California ISO
Shaping a Renewed Future

California Independent
System Operator Corporation

May 29, 2014

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Docket No. ER14- ___-000

Tariff Amendment to Implement Second Set of Interconnection Process Enhancements

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO") submits this tariff amendment to improve the efficiency and flexibility of the CAISO's generator interconnection process by (1) providing interconnection customers who are in good standing with an annual opportunity to "downsize" the capacities of their projects; and (2) addressing the risk that generation projects may be disconnected due to failure to build the projects to the full megawatt capacities reflected in their interconnection agreements.[1]

These proposed modifications constitute the second of four sets of planned tariff revisions to come from the CAISO's Interconnection Process Enhancements stakeholder initiative, which commenced in 2013. Both of the subjects addressed in this amendment are high-priority changes for CAISO interconnection customers and prospective interconnection customers.

[1] The CAISO submits this filing pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the current CAISO tariff and revised or proposed in this filing, unless otherwise indicated.

The CAISO requests that the Commission accept the tariff revisions contained in this filing effective as of August 1, 2014.

I. Executive Summary

Many renewable projects are relatively scalable in size. Developers have informed the CAISO that in some cases the projects that they originally intended to build are too large to be commercially feasible, but that smaller "downsized" projects would still be viable. Although the CAISO's interconnection procedures and agreements contain several existing mechanisms by which customers can reduce the sizes of their facilities, those mechanisms have limitations regarding which interconnection customers can exercise them, the time within which the downsizing opportunities can be exercised, the megawatt amount of downsizing allowed, and the reasons that interconnection customers must provide in order to be permitted to downsize. In response to requests for a broader downsizing opportunity, the CAISO amended its interconnection procedures in 2012 to provide interconnection customers a "one-time" opportunity to downsize their projects. Developers strongly supported this proposal, but requested that the CAISO allow additional downsizing opportunities. The CAISO agreed to explore this issue with stakeholders, and is now proposing to implement an annual downsizing opportunity with the following features:

- The annual downsizing process applies to all interconnection customers in the CAISO queue in good standing that wish to reduce capacity.[2]

- All project modification requests that include capacity reductions will go through the annual downsizing process so that the CAISO can study such requests in a comprehensive fashion as part of the annual reassessment.

- Customers can downsize by any amount desired in each annual process.

- All customers requesting downsizing each year will be studied as part of the CAISO's annual reassessment study, which is the existing mechanism by which the CAISO considers the impact of withdrawals and other schedule changes of projects in the queue, in order to help ensure that unnecessary transmission facilities are not built. This will

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2 As explained below, the annual downsizing process will also be available under certain circumstances to customers that have failed to build their full capacities as a means to protect against the risk of interconnection agreement breach and termination.

allow the CAISO to harmonize downsizing requests within its overall study process.

- The annual downsizing process specifies that the reassessment study will be paid for pro rata by all interconnection customers who benefit from the study, including downsizing generators.

The annual downsizing proposal also contains language that will address developer concerns regarding the risk that, if a customer fails to build at least 95 percent of the entire capacity of its project, the CAISO or a participating transmission owner may assert that the customer is in breach of its interconnection agreement and seek termination of such agreement at the Commission. Specifically, the CAISO is proposing to add language to its interconnection procedures to specify that a customer will not be in breach of its interconnection agreement solely due to the failure to complete the full megawatt size of its project under its interconnection agreement, provided that the customer enters the next available annual downsizing window and complies with all applicable costs and requirements thereof.

Finally, the CAISO is proposing to add to its generator interconnection tariff a more permissive version of the "safe harbor" language contained in the most recent version of the *pro forma* interconnection agreement. The language will provide that an interconnection customer will not be in breach of its interconnection agreement if its actual total capacity is less than its interconnection agreement-specified capacity by no more than the greater of five percent of the project's contract capacity or 10 MW, but not greater than twenty-five percent of the contract capacity for both serial and cluster projects. Including this language in the CAISO's interconnection tariff and removing it from the *pro forma* agreement will ensure that all customers are able to utilize this safe harbor regardless of the vintages of their interconnection agreements.

II. Background

A. The IPE Initiative

California's ambitious renewable portfolio standard and the associated changes in the generation development marketplace have made it increasingly important over the past several years for the CAISO to identify ways to better administer its generation interconnection queue.[3] The CAISO's overriding goal has been to tailor its procedures to best promote the achievement of California's energy policy goals while ensuring that they continue to be grounded in principles

[3] There were 200 projects in the interconnection queue as of May 23, 2014. *See* http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx (CAISO website page listing projects in the queue).

of fairness and non-discrimination. Because of the rapid evolution of the generation development marketplace in California, achieving these goals has required the CAISO to engage in a process of continuous review and updates to its generator interconnection tariff procedures.[4]

In April 2013, the CAISO launched a stakeholder process aimed at improving its generator interconnection process, the Interconnection Process Enhancement ("IPE") initiative.[5] The IPE initiative is the most recent in a series of stakeholder processes that the CAISO has conducted over the past several years in order to meet its commitment to improving its interconnection process.[6] The IPE initiative originally consisted of fifteen topics. Of these, six topics relating to queue management issues were filed with and approved by the Commission in late 2013.[7] Another two topics are being addressed in this tariff amendment.[8] Four other topics will be the subject of amendments to be filed with the Commission later this year.[9]

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[4] The generator interconnection process and related provisions are set forth primarily in section 25 of the CAISO tariff and the interconnection procedures and *pro forma* generator interconnection agreements ("GIAs") contained in appendices to the tariff: the small generator interconnection procedures ("SGIP") for projects in the serial study process (appendix S); small generator interconnection agreement ("SGIA") for interconnection requests processed under appendix S (appendix T); large generator interconnection procedures ("LGIP") for projects in the serial study process (appendix U); large generator interconnection agreement ("LGIA") for interconnection requests processed under appendix U (appendix V); interconnection procedures in effect prior to July 1, 2005 (appendix W); generator interconnection procedures ("GIP") for projects in a queue cluster study process prior to cluster five (appendix Y); LGIA for interconnection requests processed under appendix Y in a queue cluster window (appendix Z); LGIA for interconnection requests processed under appendix Y in a serial study group that tendered or executed the LGIA on or after July 3, 2010 (appendix BB); LGIA for interconnection requests processed under appendix Y in a queue cluster window that tendered or executed the LGIA on or after July 3, 2010 (appendix CC); generator interconnection and deliverability allocation procedures ("GIDAP") for projects in a queue cluster study process in cluster five and subsequent clusters (appendix DD); LGIA for interconnection requests processed under appendix DD (appendix EE); SGIA for interconnection requests processed under appendix DD (appendix FF); and one-time generator downsizing opportunity (appendix GG). Unless otherwise specified or the context otherwise requires, a GIA can be either an LGIA or an SGIA.

[5] Further background information on the IPE initiative is provided in the CAISO's September 30, 2013 tariff amendment filing in Docket No. ER13-2484 to implement the first set of tariff revisions to come from that initiative.

[6] The other stakeholder processes include Generation Interconnection Process Reform held in 2008-09, Generation Interconnection Procedures Phase 1 held in 2010, and Generation Interconnection Procedures Phase 2 ("GIP-2") held in 2011 and early 2012. In addition, the CAISO began Generator Interconnection Procedures Phase 3 ("GIP-3") in 2012 but deferred that initiative based on stakeholder feedback in order to develop a one-time generator downsizing opportunity.

[7] *California Independent System Operator Corp*., 145 FERC ¶ 61,172 (2013).

[8] The CAISO papers regarding these two topics included: Interconnection Process

B. Background on Tariff Revisions Contained in This Filing

1. Generator Project Downsizing

California's renewable portfolio standards and environmental goals have resulted in a significant number of renewable solar and wind generation projects entering the CAISO's interconnection queue in recent years. The design of these projects is often scalable, and developers have explained that they often find themselves in a position where the full project sizes listed in their original interconnection requests and studied by the CAISO may no longer be feasible, for siting, commercial, or other reasons, although a project of reduced capacity would be viable.

There are a number of existing mechanisms by which interconnection customers can downsize their projects under the CAISO's interconnection procedures and *pro forma* agreements. These mechanisms, however, have various limitations regarding which interconnection customers can exercise them, the time within which the downsizing opportunities can be exercised, the megawatt amount of downsizing allowed, and the reasons that interconnection customers must provide in order to be permitted to downsize. The existing downsizing mechanisms are as follows:

- Provisions in the CAISO's interconnection procedures that allow customers to reduce their capacity between the phase I and phase II interconnection studies[10] and during the study process generally when

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Enhancements – Draft Final Proposal for Topics 1 and 2 (Sept. 12, 2013) ("draft final proposal for topics 1 and 2"); Interconnection Process Enhancements – Addendum to the Draft Final Proposal for Topics 1 and 2 (Sept. 24, 2013) ("addendum to draft final proposal for topics 1 and 2"); and Interconnection Process Enhancements – Second Addendum to the September 12, 2013 Draft Final Proposal (Oct. 21, 2013) ("second addendum to draft final proposal for topics 1 and 2"). For ease of reference, these three CAISO papers are provided in attachments C, D, and E to this filing. Also for ease of reference, the CAISO is providing in attachment F to this filing a memorandum on IPE topics 1 and 2 from Keith Casey, Vice President, Market and Infrastructure Development to the CAISO Governing Board (Oct. 31, 2013) ("Board memorandum for topics 1 and 2").

[9] Of the three IPE topics not covered by the discussion above, two are being addressed through the CAISO's business practice manuals, and the third was withdrawn based on a lack of stakeholder concern.

[10] Appendix DD, section 6.7.2.2. Comparable provisions are set forth in sections 4.4.1 and 4.4.2 of appendix U and in section 6.9.2.2 of appendix Y, but interconnection customers can no longer downsize pursuant to those provisions because the interconnection studies under those appendices have been completed.

such reductions "improve the costs and benefits" of the interconnection.[11]

- An interconnection customer may seek to downsize its project after the study process has concluded pursuant to the terms of the CAISO's *pro forma* generator interconnection agreements, which provide that an interconnection customer may undertake modifications to its facilities, so long as they are deemed to be non-material in nature.[12]

- The "safe harbor" provision included in the most recent version of the CAISO's large generator interconnection agreement, which allows an interconnection customer to reduce the megawatt capacity of its generating facility by up to 5 percent, for any reason, up until its commercial operation date. Also, the interconnection customer may request authorization from the CAISO to reduce the megawatt capacity of its generating facility by more than 5 percent by reasonably demonstrating that the requested reduction is warranted due to any of three limited conditions beyond the control of the interconnection customer.[13]

- The CAISO has entered into several non-conforming generator interconnection agreements that include "partial termination" provisions allowing customers to terminate one or more discrete "phases" of their generating facilities without breaching the generator interconnection agreements and without adverse impacts on the earlier phases.[14]

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[11] Appendix DD, section 6.7.2.1. Similar provisions are set forth in section 1.3.4 of appendix S, section 4.4 of appendix U, and section 6.9.2.1 of appendix Y, but interconnection customers can no longer downsize pursuant to those provisions because the interconnection studies under appendices S, U, and Y have all been completed.

[12] Appendix T, article 6.2; appendix U, articles 4.4.3, 4.4.5; appendix Z, article 5.19.1; appendix BB, article 5.19.1; appendix CC, article 5.19.1; appendix EE, article 5.19.1; appendix FF, article 6.2. As explained below, the ability to utilize this provision is limited because, due to the interrelationship of projects in the cluster study process, the CAISO often cannot determine whether a capacity reduction is "material" or not without conducting a new study to determine if the identified network upgrades continue to be needed if the project is downsized.

[13] Appendix CC, article 5.19.4; appendix EE, article 5.19.4. The 5 percent value under these provisions is established by reference to the megawatt generating capacity as set forth in the data form the interconnection customer must provide prior to commencement of the phase II interconnection study.

[14] These six generator interconnection agreements were filed and accepted in Docket Nos. ER11-2316, ER11-2451, ER11-4358, ER11-4512, ER12-170, and ER12-556.

- Interconnection customers subject to appendix DD that are allocated transmission plan deliverability pursuant to the allocation process set forth in this appendix can reduce the megawatt generating capacities of their projects in specified circumstances.[15]

Due to the limitations of these mechanisms, a number of interconnection customers requested that the CAISO provide a more expansive downsizing opportunity. In particular, most of the projects that entered the CAISO's interconnection queue prior to queue cluster five had already completed the interconnection study process, so their opportunity to downsize during the interconnection study process had passed. Also, because of the large number of interconnection requests in the queue and the concentration of many of these projects within specific electrical areas of the grid (which would be later-queued projects from the perspective of many downsizing generators), there is a high likelihood that a project seeking to downsize through the modification provisions of its interconnection agreement would have a material impact on other customers in the queue, therefore making the project ineligible for downsizing under this mechanism. Moreover, a customer may not know the impact of siting and permitting requirements on its project until after the customer executes a generator interconnection agreement and actually starts developing the project, which occurs after most of the existing downsizing options are no longer available.

As a result, the CAISO developed and filed in 2012 an amendment to its tariff to allow interconnection customers that entered the queue before cluster five a one-time opportunity to downsize their projects by any amount they desired. In its order accepting this amendment, the Commission found that the one-time downsizing opportunity would provide a balanced approach to eliminate non-viable requests from the CAISO's interconnection queue, while protecting non-downsizing generators from harm. The Commission also found the tariff amendment to be responsive to requests from affected interconnection customers for an opportunity to downsize their projects in addition to the other downsizing options discussed above.[16] Further, the Commission found that the one-time downsizing opportunity would help facilitate the completion and commercial operation of projects that would be viable but for an inability to construct the full generating capacity specified in the customers' interconnection requests. The Commission stated that this opportunity to downsize projects would help ensure that more projects could achieve commercial operation, even though on a smaller scale than originally planned. This change would help spur

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[15] Appendix DD, section 8.9, *et seq.*

[16] *California Independent System Operator Corp.*, 141 FERC ¶ 61,219, at P 44 (2012).

energy development and advance the CAISO's efforts to reduce non-viable interconnection requests from the hundreds of requests in the queue.[17]

Although supportive of the one-time downsizing amendment, a number of stakeholders urged the CAISO to consider offering additional future downsizing opportunities of similar scope.[18] The CAISO committed to consider as part of the IPE initiative whether it would be appropriate to offer additional downsizing opportunities. Based on its assessment of this issue and discussions with stakeholders, the CAISO has concluded that offering an annual downsizing opportunity in conjunction with the reassessment study conducted pursuant to its currently effective interconnection procedures will provide developers with additional project scaling flexibility, thereby promoting the deployment of viable renewable projects, while ensuring the integrity and efficiency of the CAISO's generation interconnection process.

2. Risk of Interconnection Agreement Termination

Consistent with the *pro forma* interconnection agreement adopted by the Commission in Order No. 2003, the CAISO's interconnection agreements provide contracting parties the right to declare a breach of the agreement when another party fails to perform or observe a material term or condition thereof.[19] Upon failure to cure a breach, the non-breaching party has the right to declare a default and terminate the agreement, subject to Commission approval.[20] During development of the one-time downsizing opportunity, some stakeholders expressed concern that the CAISO might attempt to terminate their generator interconnection agreements and then disconnect their projects for failure to build the projects to their full studied megawatt sizes, as reflected in their interconnection agreements.[21] The CAISO explained that it has never sought to

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17 *Id.* at P 45.

18 Generation project downsizing was also a topic suggested by stakeholders in the GIP-3 initiative and was given the highest priority in a March 2012 stakeholder survey taken by the CAISO in that initiative, which resulted in the one-time downsizing opportunity discussed above.

19 *See* articles 6.4.2 and 7.6.1 of appendices T and FF; articles 11.5.1 and 17.1.1 of appendices V, Z, BB, CC, and EE.

20 *See* articles 3 and 7.6.2 of appendices T and FF; articles 2.3.4 and 17.1.2 of appendices V, Z, BB, CC, and EE.

21 There are two situations in which, under the current CAISO tariff, an interconnection customer could potentially be found to be in breach and at risk of termination of its generator interconnection agreement due to failure to develop the full megawatt capacity of its project, regardless of whether a portion of the project was proceeding to or had already begun commercial operation: (1) the interconnection customer completes a phase or a partial amount of the full megawatt capacity of the project and decides to cancel the rest of the project; or (2) the final megawatt capacity of the completed project falls short of 95 percent of its studied capacity,

terminate an interconnection agreement under these circumstances and that any such determination would be fact-specific and would need to be determined on a case-by-case basis. Further, any termination request would require Commission approval. However, certain stakeholders responded that even the theoretical possibility of such a termination, without more explicit guidelines for when it would be exercised, causes current financing problems, particularly in a situation in which certain phases of a project are already in operation.

CAISO management responded by committing to address this topic in the next interconnection enhancements stakeholder process, *i.e.*, the IPE initiative, in an effort to explore whether this risk could be more explicitly addressed in the CAISO tariff in a manner that would not undermine the CAISO's interconnection process. The outcome of these discussions is that the CAISO is proposing as part of its annual downsizing process to specify that a customer will not be in breach of its interconnection agreement solely due to the failure to complete the full megawatt size of its project under its interconnection agreement, provided that the customer enters the next available annual downsizing process and complies with the requirements thereof.

III. Proposed Tariff Revisions

The CAISO proposes tariff revisions to provide an annual generator downsizing opportunity for all interconnection customers with active generation projects. The design of the annual downsizing opportunity follows closely the design of the one-time downsizing opportunity that ended in January 2013.

Like the one-time downsizing opportunity, the annual downsizing opportunity is designed to provide a balanced approach to eliminate non-viable interconnection requests from the CAISO queue while protecting non-downsizing generators from any harm resulting from the downsizing. The annual downsizing opportunity is also responsive to requests from interconnection customers for more frequent opportunities to downsize their projects. As a result, the annual downsizing opportunity will promote the completion and commercial operation of projects that would be viable but for an inability to construct the full generating capacities stated in the customers' interconnection requests. This change will help spur energy development and advance the CAISO's efforts to reduce non-viable interconnection requests from the more than 200 requests that remain in the queue.

Moreover, the annual downsizing opportunity will be available to all eligible interconnection customers on a yearly basis, not just to interconnection

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which is the "substantial performance" requirement under the generator interconnection agreement, *i.e.*, the final megawatt capacity of the completed project exceeds the 5 percent safe harbor amount.

customers prior to queue cluster five on a one-time basis. This blanket downsizing opportunity will enhance the benefits recognized by the Commission in approving the one-time downsizing opportunity.

The annual downsizing opportunity will also help to address stakeholders' concern that the CAISO might attempt to terminate their generator interconnection agreements for failure to build their projects to their full studied megawatt sizes. The downsizing opportunity will provide interconnection customers with the annually recurring ability to reduce their project sizes and thus avoid the risk of breach and termination of their generator interconnection agreements. To further address the risk of disconnection, the proposed tariff modifications state that the CAISO will not seek to terminate an interconnection customer's generator interconnection agreement solely due to the customer's failure to complete the full megawatt size of its project, provided that the customer participates in the next annual downsizing opportunity after it completes the capacity it intends to build. Moreover, the interconnection customer can reduce the capacity of its project by an amount up to a de minimis threshold without being in breach of its generator interconnection agreement.

Also, the CAISO is confident that the annual downsizing opportunity will not create incentives for interconnection customers to "oversize" their projects, *i.e.*, to submit interconnection requests for projects that are larger than the customers intend to build. Developers already face significant uncertainties with respect to determining the appropriate amount of project capacity they will be able to sell pursuant to power purchase agreements when they submit their interconnection requests. However, absent the ability to downsize, the developer of a project that has more capacity than is commercially viable is more likely to be forced to withdraw its project entirely. Therefore, the annual downsizing process will provide greater opportunities for otherwise non-viable projects to achieve commercial operation. A customer that submits an interconnection request and then downsizes its project pursuant to the annual opportunity will continue to be obligated to finance the costs of (1) network upgrades that the project previously triggered, and (2) network upgrades that are alternatives to the previously triggered network upgrades, if such previously triggered network upgrades or alternative network upgrades are needed by customers in the same queue cluster or later-queued customers, up to the original total cost responsibility of the downsizing customer. Thus, a customer that deliberately submits an "oversized" project will risk being responsible for higher network upgrades costs than would have been the case had it submitted an interconnection request for a more rationally sized project.

A. Objectives and Applicability of the Annual Generator Downsizing Process

The CAISO proposes to add new section 7.5 to appendix DD to include an annual generator downsizing process that will be available to all interconnection customers that meet the eligibility requirements for the annual process, regardless of which interconnection procedures under the CAISO tariff apply to such customers.[22] Therefore, the annual process will be broadly open to all interconnection customers, in contrast with the more limited current generator downsizing opportunities discussed above.[23]

In each annual cycle of the generator downsizing process, the CAISO will process valid generator downsizing requests during the applicable generator downsizing request window as part of the annual reassessment process set forth in section 7.4 of appendix DD.[24] All reductions to the megawatt generating capacity of generating facilities must occur through the annual generator downsizing process unless explicitly exempted. This will increase efficiency by ensuring that all downsizing requests are processed and analyzed in harmony with the CAISO's ongoing cluster study process.

Specifically, beginning on the date the first generator downsizing request window opens, all proposed reductions of megawatt generating capacity by interconnection customers will, regardless of the date of the interconnection customer's interconnection request, be subject to the annual process, except for megawatt capacity reductions made pursuant to the following pre-existing downsizing mechanisms:

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[22] Appendix A, proposed definition of "generator downsizing process"; appendix DD, revised section 1.1.

[23] The CAISO originally proposed that the annual process would only be available to interconnection customers in queue cluster four and earlier queue clusters. But in response to a number of stakeholder comments that the need to downsize will not end with queue cluster four, the CAISO modified its proposal so that the downsizing opportunity is available to all interconnection customers with active generation projects. Draft final proposal for topics 1 and 2 at 24.

[24] This is a reassessment of the phase I interconnection study base case that is performed prior to the beginning of the phase II interconnection study for each queue cluster. The primary purpose of the reassessment is to develop the base case for the phase II interconnection study. In addition, the reassessment is an essential part of the preparation for the allocation of transmission plan deliverability to eligible projects that have completed the phase II interconnection study. Appendix DD, sections 2.4.3, 2.4.3.2, 7.4.1. As a consequence of the reassessment, the CAISO may identify changes to previously identified network upgrades in the queue clusters earlier than the current interconnection study cycle, which, in turn, may cause changes to the plans of service set out in executed generator interconnection agreements. Such changes serve as a basis for amendments to generator interconnection agreements. Appendix DD, section 7.4.2.

- Downsizing permitted while interconnection studies are still ongoing (*i.e.*, between a customer's phase I and phase II interconnection studies);

- The "safe harbor" threshold, which will apply to all de minimis capacity reductions including those currently made pursuant to the safe harbor provisions described in the background discussion above;

- Use of non-conforming partial termination provisions included in applicable interconnection agreements; and

- The parking options set forth in sections 8.9.4, 8.9.5, and 8.9.6 of appendix DD.[25]

Notably, there will no longer be an exemption for requests to reduce capacity pursuant to the modification provisions of the CAISO's *pro forma* interconnection agreements, which allow customers to undertake "non-material" modifications to their generating facilities without having to submit new interconnection requests. Requests for capacity reductions are often difficult to evaluate in a piecemeal fashion because of the interrelationship between generators. As a result, the CAISO is often unable to determine that a requested capacity reduction is non-material without conducting additional studies, and the tariff does not provide for this. Because the downsizing process proposed herein is available to all interconnection customers in good standing, and will be conducted on an annual basis, the CAISO concluded that the most reasonable approach is to funnel all modification requests relating to capacity reduction through this downsizing process. This outcome strikes an appropriate balance between the ability of customers to obtain downsizing in a timely manner, and the CAISO's need to efficiently and comprehensively study and account for all of the impacts of generator facility capacity reductions.

In addition, revised appendix DD states that proposed modifications to generating facilities other than proposed reductions in the megawatt capacities of generating facilities are separately addressed in the modification provisions of the various CAISO interconnection procedures and are beyond the scope of the annual generator downsizing process. Such proposed modifications must be submitted separately and will not be evaluated as part of the generator downsizing process.[26] The CAISO will defer evaluation of any other proposed modification made by an interconnection customer that is participating in the annual generator downsizing process until that process is completed.[27]

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[25] Appendix DD, proposed section 7.5.1.

[26] Appendix DD, proposed section 7.5.2.

[27] Appendix S, revised section 1.3.4.2; appendix U, revised section 4.4.6; appendix Y,

B. The Generator Downsizing Request

1. Downsizing Generator Eligibility

In order to be eligible to participate in an iteration of the annual generator downsizing process, an interconnection customer must satisfy the requirements discussed below regarding the customer's good standing and the commercial operation status of the generating facility.

To satisfy the requirements regarding commercial operation status, the interconnection customer must be in one of the following two categories:

(1) The interconnection customer has a generating facility that is currently being processed under the CAISO's interconnection procedures and has not achieved the commercial operation date specified in the currently effective generator interconnection agreement.

(2) The interconnection customer has a generating facility that has achieved the commercial operation date in the currently effective generator interconnection agreement with a total megawatt capacity amount that is lower than the amount specified in the generator interconnection agreement by more than the "safe harbor" threshold amount discussed below. This opportunity for downsizing will be limited to the first annual generator downsizing process with a downsizing request window that closes on a date after the commercial operation date indicated in the interconnection customer's currently effective generator interconnection agreement.[28] The purpose of this eligibility provision is to ensure that generators that otherwise might be at risk of being in breach of

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revised section 6.9.2.3; appendix DD, proposed section 7.5.2; appendix DD, revised section 6.7.2.3. The CAISO proposes to make these revisions to the various listed appendices in response to a stakeholder comment that including the revisions in the various appendices would make them easier for interconnection customers to find.

