[23] CAISO asserts that, in 2012, allowing such projects to park for one year was a reasonable accommodation because these projects would have to withdraw or downgrade to Energy Only status, where they could not compete in load-serving entities' state Resource Adequacy procurement processes.

16. CAISO notes that, since then, California Senate Bill 350 has increased California's Renewable Portfolio Standard (RPS) to 50 percent by 2030, with incremental targets between 2020 and 2030.[24] This law also requires the California Public Utilities Commission to focus energy procurement decisions on reducing greenhouse gas emissions by 40 percent by 2030, doubling energy efficiency, and promoting

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[22] Specifically, CAISO proposes changes to the CAISO Tariff, Appendix DD at Section 3.5.2.2, Deficiencies in Interconnection Request, and Section 6.1, Initial Activities Following the Close of the Cluster Application Window.

[23] *See* Transmittal at 5.

[24] *Id.* at 6.

transportation electrification.[25] CAISO explains that most of the incremental capacity needed to meet the 2020 requirements has completed the interconnection study process, but the path forward for additional generation is unclear. CAISO states that, as a result, incremental procurement by load-serving entities has stalled while awaiting a clear regulatory signal on these issues, and is causing more projects to park.[26]

17. CAISO adds that, while non-viable and speculative projects can cause issues in the queue, it does not believe that parked projects should be considered "non-viable." CAISO explains that the current parked projects entered the CAISO interconnection queue in May 2015,[27] and received their final Phase II interconnection studies in November 2016, which most load-serving entities require to be considered for procurement. Thus, these projects have only had a little more than one year to compete for power purchase agreements before being forced under current tariff provisions to convert to Energy Only or to withdraw. CAISO contends that this constitutes insufficient time to automatically deem that such projects are non-viable.

18. CAISO states that to address the practical reality that interconnection customers are challenged to obtain power purchase agreements within the single year of parking, it proposes to allow interconnection customers to elect to remain parked for a second year if they meet two qualifying criteria.[28] The first criterion requires Transmission Plan Deliverability to still be available to the generating facility in the generating facility's area. CAISO's stated reason for this condition is that if there is no Transmission Plan Deliverability, there is little likelihood it will materialize following a parking period.[29] Second, the generating facility must not have been assigned Network Upgrades identified as needed by other interconnection customers in the generating facility's cluster study group or later cluster study groups, unless the assigned network upgrades are needed only by other interconnection customers in the generating facility's own cluster study group, and all of those active interconnection customers also elect to remain parked. CAISO's

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[25] *Id*.

[26] *See* Transmittal at 6, queue illustration (demonstrating that Cluster 8 has 30 parked projects, while prior Clusters 5, 6, and 7 had 8, 5, and 10 parked projects, respectively).

[27] The 61 active Cluster 8 projects comprise 9,547 MW, while the 30 parked projects comprise 5,116 MW of potential new capacity. The entire CAISO interconnection queue represents 46,744 MW of potential new capacity, so the 30 parked projects comprise 10.9 percent of the total queue.

[28] *See* CAISO Tariff, Appendix DD at proposed Section 8.9.4.1.

[29] Transmittal at 9.

stated reason for this condition is to prevent a second year of parking from prolonging the uncertainty that another project or the transmission owner might have to finance a network upgrade.[30]

19. CAISO believes that offering interconnection customers the option of an additional year to park is just and reasonable because it will allow more projects to compete for power purchase agreements. Moreover, it will allow load-serving entities to consider more projects for those power purchase agreements, increasing competition for the best projects that will meet the future needs of load-serving entities and CAISO.

20. CAISO states that the qualifying criteria may affect each cluster differently depending on their projects, Transmission Plan Deliverability, and later-queued projects, but CAISO's preliminary analysis of the criteria applied to the 30 parked Cluster 8 projects estimates that 20 projects would meet both criteria and be able to park an additional year to attempt to receive a Transmission Plan Deliverability allocation. CAISO also proposes that all parked projects must come out of parking and elect a final capacity designation before they are tendered a draft GIA for execution. CAISO asserts that, to the extent its proposed revisions diverge from Order No. 2003 generator interconnection procedures, the revisions would provide a necessary tariff improvement to manage the significant amount of new generation precipitated by California's rising renewable portfolio standards. CAISO points out that its generator interconnection procedures—including the existing parking period—have evolved to a point where CAISO is studying and processing hundreds of new generator projects each year with procurement circumstances that necessitate ongoing updates to interconnection tariff provisions to continue to ensure robust competition for new capacity in CAISO's footprint.

21. CAISO states that the majority of stakeholders generally supported the proposed interconnection request for parking revisions during the stakeholder process. CAISO further states that some stakeholders from the generator development community advocated for an open-ended parking period or the ability to park for an additional year with no qualifying criteria or restrictions on executing GIAs (and then amending them if they convert to Energy Only or terminating them if they withdraw). On the other hand, some CAISO transmission owners believed that no change was required, and that CAISO should retain its one-year parking period. CAISO disagrees that projects that meet the qualifying criteria to park for a second year will increase uncertainty or inappropriately prolong an interconnection customer's time in queue. CAISO reasons that the second-year parking option is only a one-year expansion of an existing parking option, with qualifying criteria and certain restrictions to ensure that a second year of parking does not

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[30] *Id*.

disrupt interconnection studies' *status quo*.[31] CAISO believes that its proposal strikes an appropriate balance between these two positions.[32]

b. Comments

22. GridLiance West supports CAISO's proposal to allow projects to park in the interconnection queue for an additional year. GridLiance West notes that despite the current lull in procurement, it expects procurement to resume in the near future in order to meet increased renewable portfolio standards and greenhouse gas reduction goals.[33] Invenergy also supports CAISO's filing, and comments in support of the proposal for an additional year of parking. Invenergy asserts that the option to park allows projects to stay in the queue and avoid conversion to Energy Only status or withdrawal, which Invenergy asserts could kill a project.[34] Invenergy states that it is developing viable projects that may need additional time to develop the agreements it needs to meet CAISO's conditions for a Transmission Plan Deliverability allocation.