[28] Appendix DD, proposed section 7.5.3.1. One stakeholder expressed concern that an interconnection customer whose generating facility has a commercial operation date prior to the October 15, 2014 opening date of the first generator downsizing request window would not have an opportunity to downsize and could be in breach of its generator interconnection agreement for failure to build the full megawatt capacity of the generating facility. This concern is addressed by the provision under category (2) of the aforementioned requirement pertaining to commercial operation status that allows an interconnection customer to participate in the first annual generator downsizing process with a generator downsizing request window that closes after the generating facility's last commercial operation date. Board memorandum for topics 1 and 2 at 4.

their interconnection agreements can avoid such a result by entering the next annual downsizing process and having their capacity shortfalls studied and accounted for by the CAISO.

The interconnection customer must also meet the following requirements of good standing by the date the applicable generator downsizing request window closes:

(a) The interconnection customer has complied with all applicable requirements of the CAISO tariff under which the interconnection request is being processed, including timely submittal of all interconnection financial security postings that have come due.

(b) The interconnection request has not been withdrawn or deemed withdrawn by the CAISO.

(c) The interconnection customer is in compliance with the terms of its generator interconnection agreement, including interconnection customer milestones, and has not received a notice of breach for which the cure period has expired without sufficient cure being made. If the interconnection customer has received a notice of breach for which the cure period has not expired at the time of the close of the applicable generator downsizing request window and such cure period subsequently expires without sufficient cure being made, the interconnection customer's generator downsizing request will be deemed withdrawn.[29]

An interconnection customer under category (2) of the commercial operation status requirements described above will be eligible to participate in the generator downsizing process if its failure to meet one or more of the three good standing requirements described above is due solely to its generating facility having achieved the last commercial operation date indicated in its generator interconnection agreement with a total megawatt capacity amount that is lower than the amount specified in its generator interconnection agreement by more than the de minimis threshold amount discussed below.[30]

The purpose of this exception is to address developer concerns regarding the risk of interconnection agreement termination for failure of an interconnection customer to build its entire project capacity. The CAISO proposes that any interconnection customer under category (2) above that meets all applicable eligibility requirements of the annual generator downsizing process, including the

[29] Appendix DD, proposed section 7.5.3.2.

[30] *Id.*

payment of any related costs, and that participates in the annual generator downsizing process, will not be considered in breach of its obligations under the CAISO tariff or its generator interconnection agreement due to failing to place into service the megawatt capacity set forth in its generator interconnection agreement. However, such an interconnection customer's responsibility for any costs or other obligations set forth in the CAISO tariff or its generator interconnection agreement will not be diminished.[31]

2. Window for Submitting Generator Downsizing Requests

An interconnection customer that wishes to utilize the annual generator downsizing process and meets the eligibility requirements described above must submit a generator downsizing request application to the CAISO in the form set forth on the CAISO website. The CAISO will forward a copy of the submitted application to the applicable participating transmission owners.[32]

The CAISO will evaluate for eligibility to be included in the annual generator downsizing process all generator downsizing requests that are submitted during the applicable generator downsizing request window.[33] This window will open on October 15 and close on November 15 of each calendar year.[34]

3. Initiating and Validating the Generator Downsizing Request

a. Initiation Process

To initiate the generator downsizing request, an interconnection customer must submit the following by the close of the applicable generator downsizing request window:

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31 Appendix DD, proposed section 7.5.3.3. In the stakeholder process, the CAISO originally proposed that an interconnection customer would lose its eligibility for reimbursement of network upgrade costs in proportion to the uncompleted megawatt capacity of its generating facility, if the generating facility proceeded all the way to its final commercial operation date without the interconnection customer exercising the available downsizing opportunities. Some stakeholders expressed concerns that this proposal was punitive, particularly in instances where the associated transmission capacity was either (i) not built because it was not needed or (ii) built and used by subsequent interconnection customers. In response, the CAISO replaced its original proposal with the proposal set forth in section 7.5.3.3. Second addendum to draft final proposal for topics 1 and 2 at 5-6; Board memorandum for topics 1 and 2 at 4.

32 Appendix DD, proposed section 7.5.4.

33 *Id.*

34 Appendix A, proposed definition of "generator downsizing request window."

(i) A completed generator downsizing request application in the form set forth on the CAISO website, including all technical data required by the generator downsizing request.

(ii) The generator downsizing deposit ($60,000).

Failure to submit either of these items will void the application, but submitting item (i) with some errors or omissions will not void the application provided the interconnection customer cures the deficiency during the validation process as described below.[35]

b. Validation Process

The CAISO will notify each interconnection customer, within 10 business days after the close of the applicable generator downsizing request window, whether its generator downsizing request is deemed either (a) complete, valid, and ready to be studied, or (b) deficient. If the generator downsizing request is deemed complete, valid, and ready to be studied, the CAISO will execute the downsizing generator payment obligation agreement and provide the agreement to the interconnection customer to execute and return an executed copy to the CAISO.[36] An interconnection customer that submits a valid generator downsizing request and participates in the generator downsizing process under appendix DD will thereby become a *downsizing generator*.[37]

The proposed revisions to appendix DD include a process for an interconnection customer to timely cure a deficiency solely as to item (i) in the aforementioned list of items required under the initiation process. If the deficiency is not timely cured, the generator downsizing request will be deemed invalid and will not be studied in the next reassessment to be performed pursuant to appendix DD. Further, the customer will be refunded its generator downsizing deposit, less any costs incurred in validating the generator downsizing request.[38]

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35 Appendix DD, proposed section 7.5.5.1. A similar opportunity to cure deficiencies solely as to the generator downsizing request application is also a feature of the one-time generator downsizing opportunity. Appendix GG, section 2.5.1.

36 Appendix DD, proposed section 7.5.5.2.1. The 10-business day notification period is the same as the notification period for the one-time generator downsizing opportunity. *See* appendix GG, section 2.5.2.1.

37 Appendix A, proposed definition of "downsizing generator."

38 Appendix DD, proposed section 7.5.5.2.2. A similar process for curing a deficiency as to the generator downsizing request application is provided under the one-time generator downsizing opportunity. *See* appendix GG, section 2.5.2.2.

4. Opportunity to Withdraw Generator Downsizing Request Prior to Close of Generator Downsizing Request Window

The proposed revisions to appendix DD include an opportunity for each interconnection customer to withdraw its generator downsizing request any time before the close of the applicable annual generator downsizing request window, but not afterwards.[39] Thus, the interconnection customer will be committed to the generator downsizing if its request is deemed complete, valid, and ready to be studied. This commitment will prevent later withdrawals of generator downsizing requests from harming other interconnection customers by delaying or requiring restarts of the reassessment study under appendix DD.[40]

Following a timely withdrawal, the CAISO will refund the generator downsizing deposit of the interconnection customer, less any costs incurred by the CAISO, applicable participating transmission owners, or third parties at the direction of the CAISO or applicable participating transmission owners in validating the generator downsizing request.[41] However, if an interconnection customer's interconnection request is withdrawn or deemed withdrawn after the close of the applicable downsizing request window, the customer's generator downsizing request will also be deemed withdrawn and the customer will forfeit its downsizing deposit.[42]

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[39] Appendix DD, proposed section 7.5.6.

[40] In the stakeholder process, the CAISO originally proposed to provide an interconnection customer with an opportunity to withdraw its generator downsizing request if the CAISO determined that its estimated responsibility for network upgrade costs would significantly increase (such a provision was provided as part of the one-time downsizing opportunity). However, after further consideration, the CAISO determined that such a withdrawal opportunity was unnecessary. Under the annual generator downsizing process, the generator downsizing requests will be studied in the reassessment process rather than in a stand-alone study. As a result, there will be no reallocation of costs that results in a cost increase to the interconnection customer, though there may be a cost reduction if the required network upgrades are reduced or if the network upgrades are removed due to no longer being needed. Draft final proposal for topics 1 and 2 at 26.

[41] Appendix DD, proposed section 7.5.6.

[42] *Id*.

C. Inclusion of Generator Downsizing Costs in Reassessment Study, Amendment of Generator Interconnection Agreements, and Related Activities and Costs

Pursuant to the proposed appendix DD revisions, the $60,000 generator downsizing deposit will be applied as a pool of funds to pay for prudent costs incurred by the CAISO, the participating transmission owners, and third parties directed by the CAISO or participating transmission owners, as applicable, to perform and administer the generator downsizing process and to communicate with downsizing generators with respect to their generator downsizing requests. These include (1) the costs of studying the generator downsizing requests in the next reassessment process under appendix DD and (2) the costs associated with amending the generator interconnection agreements of downsizing generators to incorporate changes resulting from the generator downsizing process.[43]

1. Obligation of Downsizing Generator for Study Costs

Each downsizing generator will be responsible for an equal share of all actual costs incurred in connection with studying the generator downsizing requests in the next reassessment process under appendix DD. As explained below, the CAISO is proposing to add language to appendix DD specifying that the costs of each annual reassessment will be shared equally between interconnection customers who benefit from the reassessment, which includes any customers whose downsizing request is being studied as part of the reassessment.

2. Obligation of Downsizing Generator for Costs of Amending Generator Interconnection Agreements

Each downsizing generator will also be responsible for the actual costs incurred to amend its generator interconnection agreement to incorporate changes resulting from the annual generator downsizing process.[44] For purposes of this provision, “amendment” shall include modifications required to interconnection agreements tendered to customers but not yet executed.

After the completion of the reassessment process under appendix DD, for each downsizing generator that has (1) a generator downsizing request approved pursuant to appendix DD and (2) an executed generator interconnection agreement, a draft amendment to the generator interconnection agreement that

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[43] Appendix DD, proposed section 7.5.7. The one-time generator downsizing opportunity includes similar provisions regarding the use of the generator downsizing deposit provided under that process. *See* appendix GG, section 2.6.

[44] Appendix DD, proposed section 7.5.9.

reflects the generator downsizing request of the downsizing generator will be provided as soon as possible. The reassessment report under appendix DD will be considered an amendment to the generator interconnection agreement until that agreement can be formally amended. If the CAISO, applicable participating transmission owners, and downsizing generator have not begun negotiating or are in the process of negotiating a generator interconnection agreement, the generator interconnection agreement they negotiate will reflect the generator downsizing request of the downsizing generator.[45]

3. Use of Generator Downsizing Deposit to Pay Study Costs and Costs to Amend Generator Interconnection Agreements

As discussed above, the $60,000 generator downsizing deposit will serve as a pool of funds used to pay for the sum of the downsizing generator's obligations for study costs and costs to amend its generator interconnection agreement. If the actual costs incurred are more than $60,000, the downsizing generator will be obligated to provide the additional amount pursuant to the invoicing process set forth in appendix DD. Conversely, if the actual costs incurred are less than $60,000, the downsizing generator will be refunded the unused balance of its deposit, with interest.[46]

The $60,000 level of the generator downsizing deposit is intended to strike a reasonable balance between ensuring that downsizing generators have enough "skin in the game" to participate meaningfully in the annual generator downsizing process, and at the same time not subjecting them to a deposit level so high as possibly to discourage them from participating in the process. Further, the provision of refunds with interest under appendix DD will ensure that downsizing generators will receive any unused portions of their deposits.

In determining the appropriate level of the downsizing deposit, the CAISO reviewed historical cost data from past queue cluster studies to determine the likely amount of responsibility of downsizing generators for the study costs. The CAISO's review indicated that, on average, queue cluster study costs have not exceeded $50,000 per interconnection customer.[47] Further, the base amount of the interconnection study deposit under appendices Y and DD is also equal to $50,000.[48]

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[45] Appendix DD, proposed section 7.5.12.

[46] Appendix DD, proposed section 7.5.10. The one-time generator downsizing opportunity includes a similar invoicing and refunding process. *See* appendix GG, sections 2.9, 2.12.

[47] Draft final proposal for topics 1 and 2 at 28 n.26.

[48] Appendix Y, section 3.5.1(i); appendix DD, section 3.5.1(i). The interconnection study

The balance of the $60,000 generator downsizing deposit (*i.e.,* $10,000) is based on the amount that the Commission approved to amend generator interconnection agreements as part of the one-time generator downsizing opportunity.[49] However, unlike the one-time downsizing process, a generator participating in the annual generator downsizing process will be responsible for the costs only to amend its own generator interconnection agreement, but not for the costs to amend other generator interconnection agreements. The reason for the difference is that the CAISO assessed the effects of the one-time downsizing process in a generator downsizing study performed solely for that purpose, whereas in the annual generating process, the reassessment under appendix DD will analyze other factors unrelated to downsizing (*e.g.*, interconnection request withdrawals), not just the effects of the annual generator downsizing process. Therefore, it will not be possible in the reassessment to distinguish those amendments to generator interconnection agreements attributable to a downsizing project from the amendments attributable to other causes.[50] Also, unlike the one-time generator downsizing process, which required customers to pay the $10,000 as a non-refundable fee, under the annual process downsizing generators will only be responsible for the actual costs of amending their interconnection agreements.

D. Allocation of Costs for Network Upgrades

One potential consequence of the annual generator downsizing process is that certain upgrades identified in the original interconnection studies for the downsizing generators will no longer be necessary. Indeed, one of the main goals of the annual generator downsizing proposal is to "right-size" the interconnection-driven upgrades in a logical, coherent manner that may not be possible pursuant to individual generator downsizing events or interconnection request withdrawals that occur under the existing tariff and generator interconnection agreement provisions. Additionally, the study of the generator downsizing requests in the appendix DD reassessment may identify modifications to upgrades in the original interconnection studies or indicate that it is possible to substitute a lower-cost upgrade in lieu of one or more upgrades in the original interconnection studies, or even to eliminate an upgrade altogether.

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deposit under appendices Y and DD also includes an amount of $1,000 per megawatt of electrical output and is capped at $250,000, but the CAISO believes the variable $1,000 amount and cap should be omitted from the generator downsizing deposit. Draft final proposal for topics 1 and 2 at 28 n.26.

[49] *See* appendix GG, section 2.8.

[50] Draft final proposal for topics 1 and 2 at 28-29. *Compare* appendix GG, section 6.4 (describing scope and purpose of generator downsizing study) *with* appendix DD, revised section 7.4 (describing reassessment process).

In any event, it is appropriate to require downsizing generators to continue to be responsible for costs of the remaining needed upgrades, in order to preserve the original allocation of costs determined under the CAISO's interconnection procedures and to protect interconnection customers that choose not to downsize their generating facilities from any effects caused by interconnection customers that choose to downsize.

For these reasons, revised appendix DD states that a downsizing generator will continue to be obligated to finance the costs of (1) network upgrades that its generating facility previously triggered, and (2) network upgrades that are alternatives to the previously triggered network upgrades, if such previously triggered network upgrades or alternative network upgrades are needed by interconnection customers in the same queue cluster or later-queued interconnection customers, up to the original total cost responsibility of the downsizing generator as determined by the CAISO tariff interconnection study procedures applicable to the downsizing generator.[51] In determining any changes to a downsizing generator's network upgrade cost responsibilities as a result of the reassessment under appendix DD, the CAISO will reallocate the costs of network upgrades that are still needed based on the downsizing generator's pre-downsizing share of the original cost allocation.[52]

E. De Minimis Reductions in Generating Facility Capacity

The CAISO proposes to revise its interconnection procedures to allow all interconnection customers the flexibility to make de minimis reductions in their generating facility capacities without risking breach of their interconnection agreements, and without having to have such reductions studied in the generator downsizing process.[53] The CAISO has included a "safe harbor" provision in the most recent versions of the CAISO's *pro forma* large interconnection agreement. The provision states that an interconnection customer may reduce the capacity of its generating facility by up to five percent for any reason up to its commercial operation date. The CAISO is proposing to remove the "safe harbor" provision from the *pro forma* large generator interconnection agreement and add a slightly modified version of this de minimis "safe harbor" provision to its interconnection tariff procedures. This will ensure that the safe harbor applies to all interconnection customers, large and small, not just to those customers that have

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[51] As explained above, this obligation to finance the costs of previously triggered or alternative network upgrades will provide a disincentive for interconnection customers to "oversize" their projects in their interconnection requests.

[52] Appendix DD, proposed section 7.5.11.

[53] The provisions discussed below are set forth in proposed section 1.4 of appendix S, proposed section 3.9 of appendix U, proposed section 3.10 of appendix Y, and proposed section 7.5.13 of appendix DD.

executed the most recent CAISO LGIA.[54] The CAISO's proposed provision states that if, at the time an interconnection customer achieves final build-out of its project, the actual megawatt capacity of its generating facility is reduced by no more than the greater of five percent of its megawatt capacity or 10 MW, but not greater than twenty-five percent of the megawatt capacity of the generating facility, as compared to the capacity in the customer's current interconnection agreement, such a reduction will not constitute a breach of the interconnection customer's obligations under the CAISO tariff or its generator interconnection agreement. Any reduction in generating facility capacity that exceeds the de minimis threshold set forth above will only be allowed pursuant to the annual generator downsizing process, subject to the listed exceptions.[55]

Because these provisions are more expansive than the existing safe harbor language in the CAISO's *pro forma* large generator interconnection agreements, the CAISO proposes to delete the safe harbor provisions in the *pro forma* large generator interconnection agreements.[56] The CAISO is also proposing to delete from these same *pro forma* provisions the language that allows an interconnection customer to request authorization from the CAISO to reduce the megawatt capacity of its generating facility by more than five percent if the interconnection customer reasonably demonstrates that the requested reduction is warranted due to any of three limited conditions beyond the control of the interconnection customer relating to permitting and site control. This language is no longer necessary because, under the annual generator downsizing process, interconnection customers will have the opportunity to downsize by more than five percent without having to make a demonstration that the customer satisfies one of these three conditions.

F. Revisions to the Reassessment Process

The CAISO proposes to revise the reassessment process to include, as one of the purposes of that process, evaluation of the impact on network upgrades of valid generator downsizing requests submitted in the most recent generator downsizing window that meet the relevant requirements.[57] Studying

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[54] The CAISO is not proposing to amend any executed LGIAs with the safe harbor provision. These customers would retain the benefits of the provision in the LGIA as well as the tariff safe harbor.

[55] See proposed section 7.5.1 of appendix DD and the discussion above regarding the exceptions listed in that section.

[56] See Article 5.19.4 of appendix CC; Article 5.19.4 of appendix EE. The CAISO also proposes to revise section 12.3.2.2 of appendix Y, article 11.4.1.2 of appendix CC, 14.3.2.2 of appendix DD, and article 11.4.1.2 of appendix EE to reference the CAISO tariff in place of referencing deleted article 5.19.4.

[57] Appendix DD, proposed section 7.4.1(b).

generator downsizing requests in the reassessment process will efficiently leverage the existing reassessment process, in contrast with the special downsizing study required under the one-time generator downsizing opportunity. Also, it will ensure that the impacts of all downsizing requests are appropriately accounted for in the CAISO's plan of service.[58]

The CAISO also proposes to revise the reassessment process to include generating facilities that will have their generating capacities reduced pursuant to the following revised appendix DD provisions:[59]

- Appendix DD currently states that an option (A) generating facility in the current interconnection study cycle which either was allocated less transmission plan deliverability than requested or does not desire to accept the amount allocated to the interconnection customer must choose from among three options that include (i) entering into a generator interconnection agreement or (ii) parking the interconnection request. The CAISO proposes that an interconnection customer that selects either of these two options may, at the time it selects the option, elect to reduce the generating capacity of its generating facility.[60]

- Appendix DD currently states that if a generating facility is allocated transmission plan deliverability in the current interconnection study cycle in an amount less than the amount of deliverability requested, then the interconnection customer must choose from among four options that include (i) for option (A) generating facilities, accepting the allocated amount of transmission plan deliverability and seeking an additional transmission plan deliverability allocation for the remainder of the requested deliverability of the interconnection request in the next allocation cycle, and (ii) declining the allocated amount of transmission plan deliverability and either withdrawing the interconnection request or converting to energy-only deliverability status. The CAISO proposes that an interconnection customer that selects either of these two options may, at the time it selects the option, elect to reduce the generating capacity of its generating facility.[61]

- Appendix DD currently states that an interconnection customer having an option (A) generating facility that has not previously parked and is

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[58] *See* appendix GG, section 6.4.

[59] Appendix DD, proposed section 7.4.1(b).

[60] Appendix DD, revised section 8.9.4.

[61] Appendix DD, revised section 8.9.5.

> allocated the entire amount of requested transmission plan deliverability may decline all or a portion of the transmission plan deliverability allocation and park the generating facility request. The CAISO proposes that an interconnection customer that selects this option may, at the time it selects the option, elect to reduce the generating capacity of its generating facility.[62]

Finally, the CAISO is proposing to add language to the reassessment process provisions to clarify the allocation of the costs of the reassessment study. Specifically, the CAISO proposes that the actual costs of each annual reassessment will be divided and allocated equally among the following interconnection customers:

(1) interconnection customers whose generating facilities are being studied in the applicable reassessment for purposes of utilizing the generator downsizing process;

(2) interconnection customers whose generating facilities' phase II interconnection studies were completed in the most recent study cycle prior to the applicable reassessment;

(3) interconnection customers whose generating facilities are "parked" pursuant to appendix DD at the time of the applicable reassessment process; and

(4) interconnection customers with interconnection requests for generating facilities in queue clusters for whose interconnection studies the results of the applicable annual reassessment process will be used to establish the Base Case.[63]

This allocation methodology will ensure that all interconnection customers who benefit from the reassessment will be charged an equal share of the actual costs thereof.

IV. Stakeholder Process

The stakeholder process that resulted in this filing included:

- A series of six papers issued by the CAISO;

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[62] Appendix DD, revised section 8.9.6.

[63] Appendix DD, revised section 3.5.1.2. An interconnection customer will be allocated a single share of the actual costs of the reassessment per generating facility in these four categories, even if a generating facility falls within more than one of these categories. *Id.*

- The development of draft tariff provisions and revised draft tariff provisions;
- Seven stakeholder meetings and conference calls to discuss the CAISO papers and the draft tariff provisions; and
- Seven opportunities to submit written comments on the CAISO papers and the draft tariff provisions.[64]

The CAISO Governing Board authorized the preparation and filing of this tariff amendment at its November 7-8, 2013 meeting.[65]

All stakeholders either fully supported, or supported with qualifications, the CAISO's proposals on topics 1 and 2. The CAISO has addressed issues raised by stakeholders as discussed in this transmittal letter.

With respect to downsizing, some stakeholders argued that the CAISO should, in addition to the annual downsizing process, allow individual downsizing requests outside of the process. The CAISO does not support this outcome. As explained above, the interrelationship between interconnection requests and transmission upgrades requires that the CAISO study downsizing requests in a holistic fashion, not in a piecemeal fashion. Although it is possible to study the impact of certain downsizing requests separately as a purely technical matter, the CAISO does not believe that doing so would be a prudent use of its limited resources, particularly given that it will conduct a downsizing process every year.

Two of the CAISO's participating transmission owners, Pacific Gas and Electric Company and Southern California Edison, take issue with allowing interconnection customers unlimited downsizing opportunities and the ability to downsize by any amount they desire. These entities contend that this flexibility could be used as a means to lower or avoid financial security obligations in advance of withdrawing a project. Although the CAISO recognizes this possibility, the CAISO believes that the benefit to customers and the marketplace of allowing maximum flexibility in this regard sufficiently offsets any such negative

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64 Materials regarding the IPE stakeholder process, including the stakeholder process for topics 1 and 2, are available on the CAISO website at http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx. A list of key dates in the stakeholder process that are relevant to this tariff amendment is provided in attachment G to this filing.

65 Materials related to the Board's authorization to prepare and submit this filing are available on the CAISO website at http://www.caiso.com/informed/Pages/BoardCommittees/BoardGovernorsMeetings.aspx.

incentives. Moreover, given the individual circumstances facing each customer, the CAISO does not see a practical means of identifying what constitutes a “reasonable” number of downsizing opportunities or downsizing amount for purposes of creating a rule of general applicability.

V. Effective Date

The CAISO requests that the tariff revisions contained in this filing be made effective as of August 1, 2014. Granting this effective date will allow the tariff revisions to go into effect in Fall 2014 and give the CAISO sufficient time to take the steps needed before it opens the first generator downsizing request window on October 15, 2014.

VI. Communications

Correspondence and other communications regarding this filing should be directed to:

Roger E. Collanton
General Counsel
Sidney M. Davies
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: (916) 351-4400
Fax: (916) 608-7236
E-mail: sdavies@caiso.com

Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004
Tel: (202) 239-3300
Fax: (202) 654-4875
E-mail: michael.kunselman@alston.com
bradley.miliauskas@alston.com

VII. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

VIII. Contents of this Filing

In addition to this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets incorporating this tariff amendment

Attachment B	Red-lined document showing the revisions contained in this tariff amendment
Attachment C	Draft final proposal for topics 1 and 2
Attachment D	Addendum to draft final proposal for topics 1 and 2
Attachment E	Second addendum to draft final proposal for topics 1 and 2
Attachment F	Board memorandum for topics 1 and 2
Attachment G	List of key dates in the stakeholder process

IX. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept the tariff revisions proposed in the filing effective as of August 1, 2014.

Respectfully submitted,

Roger E. Collanton
General Counsel
Sidney M. Davies
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Michael Kunselman
Bradley R. Miliauskas
Alston & Bird LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004

Counsel for the California Independent System Operator Corporation

Attachment A – Clean Tariff Sheets

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

Appendix A

Master Definitions Supplement

* * *

- Downsizing Generator

An Interconnection Customer that submits a valid Generator Downsizing Request and participates in the Generator Downsizing Process under Section 7.5 of the GIDAP.

- Downsizing Generator Payment Obligation Agreement

The form of agreement set forth in Appendix 11 of the GIDAP, obligating the Downsizing Generator to pay (1) its share of the costs of studying Generator Downsizing Requests in the next reassessment process to be performed pursuant to Section 7.4 of the GIDAP, and (2) the costs of amending its Generator Interconnection Agreement in order to implement the results of the annual Generator Downsizing Process.

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- Generator Downsizing Deposit

A deposit in the amount of sixty thousand dollars ($60,000) to be submitted as part of the Generator Downsizing Request.

- Generator Downsizing Process

The annual process set forth in Section 7.5 of the GIDAP pursuant to which Interconnection Customers can request reductions to the megawatt capacity of their Small or Large Generating Facilities.

- Generator Downsizing Request

A request submitted under Section 7.5 of the GIDAP to reduce the megawatt generating capacity of a Small or Large Generating Facility.

- Generator Downsizing Request Window

The annual time period during which Interconnection Customers may submit Generator Downsizing Requests for inclusion in the associated annual Generator Downsizing Process. The Generator Downsizing Request Window will open on October 15 and close on November 15 of each calendar year.

* * *

Appendix S

Small Generator Interconnection Procedures

* * *

1.3.4.2 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the $10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2 of Appendix DD to the CAISO Tariff.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

1.4 Reductions in Generating Facility Capacity

1.4.1 <u>De Minimis Capacity Reductions</u>

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but by no more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this section shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

1.4.2 <u>Capacity Reductions Exceeding the De Minimis Threshold</u>

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 1.4.1 will only be allowed pursuant to the Generator Downsizing Process set forth in Section 7.5 of Appendix DD to the CAISO Tariff, subject to the exceptions set forth in Section 7.5.1 of Appendix DD. An Interconnection Customer interconnecting under this Appendix S that meets the eligibility requirements set forth in Section 7.5.3 of Appendix DD may submit a Generator Downsizing Request pursuant to Sections 7.5.4 and 7.5.5 of Appendix DD to participate in the Generator Downsizing Process.

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Appendix U

Standard Large Generator

Interconnection Procedures (LGIP)

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3.9 Reductions in Generating Facility Capacity

3.9.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but by no more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this section shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

3.9.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 3.9.1 will only be allowed pursuant to the Generating Downsizing Process set forth in Section 7.5 of Appendix DD to the CAISO Tariff, subject to the exceptions set forth in Section 7.5.1 of Appendix DD. An Interconnection Customer interconnecting under this Appendix U that meets the eligibility requirements set forth in Section 7.5.3 of Appendix DD may submit a Generator Downsizing Request pursuant to Sections 7.5.4 and 7.5.5 of Appendix DD to participate in the Generator Downsizing Process.

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4.4.6 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the

$10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required. The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2 of Appendix DD to the CAISO Tariff.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

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Appendix Y GIP

For Interconnection Requests

Generator Interconnection Procedures (GIP)

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3.10 Reductions in Generating Facility Capacity

3.10.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but by no more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this section shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

3.10.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 3.10.1 will only be allowed pursuant to the Generating Downsizing Process set forth in Section 7.5 of Appendix DD to the CAISO Tariff, subject to the exceptions set forth in Section 7.5.1 of Appendix DD. An Interconnection Customer interconnecting under this Appendix Y that meets the eligibility requirements set forth in Section 7.5.3 of Appendix DD may submit a Generator Downsizing Request pursuant to Sections 7.5.4 and 7.5.5 of Appendix DD to participate in the Generator Downsizing Process.

3.10.3 Interaction with Executed Generator Interconnection Agreements

With respect to an Interconnection Customer with an executed Generator Interconnection Agreement derived from Appendix CC of the CAISO Tariff, Section 7.5.13 of Appendix DD to the CAISO Tariff shall apply in lieu of Article 5.19.4 of the Generator Interconnection Agreement and any Generating Facility capacity reduction permitted under Article 5.19.4 shall be performed in accordance with and be subject to Section 7.5.13 of Appendix DD.

* * *

6.9.2.3 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the $10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2 of Appendix DD to the CAISO Tariff.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

12.3.2.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, unless the Interconnection Customer has provided written notice to the CAISO that it is declining all or part of such repayment, the Interconnection Customer shall be entitled to a repayment for the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase in accordance with the Interconnection Customer's cost responsibility assigned for the phase under GIP Sections 7.3 and 7.4 if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the GIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the GIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to the GIA;

(e) All parties to the GIA have confirmed that the completed phase meets the requirements set forth in the GIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in the GIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Interconnection Financial Security instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff shall not diminish the Interconnection Customer's right to repayment pursuant to this GIP Section 12.3.2.2. If the GIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Section as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then defaults on the GIA, the

Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the default against any repayments made for Network Upgrades related to the completed phases provided that the party seeking to exercise the offset has complied with any requirements which may be required to apply the stream of payments utilized to make the repayment to the Interconnection Customer as an offset.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with the Network Upgrades not refunded to the Interconnection Customer, and shall be paid to the Interconnection Customer by the applicable Participating TO(s) on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date by the requirements of items (a) through (g) above have been fulfilled,; or (2) any alternative payment schedule that associates the completion of Network Upgrades with the completion of particular phases and that is mutually agreeable to the Interconnection Customer and Participating TO.

Instead of direct payments, the Interconnection Customer may elect to receive Merchant Transmission Congestion Revenue Rights (CRRs) in accordance with the CAISO Tariff Section 36.11 associated with the Network Upgrades for each phase, or portions thereof that were funded by the Interconnection Customer. Such CRRs would take effect upon the Commercial Operation Date of the phase in accordance with the GIA.

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CAISO TARIFF APPENDIX CC

Large Generator Interconnection Agreement

for Interconnection Requests in a Queue Cluster Window

that are tendered a Large Generator Interconnection Agreement on or after July 3, 2010

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11.4.1.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, the Interconnection Customer shall be entitled to a repayment equal to the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase for which the Interconnection Customer is responsible, as set forth in Appendix G, if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the LGIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the LGIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to this LGIA;

(e) All Parties to the LGIA have confirmed that the completed phase meets the requirements set forth in this LGIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in this LGIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Financial Security Instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff shall not diminish the Interconnection Customer's right to repayment pursuant to this LGIA Article 11.4.1. If the LGIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Article as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then breaches the LGIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the Breach against any repayments made for Network Upgrades related to the completed phases.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with Network Upgrades not refunded to the Interconnection Customer pursuant to Article 5.17.8 or otherwise, and shall be paid to the Interconnection Customer by the Participating TO on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date by which the requirements of items (a) through (g) have been fulfilled; or (2) any alternative payment schedule that is mutually agreeable to the Interconnection Customer and Participating TO, provided that such amount is paid within five (5) years from the Commercial Operation Date. Notwithstanding the foregoing, if this LGIA terminates within five (5) years from the Commercial Operation Date, the Participating TO's obligation to pay refunds to the Interconnection Customer shall cease as of the date of termination.

* * *

Appendix DD

Generator Interconnection and Deliverability Allocation Procedures (GIDAP)

Table of Contents

Section 1 Objectives And Applicability

1.1 Objectives And Applicability

The objective of this Generation Interconnection and Deliverability Allocation Procedures (GIDAP) is to implement the requirements for both Small and Large Generating Facility interconnections to the CAISO Controlled Grid and to provide a process for allocating Transmission Plan Deliverability for Interconnection Requests starting with Queue Cluster 5 and for subsequent Queue Clusters. This GIDAP applies to Interconnection Requests that are either assigned to Queue Cluster 5 and subsequent Queue Clusters, or submitted for the Independent Study Process, or Fast Track Process after [*effective date of tariff amendment*]. The two exceptions to this rule of limited applicability are (i) the annual reassessment process set forth in Section 7.4, which shall apply to all CAISO Interconnection Customers in Queue Clusters, and (ii) the annual Generator Downsizing Process set forth in Section 7.5 which shall apply to all eligible Interconnection Customers, regardless of which interconnection procedures under the CAISO Tariff they are subject to.

1.2 Definitions

Unless the context otherwise requires, any word or expression defined in the Master Definitions Supplement, Appendix A to the CAISO Tariff, will have the same meaning where used in this GIDAP. References to the GIDAP are to this Appendix DD.

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2.4.3.2 The Reassessment Prior to Phase II Interconnection Studies

Before undertaking the Phase II Interconnection Studies, the CAISO will conduct a reassessment, as specified in Section 7.4, to conform the Base Case and Interconnection Base Case Data to account for later conditions since the CAISO performed the Phase II Interconnection Study in the prior Interconnection Study Cycle, and to account for the impact of Downsizing Generators pursuant to Section 7.5.

2.4.3.3 The Phase II Interconnection Studies

The Phase II Interconnection Studies will include, but not be limited to, short circuit/fault duty, steady state (thermal and voltage) and stability analyses, and will identify direct Interconnection Facilities and required RNUs necessary to interconnect the Generating Facility, mitigate thermal overloads and voltage violations, and address short circuit, stability, and reliability issues associated with the requested Interconnection Service. The Phase II Interconnection Studies shall identify LDNUs for Generating Facilities participating in Phase II (including those being processed under the Independent Study Process) that have elected Full Capacity or Partial Capacity Deliverability Status, and ADNUs for Interconnection Customers selecting Option (B) in accordance with Section 7.2.

The Phase II Interconnection Study report shall also set forth the applicable cost estimates for RNUs, LDNUs, ADNUs and Participating TOs Interconnection Facilities that shall, as applicable, establish the basis for the second and third Interconnection Financial Security postings under Section 11.3.

Where an Interconnection Study report identifies specific transmission facilities for Network Upgrade or Interconnection Facilities, the cost estimates determined in accordance with Section 6.4 will be set forth in present dollar costs as well as time-adjusted dollar costs, adjusted to the estimated year of expenditure for construction of the components being constructed.

2.4.3.4 Update Following TP Deliverability Allocation Process

Following the completion of Phase II Interconnection Studies for the Queue Cluster and provision by the ISO of the results to Interconnection Customers in the Queue Cluster, the ISO will perform the allocation of TP Deliverability to eligible Generating Facilities in accordance with Section 8.9. Based on the results of the allocation process and the responses to those results as reported by affected Interconnection Customers to the ISO, the ISO will provide updates where needed to the Phase II Interconnection Study reports of affected Interconnection Customers. The update to the Phase II Interconnection Study report provided under this section shall not extend the time for the second Interconnection Financial Security posting under Section 11.3.

*** * ***

3.5.1.2 Obligation for Study Costs.

Except as otherwise provided in Section 3.5.1.1, the CAISO shall charge and the Interconnection Customer(s) shall pay the actual costs of the Interconnection Studies. Where an Interconnection Study is performed by means of a Group Study, the cost of the Group Study will be charged pro rata to each Interconnection Request assigned to the Group Study. The cost of Interconnection Studies performed for an individual Interconnection Request, not part of a Group Study, will be charged solely to the Interconnection Customer that submitted the Interconnection Request.

The actual costs of each reassessment, as set forth in Section 7.4, will be divided and allocated equally amongst the following Interconnection Customers:

(1) Interconnection Customers whose Generating Facilities are being studied in the applicable reassessment for purposes of utilizing the Generator Downsizing Process set forth in Section 7.5;

(2) Interconnection Customers whose Generating Facilities' Phase II Interconnection Studies were completed in the most recent Interconnection Study Cycle prior to the applicable reassessment;

(3) Interconnection Customers whose Generating Facilities are parked pursuant to this GIDAP at the time of the applicable reassessment process; and

(4) Interconnection Customers with Interconnection Requests for Generating Facilities in Queue Clusters for whose Interconnection Studies the results of the applicable annual reassessment process will be used to establish the Base Case.

An Interconnection Customer will be allocated a single share of the actual costs of the reassessment per Generating Facility in these four categories, even if a Generating Facility falls within more than one of these categories.

The Participating TO and any third parties performing work on the Interconnection Customer's behalf shall invoice the CAISO for such work, and the CAISO shall issue invoices for Interconnection Studies that shall include a detailed and itemized accounting of the cost of each Interconnection Study. The CAISO shall draw from the Interconnection Study Deposit any undisputed costs within thirty (30) calendar days of issuance of an invoice. Whenever the actual cost of performing the Interconnection Studies exceeds the Interconnection Study Deposit, the Interconnection Customer shall pay the undisputed difference in accordance with the CAISO issued invoice within thirty (30) calendar days. The CAISO shall not be obligated to continue to have any studies conducted unless the Interconnection Customer has paid all undisputed amounts in compliance herewith. In the event an Interconnection Study, or portions thereof, is performed by the CAISO, the Interconnection Customer shall pay only the costs of those activities performed by the Participating TO to adequately review or validate that Interconnection Study or portions thereof.

* * *

6.7.2.3 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the $10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

7.4 Reassessment Process

7.4.1 The CAISO will perform a reassessment of the Phase I Interconnection Study base case prior to the beginning of the GIDAP Phase II Interconnection Studies. The reassessment will evaluate the impacts on those Network Upgrades identified in previous interconnection studies and assumed in the Phase I Interconnection Study of:

(a) Interconnection Request withdrawals occurring after the completion of the Phase II Interconnection Studies for the immediately preceding Queue Cluster;

(b) Generator Downsizing Requests submitted in the most recent Generator Downsizing Request Window that meet the requirements set forth in Section 7.5, and Generating Facilities that are to have their generating capacities reduced pursuant to Sections 8.9.4, 8.9.5, and 8.9.6;

(c) the performance of earlier queued Interconnection Customers with executed GIAs with respect to required milestones and other obligations;

(d) compliance of earlier queued Interconnection Customers that were allocated TP Deliverability under Section 8.9.3 with the retention criteria;

(e) the results of the TP Deliverability allocation from the prior Interconnection Study cycle; and,

(f) transmission additions and upgrades approved in the most recent TPP cycle.

The reassessment will be used to develop the base case for the Phase II Interconnection Study

7.4.2 Where, as a consequence of the reassessment, the ISO determines that changes to the previously identified Network Upgrades in Queue Clusters earlier than the current Interconnection Study Cycle will cause changes to plans of service set out in executed GIAs, such changes will serve as a basis for amendments to GIAs.

7.5 Generator Downsizing Process

7.5.1 Objectives and Applicability

In accordance with the requirements set forth in this Section 7.5, the CAISO shall conduct, on an annual basis, a process for evaluating requests by Interconnection Customers to reduce the megawatt generating capacities of their Generating Facilities. In each annual cycle of this Generator Downsizing Process, the CAISO will process valid Generator Downsizing Requests submitted during the applicable Generator Downsizing Request Window as part of the annual reassessment process set forth in Section 7.4.

All reductions to the megawatt generating capacity of Generating Facilities by Interconnection Customers shall utilize this annual Generator Downsizing Process unless explicitly exempted. Specifically, beginning on the date of the opening of the first Generator Downsizing Request Window, all proposed reductions of megawatt generating capacity by Interconnection Customers shall, regardless of the dates of the Interconnection Customer's Interconnection Request(s), be subject to the requirements and procedures of the Generator Downsizing Process set forth in Section 7.5, except for MW capacity reductions made pursuant to the following: (1) the provisions of the

CAISO's interconnection procedures that permit Interconnection Customers to reduce the size of their Generating Facilities between the Phase I and Phase II Interconnection Studies, as set forth in Section 6.7.2; (2) specific non-conforming provisions of an Interconnection Customer's Generator Interconnection Agreement that provide the Interconnection Customer with an explicit right to reduce the capacity of its Generating Facility through a partial termination of its Generator Interconnection Agreement; (3) the de minimis threshold set forth in Section 7.5.13.1; and (4) the parking options set forth in Sections 8.9.4, 8.9.5, and 8.9.6.

Generator Downsizing Requests that meet the eligibility requirements set forth in this Section 7.5 will be studied as part of the next annual reassessment process set forth in Section 7.4.

7.5.2 Modifications Other than Generator Downsizing Requests

Proposed modifications to Generating Facilities other than proposed reductions in the megawatt capacities of Generating Facilities are separately addressed in Section 6.7.2 and in the modification provisions under other CAISO interconnection procedures and are beyond the scope of the annual Generator Downsizing Process. Such proposed modifications must be submitted separately and will not be evaluated as part of the Generator Downsizing Process under this Section 7.5.

The CAISO will defer evaluation of any other proposed modification made by an Interconnection Customer that is participating in the annual Generator Downsizing Process until the completion of the applicable annual Generating Downsizing Process. Other than the deferral of such modification requests, nothing in this Section 7.5.2 will diminish the rights of the Interconnection Customer to request a modification pursuant to the applicable interconnection procedures under which the Interconnection Customer's Interconnection Request is being processed.

7.5.3 Eligibility to Participate in Generator Downsizing Process

7.5.3.1 Commercial Operation Status

In order to be eligible to participate in the current annual Generator Downsizing Process, an Interconnection Customer must be in one of the following two categories:

(1) The Interconnection Customer has a Generating Facility that is currently being processed under the CAISO's interconnection procedures and has not achieved the last Commercial Operation Date indicated in its Generator Interconnection Agreement.

(2) The Interconnection Customer has a Generating Facility that has achieved the last Commercial Operation Date indicated in its Generator Interconnection Agreement with a total megawatt capacity amount that is lower than the amount specified in its Generator Interconnection Agreement by an amount that is greater than the de minimis threshold set forth in Section 7.5.13.1. This eligibility will be limited to the first annual Generator Downsizing Process with a Generator Downsizing Request Window that closes on a date after the last Commercial Operation Date indicated in its Generator Interconnection Agreement.

7.5.3.2 Good Standing Requirements

The Interconnection Customer must also meet the following requirements of good standing by the date the applicable Generator Downsizing Request Window closes in order to be eligible to participate in the Generator Downsizing Process:

(a) The Interconnection Customer has complied with all applicable requirements of the CAISO Tariff under which the Interconnection Request is being processed, including timely submittal of all Interconnection Financial Security postings that have come due.

(b) The Interconnection Request has not been withdrawn or deemed withdrawn by the CAISO. If the Interconnection Customer has received a notice of deemed withdrawal for which the cure period has expired without sufficient cure being made, then the Interconnection Customer will not be eligible to submit a Generator Downsizing Request. If the Interconnection Customer has received a notice of deemed withdrawal for which the cure period has not expired at the time of the close of the applicable Generator Downsizing Request Window and such cure period subsequently expires without sufficient cure being made, the Interconnection Customer's Generator Downsizing Request will be deemed withdrawn.

(c) The Interconnection Customer is in compliance with the terms of its Generator Interconnection Agreement, including Interconnection Customer milestones, and has not received a notice of breach for which the cure period has expired without sufficient cure being made. If the Interconnection Customer has received a notice of breach for which the cure period has not expired at the time of the close of the applicable Generator Downsizing Request Window and such cure period subsequently expires without sufficient cure being made, the Interconnection Customer's Generator Downsizing Request will be deemed withdrawn.

An Interconnection Customer under category (2) in Section 7.5.3.1 will be eligible to participate in the Generator Downsizing Process if its failure to meet one or more of the three requirements listed in this Section 7.5.3.2 is due solely to its Generating Facility having achieved the last Commercial Operation Date indicated in its Generator Interconnection Agreement with a total megawatt capacity amount that is lower than the amount specified in its Generator Interconnection Agreement by an amount that is greater than the de minimis threshold specified in Section 7.5.13.1.

7.5.3.3 Treatment of Customers with Capacity Reductions Greater than the De Minimis Threshold

An Interconnection Customer under category (2) in Section 7.5.3.1 that meets all applicable eligibility requirements set forth in Section 7.5, including the payment of any related costs, and that participates in the applicable annual Generator Downsizing Process, will not be considered in breach of its obligations under the CAISO Tariff or its Generator Interconnection Agreement due to failing to place into service the megawatt capacity set forth in its Generator Interconnection Agreement. This Section 7.5.3 will not operate to diminish the responsibility of an Interconnection Customer under category (2) above for any costs or other obligations set forth in the CAISO Tariff or its Generator Interconnection Agreement.

7.5.4 Generator Downsizing Request

An Interconnection Customer that wishes to utilize the annual Generator Downsizing Process, and meets the eligibility requirements set forth in Section 7.5.3, must submit a Generator Downsizing Request application to the CAISO in the form set forth on the CAISO Website. The CAISO will forward a copy of the submitted Generator Downsizing Request application to the applicable Participating TO(s) within five (5) Business Days after the close of the applicable Generator Downsizing Request Window.

The CAISO will evaluate for eligibility to be included in the annual Generator Downsizing Process all Generator Downsizing Requests that are submitted during the applicable Generator Downsizing Request Window.

7.5.5 Processing a Generator Downsizing Request

7.5.5.1 Initiating the Generator Downsizing Request

To initiate the Generator Downsizing Request, an Interconnection Customer must submit both of the following by the close of the applicable Generator Downsizing Request Window:

(i) A completed Generator Downsizing Request application in the form set forth on the CAISO Website, including all technical data required by the Generator Downsizing Request.

(ii) The Generator Downsizing Deposit.

Failure to submit either of the two items listed in this Section 7.5.5.1 will void the application, while submitting item (i) with some errors or omissions will not void the application provided the Interconnection Customer cures the deficiency pursuant to Section 7.5.5.2.2.

7.5.5.2 Validating the Generating Downsizing Request

7.5.5.2.1 Notification and Execution of Downsizing Generator Payment Obligation Agreement

The CAISO will notify the Interconnection Customer no later than ten (10) Business Days after the close of the applicable Generator Downsizing Request Window whether its Generator Downsizing Request is deemed complete, valid, and ready to be studied. If the Generator Downsizing Request is deemed complete, valid, and ready to be studied, the CAISO will execute a the Downsizing Generator Payment Obligation Agreement in the form set forth in Appendix 11 to this GIDAP and tender the executed agreement to the Interconnection Customer. The Interconnection Customer will then execute the Downsizing Generator Payment Obligation Agreement and provide a fully executed copy back to the CAISO.

7.5.5.2.2 Deficiencies in the Request as to Application Information

A Generator Downsizing Request will not be considered to be a valid request until the CAISO determines that the information contained in the Generator Downsizing Request is complete and that the Interconnection Customer has complied with all of the requirements of Section 7.5.5.1.

The CAISO will provide the Interconnection Customer with an opportunity to cure a deficiency in the Generator Downsizing Request only if the deficiency pertains to the application required by Section 7.5.5.1(i). In that event, the CAISO will notify the Interconnection Customer, at the time it provides its notification in Section 7.5.5.2.1, of the reason(s) that the application is deficient and will request additional information to cure the deficiency.

In order to remain eligible to participate in the associated Annual Downsizing Process set forth in Section 7.5, the Interconnection Customer must provide the additional requested information needed to constitute a valid Generator Downsizing Request. Whenever the Interconnection Customer provides additional requested information, the CAISO will notify the Interconnection Customer within five (5) Business Days of receipt of that information whether the Generator Downsizing Request is valid. If the Generator Downsizing Request continues to fail to meet the requirements set forth in Section 7.5.5.1(i), the CAISO will include in its notification to the Interconnection Customer the reasons for such failure.

If a Generator Downsizing Request has not been deemed valid, the Interconnection Customer must submit all information necessary to meet the requirements of Section 7.5.5.1(i) no later than twenty (20) Business Days after the close of the applicable Generator Downsizing Request Window or ten (10) Business Days after the CAISO first provided notice that the Generator Downsizing Request was not valid, whichever is later. Otherwise, the Generator Downsizing Request will be deemed invalid and will not be studied in the next reassessment to be performed pursuant to this GIDAP. If the Generator Downsizing Request is deemed invalid, the CAISO will notify the Participating TO(s) and refund the Interconnection Customer's Generator Downsizing Deposit, less any costs incurred in validating the Generator Downsizing Request.

7.5.6 Withdrawal of Generator Downsizing Request

An Interconnection Customer may withdraw its Generator Downsizing Request anytime before the close of the applicable Generator Downsizing Request Window, but may not do so thereafter. Following a timely withdrawal under this Section 7.5.6, the CAISO will refund the Generator Downsizing Deposit of the Interconnection Customer, less any costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO or applicable Participating TO(s) in validating the Generator Downsizing Request. If the Interconnection Customer's Interconnection Request is withdrawn or deemed withdrawn after the close of the applicable Generator Downsizing Request Window, the Interconnection Customer's Generator Downsizing Request will also be deemed withdrawn and the Interconnection Customer will forfeit its Generator Downsizing Deposit.

7.5.7 Use of Generator Downsizing Deposits

The CAISO will deposit all Generator Downsizing Deposits in an interest-bearing account at a bank or financial institution designated by the CAISO. The Generator Downsizing Deposits will be applied to pay for prudent costs incurred by the CAISO, the Participating

TO(s), and/or third parties at the direction of the CAISO or applicable Participating TO(s), as applicable, to perform and administer the generator downsizing process and to communicate with Downsizing Generators with respect to their Generator Downsizing Requests.

These costs will include but not be limited to:

1. The costs of studying the Generator Downsizing Request in the reassessment process performed pursuant to Section 3.5.1.2; and

2. The costs associated with amending the Generator Interconnection Agreement of the Downsizing Generator to incorporate changes resulting from the Generator Downsizing Process.

7.5.8 Obligations of Downsizing Generators for Costs of Studying Generator Downsizing Requests in the Reassessment

A Downsizing Generator will be responsible for its share of all actual costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO and applicable Participating TO(s) in connection with studying its Generator Downsizing Request in the next reassessment process to be performed pursuant to Section 7.4, as set forth in Section 7.4.2.