23. GridLiance West and Invenergy also argue that extending the parking period will allow these projects the opportunity to compete for power purchase agreements, which will increase competition and lead to an efficient allocation of Transmission Plan Deliverability from CAISO.[35]

24. Golden State Clean Energy strongly supports CAISO's proposal for extended parking, stating that it addresses a need to re-evaluate the parking option in light of various factors that are impacting California's renewable energy markets. The demonstration of a project's commercial viability (which requires a Transmission Plan Deliverability allocation) is required to participate as a capacity resource in California, but many load serving entities have stalled procurement given the uncertainty around what mix of resources will be optimized by CPUC's Integrated Resource Planning proceedings.[36] Golden State Clean Energy explains that, even putting aside the current stall in procurement activity, existing timelines are not sufficient for the majority of

[31] *Id.* at 12-13.

[32] *Id.* at 12.

[33] GridLiance West Comments at 2-3.

[34] Invenergy Comments at 3-4.

[35] GridLiance West also notes that it has several interconnection customers trying to interconnect to its 230 kV transmission system. GridLiance West Comments at 4.

[36] Golden State Comments at 3.

development projects, and if they were not allowed additional time to park, their projects would be forced to withdraw or convert to Energy Only. [37]

25. SEIA and the LSA request that the Commission conditionally accept CAISO's filing subject to a compliance filing wherein CAISO would remove the restrictive conditions on parking and remove the condition restricting an interconnection customer's ability to request a draft GIA while parked.[38] SEIA and LSA state that additional efficiencies would be achieved from extending the parking window an additional year.[39] However, SEIA and LSA contend "that the condition that the project show [Resource Adequacy] availability and necessity of network upgrades" would create an unreasonable and inefficient barrier.[40] SEIA and LSA argue that because of the limited nature of parking, the Commission should reject the language imposing these conditions. In addition, SEIA and LSA state that restricting GIA issuance until the conclusion of parking imposes inefficiencies on independent power financing.[41]

26. SDG&E and SoCal Edison oppose CAISO's proposal to allow an expanded parking period. They state that the additional year will increase the total amount of generation in the queue and make the study process more difficult.[42] This is because not all of the generation in the queue will actually be built, but the study process must assume all the generation will be built.[43] They claim this results in an inaccurate identification of Reliability Network Upgrades and Delivery Network Upgrades that will be exacerbated by the longer parking period.[44] SDG&E and SoCal Edison claim that the existing one year period strikes the correct balance between generators' need for flexibility and utilities' need for a manageable amount of generation in the interconnection queue.[45]

[37] *Id.* at 4.

[38] SEIA/LSA Comments at 4.

[39] *Id.* at 6.

[40] *Id.* at 6-7.

[41] *Id.* at 7.

[42] SDG&E/SoCal Edison Comments at 3.

[43] *Id*.

[44] *Id*.

[45] *Id.* at 4.

c. Commission Determination

27. We find that CAISO's proposed revisions to expand interconnection request parking provisions[46] appear to be just and reasonable, and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. We believe that these revisions will allow additional time for projects to compete for power purchase agreements, thereby enhancing competition in resource procurement. We further note that with the additional year to park, projects that have not received Transmission Plan Deliverability allocation may be able to bypass the mandatory choice between either Energy Only Status or complete withdrawal from the queue, and thus avoid the cost and delay associated with queue withdrawal and resubmission.

28. We also find that the proposed revisions provide sufficient protections to mitigate risks to other interconnection customers and transmission providers as a result of allowing an additional year of parking. SEIA and LSA argue that the conditions are too restrictive with respect to who may remain parked, while SDG&E and SoCal Edison assert that proposed revisions will allow more projects to remain in the queue, including some that will not be built, thus complicating the study process. We find that the qualifying criteria strikes an appropriate balance by only allowing a project to remain parked if Transmission Plan Deliverability is still available and if it either does not have an assigned network upgrade that affects another customer, or has an assigned shared network upgrade and all other interconnection customers that share the upgrade remain parked. These criteria should help prevent non-viable projects from remaining parked and also limit uncertainty about cost shifts. We also find that the proposed revisions requiring that projects come out of parking and elect a final capacity obligation before they are tendered a GIA are appropriate. SEIA and LSA argue that these requirements will impose financing inefficiencies. However, we agree with CAISO that there may be many uncertainties while the project is parked, including the need for network upgrades and cost responsibility; therefore, it is reasonable to require that the project proceed through the queue before being given a GIA. Any interconnection customer that parks an additional year will still face the mandatory decision to accept a Transmission Plan Deliverability allocation, convert to Energy Only, or withdraw at the end of that year. Additionally, they will face mandatory GIA negotiation, and execution timelines based on their construction schedules, and will have to post substantial interconnection financial security that they lose if they later withdraw. Therefore, we accept the proposed revision to add an additional year and we reject SEIA and LSA's request for conditional acceptance.

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[46] Specifically, CAISO proposes tariff changes to Appendix DD Section 8.9 (Allocation Process for Transmission Plan Deliverability), Section 11.3 (Interconnection Financial Security-Second and Third Postings for Queue Cluster Customers and Initial Second Postings for Independent Study Process Customers), and Section 13.1 (Generator Interconnection Agreement (GIA)).

The Commission orders:

CAISO's proposed tariff revisions are hereby accepted, effective March 11, 2018, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.