7.5.9 Obligations of Downsizing Generators for Costs of Amending GIAs

A Downsizing Generator will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) to amend its Generator Interconnection Agreement, including an agreement that is tendered but not yet executed, pursuant to Section 7.5.12 to incorporate changes resulting from the Generator Downsizing Process.

7.5.10 Invoicing and Payment of Downsizing Costs

The applicable Participating TO(s) will invoice the CAISO for any work performed by the applicable Participating TO(s), and/or work performed at the applicable Participating TO(s)' direction pursuant to this Section 7.5 within seventy-five (75) calendar days of completion of the work. Within thirty (30) calendar days thereafter, the CAISO will:

(i) apply each Generator Downsizing Deposit towards the Downsizing Generator's obligations for the actual costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO and applicable Participating TO(s) pursuant to Sections 7.5.8 and 7.5.9.

(ii) refund to the Downsizing Generator the unused balance of its Generator Downsizing Deposit, together with applicable interest from the interest-bearing account at the bank or financial institution into which the funds were deposited in accordance with Section 7.5.7, if the Downsizing Generator's total cost obligation pursuant to Sections 7.5.8 and 7.5.9 is less than its Generator Downsizing Deposit.

(iii) invoice the Downsizing Generator for the balance of the costs. The Downsizing Generator will pay the amounts shown on any such invoice within thirty (30) calendar days of the date of the invoice, if the

Downsizing Generator's total cost obligation pursuant to Sections 7.5.8 and 7.5.9 is greater than its Generator Downsizing Deposit.

7.5.11 Cost Allocation for Network Upgrades

A Downsizing Generator will continue to be obligated to finance the costs of (1) Network Upgrades that its Generating Facility previously triggered, and (2) Network Upgrades that are alternatives to the previously triggered Network Upgrades, if such previously triggered Network Upgrades or alternative Network Upgrades are needed by Interconnection Customers in the same Queue Cluster or later-queued Interconnection Customers, up to the total cost responsibility of the Downsizing Generator as determined by the CAISO Tariff interconnection study procedures applicable to the Downsizing Generator. For determining any changes to a Downsizing Generator's Network Upgrade cost responsibilities as a result of a reassessment process conducted pursuant to Section 7.4, the CAISO will reallocate the costs of Network Upgrades that are still needed based on the Downsizing Generator's pre-downsizing share of the original cost allocation.

7.5.12 Reflecting Plan of Service Changes in GIAs

After the completion of the reassessment process performed pursuant to Section 7.4, each Downsizing Generator that has (1) a Generator Downsizing Request approved pursuant to this GIDAP and (2) an executed Generator Interconnection Agreement, a draft amendment to the Generator Interconnection Agreement that reflects the Generator Downsizing Request of the Downsizing Generator will be provided as soon as possible. The reassessment report is considered an amendment to the Generator Interconnection Agreement until the Generator Interconnection Agreement can be formally amended. If the CAISO, applicable Participating TO(s), and Downsizing Generator have not begun negotiating or are in the process of negotiating a Generator Interconnection Agreement, the Generator Interconnection Agreement they negotiate will reflect the Generator Downsizing Request of the Downsizing Generator.

7.5.13 Reductions in Generating Facility Capacity

7.5.13.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but not by more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this Section 7.5.13 shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

7.5.13.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 7.5.13.1 will only be allowed pursuant to the Generator Downsizing Process set forth in Section 7.5, subject to the exceptions set forth in Section 7.5.1.

7.5.13.3 Interaction with Executed Generator Interconnection Agreements

With respect to an Interconnection Customer with an executed Generator Interconnection Agreement derived from either Appendix CC or Appendix EE to the CAISO Tariff, this Section 7.5.13 shall apply in lieu of Article 5.19.4 of the Generator Interconnection Agreement and any Generating Facility capacity reduction permitted under Article 5.19.4 shall be performed in accordance with and be subject to Section 7.5.13.

*** * ***

8.9.4 Parking for Option (A) Generating Facilities

For an Option (A) Generating Facility in the current Interconnection Study Cycle which either was allocated less TP Deliverability than requested or does not desire to accept the amount allocated the Interconnection Customer shall select one of the following options:

(1) Withdraw its Interconnection Request
(2) Enter into a GIA, in which case the Interconnection Request shall automatically convert to Energy Only Deliverability Status. In such circumstances, upon execution of the GIA, any Interconnection Financial Security shall be adjusted to remove the obligation for Interconnection Financial Security pertaining to LDNUs
(3) Park the Interconnection Request; in which case the Interconnection Request may remain in the Interconnection queue until the next allocation of TP Deliverability in which it may participate in accordance with the requirements of Section 8.9.2. Parking an Interconnection Request does not confer a preference with respect to any other Interconnection Request with respect to allocation of TP Deliverability.

An Interconnection Customer that selects option (2) or (3) above may, at the time it selects the option, elect to reduce the generating capacity of its Generating Facility.

8.9.5 Partial Allocations of Transmission Based Deliverability to Option (A) and Option (B) Generating Facilities

If a Generating Facility is allocated TP Deliverability in the current Interconnection Study Cycle in an amount less than the amount of Deliverability requested, then the Interconnection Customer must choose one of the following options:

(i) Accept the allocated amount of TP Deliverability and reduce the MW generating capacity of the proposed Generating Facility such that the allocated amount of TP Deliverability will provide Full Capacity Deliverability Status to the reduced generating capacity;

(ii) Accept the allocated amount of TP Deliverability and adjust the Deliverability status of the proposed Generating Facility to achieve Partial Capacity Deliverability corresponding to the allocated TP Deliverability;

(iii) For Option (A) Generating Facilities, accept the allocated amount of TP Deliverability and seek additional TP Deliverability for the remainder of the requested Deliverability of the Interconnection Request in the next allocation cycle. In such instance, the Interconnection Customer shall execute a GIA for the entire Generating Facility having Partial Capacity Deliverability corresponding to the allocated amount of TP Deliverability. Following the next cycle of TP Deliverability allocation, the GIA shall be amended as needed to adjust its Deliverability status to reflect any additional allocation of TP Deliverability. At this time the Interconnection Customer may also adopt options (i) or (ii) above based on the final amount of TP Deliverability allocated to the Generating Facility. There will be no further opportunity for this Generating Facility to participate in any subsequent cycle of TP Deliverability allocation; or

(iv) Decline the allocated amount of TP Deliverability and either withdraw the Interconnection Request or convert to Energy Only Deliverability Status. An Interconnection Customer having an Option (A) Generating Facility that has not previously parked may decline the allocation of TP Deliverability and park until the next cycle of TP Deliverability allocation in the next Interconnection Study Cycle.

An Interconnection Customer that selects option (iii) or (iv) above may, at the time it selects the option, elect to reduce the generating capacity of its Generating Facility.

8.9.6 Declining TP Deliverability Allocation

An Interconnection Customer having an Option (A) Generating Facility that has not previously parked and is allocated the entire amount of requested TP Deliverability may decline all or a portion of the TP Deliverability allocation and park the Generating Facility Request as described in Section 8.9.4(3). An Interconnection Customer that selects this option may, at the time it selects the option, elect to reduce the generating capacity of its Generating Facility.

*** * ***

14.3.2.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, unless the Interconnection Customer has provided written notice to the CAISO that it is declining all or part of such repayment, the Interconnection Customer shall be entitled to a repayment for the Interconnection Customer’s contribution to the cost of Network Upgrades for that completed phase in accordance with the Interconnection Customer’s cost responsibility assigned for the phase and subject to the limitations specified in Section 14.3.2.1, if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the GIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the GIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to the GIA;

(e) All parties to the GIA have confirmed that the completed phase meets the requirements set forth in the GIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in the GIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of Deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Interconnection Financial Security instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff shall not diminish the Interconnection Customer’s right to repayment pursuant to this Section. If the GIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer’s eligibility for repayment under this Section as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then defaults on the GIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the default against any repayments made for Network Upgrades related to the completed phases provided that the party seeking to exercise the offset has complied with any requirements which may be required to apply the stream of payments utilized to make the repayment to the Interconnection Customer as an offset.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with the Network Upgrades not refunded to the Interconnection Customer, and shall be paid to the Interconnection Customer by the applicable Participating TO(s) on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date by the requirements of items (a) through (g) above have been fulfilled,; or (2) any alternative payment schedule that associates the completion of Network Upgrades with the completion of particular phases and that is mutually agreeable to the Interconnection Customer and Participating TO.

* * *

APPENDIX 11

DOWNSIZING GENERATOR PAYMENT OBLIGATION AGREEMENT

THIS AGREEMENT is made and entered into this day of , 20 by and between ______ _____________, a organized and existing under the laws of the State of , ("Interconnection Customer") and the California Independent System Operator Corporation, a California nonprofit public benefit corporation existing under the laws of the State of California, ("CAISO"). The Interconnection Customer and the CAISO each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, the Interconnection Customer has elected to submit a Generator Downsizing Request pursuant to CAISO Tariff Appendix DD requesting to reduce the generation megawatt capacity of the proposed Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request for the Interconnection Customer represented by Queue Position: _____;

WHEREAS, the Interconnection Customer desires to reduce the megawatt generating capacity of the Generating Facility; and

WHEREAS, following the Generator Downsizing Study, it will be necessary to:

(i) study Generator Downsizing Requests in the reassessment performed pursuant to Appendix DD; and

(ii) amend the Generator Interconnection Agreement of the Interconnection Customer, if the Interconnection Customer has an executed Generator Interconnection Agreement;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agree as follows:

1.0 In accordance with Section 7.5 of Appendix DD, the Interconnection Customer agrees to pay (1) its share of the costs of studying Generator Downsizing Requests in the reassessment performed pursuant to Appendix DD and (2) and the costs of amending the Generator Interconnection Agreement, in order to implement the generator downsizing provisions of Appendix DD.

2.0 The Interconnection Customer may withdraw its Generator Downsizing Request in accordance with Section 7.5.6 of Appendix DD. Upon timely receipt of the Interconnection Customer’s notice to withdraw, this Agreement will terminate, subject to the requirements of Section 7.5.6 of Appendix DD.

3.0 This Agreement will become effective upon the date the fully executed Agreement is received by the CAISO. If the CAISO does not receive the fully executed Agreement, then the Generator Downsizing Request will be deemed invalid pursuant to Section 7.5.5.2.2 of Appendix DD, and the CAISO will refund the Interconnection Customer’s Generator Downsizing Deposit, less any costs incurred in validating the Generator Downsizing Request.

4.0 The Interconnection Customer shall comply with all other applicable requirements set forth in the CAISO Tariff.

5.0 Miscellaneous.

5.1 Dispute Resolution. Any dispute, or assertion of a claim, arising out of or in connection with this Agreement, will be resolved in accordance with the Dispute provision of Appendix DD.

5.2 Confidentiality. Confidential Information will be treated in accordance with the confidentiality provision of Appendix DD.

5.3 Binding Effect. This Agreement and the rights and obligations hereof will be binding upon and will inure to the benefit of the successors and assigns of the Parties hereto.

5.4 Rules of Interpretation. This Agreement, unless a clear contrary intention appears, will be construed and interpreted as follows: (1) the singular number includes the plural number and vice versa; (2) reference to any person includes such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement (including this Agreement), document, instrument or tariff means such agreement, document, instrument, or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any applicable laws and regulations means such applicable laws and regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section or Appendix means such Article or Section of this Agreement or such Appendix to this Agreement, or such Section of Appendix DD or such Appendix to Appendix DD, as the case may be; (6) "hereunder", "hereof", "herein", "hereto" and words of similar import will be deemed references to this Agreement as a whole and not to any particular Article, Section, or other provision hereof or thereof; (7) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".

5.5 Entire Agreement. This Agreement, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants which constitute any part of the consideration for, or any condition to, any Party's compliance with its obligations under this Agreement.

5.6 No Third Party Beneficiaries. This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

5.7 Waiver. The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of or imposed upon such Party.

Any waiver at any time by either Party of its rights with respect to this Agreement will not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, or duty of this Agreement. Termination or default of this Agreement for any reason by the Interconnection Customer will not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Participating TO or CAISO. Any waiver of this Agreement will, if requested, be provided in writing.

Any waivers at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, will not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement will not constitute or be deemed a waiver of such right.

5.8 Headings. The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.

5.9 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

5.10 Amendment. The Parties may by mutual agreement amend this Agreement by a written instrument duly executed by both of the Parties.

5.11 Reservation of Rights. The CAISO will have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC’s rules and regulations thereunder, and Interconnection Customer will have the right to make a unilateral filing with FERC to modify this Agreement pursuant to section 206 or any other applicable provision of the Federal Power Act and FERC’s rules and regulations thereunder; provided that each Party will have the right to protest any such filing by another Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement will limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC’s rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

5.12 No Partnership. This Agreement will not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party will have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, another Party.

5.13 Assignment. This Agreement may be assigned by a Party only with the written consent of the other Party; provided that a Party may assign this Agreement without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this Agreement; and provided further that the Interconnection Customer will have the right to assign this Agreement without the consent of the other Party, for collateral security purposes to aid in providing financing for the Generating Facility, provided that the Interconnection Customer will require any secured party, trustee or mortgagee to notify the other Party of any such assignment. Any financing arrangement entered into by the Interconnection Customer pursuant to this Section will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify the other Party of the date and particulars of any such exercise of assignment right(s). Any attempted assignment that violates this Section is void and ineffective. Any assignment under this Agreement will not relieve a Party of its obligations, nor will a Party's obligations be enlarged, in whole or in part, by reason thereof. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to the Interconnection Customer pursuant to the underlying interconnection process under which the Interconnection Customer's Interconnection Request is being processed.

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

California Independent System Operator Corporation

By: ____

Printed Name: ____

Title: ____

Date: ____

[Insert name of the Downsizing Generator]

By: ____

Printed Name: ____

Title: ____

Date: ____

* * *

Appendix EE

Large Generator Interconnection Agreement

for Interconnection Requests Processed under the Generator Interconnection and Deliverability Allocation Procedures (Appendix DD of the CAISO Tariff)

* * *

11.4.1.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, the Interconnection Customer shall be entitled to a repayment equal to the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase for which the Interconnection Customer is responsible, as set forth in Appendix G, subject to the limitations specified in Article 11.4.1.1, if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the LGIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the LGIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to this LGIA;

(e) All Parties to the LGIA have confirmed that the completed phase meets the requirements set forth in this LGIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in this LGIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Financial Security Instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility, to the extent that it is otherwise eligible for such repayment per Article 11.4.1.1, in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff shall not diminish the Interconnection Customer's right to repayment pursuant to this LGIA Article 11.4.1. If the LGIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Article as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then breaches the LGIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the Breach against any repayments made for Network Upgrades related to the completed phases.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with Network Upgrades not refunded to the Interconnection Customer pursuant to Article 5.17.8 or otherwise, and shall be paid to the Interconnection Customer by the Participating TO on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date b which the requirements of items (a) through (g) have been fulfilled; or (2) any alternative payment schedule that is mutually agreeable to the Interconnection Customer and Participating TO, provided that such amount is paid within five (5) years from the Commercial Operation Date. Notwithstanding the foregoing, if this LGIA terminates within five (5) years from the Commercial Operation Date, the Participating TO's obligation to pay refunds to the Interconnection Customer shall cease as of the date of termination.

Attachment B – Marked Tariff Sheets

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

Appendix A

Master Definitions Supplement

* * *

- Downsizing Generator

An Interconnection Customer that submits a valid Generator Downsizing Request and participates in the Generator Downsizing Process under Section 7.5 of the GIDAP.

- Downsizing Generator Payment Obligation Agreement

The form of agreement set forth in Appendix 11 of the GIDAP, obligating the Downsizing Generator to pay (1) its share of the costs of studying Generator Downsizing Requests in the next reassessment process to be performed pursuant to Section 7.4 of the GIDAP, and (2) the costs of amending its Generator Interconnection Agreement in order to implement the results of the annual Generator Downsizing Process.

* * *

- Generator Downsizing Deposit

A deposit in the amount of sixty thousand dollars ($60,000) to be submitted as part of the Generator Downsizing Request.

- Generator Downsizing Process

The annual process set forth in Section 7.5 of the GIDAP pursuant to which Interconnection Customers can request reductions to the megawatt capacity of their Small or Large Generating Facilities.

- Generator Downsizing Request

A request submitted under Section 7.5 of the GIDAP to reduce the megawatt generating capacity of a Small or Large Generating Facility.

- Generator Downsizing Request Window

The annual time period during which Interconnection Customers may submit Generator Downsizing Requests for inclusion in the associated annual Generator Downsizing Process. The Generator Downsizing Request Window will open on October 15 and close on November 15 of each calendar year.

* * *

Appendix S

Small Generator Interconnection Procedures

* * *

1.3.4.2 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the $10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2 of Appendix DD to the CAISO Tariff.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

1.4 Reductions in Generating Facility Capacity

1.4.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but by no more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this section shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

1.4.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 1.4.1 will only be allowed pursuant to the Generator Downsizing Process set forth in Section 7.5 of Appendix DD to the CAISO Tariff, subject to the exceptions set forth in Section 7.5.1 of Appendix DD. An Interconnection Customer interconnecting under this Appendix S that meets the eligibility requirements set forth in Section 7.5.3 of Appendix DD may submit a Generator Downsizing Request pursuant to Sections 7.5.4 and 7.5.5 of Appendix DD to participate in the Generator Downsizing Process.

* * *

Appendix U

Standard Large Generator

Interconnection Procedures (LGIP)

* * *

3.9 Reductions in Generating Facility Capacity

3.9.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but by no more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this section shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

3.9.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 3.9.1 will only be allowed pursuant to the Generating Downsizing Process set forth in Section 7.5 of Appendix DD to the CAISO Tariff, subject to the exceptions set forth in Section 7.5.1 of Appendix DD. An Interconnection Customer interconnecting under this Appendix U that meets the eligibility requirements set forth in Section 7.5.3 of Appendix DD may submit a Generator Downsizing Request pursuant to Sections 7.5.4 and 7.5.5 of Appendix DD to participate in the Generator Downsizing Process.

* * *

4.4.6 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the

$10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required. The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2 of Appendix DD to the CAISO Tariff.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

Appendix Y GIP

For Interconnection Requests

Generator Interconnection Procedures (GIP)

* * *

3.10 Reductions in Generating Facility Capacity

3.10.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but by no more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this section shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

3.10.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 3.10.1 will only be allowed pursuant to the Generating Downsizing Process set forth in Section 7.5 of Appendix DD to the CAISO Tariff, subject to the exceptions set forth in Section 7.5.1 of Appendix DD. An Interconnection Customer interconnecting under this Appendix Y that meets the eligibility requirements set forth in Section 7.5.3 of Appendix DD may submit a Generator Downsizing Request pursuant to Sections 7.5.4 and 7.5.5 of Appendix DD to participate in the Generator Downsizing Process.

3.10.3 Interaction with Executed Generator Interconnection Agreements

With respect to an Interconnection Customer with an executed Generator Interconnection Agreement derived from Appendix CC of the CAISO Tariff, Section 7.5.13 of Appendix DD to the CAISO Tariff shall apply in lieu of Article 5.19.4 of the Generator Interconnection Agreement and any Generating Facility capacity reduction permitted under Article 5.19.4 shall be performed in accordance with and be subject to Section 7.5.13 of Appendix DD.

* * *

6.9.2.3 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the $10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2 of Appendix DD to the CAISO Tariff.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

12.3.2.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, unless the Interconnection Customer has provided written notice to the CAISO that it is declining all or part of such repayment, the Interconnection Customer shall be entitled to a repayment for the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase in accordance with the Interconnection Customer's cost responsibility assigned for the phase under GIP Sections 7.3 and 7.4 if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the GIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the GIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to the GIA;

(e) All parties to the GIA have confirmed that the completed phase meets the requirements set forth in the GIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in the GIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Interconnection Financial Security instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff~~Article 5.19.4 of the LGIA~~ shall not diminish the Interconnection Customer's right to repayment pursuant to this GIP Section 12.3.2.2. If the GIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Section as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then defaults on the

GIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the default against any repayments made for Network Upgrades related to the completed phases provided that the party seeking to exercise the offset has complied with any requirements which may be required to apply the stream of payments utilized to make the repayment to the Interconnection Customer as an offset.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with the Network Upgrades not refunded to the Interconnection Customer, and shall be paid to the Interconnection Customer by the applicable Participating TO(s) on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date by the requirements of items (a) through (g) above have been fulfilled,; or (2) any alternative payment schedule that associates the completion of Network Upgrades with the completion of particular phases and that is mutually agreeable to the Interconnection Customer and Participating TO.

Instead of direct payments, the Interconnection Customer may elect to receive Merchant Transmission Congestion Revenue Rights (CRRs) in accordance with the CAISO Tariff Section 36.11 associated with the Network Upgrades for each phase, or portions thereof that were funded by the Interconnection Customer. Such CRRs would take effect upon the Commercial Operation Date of the phase in accordance with the GIA.

* * *

CAISO TARIFF APPENDIX CC

Large Generator Interconnection Agreement

for Interconnection Requests in a Queue Cluster Window

that are tendered a Large Generator Interconnection Agreement on or after July 3, 2010

* * *

~~**5.19.4 Permitted Reductions in output capacity (MW generating capacity) of the Generating Facility.** An Interconnection Customer may reduce the MW capacity of the Generating Facility by up to five percent (5%) for any reason, during the time period between the Effective Date of this LGIA and the Commercial Operation Date The five percent (5%) value shall be established by reference to the MW generating capacity as set forth in the "Interconnection Customer's Data Form To Be Provided by the Interconnection Customer Prior to Commencement of the Phase II Interconnection Study" (Appendix B to Appendix 3 of the GIP).~~

~~The CAISO (in consultation with the applicable Participating TO(s) will consider an Interconnection Customer's request for a reduction in the MW generating capacity greater than five percent (5%) under limited conditions where the Interconnection Customer reasonably demonstrates to the Participating TO and CAISO that the MW generation capacity reduction is warranted due to reasons beyond the control of the Interconnection Customer. Reasons beyond the control of the Interconnection Customer shall consist of any one or more of the following:~~

~~(i) the Interconnection Customer's failure to secure required permits and other governmental approvals to construct the Generating Facility at its total MW generating capacity as specified in its Interconnection Request after the Interconnection Customer has made diligent effort to secure such permits or approvals;~~

~~(ii) the Interconnection Customer's receipt of a written statement from the permitting or approval authority (such as a draft environmental impact report) indicating that construction of a Generating Facility of the total MW generating capacity size specified in the Interconnection Request will likely result in disapproval due to a significant environmental or other impact that cannot be mitigated;~~

~~(iii) failure to obtain the legal right of use of the full site acreage necessary to construct and/or operate the total MW generating capacity size for the entire Generating Facility, after the Interconnection Customer has made a diligent attempt to secure such legal right of use. This subsection (iii) applies only where an Interconnection Customer has previously demonstrated and maintained its demonstration of Site Exclusivity prior to invoking this subsection as a reason for downsizing.~~

~~If relying on subsections (i) or (ii) above, in order to be eligible for a capacity reduction greater than five percent (5%), the Interconnection Customer must also demonstrate to the CAISO that a reduction of MW generating capacity of the Generating Facility to the reduced size that the Interconnection Customer proposes will likely overcome the objections of the permitting/approving authority or otherwise cause the permitting/approving authority to grant the permit or approval. The Interconnection Customer may satisfy this demonstration requirement by submitting to the CAISO either a writing from the permitting/approving authority to this effect or other evidence of a commitment by the permitting/approving authority that the MW capacity reduction will remove the objections of the authority to the permit/approval application.~~

~~If relying on subsection (iii) above, the Interconnection Customer must also reasonably demonstrate to the CAISO that the proposed reduced-capacity Generating Facility can be constructed on the site over which the Interconnection Customer has been able to obtain legal rights of use.~~

~~Upon such demonstration to the reasonable satisfaction of the CAISO (after consultation with the applicable Participating TO) the CAISO will permit such reduction. No permitted reduction of MW generation capacity under this Article shall operate to diminish the Interconnection Customer's cost responsibility for Network Upgrades or to diminish the Interconnection Customer's right to repayment for financing of Network Upgrades under this LGIA.~~

* * *

11.4.1.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, the Interconnection Customer shall be entitled to a repayment equal to the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase for which the Interconnection Customer is responsible, as set forth in Appendix G, if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the LGIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the LGIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to this LGIA;

(e) All Parties to the LGIA have confirmed that the completed phase meets the requirements set forth in this LGIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in this LGIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Financial Security Instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff~~LGIA Article 5.19.4~~ shall not diminish the Interconnection Customer's right to repayment pursuant to this LGIA Article 11.4.1. If the LGIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Article as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then breaches the LGIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the Breach against any repayments made for Network Upgrades related to the completed phases.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with Network Upgrades not refunded to the Interconnection Customer pursuant to Article 5.17.8 or otherwise, and shall be paid to the Interconnection Customer by the Participating TO on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date by which the requirements of items (a) through (g) have been fulfilled; or (2) any alternative payment schedule that is mutually agreeable to the

Interconnection Customer and Participating TO, provided that such amount is paid within five (5) years from the Commercial Operation Date. Notwithstanding the foregoing, if this LGIA terminates within five (5) years from the Commercial Operation Date, the Participating TO's obligation to pay refunds to the Interconnection Customer shall cease as of the date of termination.

* * *

Appendix DD

Generator Interconnection and Deliverability Allocation Procedures (GIDAP)

Table of Contents

Section 1 Objectives And Applicability

1.1 Objectives And Applicability

The objective of this Generation Interconnection and Deliverability Allocation Procedures (GIDAP) is to implement the requirements for both Small and Large Generating Facility interconnections to the CAISO Controlled Grid and to provide a process for allocating Transmission Plan Deliverability for Interconnection Requests starting with Queue Cluster 5 and for subsequent Queue Clusters. This GIDAP applies to Interconnection Requests that are either assigned to Queue Cluster 5 and subsequent Queue Clusters, or submitted for the Independent Study Process, or Fast Track Process after [*effective date of tariff amendment*]. The two exceptions to this rule of limited applicability are (i) the annual reassessment process set forth in Section 7.4, which shall apply to all CAISO Interconnection Customers in Queue Clusters, and (ii) the annual Generator Downsizing Process set forth in Section 7.5 which shall apply to all eligible Interconnection Customers, regardless of which interconnection procedures under the CAISO Tariff they are subject to.

1.2 Definitions

Unless the context otherwise requires, any word or expression defined in the Master Definitions Supplement, Appendix A to the CAISO Tariff, will have the same meaning where used in this GIDAP. References to the GIDAP are to this Appendix DD.

* * *

2.4.3.2 The Reassessment Prior to Phase II Interconnection Studies

Before undertaking the Phase II Interconnection Studies, the CAISO will conduct a reassessment, as specified in Section 7.4, to conform the Base Case and Interconnection Base Case Data to account for later conditions since the CAISO performed the Phase II Interconnection Study in the prior Interconnection Study Cycle, and to account for the impact of Downsizing Generators pursuant to Section 7.5.

2.4.3.3 The Phase II Interconnection Studies

The Phase II Interconnection Studies will include, but not be limited to, short circuit/fault duty, steady state (thermal and voltage) and stability analyses, and will identify direct Interconnection Facilities and required RNUs necessary to interconnect the Generating Facility, mitigate thermal overloads and voltage violations, and address short circuit, stability, and reliability issues associated with the requested Interconnection Service. The Phase II Interconnection Studies shall identify LDNUs for Generating Facilities participating in Phase II (including those being processed under the Independent Study Process) that have elected Full Capacity or Partial Capacity Deliverability Status, and ADNUs for Interconnection Customers selecting Option (B) in accordance with Section 7.2.

The Phase II Interconnection Study report shall also set forth the applicable cost estimates for RNUs, LDNUs, ADNUs and Participating TOs Interconnection Facilities that shall, as applicable, establish the basis for the second and third Interconnection Financial Security postings under Section 11.3.

Where an Interconnection Study report identifies specific transmission facilities for Network Upgrade or Interconnection Facilities, the cost estimates determined in accordance with Section 6.4 will be set forth in present dollar costs as well as time-adjusted dollar costs, adjusted to the estimated year of expenditure for construction of the components being constructed.

2.4.3.4 Update Following TP Deliverability Allocation Process

Following the completion of Phase II Interconnection Studies for the Queue Cluster and provision by the ISO of the results to Interconnection Customers in the Queue Cluster, the ISO will perform the allocation of TP Deliverability to eligible Generating Facilities in accordance with Section 8.9. Based on the results of the allocation process and the responses to those results as reported by affected Interconnection Customers to the ISO, the ISO will provide updates where needed to the Phase II Interconnection Study reports of affected Interconnection Customers. The update to the Phase II Interconnection Study report provided under this section shall not extend the time for the second Interconnection Financial Security posting under Section 11.3.

* * *

3.5.1.2 Obligation for Study Costs.

Except as otherwise provided in Section 3.5.1.1, the CAISO shall charge and the Interconnection Customer(s) shall pay the actual costs of the Interconnection Studies. Where an Interconnection Study is performed by means of a Group Study, the cost of the Group Study will be charged pro rata to each Interconnection Request assigned to the Group Study. The cost of Interconnection Studies performed for an individual Interconnection Request, not part of a Group Study, will be charged solely to the Interconnection Customer that submitted the Interconnection Request.

The actual costs of each reassessment, as set forth in Section 7.4, will be divided and allocated equally amongst the following Interconnection Customers:

(1) Interconnection Customers whose Generating Facilities are being studied in the applicable reassessment for purposes of utilizing the Generator Downsizing Process set forth in Section 7.5;

(2) Interconnection Customers whose Generating Facilities' Phase II Interconnection Studies were completed in the most recent Interconnection Study Cycle prior to the applicable reassessment;

(3) Interconnection Customers whose Generating Facilities are parked pursuant to this GIDAP at the time of the applicable reassessment process; and

(4) Interconnection Customers with Interconnection Requests for Generating Facilities in Queue Clusters for whose Interconnection Studies the results of the applicable annual reassessment process will be used to establish the Base Case.

An Interconnection Customer will be allocated a single share of the actual costs of the reassessment per Generating Facility in these four categories, even if a Generating Facility falls within more than one of these categories.

The Participating TO and any third parties performing work on the Interconnection Customer's behalf shall invoice the CAISO for such work, and the CAISO shall issue invoices for Interconnection Studies that shall include a detailed and itemized accounting of the cost of each Interconnection Study. The CAISO shall draw from the Interconnection Study Deposit any undisputed costs within thirty (30) calendar days of issuance of an invoice. Whenever the actual cost of performing the Interconnection Studies exceeds the Interconnection Study Deposit, the Interconnection Customer shall pay the undisputed difference in accordance with the CAISO issued invoice within thirty (30) calendar days. The CAISO shall not be obligated to continue to have any studies conducted unless the Interconnection Customer has paid all undisputed amounts in compliance herewith. In the event an Interconnection Study, or portions thereof, is performed by the CAISO, the Interconnection Customer shall pay only the costs of those activities performed by the Participating TO to adequately review or validate that Interconnection Study or portions thereof.

* * *

6.7.2.3 The Interconnection Customer shall provide the CAISO a $10,000 deposit for the modification assessment at the time the request is submitted. Except as provided below, any modification assessment will be concluded, and a response provided to the Interconnection Customer in writing, within forty-five (45) calendar days from the date the CAISO receives all of the following: the Interconnection Customer's written notice to modify the project, technical data required to assess the request and payment of the $10,000 deposit. If the modification assessment cannot be completed within that time period, the CAISO shall notify the Interconnection Customer and provide an estimated completion date with an explanation of the reasons why additional time is required.

The CAISO will defer evaluation of any modification requested pursuant to this section by an Interconnection Customer participating in the Generator Downsizing Process until the completion of that Generator Downsizing Process, as set forth in Section 7.5.2.

The Interconnection Customer will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) in conducting the modification assessment. If the actual costs of the modification assessment are less than the deposit provided by the Interconnection Customer, the Interconnection Customer will be refunded the balance. If the actual costs of the modification assessment are greater than the deposit provided by the Interconnection Customer, the Interconnection Customer shall pay the balance within 30 days of being invoiced. The CAISO shall coordinate the modification request with the Participating TO(s). The Participating TO(s) shall invoice the CAISO for any assessment work within seventy-five (75) calendar days of completion of the assessment, and, within thirty (30) days thereafter, the CAISO shall issue an invoice or refund to the Interconnection Customer, as applicable, based upon such submitted Participating TO invoices and the CAISO's own costs for the assessment.

The CAISO will publish cost data regarding modification assessments in accordance with the terms set forth in a Business Practice Manual.

* * *

7.4 Reassessment Process

7.4.1 The CAISO will perform a reassessment of the Phase I Interconnection Study base case prior to the beginning of the GIDAP Phase II Interconnection Studies. The reassessment will evaluate the impacts on those Network Upgrades identified in previous interconnection studies and assumed in the Phase I Interconnection Study of:

(a) Interconnection Request withdrawals occurring after the completion of the Phase II Interconnection Studies for the immediately preceding Queue Cluster;

(b) Generator Downsizing Requests submitted in the most recent Generator Downsizing Request Window that meet the requirements set forth in Section 7.5, and Generating Facilities that are to have their generating capacities reduced pursuant to Sections 8.9.4, 8.9.5, and 8.9.6;

(c~~b~~) the performance of earlier queued Interconnection Customers with executed GIAs with respect to required milestones and other obligations;

(d~~c~~) compliance of earlier queued Interconnection Customers that were allocated TP Deliverability under Section 8.9.3 with the retention criteria;

(e~~d~~) the results of the TP Deliverability allocation from the prior Interconnection Study cycle; and,

(f~~e~~) transmission additions and upgrades approved in the most recent TPP cycle.

The reassessment will be used to develop the base case for the Phase II Interconnection Study

7.4.2 Where, as a consequence of the reassessment, the ISO determines that changes to the previously identified ~~Delivery~~ Network Upgrades in Queue Clusters earlier than the current Interconnection Study Cycle will cause changes to plans of service set out in executed GIAs, such changes will serve as a basis for amendments to GIAs.

7.5 Generator Downsizing Process

7.5.1 Objectives and Applicability

In accordance with the requirements set forth in this Section 7.5, the CAISO shall conduct, on an annual basis, a process for evaluating requests by Interconnection Customers to reduce the megawatt generating capacities of their Generating Facilities. In each annual cycle of this Generator Downsizing Process, the CAISO will process valid Generator Downsizing Requests submitted during the applicable Generator Downsizing Request Window as part of the annual reassessment process set forth in Section 7.4.

All reductions to the megawatt generating capacity of Generating Facilities by Interconnection Customers shall utilize this annual Generator Downsizing Process unless explicitly exempted. Specifically, beginning on the date of the opening of the first Generator Downsizing Request Window, all proposed reductions of megawatt generating capacity by Interconnection Customers shall, regardless of the dates of the Interconnection Customer's Interconnection Request(s), be subject to the requirements and procedures of the Generator Downsizing Process set forth in Section 7.5, except for MW capacity reductions made pursuant to the following: (1) the provisions of the

CAISO's interconnection procedures that permit Interconnection Customers to reduce the size of their Generating Facilities between the Phase I and Phase II Interconnection Studies, as set forth in Section 6.7.2; (2) specific non-conforming provisions of an Interconnection Customer's Generator Interconnection Agreement that provide the Interconnection Customer with an explicit right to reduce the capacity of its Generating Facility through a partial termination of its Generator Interconnection Agreement; (3) the de minimis threshold set forth in Section 7.5.13.1; and (4) the parking options set forth in Sections 8.9.4, 8.9.5, and 8.9.6.

Generator Downsizing Requests that meet the eligibility requirements set forth in this Section 7.5 will be studied as part of the next annual reassessment process set forth in Section 7.4.

7.5.2 Modifications Other than Generator Downsizing Requests

Proposed modifications to Generating Facilities other than proposed reductions in the megawatt capacities of Generating Facilities are separately addressed in Section 6.7.2 and in the modification provisions under other CAISO interconnection procedures and are beyond the scope of the annual Generator Downsizing Process. Such proposed modifications must be submitted separately and will not be evaluated as part of the Generator Downsizing Process under this Section 7.5.

The CAISO will defer evaluation of any other proposed modification made by an Interconnection Customer that is participating in the annual Generator Downsizing Process until the completion of the applicable annual Generating Downsizing Process. Other than the deferral of such modification requests, nothing in this Section 7.5.2 will diminish the rights of the Interconnection Customer to request a modification pursuant to the applicable interconnection procedures under which the Interconnection Customer's Interconnection Request is being processed.

7.5.3 Eligibility to Participate in Generator Downsizing Process

7.5.3.1 Commercial Operation Status

In order to be eligible to participate in the current annual Generator Downsizing Process, an Interconnection Customer must be in one of the following two categories:

(1) The Interconnection Customer has a Generating Facility that is currently being processed under the CAISO's interconnection procedures and has not achieved the last Commercial Operation Date indicated in its Generator Interconnection Agreement.

(2) The Interconnection Customer has a Generating Facility that has achieved the last Commercial Operation Date indicated in its Generator Interconnection Agreement with a total megawatt capacity amount that is lower than the amount specified in its Generator Interconnection Agreement by an amount that is greater than the de minimis threshold set forth in Section 7.5.13.1. This eligibility will be limited to the first annual Generator Downsizing Process with a Generator Downsizing Request Window that closes on a date after the last Commercial Operation Date indicated in its Generator Interconnection Agreement.

7.5.3.2 Good Standing Requirements

The Interconnection Customer must also meet the following requirements of good standing by the date the applicable Generator Downsizing Request Window closes in order to be eligible to participate in the Generator Downsizing Process:

(a) The Interconnection Customer has complied with all applicable requirements of the CAISO Tariff under which the Interconnection Request is being processed, including timely submittal of all Interconnection Financial Security postings that have come due.

(b) The Interconnection Request has not been withdrawn or deemed withdrawn by the CAISO. If the Interconnection Customer has received a notice of deemed withdrawal for which the cure period has expired without sufficient cure being made, then the Interconnection Customer will not be eligible to submit a Generator Downsizing Request. If the Interconnection Customer has received a notice of deemed withdrawal for which the cure period has not expired at the time of the close of the applicable Generator Downsizing Request Window and such cure period subsequently expires without sufficient cure being made, the Interconnection Customer's Generator Downsizing Request will be deemed withdrawn.

(c) The Interconnection Customer is in compliance with the terms of its Generator Interconnection Agreement, including Interconnection Customer milestones, and has not received a notice of breach for which the cure period has expired without sufficient cure being made. If the Interconnection Customer has received a notice of breach for which the cure period has not expired at the time of the close of the applicable Generator Downsizing Request Window and such cure period subsequently expires without sufficient cure being made, the Interconnection Customer's Generator Downsizing Request will be deemed withdrawn.

An Interconnection Customer under category (2) in Section 7.5.3.1 will be eligible to participate in the Generator Downsizing Process if its failure to meet one or more of the three requirements listed in this Section 7.5.3.2 is due solely to its Generating Facility having achieved the last Commercial Operation Date indicated in its Generator Interconnection Agreement with a total megawatt capacity amount that is lower than the amount specified in its Generator Interconnection Agreement by an amount that is greater than the de minimis threshold specified in Section 7.5.13.1.

7.5.3.3 Treatment of Customers with Capacity Reductions Greater than the De Minimis Threshold

An Interconnection Customer under category (2) in Section 7.5.3.1 that meets all applicable eligibility requirements set forth in Section 7.5, including the payment of any related costs, and that participates in the applicable annual Generator Downsizing Process, will not be considered in breach of its obligations under the CAISO Tariff or its Generator Interconnection Agreement due to failing to place into service the megawatt capacity set forth in its Generator Interconnection Agreement. This Section 7.5.3 will not operate to diminish the responsibility of an Interconnection Customer under category (2) above for any costs or other obligations set forth in the CAISO Tariff or its Generator Interconnection Agreement.

7.5.4 Generator Downsizing Request

An Interconnection Customer that wishes to utilize the annual Generator Downsizing Process, and meets the eligibility requirements set forth in Section 7.5.3, must submit a Generator Downsizing Request application to the CAISO in the form set forth on the CAISO Website. The CAISO will forward a copy of the submitted Generator Downsizing Request application to the applicable Participating TO(s) within five (5) Business Days after the close of the applicable Generator Downsizing Request Window.

The CAISO will evaluate for eligibility to be included in the annual Generator Downsizing Process all Generator Downsizing Requests that are submitted during the applicable Generator Downsizing Request Window.

7.5.5 Processing a Generator Downsizing Request

7.5.5.1 Initiating the Generator Downsizing Request

To initiate the Generator Downsizing Request, an Interconnection Customer must submit both of the following by the close of the applicable Generator Downsizing Request Window:

(i) A completed Generator Downsizing Request application in the form set forth on the CAISO Website, including all technical data required by the Generator Downsizing Request.

(ii) The Generator Downsizing Deposit.

Failure to submit either of the two items listed in this Section 7.5.5.1 will void the application, while submitting item (i) with some errors or omissions will not void the application provided the Interconnection Customer cures the deficiency pursuant to Section 7.5.5.2.2.

7.5.5.2 Validating the Generating Downsizing Request

7.5.5.2.1 Notification and Execution of Downsizing Generator Payment Obligation Agreement

The CAISO will notify the Interconnection Customer no later than ten (10) Business Days after the close of the applicable Generator Downsizing Request Window whether its Generator Downsizing Request is deemed complete, valid, and ready to be studied. If the Generator Downsizing Request is deemed complete, valid, and ready to be studied, the CAISO will execute a the Downsizing Generator Payment Obligation Agreement in the form set forth in Appendix 11 to this GIDAP and tender the executed agreement to the Interconnection Customer. The Interconnection Customer will then execute the Downsizing Generator Payment Obligation Agreement and provide a fully executed copy back to the CAISO.

7.5.5.2.2 Deficiencies in the Request as to Application Information

A Generator Downsizing Request will not be considered to be a valid request until the CAISO determines that the information contained in the Generator Downsizing Request is complete and that the Interconnection Customer has complied with all of the requirements of Section 7.5.5.1.

The CAISO will provide the Interconnection Customer with an opportunity to cure a deficiency in the Generator Downsizing Request only if the deficiency pertains to the application required by Section 7.5.5.1(i). In that event, the CAISO will notify the Interconnection Customer, at the time it provides its notification in Section 7.5.5.2.1, of the reason(s) that the application is deficient and will request additional information to cure the deficiency.

In order to remain eligible to participate in the associated Annual Downsizing Process set forth in Section 7.5, the Interconnection Customer must provide the additional requested information needed to constitute a valid Generator Downsizing Request. Whenever the Interconnection Customer provides additional requested information, the CAISO will notify the Interconnection Customer within five (5) Business Days of receipt of that information whether the Generator Downsizing Request is valid. If the Generator Downsizing Request continues to fail to meet the requirements set forth in Section 7.5.5.1(i), the CAISO will include in its notification to the Interconnection Customer the reasons for such failure.

If a Generator Downsizing Request has not been deemed valid, the Interconnection Customer must submit all information necessary to meet the requirements of Section 7.5.5.1(i) no later than twenty (20) Business Days after the close of the applicable Generator Downsizing Request Window or ten (10) Business Days after the CAISO first provided notice that the Generator Downsizing Request was not valid, whichever is later. Otherwise, the Generator Downsizing Request will be deemed invalid and will not be studied in the next reassessment to be performed pursuant to this GIDAP. If the Generator Downsizing Request is deemed invalid, the CAISO will notify the Participating TO(s) and refund the Interconnection Customer's Generator Downsizing Deposit, less any costs incurred in validating the Generator Downsizing Request.

7.5.6 Withdrawal of Generator Downsizing Request

An Interconnection Customer may withdraw its Generator Downsizing Request anytime before the close of the applicable Generator Downsizing Request Window, but may not do so thereafter. Following a timely withdrawal under this Section 7.5.6, the CAISO will refund the Generator Downsizing Deposit of the Interconnection Customer, less any costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO or applicable Participating TO(s) in validating the Generator Downsizing Request. If the Interconnection Customer's Interconnection Request is withdrawn or deemed withdrawn after the close of the applicable Generator Downsizing Request Window, the Interconnection Customer's Generator Downsizing Request will also be deemed withdrawn and the Interconnection Customer will forfeit its Generator Downsizing Deposit.

7.5.7 Use of Generator Downsizing Deposits

The CAISO will deposit all Generator Downsizing Deposits in an interest-bearing account at a bank or financial institution designated by the CAISO. The Generator Downsizing Deposits will be applied to pay for prudent costs incurred by the CAISO, the Participating

TO(s), and/or third parties at the direction of the CAISO or applicable Participating TO(s), as applicable, to perform and administer the generator downsizing process and to communicate with Downsizing Generators with respect to their Generator Downsizing Requests.

These costs will include but not be limited to:

1. The costs of studying the Generator Downsizing Request in the reassessment process performed pursuant to Section 3.5.1.2; and

2. The costs associated with amending the Generator Interconnection Agreement of the Downsizing Generator to incorporate changes resulting from the Generator Downsizing Process.

7.5.8 Obligations of Downsizing Generators for Costs of Studying Generator Downsizing Requests in the Reassessment

A Downsizing Generator will be responsible for its share of all actual costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO and applicable Participating TO(s) in connection with studying its Generator Downsizing Request in the next reassessment process to be performed pursuant to Section 7.4, as set forth in Section 7.4.2.

7.5.9 Obligations of Downsizing Generators for Costs of Amending GIAs

A Downsizing Generator will be responsible for the actual costs incurred by the CAISO and applicable Participating TO(s) to amend its Generator Interconnection Agreement, including an agreement that is tendered but not yet executed, pursuant to Section 7.5.12 to incorporate changes resulting from the Generator Downsizing Process.

7.5.10 Invoicing and Payment of Downsizing Costs

The applicable Participating TO(s) will invoice the CAISO for any work performed by the applicable Participating TO(s), and/or work performed at the applicable Participating TO(s)' direction pursuant to this Section 7.5 within seventy-five (75) calendar days of completion of the work. Within thirty (30) calendar days thereafter, the CAISO will:

(i) apply each Generator Downsizing Deposit towards the Downsizing Generator's obligations for the actual costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO and applicable Participating TO(s) pursuant to Sections 7.5.8 and 7.5.9.

(ii) refund to the Downsizing Generator the unused balance of its Generator Downsizing Deposit, together with applicable interest from the interest-bearing account at the bank or financial institution into which the funds were deposited in accordance with Section 7.5.7, if the Downsizing Generator's total cost obligation pursuant to Sections 7.5.8 and 7.5.9 is less than its Generator Downsizing Deposit.

(iii) invoice the Downsizing Generator for the balance of the costs. The Downsizing Generator will pay the amounts shown on any such invoice within thirty (30) calendar days of the date of the invoice, if the

Downsizing Generator's total cost obligation pursuant to Sections 7.5.8 and 7.5.9 is greater than its Generator Downsizing Deposit.

7.5.11 Cost Allocation for Network Upgrades

A Downsizing Generator will continue to be obligated to finance the costs of (1) Network Upgrades that its Generating Facility previously triggered, and (2) Network Upgrades that are alternatives to the previously triggered Network Upgrades, if such previously triggered Network Upgrades or alternative Network Upgrades are needed by Interconnection Customers in the same Queue Cluster or later-queued Interconnection Customers, up to the total cost responsibility of the Downsizing Generator as determined by the CAISO Tariff interconnection study procedures applicable to the Downsizing Generator. For determining any changes to a Downsizing Generator's Network Upgrade cost responsibilities as a result of a reassessment process conducted pursuant to Section 7.4, the CAISO will reallocate the costs of Network Upgrades that are still needed based on the Downsizing Generator's pre-downsizing share of the original cost allocation.

7.5.12 Reflecting Plan of Service Changes in GIAs

After the completion of the reassessment process performed pursuant to Section 7.4, each Downsizing Generator that has (1) a Generator Downsizing Request approved pursuant to this GIDAP and (2) an executed Generator Interconnection Agreement, a draft amendment to the Generator Interconnection Agreement that reflects the Generator Downsizing Request of the Downsizing Generator will be provided as soon as possible. The reassessment report is considered an amendment to the Generator Interconnection Agreement until the Generator Interconnection Agreement can be formally amended. If the CAISO, applicable Participating TO(s), and Downsizing Generator have not begun negotiating or are in the process of negotiating a Generator Interconnection Agreement, the Generator Interconnection Agreement they negotiate will reflect the Generator Downsizing Request of the Downsizing Generator.

7.5.13 Reductions in Generating Facility Capacity

7.5.13.1 De Minimis Capacity Reductions

If, at the time an Interconnection Customer achieves Commercial Operation, the actual MW capacity of its Generating Facility is reduced by no more than the greater of five percent (5%) of its MW capacity or 10 MW, but not by more than twenty-five percent (25%) of the MW capacity of the Generating Facility, such a reduction shall not constitute a breach of the Interconnection Customer's obligations under the CAISO Tariff or its Generator Interconnection Agreement. The MW capacity value of a Generating Facility for purposes of this section shall be established by reference to the capacity as set forth in the Interconnection Customer's currently applicable Generator Interconnection Agreement. No capacity reductions permitted under this Section 7.5.13 shall operate to diminish the Interconnection Customer's responsibility for any costs or other obligations set forth in its Generator Interconnection Agreement or the CAISO Tariff.

7.5.13.2 Capacity Reductions Exceeding the De Minimis Threshold

Any reduction in Generating Facility capacity that exceeds the de minimis threshold set forth in Section 7.5.13.1 will only be allowed pursuant to the Generator Downsizing Process set forth in Section 7.5, subject to the exceptions set forth in Section 7.5.1.

7.5.13.3 Interaction with Executed Generator Interconnection Agreements

With respect to an Interconnection Customer with an executed Generator Interconnection Agreement derived from either Appendix CC or Appendix EE to the CAISO Tariff, this Section 7.5.13 shall apply in lieu of Article 5.19.4 of the Generator Interconnection Agreement and any Generating Facility capacity reduction permitted under Article 5.19.4 shall be performed in accordance with and be subject to Section 7.5.13.

* * *

8.9.4 Parking for Option (A) Generating Facilities

For an Option (A) Generating Facility in the current Interconnection Study Cycle which either was allocated less TP Deliverability than requested or does not desire to accept the amount allocated the Interconnection Customer shall select one of the following options:

(1) Withdraw its Interconnection Request

(2) Enter into a GIA, in which case the Interconnection Request shall automatically convert to Energy Only Deliverability Status. In such circumstances, upon execution of the GIA, any Interconnection Financial Security shall be adjusted to remove the obligation for Interconnection Financial Security pertaining to LDNUs

(3) Park the Interconnection Request; in which case the Interconnection Request may remain in the Interconnection queue until the next allocation of TP Deliverability in which it may participate in accordance with the requirements of Section 8.9.2. Parking an Interconnection Request does not confer a preference with respect to any other Interconnection Request with respect to allocation of TP Deliverability.

An Interconnection Customer that selects option (2) or (3) above may, at the time it selects the option, elect to reduce the generating capacity of its Generating Facility.

8.9.5 Partial Allocations of Transmission Based Deliverability to Option (A) and Option (B) Generating Facilities

If a Generating Facility is allocated TP Deliverability in the current Interconnection Study Cycle in an amount less than the amount of Deliverability requested, then the Interconnection Customer must choose one of the following options:

(i) Accept the allocated amount of TP Deliverability and reduce the MW generating capacity of the proposed Generating Facility such that the allocated amount of TP Deliverability will provide Full Capacity Deliverability Status to the reduced generating capacity;

(ii) Accept the allocated amount of TP Deliverability and adjust the Deliverability status of the proposed Generating Facility to achieve Partial Capacity Deliverability corresponding to the allocated TP Deliverability;

(iii) For Option (A) Generating Facilities, accept the allocated amount of TP Deliverability and seek additional TP Deliverability for the remainder of the requested Deliverability of the Interconnection Request in the next allocation cycle. In such instance, the Interconnection Customer shall execute a GIA for the entire Generating Facility having Partial Capacity Deliverability corresponding to the allocated amount of TP Deliverability. Following the next cycle of TP Deliverability allocation, the GIA shall be amended as needed to adjust its Deliverability status to reflect any additional allocation of TP Deliverability. At this time the Interconnection Customer may also adopt options (i) or (ii) above based on the final amount of TP Deliverability allocated to the Generating Facility. There will be no further opportunity for this Generating Facility to participate in any subsequent cycle of TP Deliverability allocation; or

(iv) Decline the allocated amount of TP Deliverability and either withdraw the Interconnection Request or convert to Energy Only Deliverability Status. An Interconnection Customer having an Option (A) Generating Facility that has not previously parked may decline the allocation of TP Deliverability and park until the next cycle of TP Deliverability allocation in the next Interconnection Study Cycle.

An Interconnection Customer that selects option (iii) or (iv) above may, at the time it selects the option, elect to reduce the generating capacity of its Generating Facility.

8.9.6 Declining TP Deliverability Allocation

An Interconnection Customer having an Option (A) Generating Facility that has not previously parked and is allocated the entire amount of requested TP Deliverability may decline all or a portion of the TP Deliverability allocation and park the Generating Facility Request as described in Section 8.9.4(3). An Interconnection Customer that selects this option may, at the time it selects the option, elect to reduce the generating capacity of its Generating Facility.

*** * ***

14.3.2.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, unless the Interconnection Customer has provided written notice to the CAISO that it is declining all or part of such repayment, the Interconnection Customer shall be entitled to a repayment for the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase in accordance with the Interconnection Customer's cost responsibility assigned for the phase and subject to the limitations specified in Section 14.3.2.1, if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the GIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the GIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to the GIA;

(e) All parties to the GIA have confirmed that the completed phase meets the requirements set forth in the GIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in the GIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of Deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Interconnection Financial Security instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff~~Article 5.19.4 of the LGIA~~ shall not diminish the Interconnection Customer's right to repayment pursuant to this Section. If the GIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Section as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then defaults on the GIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the default against any repayments made for Network Upgrades related to the completed phases provided that the party seeking to exercise the offset has complied with any requirements which may be required to apply the stream of payments utilized to make the repayment to the Interconnection Customer as an offset.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with the Network Upgrades not refunded to the Interconnection Customer, and shall be paid to the Interconnection Customer by the applicable Participating TO(s) on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date by the requirements of items (a) through (g) above have been fulfilled,; or (2) any alternative payment schedule that associates the completion of Network Upgrades with the completion of particular phases and that is mutually agreeable to the Interconnection Customer and Participating TO.

* * *

APPENDIX 11

DOWNSIZING GENERATOR PAYMENT OBLIGATION AGREEMENT

THIS AGREEMENT is made and entered into this ___ day of ________, 20__ by and between ______________, a ______________ organized and existing under the laws of the State of _____, ("Interconnection Customer") and the California Independent System Operator Corporation, a California nonprofit public benefit corporation existing under the laws of the State of California, ("CAISO"). The Interconnection Customer and the CAISO each may be referred to as a "Party," or collectively as the "Parties."

RECITALS

WHEREAS, the Interconnection Customer has elected to submit a Generator Downsizing Request pursuant to CAISO Tariff Appendix DD requesting to reduce the generation megawatt capacity of the proposed Generating Facility or generating capacity addition to an existing Generating Facility consistent with the Interconnection Request for the Interconnection Customer represented by Queue Position: ______;

WHEREAS, the Interconnection Customer desires to reduce the megawatt generating capacity of the Generating Facility; and

WHEREAS, following the Generator Downsizing Study, it will be necessary to:

(i) study Generator Downsizing Requests in the reassessment performed pursuant to Appendix DD; and

(ii) amend the Generator Interconnection Agreement of the Interconnection Customer, if the Interconnection Customer has an executed Generator Interconnection Agreement;

NOW, THEREFORE, in consideration of and subject to the mutual covenants contained herein the Parties agree as follows:

1.0 In accordance with Section 7.5 of Appendix DD, the Interconnection Customer agrees to pay (1) its share of the costs of studying Generator Downsizing Requests in the reassessment performed pursuant to Appendix DD and (2) and the costs of amending the Generator Interconnection Agreement, in order to implement the generator downsizing provisions of Appendix DD.

2.0 The Interconnection Customer may withdraw its Generator Downsizing Request in accordance with Section 7.5.6 of Appendix DD. Upon timely receipt of the Interconnection Customer's notice to withdraw, this Agreement will terminate, subject to the requirements of Section 7.5.6 of Appendix DD.

3.0 This Agreement will become effective upon the date the fully executed Agreement is received by the CAISO. If the CAISO does not receive the fully executed Agreement, then the Generator Downsizing Request will be deemed invalid pursuant to Section 7.5.5.2.2 of Appendix DD, and the CAISO will refund the Interconnection Customer's Generator Downsizing Deposit, less any costs incurred in validating the Generator Downsizing Request.

4.0 The Interconnection Customer shall comply with all other applicable requirements set forth in the CAISO Tariff.

5.0 Miscellaneous.

5.1 Dispute Resolution. Any dispute, or assertion of a claim, arising out of or in connection with this Agreement, will be resolved in accordance with the Dispute provision of Appendix DD.

5.2 Confidentiality. Confidential Information will be treated in accordance with the confidentiality provision of Appendix DD.

5.3 Binding Effect. This Agreement and the rights and obligations hereof will be binding upon and will inure to the benefit of the successors and assigns of the Parties hereto.

5.4 Rules of Interpretation. This Agreement, unless a clear contrary intention appears, will be construed and interpreted as follows: (1) the singular number includes the plural number and vice versa; (2) reference to any person includes such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Agreement, and reference to a person in a particular capacity excludes such person in any other capacity or individually; (3) reference to any agreement (including this Agreement), document, instrument or tariff means such agreement, document, instrument, or tariff as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof; (4) reference to any applicable laws and regulations means such applicable laws and regulations as amended, modified, codified, or reenacted, in whole or in part, and in effect from time to time, including, if applicable, rules and regulations promulgated thereunder; (5) unless expressly stated otherwise, reference to any Article, Section or Appendix means such Article or Section of this Agreement or such Appendix to this Agreement, or such Section of Appendix DD or such Appendix to Appendix DD, as the case may be; (6) "hereunder", "hereof", "herein", "hereto" and words of similar import will be deemed references to this Agreement as a whole and not to any particular Article, Section, or other provision hereof or thereof; (7) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and (8) relative to the determination of any period of time, "from" means "from and including", "to" means "to but excluding" and "through" means "through and including".

5.5 Entire Agreement. This Agreement, including all Appendices and Schedules attached hereto, constitutes the entire agreement between the Parties with reference to the subject matter hereof, and supersedes all prior and contemporaneous understandings or agreements, oral or written, between the Parties with respect to the subject matter of this Agreement. There are no other agreements, representations, warranties, or covenants which constitute any part of the consideration for, or any condition to, any Party's compliance with its obligations under this Agreement.

5.6 No Third Party Beneficiaries. This Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the Parties, and the obligations herein assumed are solely for the use and benefit of the Parties, their successors in interest and, where permitted, their assigns.

5.7 Waiver. The failure of a Party to this Agreement to insist, on any occasion, upon strict performance of any provision of this Agreement will not be considered a waiver of any obligation, right, or duty of or imposed upon such Party.

Any waiver at any time by either Party of its rights with respect to this Agreement will not be deemed a continuing waiver or a waiver with respect to any other failure to comply with any other obligation, right, or duty of this Agreement. Termination or default of this Agreement for any reason by the Interconnection Customer will not constitute a waiver of the Interconnection Customer's legal rights to obtain an interconnection from the Participating TO or CAISO. Any waiver of this Agreement will, if requested, be provided in writing.

Any waivers at any time by any Party of its rights with respect to any default under this Agreement, or with respect to any other matter arising in connection with this Agreement, will not constitute or be deemed a waiver with respect to any subsequent default or other matter arising in connection with this Agreement. Any delay, short of the statutory period of limitations, in asserting or enforcing any right under this Agreement will not constitute or be deemed a waiver of such right.

5.8 Headings. The descriptive headings of the various Articles and Sections of this Agreement have been inserted for convenience of reference only and are of no significance in the interpretation or construction of this Agreement.

5.9 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

5.10 Amendment. The Parties may by mutual agreement amend this Agreement by a written instrument duly executed by both of the Parties.

5.11 Reservation of Rights. The CAISO will have the right to make a unilateral filing with FERC to modify this Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and Interconnection Customer will have the right to make a unilateral filing with FERC to modify this Agreement pursuant to section 206 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder; provided that each Party will have the right to protest any such filing by another Party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Agreement will limit the rights of the Parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations thereunder, except to the extent that the Parties otherwise mutually agree as provided herein.

5.12 No Partnership. This Agreement will not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party will have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, another Party.

5.13 Assignment. This Agreement may be assigned by a Party only with the written consent of the other Party; provided that a Party may assign this Agreement without the consent of the other Party to any Affiliate of the assigning Party with an equal or greater credit rating and with the legal authority and operational ability to satisfy the obligations of the assigning Party under this Agreement; and provided further that the Interconnection Customer will have the right to assign this Agreement without the consent of the other Party, for collateral security purposes to aid in providing financing for the Generating Facility, provided that the Interconnection Customer will require any secured party, trustee or mortgagee to notify the other Party of any such assignment. Any financing arrangement entered into by the Interconnection Customer pursuant to this Section will provide that prior to or upon the exercise of the secured party's, trustee's or mortgagee's assignment rights pursuant to said arrangement, the secured creditor, the trustee or mortgagee will notify the other Party of the date and particulars of any such exercise of assignment right(s). Any attempted assignment that violates this Section is void and ineffective. Any assignment under this Agreement will not relieve a Party of its obligations, nor will a Party's obligations be enlarged, in whole or in part, by reason thereof. Where required, consent to assignment will not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, this Agreement may be assigned to a successor in interest to the Interconnection Customer pursuant to the underlying interconnection process under which the Interconnection Customer's Interconnection Request is being processed.

IN WITNESS THEREOF, the Parties have caused this Agreement to be duly executed by their duly authorized officers or agents on the day and year first above written.

California Independent System Operator Corporation

By: ____

Printed Name: ______________________________________

Title: ____

Date: ____

[Insert name of the Downsizing Generator]

By: ____

Printed Name: ______________________________________

Title: ____

Date: ____

* * *

Appendix EE

Large Generator Interconnection Agreement

for Interconnection Requests Processed under the Generator Interconnection and Deliverability Allocation Procedures (Appendix DD~~CC~~ of the CAISO Tariff)

* * *

~~**5.19.4 Permitted Reductions in output capacity (MW generating capacity) of the Generating Facility.** An Interconnection Customer may reduce the MW capacity of the Generating Facility by up to five percent (5%) for any reason, during the time period between the Effective Date of this LGIA and the Commercial Operation Date. The five percent (5%) value shall be established by reference to the MW generating capacity as set forth in the "Interconnection Customer's Data Form To Be Provided by the Interconnection Customer Prior to Commencement of the Phase II Interconnection Study" (Appendix B to Appendix 3 of the GIDAP).~~

~~The CAISO (in consultation with the applicable Participating TO(s) will consider an Interconnection Customer's request for a reduction in the MW generating capacity greater than five percent (5%) under limited conditions where the Interconnection Customer reasonably demonstrates to the Participating TO and CAISO that the MW generation capacity reduction is warranted due to reasons beyond the control of the Interconnection Customer. Reasons beyond the control of the Interconnection Customer shall consist of any one or more of the following:~~

~~(i) the Interconnection Customer's failure to secure required permits and other governmental approvals to construct the Generating Facility at its total MW generating capacity as specified in its Interconnection Request after the Interconnection Customer has made diligent effort to secure such permits or approvals;~~

~~(ii) the Interconnection Customer's receipt of a written statement from the permitting or approval authority (such as a draft environmental impact report) indicating that construction of a Generating Facility of the total MW generating capacity size specified in the Interconnection Request will likely result in disapproval due to a significant environmental or other impact that cannot be mitigated;~~

~~(iii) failure to obtain the legal right of use of the full site acreage necessary to construct and/or operate the total MW generating capacity size for the entire Generating Facility, after the Interconnection Customer has made a diligent attempt to secure such legal right of use. This subsection (iii) applies only where an Interconnection Customer has previously demonstrated and maintained its demonstration of Site Exclusivity prior to invoking this subsection as a reason for downsizing.~~

~~If relying on subsections (i) or (ii) above, in order to be eligible for a capacity reduction greater than five percent (5%), the Interconnection Customer must also demonstrate to the CAISO that a reduction of MW generating capacity of the Generating Facility to the reduced size that the Interconnection Customer proposes will likely overcome the objections of the permitting/approving authority or otherwise cause the~~

~~permitting/approving authority to grant the permit or approval. The Interconnection Customer may satisfy this demonstration requirement by submitting to the CAISO either a writing from the permitting/approving authority to this effect or other evidence of a commitment by the permitting/approving authority that the MW capacity reduction will remove the objections of the authority to the permit/approval application.~~

~~If relying on subsection (iii) above, the Interconnection Customer must also reasonably demonstrate to the CAISO that the proposed reduced-capacity Generating Facility can be constructed on the site over which the Interconnection Customer has been able to obtain legal rights of use.~~

~~Upon such demonstration to the reasonable satisfaction of the CAISO (after consultation with the applicable Participating TO) the CAISO will permit such reduction. No permitted reduction of MW generation capacity under this Article shall operate to diminish the Interconnection Customer's cost responsibility for Network Upgrades or to diminish the Interconnection Customer's right to repayment for financing of Network Upgrades under this LGIA.~~

* * *

11.4.1.2 Repayment of Amounts Advanced Regarding Phased Generating Facilities

Upon the Commercial Operation Date of each phase of a Phased Generating Facility, the Interconnection Customer shall be entitled to a repayment equal to the Interconnection Customer's contribution to the cost of Network Upgrades for that completed phase for which the Interconnection Customer is responsible, as set forth in Appendix G, subject to the limitations specified in Article 11.4.1.1, if all of the following conditions are satisfied:

(a) The Generating Facility is capable of being constructed in phases;

(b) The Generating Facility is specified in the LGIA as being constructed in phases;

(c) The completed phase corresponds to one of the phases specified in the LGIA;

(d) The phase has achieved Commercial Operation and the Interconnection Customer has tendered notice of the same pursuant to this LGIA;

(e) All Parties to the LGIA have confirmed that the completed phase meets the requirements set forth in this LGIA and any other operating, metering, and interconnection requirements to permit generation output of the entire capacity of the completed phase as specified in this LGIA;

(f) The Network Upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and

(g) The Interconnection Customer has posted one hundred (100) percent of the Interconnection Financial Security required for the Network Upgrades for all the phases of the Generating Facility (or if less than one hundred (100) percent has been posted, then all required Financial Security Instruments to the date of commencement of repayment).

Upon satisfaction of these conditions (a) through (g), the Interconnection Customer shall be entitled to receive a partial repayment of its financed cost responsibility, to the extent that it is otherwise eligible for such repayment per Article 11.4.1.1, in an amount equal to the percentage of the Generating Facility declared to be in Commercial Operation multiplied by the cost of the Network Upgrades associated with the completed phase. The Interconnection Customer shall be entitled to repayment in this manner for each completed phase until the entire Generating Facility is completed.

A reduction in the electrical output (MW capacity) of the Generating Facility pursuant to the CAISO Tariff~~LGIA Article 5.19.4~~ shall not diminish the Interconnection Customer's right to repayment pursuant to this LGIA Article 11.4.1. If the LGIA includes a partial termination provision and the partial termination right has been exercised with regard to a phase that has not been built, then the Interconnection Customer's eligibility for repayment under this Article as to the remaining phases shall not be diminished. If the Interconnection Customer completes one or more phases and then breaches the LGIA, the Participating TO and the CAISO shall be entitled to offset any losses or damages resulting from the Breach against any repayments made for Network Upgrades related to the completed phases.

Any repayment amount for completion of a phase shall include any tax gross-up or other tax-related payments associated with Network Upgrades not refunded to the Interconnection Customer pursuant to Article 5.17.8 or otherwise, and shall be paid to the Interconnection Customer by the Participating TO on a dollar-for-dollar basis either through (1) direct payments made on a levelized basis over the five-year period commencing on the date b which the requirements of items (a) through (g) have been fulfilled; or (2) any alternative payment schedule that is mutually agreeable to the Interconnection Customer and Participating TO, provided that such amount is paid within five (5) years from the Commercial Operation Date. Notwithstanding the foregoing, if this LGIA terminates within five (5) years from the Commercial Operation Date, the Participating TO's obligation to pay refunds to the Interconnection Customer shall cease as of the date of termination.

Attachment C – Draft Final Proposal

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

Interconnection Process Enhancements

Draft Final Proposal for Topics 1 and 2

September 12, 2013

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Interconnection Process Enhancements

Draft Final Proposal

for Topics 1 and 2

1 Executive summary

The Interconnection Process Enhancements ("IPE") initiative is the latest in a series of stakeholder processes that the ISO has conducted over the past several years to review and improve its generation interconnection procedures ("GIP") and associated generator interconnection agreements ("GIAs").[1]

The ISO launched the IPE initiative with the issuance of a scoping proposal on April 8. The scoping proposal accomplished two steps: first, it assembled a comprehensive list of potential GIP-related topics for consideration in the IPE initiative; and second, it selected twelve topics from the comprehensive list of topics for proposed inclusion in the scope of this initiative. Based on stakeholder feedback regarding the April 8 scoping proposal, the ISO added three topics to the scope of the IPE initiative and posted an issue paper on June 3 addressing the expanded scope comprising a total of fifteen topics.

While the June 3 issue paper was a conventional issue paper for some of the fifteen topics in scope, it served as a straw proposal paper for others. Specifically, for the seven topics addressing queue management issues (*i.e.*, topics 6-12), the ISO offered straw proposals in the June 3 paper. For the remaining eight topics (*i.e.*, topics 1-5 and 13-15), the ISO was not yet prepared to offer proposals in the June 3 issue paper and instead provided further analysis of the issues and suggested potential ideas and options for stakeholder consideration. Following publication of the June 3 issue paper and receipt of stakeholder comments, the ISO posted a draft final proposal for topics 6-12 on July 2. The ISO will take these proposals to the September meeting of the ISO Board of Governors and will make a subsequent filing of the associated tariff changes. As a result, topics 6-12 have not been addressed in subsequent papers in this initiative.

Based on written stakeholder comments received on the June 3 paper, the ISO posted a straw proposal for topics 1-5 and 13-15 on July 18. In that paper, the ISO offered straw proposals on

[1] Used in its narrow sense, the term "GIP" refers to Appendix Y of the ISO tariff, which governs the interconnection procedures for large generators submitted in the transition cluster up to and including Cluster 4. In the context of IPE, however, the ISO is using "GIP" as an umbrella term to refer more generally to the ISO's interconnection procedures for all generation projects in Cluster 4 and earlier that are connecting to the ISO grid, except where specified otherwise.

three topics (topics 1-3)[2] relating to the sizing and structuring of projects in the interconnection queue. The ISO also offered a straw proposal for topic 15 (inverter/transformer changes and the material modification process) in the July 18 paper; however, implementation of the proposal will be through the business practice manual change process rather than through tariff changes. Where needs for tariff changes have been identified under topic 15, the ISO has incorporated those into the proposals for topics 1 and 2. The July 18 paper also addressed the remaining four topics within the scope of this initiative (*i.e.*, topics 4, 5, 13, and 14)[3] but the ISO was not yet prepared to offer straw proposals for these four topics. Nevertheless, the paper provided additional analysis of these topics based on stakeholder comments received and, for some topics, offered options for stakeholder consideration.

At the time the July 18 straw proposal was published, the ISO had expected to resolve topics 1-3 this autumn and accordingly targeted the December meeting of the ISO Board for presentations of its final proposals on these three topics. However, this expectation has been modified somewhat. The ISO is now planning to present its proposals on topics 1 and 2 at the November 7-8 rather than the December meeting of the Board. For topic 3, the ISO has decided to take more time to develop a draft final proposal. Thus, the ISO is targeting an early 2014 Board meeting for presentation of its final proposals on topics 3, 4, 5, 13, and 14. In order to achieve the targeted November Board date, the present paper addresses only topics 1 and 2. The ISO will continue working with stakeholders to address the remaining topics and will issue a paper on these topics in the near future.

This paper offers draft final proposals for topics 1 and 2. Both of these topics have been of significant interest to generation developers in recent years. The reasons for this interest are clear. The state's renewable policy goals have resulted in significant development of new renewable solar and wind projects. The design of these projects is often scalable, and interconnection customers have indicated that they may find themselves in a situation where the project sizes listed their original interconnection requests may be too large, thereby impeding their ability to comply with the requirements of their GIAs. When the one-time generator project downsizing proposal was brought before the ISO Board in September 2012, stakeholders expressed both a need for future downsizing opportunities and concern regarding the risk of being in breach of their GIAs for failure to build their projects in their entirety. Stakeholders expressed concern that the ISO would seek to terminate the GIAs, resulting in disconnection of the completed portions of their projects. At that Board meeting, ISO management committed to address these two topics in the next interconnection process enhancement initiative.

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[2] These three topics are: (1) future downsizing policy; (2) disconnection of the completed phase(s) of a project due to failure to complete a subsequent phase; and (3) clarification of tariff and GIA provisions related to dividing up GIAs into multiple phases.

[3] These four topics are: (4) improvement of the Independent Study Process; (5) improvement of the Fast Track Process; (13) clarification of the timing of transmission cost reimbursement; and (14) distribution of forfeited funds.

For topic 1 (future downsizing policy), the ISO proposes an annual downsizing opportunity with no specified end point at which these opportunities would no longer be offered. Going forward, the ISO intends for this annual downsizing opportunity to be the primary means for a customer to reduce the MW size of its project. This annual downsizing opportunity will be open to all active projects – *i.e.*, not be limited to pre-Cluster 5 and thus open also to projects that apply under the ISO's generator interconnection and deliverability allocation procedures ("GIDAP")— and will not impose limits on either the number of annual downsizing requests or the MW amount of downsizing permitted. Downsizing customers will be obligated to (i) finance the costs of downsizing studies and amending their GIAs and (ii) finance the costs of upgrades that their projects at their full size trigger if projects in the same or a later queue are shown to need such upgrades. The design of the proposed annual downsizing opportunity follows closely the design of the one-time downsizing opportunity approved by FERC in 2012 for implementation this year.

For topic 2 (disconnection of completed phase(s) of a project due to failure to complete a subsequent phase), the ISO proposes that if a customer has failed to take advantage of the annual downsizing process or, if eligible, the partial termination option,[4] but has completed a partial amount of its project and decides to cancel the rest or the final MW capacity of the project or falls short of the 95 percent completion amount required to be considered substantial performance under the GIA, then the ISO will not seek to terminate the GIA *solely* for the customer's failure to complete the full MW required. However, the customer will still be responsible for all interconnection financial security postings and costs associated with the full MW size of the project as stated in the GIA, and will be required to pay for the ISO and PTO costs of amending its interconnection agreement the same as a customer utilizing the annual downsizing opportunity. Moreover, with regard to interconnection financial security postings and other costs for which the customer is normally reimbursed, the *pro rata* portion of such postings and costs associated with the unbuilt MW portion or phase(s) of the project will not be eligible for reimbursement, with limited exceptions as specified in section 4.2.3.

Following release of this draft final proposal on topics 1 and 2, the ISO will hold a stakeholder web conference on September 19 and is requesting that stakeholders submit their final written comments by October 3.

2 Introduction

California's ambitious renewable portfolio standards and environmental goals have resulted in significant development of new generation projects in recent years, especially new renewable solar and wind projects. For projects that entered an ISO queue cluster prior to 2012 (*i.e.*, up to and

[4] The eligibility requirements for the partial termination option are summarized in section 4.1.1 below.

including Cluster 4), interconnection to the ISO grid is governed by the GIP.[5] Successful completion of the interconnection process is a necessary step in the development of a new generation project and is a challenge faced by all generation developers.

The ISO is committed to continually reviewing potential enhancements to its GIP to reflect changes in the industry and to better accommodate the needs of interconnection customers. Consistent with this commitment, the ISO has conducted a series of stakeholder processes over the past several years to improve the GIP. These include Generation Interconnection Process Reform ("GIPR") held in 2008-09, Generation Interconnection Procedures Phase 1 ("GIP 1") held in 2010, Generation Interconnection Procedures Phase 2 ("GIP 2") held in 2011 and early 2012, and Generation Interconnection Procedures Phase 3 ("GIP 3") held in 2012.[6]

The ISO launched the latest in this series of stakeholder processes to review and improve the GIP when it published the scoping proposal for the IPE initiative on April 8.[7] Instead of adhering to the usual sequence of beginning an initiative with an issue paper, the ISO identified the development of a scoping proposal as a necessary first step. Its purpose was twofold. First, it assembled a comprehensive list of potential topics in one place from a number of sources that included the following:

- During the course of last year's GIP 3 stakeholder process, a list of twenty-seven potential topics (including generator project downsizing) were compiled for consideration.
- Outside of the GIP stakeholder process, individual stakeholders have suggested GIP-related topics to the ISO over the past year.
- At the September 2012 ISO Board of Governors meeting, ISO management committed to including two topics in the scope of this initiative in response to stakeholder interest: (1)

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[5] For projects entering the ISO queue in 2012 or later (*i.e.*, starting with ISO Cluster 5), interconnection to the ISO grid is governed by the GIDAP approved by FERC in 2012. The present IPE initiative is intended to focus primarily on the rules governing projects in Cluster 4 and earlier, as the ISO is now only partway through the first implementation cycle of the GIDAP and is not yet ready to consider changes to the GIDAP. In the event that a proposed enhancement to the GIP under this initiative appears to be appropriate to extend to the GIDAP, the ISO will consider whether extension of the enhancement would have any unintended consequences for the GIDAP, and if not the ISO would support such extension. The present initiative is not intended, however, to entertain changes specifically targeted to the GIDAP.

[6] GIP 3 was started in early 2012 but later deferred while the generator project downsizing initiative was pursued. In GIP 3 the ISO solicited stakeholder comments on the relative priority of issues that should be considered as to generator project downsizing and a couple dozen other topics. The ISO explained that a limited number of topics would be included in the initial GIP 3 stakeholder effort to ensure timely resolution and implementation. Stakeholders expressed broad support for only one topic – the extent to which an interconnection customer could downsize the MW capacity of its proposed generating facility and retain its queue position (*i.e.*, generator project downsizing). As a result of this stakeholder feedback, the ISO deferred work on the other topics that did not receive such broad support and focused efforts on generator project downsizing through a separate stakeholder initiative that led to the development of the one-time downsizing opportunity approved by FERC in December 2012.

[7] http://www.caiso.com/Documents/ScopingProposal-InterconnectionProcessEnhancements.pdf.

future generator project downsizing policy, and (2) disconnection of completed phase(s) of a generation project for failure of the project to complete a subsequent phase.

- ISO internal review to improve the queue management process.

Second, the scoping proposal selected a set of potential GIP-related topics from the comprehensive list of topics mentioned above for proposed inclusion in the scope of the IPE initiative. This was necessary because the comprehensive list of topics (nearly fifty total) represented a far larger set of topics than could be reasonably addressed within the scope of this initiative. To develop a subset of topics representing a more reasonable workload to include in the scope of this initiative, the ISO took into consideration the estimated level of effort and relative priority associated with each topic as well as its potential contribution to queue management efforts. This resulted in twelve topics that the ISO proposed in the April 8 scoping proposal for inclusion in the scope of the IPE initiative. Based on stakeholder feedback received following the release of the April 8 scoping proposal, the ISO expanded the scope of the IPE initiative by three topics and posted an issue paper on June 3 addressing the resulting scope of fifteen topics.[8]

Table 1 lists these fifteen topics in the scope of the IPE initiative.

Table 1 – Scope of topics in the IPE initiative

Topic No.	Topic Description
1	Future downsizing policy
2	Disconnection of completed phase(s) of project due to failure to complete subsequent phase
3	Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases
4	Improve the Independent Study Process
5	Improve the Fast Track Process
6	Provide for ability to charge customer for costs for processing a material modification request
7	COD modification provision for SGIP projects
8	Length of time in queue provision for SGIP projects
9	Clarify that PTO and not ISO tenders GIA
10	Timeline for tendering draft GIAs
11	LGIA negotiations timeline
12	Consistency of suspension definition between serial and cluster
13	Clarification of timing of transmission cost reimbursement
14	Distribution of forfeited funds
15	Inverter/transformer changes

[8] The remaining topics, which the ISO did not initially recommend be in scope, are described in section 4 of the April 8 scoping proposal.

As explained in the April 8 scoping proposal, the ISO anticipated from the beginning that the pace of development of proposals for each topic may differ – *i.e.*, proposals for some topics may be developed rather quickly whereas more time may be needed to work with stakeholders and develop proposals for other topics. While the June 3 issue paper was a conventional issue paper as to some of the fifteen topics in scope, it served as a straw proposal paper as to others. Specifically, for the seven topics addressing queue management issues (*i.e.*, topics 6-12), the ISO offered straw proposals in the June 3 paper. For the remaining eight topics (*i.e.*, topics 1-5 and 13-15) the ISO was not yet prepared to offer proposals in the June 3 issue paper and instead provided further analysis of the issues and suggested potential ideas and options for stakeholder consideration.

Following publication of the June 3 issue paper and receipt of stakeholder comments, the ISO posted a draft final proposal for topics 6-12 on July 2. The ISO will take these proposals to the September meeting of the ISO Board of Governors and will subsequently file the associated tariff changes. As a result, topics 6-12 have not been addressed in subsequent papers in this initiative.

Based on written stakeholder comments received on the June 3 paper, the ISO posted a straw proposal for topics 1-5 and 13-15 on July 18. In that paper, the ISO offered straw proposals on three topics (topics 1-3)[9] relating to the sizing and structuring of projects in the queue. The ISO also offered a straw proposal for topic 15 (inverter/transformer changes and the material modification process) in the July 18 paper; however, implementation of the proposal will be through the business practice manual change process rather than through tariff changes. Where needs for tariff changes have been identified under topic 15, the ISO incorporated those into the proposals for topics 1 and 2. The July 18 paper also addressed the remaining four topics within the scope of this initiative (*i.e.*, topics 4, 5, 13, and 14)[10] but the ISO was not yet prepared to offer straw proposals for these four topics. Nevertheless, the paper provided additional analysis of these topics based on stakeholder comments received and, for some topics, offered options for stakeholder consideration.

The subject of this paper is limited to topics 1 and 2 and the ISO offers its draft final proposal for both topics. The ISO intends to present its proposals on these two topics to the ISO Board at its November meeting.[11] With regard to the remaining topics – *i.e.*, topics 3, 4, 5, 13, 14, and 15 – the

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[9] These three topics are: (1) future downsizing policy; (2) disconnection of the completed phase(s) of a project due to failure to complete a subsequent phase; and (3) clarification tariff and GIA provisions related to dividing up GIAs into multiple phases.

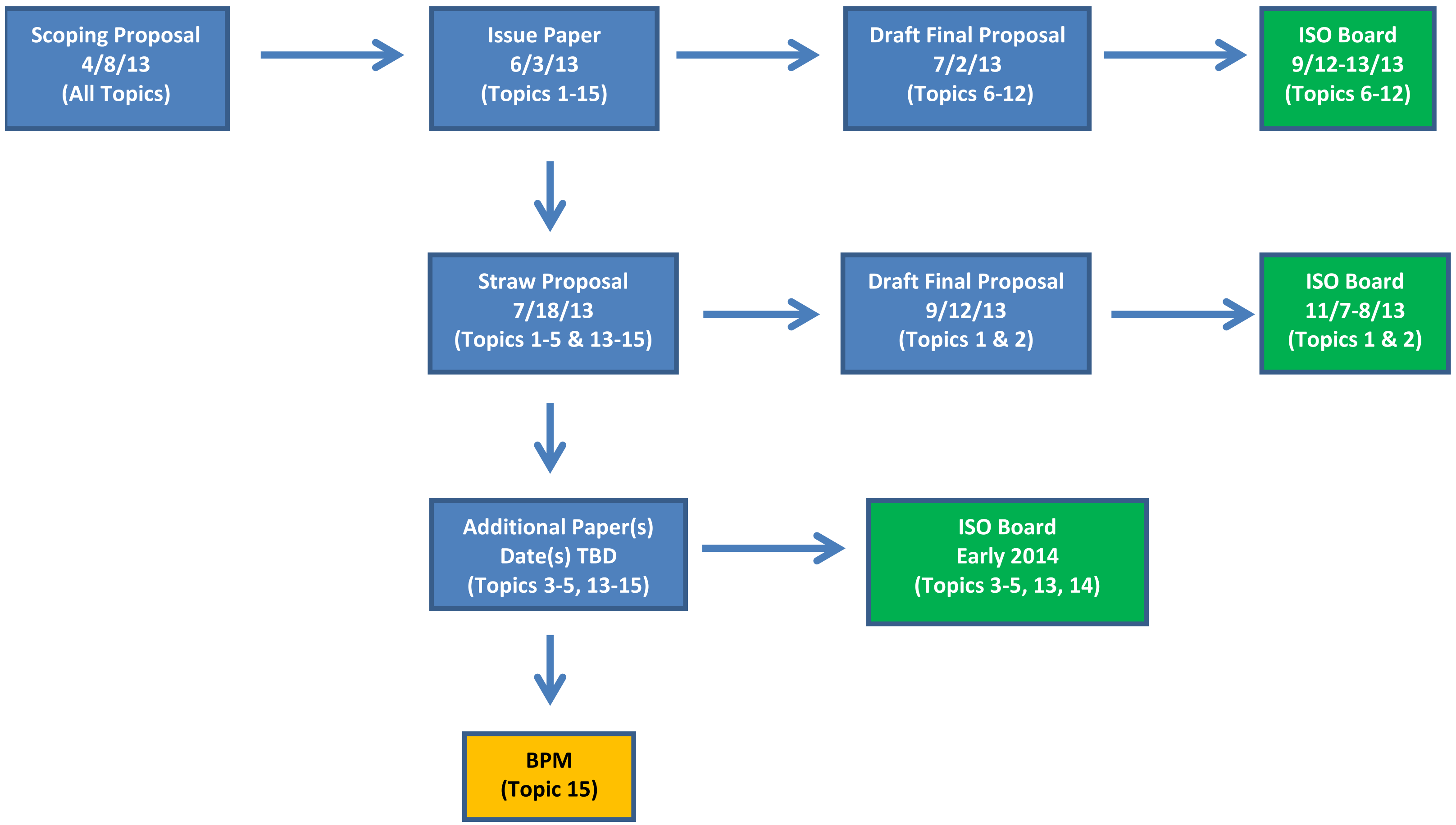
[10] These four topics are: (4) improvement of the Independent Study Process; (5) improvement of the Fast Track Process; (13) clarification of the timing of transmission cost reimbursement; and (14) distribution of forfeited funds.

[11] At the time the July 18 straw proposal was published, the ISO had expected to resolve topics 1-3 this autumn and targeted the December meeting of the ISO Board for presentations of its final proposals on these three topics. However, this expectation has been modified somewhat. The ISO is now planning to present its proposals for topics 1 and 2 at the November rather than the December meeting of the Board. For topic 3, the ISO has determined to take more time to develop a draft final proposal.

ISO intends to continue working with stakeholders and will address these topics in subsequent papers leading to a Board meeting in early 2014. Implementation of the proposal for topic 15 involves adding clarifications to the business practice manual for the GIP and similar language in the new business practice manual for the GIDAP and thus will not require Board approval; where needs for tariff changes have been identified under topic 15, the ISO has incorporated those needs into the proposals for topics 1 and 2.

The most efficient course is to take the topics in this initiative before the ISO Board as they are ready and not hold up their resolution until all 15 topics are resolved (*i.e.*, take the draft final proposals on the various topics to the Board in several tranches). The ISO believes that stakeholders both support and appreciate this multiple-tranche approach since it accelerates resolution of the topics that can be resolved more quickly and gives due consideration to the topics that require more deliberation. Figure 1 on the following page is intended to provide an overview of the progression of all 15 topics within the scope of this initiative by illustrating which topics are addressed in which papers, and which Board meeting is targeted for the specific topics.

Figure 1 – Progression of proposal development for the 15 topics in the IPE initiative



3 Stakeholder process next steps

Table 2 summarizes the anticipated stakeholder process schedule for the remainder of the IPE initiative. Although the ISO's naming conventions are used for the series of papers to be issued in this initiative, it is important to recognize that while each paper will likely contain proposals for some topics it may not contain proposals for others. For example, the June 3 issue paper included straw proposals on topics 6-12, and the July 18 straw proposal includes straw proposals for topics 1-3 and topic 15 but not for the remaining topics. Also, the September 12 draft final proposal contains the draft final proposals for topics 1 and 2 only. Subsequent papers will address the remaining topics (*i.e.*, 3, 4, 5, 13, 14, and 15) together.

Table 2 – Stakeholder process schedule

Step	Date	Milestone
Scoping proposal (all topics)	April 8	Post scoping proposal
	April 15	Stakeholder meeting (web conference)
	April 22	Stakeholder comments due
Issue paper (all 15 topics)	June 3	Post issue paper
	June 11	Stakeholder meeting (web conference)
	June 25	Stakeholder comments due
Draft final proposal (topics 6-12)	July 2	Post draft final proposal for topics 6-12
	July 10	Stakeholder web conference
	July 19	Stakeholder comments due
	Sept 12-13	**ISO Board meeting (topics 6-12)**
Straw proposal (topics 1-5 and 13-15)	July 18	Post straw proposal
	August 8	Stakeholder meeting (in person)
	August 22	Stakeholder comments due
Draft final proposal (topics 1 and 2)	September 12	Post draft final proposal for topics 1 and 2
	September 19	Stakeholder meeting (web conference)
	October 3	Stakeholder comments due
	November 7-8	**ISO Board meeting (topics 1 and 2)**
Additional papers as needed (topics 3-5 and 13-15)	Q4 2013	Post additional papers as needed for topics 3-5 and 13-15
	Q4 2013	Stakeholder meeting(s)
	Q4 2013	Stakeholder comments due
	February 6-7	**ISO Board meeting (topics 3-5 and 13, 14)**

4 Topics

This section discusses the issues associated with topics 1 and 2, summarizes stakeholder comments received in response to discussion of these two topics in the July 18 straw proposal, and offers a draft final proposal to address the issues identified. Any differences between the straw proposal and the draft final proposal are also identified.

Both of these topics have been of significant interest to generation developers in recent years. The reasons for this interest are clear. The state's renewable policy goals have resulted in significant development of new renewable solar and wind projects. The design of these projects is often scalable, and interconnection customers have indicated that they may find themselves in a situation where the project sizes listed in their original interconnection requests may be too large, thereby impeding their ability to comply with the requirements of their GIAs.

When the one-time generator project downsizing proposal was brought before the ISO Board in September 2012, stakeholders expressed both a need for future downsizing opportunities and concern regarding the risk of being in breach of their GIAs for failure to build their projects in their entirety. Stakeholders expressed concern that the ISO would seek to terminate the GIAs, resulting in disconnection of the completed portions of their projects. At that Board meeting, ISO management committed to including these two topics in the scope of this initiative in response to stakeholder interest.

The ISO's draft final proposals for these two topics are offered below in sections 4.1 and 4.2.

4.1 Topic 1 – Future downsizing policy

When the one-time generator project downsizing proposal was brought before the ISO Board on September 13, 2012, the Board directed ISO management to consider whether it was appropriate to provide a future, second downsizing opportunity following the ISO's completion of the interconnection studies for Cluster 5.[12] Pursuant to the Board's direction, the ISO has given consideration to a second downsizing opportunity for pre-Cluster 5 projects in this initiative. However, the narrow question of whether a second downsizing window should be provided is more properly addressed within the broader context of what should be the ISO's ongoing downsizing policy for pre-Cluster 5 projects more generally. Thus, this topic addresses this broader question, in consultation with stakeholders, and with the objective of presenting a final proposal to the Board at its November meeting.

[12] As of the date this draft final proposal was issued, the interconnection study process for Cluster 5 is not complete. The phase I interconnection studies have been completed, but the phase II studies are in progress and the study reports will be issued in December 2013.

While interconnection customers in the ISO interconnection queue already have existing opportunities to downsize, they have continued to express an interest in an additional mechanism to downsize their projects. This interest resulted in development of the one-time downsizing opportunity approved by FERC in late 2012, which is currently being implemented by the ISO (see the discussion of this implementation in section 4.1.2 below).

4.1.1 *Existing options for reducing project size*

This section clarifies the existing options to reduce project size available to customers prior to the one-time downsizing opportunity approved by FERC in 2012 and discussed separately in section 4.1.2 below. These pre-existing opportunities continue to be available today.

Changes during interconnection studies when all parties agree. Both ISO tariff Appendix U and Appendix Y provide that, at any time during the course of the interconnection studies, the interconnection customer, the applicable PTO, or the ISO may identify changes to the interconnection request "that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request." If such changes are acceptable (with consent to such changes not to be unreasonably withheld), then the ISO modifies the interconnection configuration, in accordance with the agreed-upon changes.[13] Appendix Y also provides that during the period between the issuance of the phase I interconnection study and five days after a customer's phase I interconnection study results meeting, the customer may submit certain types of modifications to its project, including a reduction in capacity.[14]

Material modification review. An interconnection customer may also seek to downsize its project after the study process has concluded pursuant to the terms of the customer's GIA. The GIAs under the ISO tariff for both serial and cluster projects provide that an interconnection customer may undertake modifications to its facilities. Such modifications are subject to a material modification review in accordance with the relevant interconnection procedures and agreements.[15] The ISO, in coordination with the affected PTO(s), performs a material modification review for an interconnection customer's request. However, such modification requests are subject to a material modification review on a project-by-project basis in order to determine whether granting the requested modification would have a material impact on the cost or timing of later-queued interconnection requests. If the requested modification would not have such an impact, then the ISO will grant the request. If there is a material impact, or if a study would be required for cluster

[13] Appendix U Section 4.4; Appendix Y Section 6.9.2.1; Appendix DD 6.7.2.

[14] Appendix Y, Section 6.9.2.2.

[15] Appendix T Article 6.2; Appendix U Articles 4.4.3, 4.4.5; Appendix Z Article 5.19.1; Appendix BB Article 5.19.1; Appendix CC Article 5.19.1; Appendix EE Article 5.19.1; Appendix FF Article 6.2.

projects to determine if there is a material impact, then the modification request must be denied, and in such instances there are no provisions that allow the interconnection customer to mitigate the material impact. Given the number of interconnection customers and the interdependencies of the projects in the ISO queue, it is highly unlikely that many projects requesting to downsize this way would be able to pass the material modification review. For projects seeking other types of changes other than reducing the size of their projects, the ISO has approved many material modification review requests. The ISO has not expanded and will not expand the material modification review process to evaluate downsizing requests. For the same reasons the ISO moved to a cluster study process for generator interconnection requests and away from the serial study process, performing studies of individual downsizing requests is impractical. The ISO must be able to study downsizing MWs collectively and be able to incorporate the study results in the next cluster study. Therefore, as explained below, the ISO is proposing to clarify that the material modification review option will not be available as a means to obtain project downsizing.

<u>Safe harbor and substantial performance provisions</u>. A third option available to customers involves the "safe harbor" provisions set forth in the *pro forma* large generator interconnection agreement ("LGIA") in effect as of January 31, 2012. The safe harbor provisions permit an interconnection customer to reduce the MW capacity of its generating facility by up to 5 percent for any reason, up until its commercial operation date, and to request authorization from the ISO to reduce the MW capacity of its generating facility by more than 5 percent under limited conditions where the interconnection customer reasonably demonstrates that the more-than-5-percent reduction is warranted due to any of the following three specified reasons beyond the control of the interconnection customer:

1. The interconnection customer's failure to secure required permits and other governmental approvals to construct the generating facility at its total MW generating capacity specified in the interconnection request after making diligent efforts.
2. The interconnection customer's receipt of a written statement from the permitting or approval authority indicating that construction of the facility at the total MW size specified in the interconnection request will likely result in disapproval due to significant environmental or other impact that cannot be mitigated.
3. The interconnection customer's failure to obtain legal right to use the full site acreage necessary to construct/operate the total MW generating capacity size for the entire generating facility after making diligent efforts (this reason only applies where an interconnection customer had previously demonstrated and maintained its demonstration of site exclusivity for the full acreage required for the project).[16]

[16] Appendix CC Article 5.19.4. Article 5.19.4 of Appendix EE (the *pro forma* LGIA for the GIDAP) contains similar safe harbor provisions.

Use of non-conforming "partial termination" provision. A fourth option available to customers under certain circumstances is the non-conforming "partial termination" provision incorporated into the GIA. The ISO has filed and obtained FERC acceptance of four non-conforming GIAs that include partial termination provisions allowing customers that are building generating facilities with multiple phases to invoke partial termination of their GIAs with regard to later phases without breaching the GIAs and without adverse impacts on the earlier phases. The partial termination provisions were developed in 2010 to address the unique circumstances of these interconnection customers. In each case, the construction of the final segments of the network upgrades for their phased generating facilities required at least three years past the requested in-service date and in some instances an extremely long lead time – 84 months – resulting in significant commercial uncertainty as to whether the developer could find a counterparty for the generating capacity that could not be interconnected or would not be deliverable until the upgrades were built. The ISO continues to consider partial termination provision for cluster and serial projects that are similarly situated to the projects that were subject to the four earlier non-conforming agreements approved by FERC. Specifically, the ISO will consider the inclusion of partial termination provisions in the GIA of a cluster or serial project meeting the following criteria:

1. The total project size is at least 50 MW;
2. The project will be developed in phases;
3. The PTO will require three or more years, from the customer's requested in-service date of the first phase, to build the required transmission;
4. There is no material impact to later-queued customers; and
5. The customer agrees to post interconnection financial security for a partial termination charge and to pay that charge if the partial termination option is exercised, with the amount of the charge being the amount determined by the ISO to be proportional to the risk of stranded transmission infrastructure investment if the customer exercises the partial termination option by cancelling a later phase of the project.

The ISO does not view use of the partial termination provision as a generally applicable downsizing option. It was developed to address extreme uncertainty for later-phased projects dependent upon transmission upgrades with planned in-service dates significantly in the future. Although the ISO is willing to offer this option to similarly situated interconnection customers, the ISO does not support expansion of this limited option. Instead, the ISO is proposing an annual downsizing opportunity in this straw proposal to provide additional flexibility to generation developers.

Reducing project size under GIDAP. Lastly, for customers in Cluster 5 and later, several new provisions in the GIDAP allow them to reduce the MW generating capacity of their proposed facilities.[17] If a project is allocated transmission plan ("TP") deliverability in an amount less than the amount requested, then the customer must choose among several options. The options relevant to reducing the MW generating capacity are discussed here. One option is for the customer to accept the allocated amount and reduce the MW capacity of the project such that the allocated amount of TP deliverability will provide full capacity deliverability status ("FCDS") to the reduced generating capacity. Under another option for "option (A)" projects, the customer would accept the allocated amount of TP deliverability and seek additional TP deliverability for the remainder in the next allocation cycle. Based on the final amount of TP deliverability allocated following the next allocation cycle, the project could accept the final amount and reduce its MW generating capacity such that the allocated amount will provide FCDS to the reduced generating capacity.

4.1.2 *Background on one-time downsizing opportunity*

This section describes the one-time downsizing opportunity approved by FERC in 2012, which ended in January 2013.

Generator project downsizing was a topic suggested by stakeholders in GIP 3 and it received the highest priority in the March 2012 stakeholder survey in that initiative. In response to this stakeholder demand, in 2012 the ISO deferred work on the other topics in GIP 3 and instead focused its efforts on a separate stakeholder initiative to explore the possible expansion of opportunities for interconnection customers prior to Cluster 5 (see the discussion of feature number 2 below) to downsize the MW capacities of their proposed generating facilities. The ISO worked with stakeholders over the course of 2012 and developed a one-time opportunity for all customers in the ISO's interconnection queue that entered the queue prior to Cluster 5 to downsize their projects. Tariff revisions to implement this one-time downsizing opportunity were filed with FERC on October 26, 2012. The FERC approved the ISO's proposal on December 20, 2012. The FERC found that the one-time downsizing opportunity:

- provides a balanced approach to eliminate non-viable requests from the ISO's interconnection queue, while protecting non-downsizing customers from harm;
- is responsive to requests from affected interconnection customers for an opportunity to downsize their projects in addition to the ISO's existing downsizing options;
- will help facilitate completion and commercial operation of projects that would be viable but for an inability to construct the full generating capacity stated in the customers' interconnection requests;
- will help ensure that more projects can achieve commercial operation, albeit on a smaller scale than originally planned; and

[17] Appendix DD Section 8.9. Appendix DD contains the GIDAP.

- will help spur energy development and advance the ISO's efforts to reduce the number of non-viable interconnection requests in its queue.

The FERC also found:

- the cost cap on downsizing generators' study deposits to be reasonable; and
- that downsizing generators should finance the costs of their downsizing on all impacted generators, regardless of whether the impacted generators are connected to the ISO controlled grid or to the distribution system of one of the PTOs.

The ISO's one-time downsizing opportunity included the following important features:

1. One-time opportunity. The new downsizing opportunity was only offered as a one-time option that ended in January 2013. It established a one-time window for developers to submit a downsizing request to permit transmission planning engineers to evaluate the collective impacts of all requests.
2. Limited to pre-Cluster 5 customers. The one-time downsizing opportunity was limited to pre-Cluster 5 customers, for several reasons. First, at the time of the ISO's filing, customers in Cluster 5 had not yet received their phase I interconnection study reports, and so they still had an opportunity to downsize before entering phase II. Second, customers in Cluster 5 would possibly have the opportunity to downsize again after receiving results of the transmission plan deliverability allocation pursuant to the GIDAP.[18] Even after these downsizing opportunities, Cluster 5 customers will be able to avail themselves of the safe harbor provisions described above. Finally, it was premature to consider substantive changes to the GIDAP rules, which had just been approved by FERC and were in the early stage of their first implementation.
3. Obligation of downsizing generators for costs to process the requests. A $200,000 downsizing deposit was required to help defray costs incurred by the ISO and the PTOs to process the downsizing requests. This deposit was applied as a pool of funds to pay for prudent costs incurred by the ISO, the PTOs, or third parties at the direction of the ISO or PTOs, as applicable, to perform and administer the generator downsizing process and to communicate with downsizing generators with respect to their generator downsizing requests. These include (1) costs associated with the generator downsizing study and associated reports and (2) costs associated with amending the GIAs of downsizing generators and any generators affected by the downsizing requests. If the amount required to pay for those costs was determined to be more than $200,000, then the downsizing generator would be obligated to provide the additional amount, subject to the applicable

[18] The ISO's GIDAP tariff amendment, which was approved by FERC on July 24, 2012, includes several new provisions to allow customers in Cluster 5 and beyond to downsize their projects. These are briefly described in section 4.1.1 above.

cost caps.[19] Conversely, if the amount required to pay for those costs was determined to be less than $200,000, then the downsizing generator would be refunded the unused balance of its deposit, with interest.

4. Downsizing study utilized to assess impacts of downsizing requests. The ISO conducted a special downsizing study to determine the impacts of the downsizing requests on the current customer interconnection plans of service developed through their earlier interconnection studies. The study process was substantially the same as the ISO's existing cluster study process. The costs of the downsizing study, and the costs of any resulting GIA amendments, were borne by customers requesting downsizing.
5. Withdrawal opportunities provided. Downsizing generators were given two "off-ramp" opportunities to withdraw from the downsizing effort. First, each downsizing generator had an opportunity to withdraw its downsizing request after being given a preliminary estimate of its obligation for downsizing study costs. There was a second opportunity to withdraw for each downsizing generator notified by the ISO that the generator's preliminary study results showed that its estimated responsibility for network upgrade costs could significantly increase. None of the downsizing generators exercised the first off-ramp opportunity and none met the requirements to withdraw under the second opportunity.
6. Original cost allocations determined the cost assignment for refreshed configurations. If the downsizing required the upgrades to be modified or substituted, the resulting costs would be assigned in proportion to downsizing customers' responsibility for the costs of the original upgrades, thus preserving the original allocation of costs among interconnection customers in the queue.
7. Protection for customers who are affected but not downsizing. To avoid making non-downsizing interconnection customers worse off with regard to upgrade costs as a result of the decision of other customers to utilize this one-time opportunity to downsize, downsizing-related cost increases or cost shifts to non-downsizing customers were assigned to the downsizing customers.

   Obligation to meet milestones. Each downsizing generator was required to relinquish its suspension rights in return for its opportunity to downsize.

[19] Each downsizing generator was responsible for an equal share of all actual costs of the generator downsizing study and the generator downsizing study report. The downsizing generator's share was determined by dividing the total amount of actual study costs by the number of valid generator downsizing requests, with that resulting amount being capped at an amount no higher than 150 percent of the downsizing generator's equal share of the preliminary cost estimate. The preliminary cost estimate was determined to be $103,231 per downsizing project; thus, the cap was $154,846 per downsizing generator. Each downsizing generator's responsibility for the costs to amend GIAs was $10,000 for its own such agreement and $10,000 for each such agreement of an affected generator that was amended, in whole or in part, due to the downsizing generator's generator downsizing request, subject to a cost cap of $100,000.

In January 2013 the ISO began implementation of the one-time downsizing opportunity approved by FERC the previous month. Thirteen valid downsizing requests were received representing a downsizing reduction of nearly 4,000 MW. The ISO posted a list of the valid downsizing requests identified by queue position, along with a preliminary estimate of study costs, in February 2013.[20] As mentioned above, none of these projects exercised the first opportunity to withdraw their generator downsizing requests under the rules of the one-time downsizing opportunity after being given the preliminary estimate of their obligations for downsizing study costs. None of these downsizing generators met the requirements to exercise the second opportunity to withdraw under the one-time downsizing provisions.[21]

The generator downsizing study for the one-time downsizing opportunity has now been completed and study reports were sent to the downsizing projects, as well as to the projects affected by the downsizing process, in early July 2013. A total of twelve projects remain in the downsizing process[22] and an additional 17 projects were impacted by the resulting decrease in generating capacity. The final reduction in project capacity requested by the twelve projects totals 3,698 MW.

Appendix A provides a detailed summary of the steps and timeframes associated with this one-time generator downsizing process.

4.1.3 *Summary of July 18 straw proposal*

The ISO's July 18 straw proposal on this topic included the following elements:

[20] The ISO, in consultation with the PTOs, developed a preliminary estimate of the cost to perform the downsizing study for the thirteen valid downsizing requests. This study cost was estimated to be $1,342,000 or $103,231 per downsizing project. In accordance with ISO Tariff Appendix GG, a downsizing generator is responsible for all actual costs incurred in connection with preparing the generator downsizing study and the generator downsizing study reports. A downsizing generator's share of actual study costs is determined by dividing the total amount of actual study costs by the number of valid generator downsizing requests, but is no higher than an amount equal to 150 percent of the downsizing generator's share of the preliminary estimate posted. If the generator downsizing deposit ($200,000) is insufficient to cover the costs for which the downsizing generator is responsible, the ISO will invoice the downsizing generator and such amount will be paid within 30 calendar days of the date of the invoice.

[21] In April 2013, the ISO notified the downsizing generators that it had completed the preliminary analysis for the generator downsizing study and determined that no project participating in the downsizing study would have its cost responsibility increase; therefore, no downsizing project had a second opportunity to withdraw. Pursuant to Appendix GG Section 5.1 (ii), the downsizing generator would have a second opportunity to withdraw when the preliminary results of the generator downsizing study indicated that the downsizing generator's cost responsibility for network upgrades increased by more than 5 percent or $5 million, whichever was lower, from its cost responsibility identified in its interconnection facilities study or phase II interconnection study report.

[22] One downsizing project withdrew its interconnection request prior to the deadline for the second interconnection financial security posting. In accordance with the requirements of the one-time downsizing opportunity, the project forfeited its downsizing deposit, which helped defray the downsizing costs of the remaining twelve projects.

- Annual downsizing opportunity. The ISO proposed that there be one downsizing opportunity each year. The ISO did not propose to limit the number of annual downsizing opportunities but allow them to continue until there is no further demand.
- Eligibility to submit a downsizing request. The ISO proposed that the annual downsizing opportunity be open to any active project in Cluster 4 or earlier that wants to downsize for any reason.
- Downsizing request window. The ISO proposed that there be a one-month "request window" for submitting downsizing requests. The downsizing request window would open in mid-October of each year and all downsizing requests must be submitted by mid-November in order to be studied in the subsequent annual GIDAP reassessment process. The first submission deadline would be mid-November 2014.
- Downsizing study. The ISO proposed to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process. Downsizing requests received by mid-November would be validated by the ISO by mid-December. A validation process equivalent to that in existing tariff Appendix GG would be used. Knowing the set of valid downsizing requests by mid-December would make it possible to incorporate this information into the annual GIDAP reassessment process which begins in January of each year.
- Number of downsizing requests. The ISO did not propose to limit the number of annual downsizing requests that a generating facility can submit. However, the limit on the number of years a project can remain in the interconnection queue would remain in effect (10 years in the queue from the interconnection request date to the in-service date for serial projects and 7 years in the queue from the interconnection request date to the commercial operation date for cluster projects).
- Size of downsizing request. The ISO did not propose a limit on the MW amount of downsizing permitted.
- Protection for customers who are affected but not downsizing. The ISO proposed that downsizing customers would be obligated to finance the network upgrades that the projects at their full size triggered if later-queued projects were shown to need such upgrades.
- Generator downsizing deposit. The ISO proposed that downsizing generators be required to provide a generator downsizing deposit to be applied as a pool of funds to pay for prudent costs incurred by the ISO, the PTOs, or third parties at the direction of the ISO or PTO(s), as applicable, to perform and administer the generator downsizing process.
- Withdrawal of a downsizing request. The ISO proposed to provide a downsizing generator an opportunity to withdraw if the ISO determines that its estimated responsibility for

network upgrade costs may significantly increase.[23] If a downsizing generator were to withdrawal under this withdrawal opportunity, it would not receive a refund of the generator downsizing deposit.

- Clarification of relationship between downsizing and modification requests. The ISO proposed to clarify in the tariff that the ISO will not review requests to downsize a project's capacity pursuant to the general "material modification" review provisions.

4.1.4 *Stakeholder comments*

Stakeholder comments received on this topic following publication of the July 18 straw proposal are summarized below.

California Public Utilities Commission ("CPUC") staff – CPUC staff agrees with making an annual downsizing window the main option for generator project downsizing. The ISO should consider allowing Cluster 5 and later interconnection customers to downsize the parked portion of a project. In order to distinguish between a formal downsizing request and simple failure to complete a later phase of a project, interconnection customers should be able to recover at least a portion of their interconnection financial security deposits for the un-built portion of projects if the remaining portion after downsizing comes on line in a timely manner.

California Wind Energy Association ("CalWEA") – CalWEA finds the July 18 straw proposal to be generally reasonable. However, projects whose downsizing would not impact projects being studied in the relevant reassessment study should be allowed to request downsizing at any time and should be individually studied.

Independent Energy Producers ("IEP") – IEP supports the downsizing proposal made in the July 18 straw proposal. However, IEP would have desired that the downsizing proposal be enacted in 2013 rather than 2014 for projects with CODs prior to when the proposed annual downsizing process would first go into effect. IEP suggests that the ISO revise its proposal to maintain the availability of material modification as a means for interconnection customers to downsize their projects until such time as the proposed annual downsizing process is fully functional. IEP believes that large downsizing requests (*e.g.*, a 400 MW project requesting to downsize by 399.5 MW) should be embraced not discouraged because such a request could result in a project that no longer drives transmission studies and potential stranded upgrades. IEP recommends that the ISO place no limit on the number of times an interconnection customer can request downsizing on its project. IEP does not agree with PG&E's position that a project requesting downsizing should be required to amend its GIA to conform with current tariff provisions. IEP appreciates the ISO's continued consideration of the applicability of downsizing to Clusters 5 and later.

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[23] A significant increase is defined as a downsizing generator's responsibility for network upgrade costs increasing by more than 5 percent or $5 million, whichever is lower, from its cost responsibility identified in its interconnection facilities study, Phase II interconnection study report, or GIA (if it has executed one).

Large-scale Solar Association ("LSA") – LSA supports the ISO's annual downsizing proposal. LSA has no objection to the ISO's proposal to remove the ability to downsize through the material modification request process but believes that this proposed change should not be implemented until the first downsizing window opens in late 2014. LSA further recommends that the ISO should still consider downsizing requests through the material modification request process if a developer can demonstrate a valid reason why it cannot wait until the next window. LSA sees no reason why Cluster 5 and later project should be excluded from the annual downsizing opportunity; while Cluster 5 and later projects can reduce the MW size of their projects if they are not allocated deliverability, these projects may nonetheless need to reduce their MW size for other reasons such as loss of a power purchase agreement.

NRG Energy ("NRG") – NRG supports the ISO's annual downsizing proposal. However, NRG encourages the ISO to consider how it could begin offering downsizing opportunities sooner than the end of 2014.

Pacific Gas and Electric Company ("PG&E") – PG&E does not support the downsizing policy in the July 18 straw proposal. However, PG&E would support the proposal with modification. PG&E supports provision of a permanent, annual downsizing process that is fully integrated into the existing GIDAP study process and provides the flexibility for generators to make "commercially reasonable" downsizing requests. PG&E proposes that each downsizing request be limited to a 75-percent capacity reduction from the original nameplate capacity of the project (*i.e.*, a project should not be able to downsize to anything smaller than 25 percent of its original interconnection request). PG&E proposes that downsizing requests should not result in a reduction of postings already made; but rather any reduction in posting requirements should be trued up at the next posting (*e.g.*, if a project has completed its second posting and the downsizing resulted in a reduction of its posting obligation, then the reduction would occur as a true-up at the time of the third interconnection financial security posting. PG&E proposes that projects with existing GIAs that request to downsize be required to amend their GIA to conform with current tariff provisions relating to time in the queue and project suspension. PG&E believes that a downsizing customer should be obligated to finance network upgrades that its project at its full size triggered if projects in the same queue or a later queue are shown to need such upgrades rather than just later-queued projects being shown to need the upgrades.

San Diego Gas & Electric Company ("SDG&E") – SDG&E generally supports the ISO's proposal and agrees with the idea of combining the GIDAP reassessment and downsizing studies into a single study. SDG&E believes that downsizing is also likely to be valuable to customers in Clusters 5 and later. SDG&E recommends that a customer's eligibility to submit a downsizing request be limited by the customer's specified COD—*i.e.*, a downsizing request should only be considered valid if the customer's specified COD is at least 12 months after the close of the downsizing request window in which the customer submits a downsizing request. SDG&E recommends that the cumulative amount of downsizing that a customer can request through all downsizing windows be limited to 75 percent of the original project size.

Silverado Power ("Silverado") – Silverado supports the ISO's annual downsizing proposal. Silverado states that the ability to downsize through the material modification request process should remain in place until the first downsizing window opens in late 2014. After the annual downsizing opportunity is implemented, Silverado believes that the ISO should still consider downsizing requests through the material modification request process if a developer can demonstrate a valid reason why it cannot wait until the next window. Silverado believes that Cluster 5 and later project should be eligible for the annual downsizing opportunity; while Cluster 5 and later projects can reduce the MW size of their projects if they are not allocated deliverability, these projects may nonetheless need to reduce their MW size for other reasons such as loss of a power purchase agreement. Silverado does not agree with PG&E's concerns about project downsizing to reduce their interconnection financial security postings before dropping out of the interconnection queue; Silverado believes that the benefits of removing non-viable capacity from the interconnection queue makes up for any downsides of allowing this.

Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside ("Six Cities") – The Six Cities generally support the ISO's proposal. Additionally, the Six Cities support the ISO's proposal to require that downsizing customers finance the network upgrades for the project at its initially-proposed size if later-queued projects rely on such upgrades. The Six Cities recommend that the final proposal make clear that, in each instance, the downsizing customer must pay the actual costs of downsizing studies (*i.e.*, an allocated share) and the actual costs to amend their GIA.

Southern California Edison Company ("SCE") – SCE agrees with evaluating the impacts of all valid downsizing requests during the annual GIDAP reassessment to occur in January following each annual downsizing request window. SCE objects to providing customers with unlimited downsizing opportunities and believes that one or two downsizing requests per customer would be feasible and reasonable. SCE is concerned that providing unlimited downsizing opportunities will increase queue clogging as this would provide customers with options to prolong the "study" of infeasible projects instead of withdrawing them earlier or executing a GIA. SCE believes it is premature to dispense with reviewing potential downsizing of a project under a material modification request as such requests may be easier and less time consuming to implement. SCE believes that downsizing customers should be responsible for costs resulting from downsizing. SCE proposes that downsizing requests should be accompanied by some form of reasonable and verifiable justification and should not be used as a vehicle to continually carve away at a project that ultimately will have not technical semblance to the project that was originally described and studied. SCE believes that a requested reduction in the size of a project should be reasonable to allow customers to respond to market conditions and permitting challenges rather than an opportunity for customers to avoid or lower interconnection financial security postings. SCE believes that there should be limits on the number of downsizing requests that a customer can submit, that such requests should be accompanied by reasonable and verifiable reasons for the request, and that such requests should be applicable to only active projects with executed GIAs irrespective of which cluster a project is in. SCE believes that the conditions that drive a need for a project to downsize do not cease beginning with Cluster 5.

4.1.5 *Modifications adopted to the July 18 straw proposal*

Based on a review of the stakeholder comments received, it is clear that there is broad support for the ISO's annual downsizing proposal. However, a number of stakeholders suggested modifications. After further consideration, the ISO has made some modifications to its proposal. These are discussed in this section.

Almost all stakeholders point out that the need to downsize will not end with Cluster 4 and that customers in Cluster 5 and later may find themselves in a situation where their project sizes may be too large despite the new provisions in the GIDAP allowing customers to reduce the sizes of their projects. The ISO agrees and has modified its proposal so that the annual downsizing opportunity will be open to all active projects (*i.e.*, no longer limited to pre-Cluster 5). For Cluster 5 and later projects, the annual downsizing opportunity will be open to projects that apply under the GIDAP after all opportunities for allocation of transmission plan deliverability have been exercised. In addition, as discussed below, the ISO is proposing to offer three additional downsizing decision points within the GIDAP tariff itself to address scenarios that were not explicitly considered when the GIDAP was developed.

IEP, LSA, and Silverado do not object to the ISO's proposal to remove the ability to downsize through the material modification process going forward. However, they requested that the ISO allow this ability to remain in place until the first annual downsizing window opens in October 2014. The ISO views this as reasonable and has modified this aspect of its proposal accordingly. SCE believes it premature to dispense with this ability as such requests may be easier and less time-consuming to implement. The ISO disagrees. A critical component of its proposal is that going forward the ISO intends for the annual downsizing opportunity to be the primary means for customers to reduce the MW size of their projects. The ISO believes that doing this will be more efficient and will simplify the variety of downsizing options available today.

IEP and NRG express a desire for a downsizing opportunity sooner than the first annual downsizing window proposed for October 2014. However, this is infeasible for two reasons. First, assuming the ISO Board approves the annual downsizing proposal at its November meeting, the subsequent tariff filing would most likely not be made at FERC until early 2014. Thus, the earliest the proposal would become effective is the second quarter of 2014. Second, a critical element of the ISO's proposal is to study the combined impacts of each year's downsizing requests in the annual GIDAP reassessment process, which does not begin until January 2014. Therefore, the earliest an annual downsizing window could occur is late 2014 as the ISO has proposed.

PG&E, SCE, and SDG&E recommend various limitations or requirements that they believe should be applied to downsizing requests. PG&E and SDG&E propose that downsizing requests be limited to a 75-percent capacity reduction (*i.e.*, a project should not be able to downsize to anything smaller than 25 percent of the original interconnection request). SDG&E recommends that a customer's eligibility to submit a downsizing request be limited by the customer's specified commercial operation date. SDG&E proposes that a downsizing request should only be considered valid if the customer's specified commercial operation date is at least 12 months after the close of the downsizing request window. SCE objects to providing customers with unlimited downsizing opportunities and believes that one or two downsizing requests per customer would be feasible and reasonable. SCE further proposes that downsizing requests should be accompanied by some form of reasonable and verifiable justification and should not be used as a vehicle to continually reduce a project's size. The ISO is generally opposed to imposing limits on either the number of annual downsizing requests or the MW amount of downsizing permitted. The ISO believes it would be arbitrary to do so and that there is an insufficient basis to justify such a limitation. In its FERC-approved one-time downsizing process, the ISO did not propose stringent eligibility requirements that a customer must meet in order to submit a downsizing request (other than to be an active project). The ISO does not depart from that approach in this draft final proposal. Accordingly, the proposed annual downsizing opportunity will be open to any active project that wants to downsize for any reason.

PG&E proposes that projects with existing GIAs that request to downsize be required to amend their GIAs to conform with current tariff provisions relating to time in the queue and project suspension. The ISO supports this idea and has added this feature to its draft final proposal.

PG&E proposes that downsizing requests should not result in a reduction in postings already made; but rather, any reduction in posting requirements will be trued up at the next posting. For example, if a project has completed its second posting and the downsizing resulted in a reduction of its posting obligation, then the reduction would occur as a true-up at the time of the third posting. The ISO does not support this proposal because of the possibility that such a true-up may not occur for several years in the future, especially if network upgrade construction is delayed.

CalWEA suggests that some downsizing be allowed at any time and be individually studied. The ISO does not support this. As has been emphasize repeatedly, a critical element of the ISO's draft final proposal is to process all downsizing requests through the annual downsizing request window and study the combined impacts of each year's downsizing requests in the annual GIDAP reassessment process. This is the most efficient approach and avoids the complications of special studies. It should also be noted that under the draft final proposal a downsizing opportunity will occur frequently (every 12 months) and thus will provide several opportunities for a project to downsize during its time in the queue.

Lastly, after further consideration, the ISO is proposing to eliminate the opportunity for the customer to withdraw its downsizing request, which was an element of the straw proposal. In the straw proposal the ISO had proposed to provide a downsizing generator an opportunity to withdraw if the ISO determines that its estimated responsibility for network upgrade costs were to significantly increase. However, after giving this further thought, the ISO no longer believes that this withdrawal opportunity is necessary. Under the ISO's proposed annual downsizing process the downsizing study will be integrated into the GIDAP reassessment rather than being a stand-alone study. As a result there will not be any reallocation of costs that results in a cost increase to the customer, though there may be a cost reduction if the required network upgrades are reduced or if the network upgrades are removed due to no longer being needed. The ISO proposes to allow a customer to withdraw its downsizing request up to the close of the downsizing window, but not after that. Thus, with this modification it is important to recognize that downsizing generators will be committed to downsizing if their generator downsizing request is deemed to be complete, valid and ready to be studied.

4.1.6 *Draft final proposal*

Based on this stakeholder feedback and further consideration, the ISO's draft final proposal on future downsizing policy is as follows:

- Annual downsizing opportunity. The ISO proposes an annual downsizing opportunity, with no specified end point at which these opportunities would no longer be offered.
- Eligibility to submit a downsizing request. The ISO proposes that the annual downsizing opportunity will be open to any active[24] project that wants to downsize for any reason. This opportunity will not be limited to pre-Cluster 5 (as the ISO had previously proposed in the July 18 straw proposal) and is thus open to projects in Cluster 5 and later that apply under the GIDAP. As explained below, as part of this proposal the ISO will modify certain provisions of the GIDAP tariff (Appendix DD) to allow additional options for customers to downsize their projects prior to the conclusion of the last opportunity for each project to be allocated TP deliverability. After all opportunities for a project to be allocated TP deliverability under GIDAP have been concluded, the project will then be eligible to participate in the next available downsizing window.

[24] For purposes of this proposal, the term "active" is used to refer to a project that satisfies the following requirements: (1) the interconnection request has not been previously withdrawn or deemed withdrawn by the ISO; (2) the customer is in compliance with all applicable ISO tariff requirements; and (3) the customer is in compliance with the terms of the GIA, meaning that any notice of breach or default has been cured.

- Downsizing request window. The ISO proposes a one-month request window for submitting downsizing requests. The downsizing request window will open in mid-October of each year and all downsizing requests must be received by mid-November in order to be studied in the subsequent annual GIDAP reassessment process.[25] The first downsizing request window will open mid-October 2014 and close mid-November 2014 and will be announced via a market notice.
- Commitment to downsizing. As noted in the previous section, the opportunity for a customer to withdraw a downsizing request based on a significant cost increase is no longer needed in the current proposal due to the integration of the downsizing study into the GIDAP reassessment study process. The ISO proposes to allow a customer to withdraw its downsizing request up to the close of the downsizing window, but not after that. Thus downsizing generators will be committed to downsizing if their generator downsizing request is deemed to be complete, valid and ready to be studied. If the downsizing request is deemed deficient, a process similar to that in Appendix GG will be used for the downsizing generator to timely cure the deficiency. If the deficiency is not timely cured, the downsizing generator request will be rejected and will not be included in the generator downsizing study performed as part of the GIDAP reassessment.
- Downsizing study. The ISO proposes to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process. Downsizing requests submitted by mid-November will be validated by the ISO by mid-December. A validation process equivalent to that in existing tariff Appendix GG will be used. Knowing the set of valid downsizing requests by mid-December will make it possible to incorporate this information into the annual GIDAP reassessment process which begins in January of each year.
- Number of downsizing requests. The ISO does not propose to limit the number of annual downsizing requests that a generating facility can submit. However, the limit on the number of years a project can remain in the interconnection queue will remain in effect (10 years in the queue from the interconnection request date to the in-service date for serial projects and 7 years in the queue from the interconnection request date to the commercial operation date for cluster projects). Projects with existing GIAs that request to downsize will be required to amend their GIAs to conform with current tariff provisions relating to time in the queue and project suspension.

[25] Under Appendix DD Section 7.4, the ISO will perform a reassessment of the phase I interconnection study base case prior to the beginning of the GIDAP phase II interconnection studies. For example, this reassessment will include information concerning interconnection request withdrawals that occurred after the completion of the phase II interconnection studies for the immediately preceding queue cluster. Under this straw proposal, the ISO is proposing to also include information concerning the downsizing requests received by mid-November. The reassessment is used to develop the base case for the phase II interconnection study.

- Size of downsizing request. The ISO does not propose to limit the MW amount of downsizing permitted. The FERC-approved one-time downsizing process imposed no such limit. The ISO believes that to impose such a limit would be arbitrary and that there is insufficient basis to meet any burden for justifying such a limitation.
- Protection for customers who are affected but not downsizing. The ISO proposes that each downsizing customer will be obligated to finance the costs of the network upgrades that its project at its full size previously triggered and to finance the costs of network upgrades that are alternatives to the previously triggered upgrades if projects in the same or a later queue are shown to need such upgrades.
- Generator downsizing deposit. The ISO proposes that downsizing customers will be obligated to finance the costs of downsizing studies and amending their GIAs. To accomplish this, the ISO proposes that each downsizing generator be required to provide a generator downsizing deposit of $60,000 to be applied toward a pool of funds to pay for actual costs incurred by the ISO, the PTOs, or third parties at the direction of the ISO or PTO(s), as applicable, to perform and administer the generator downsizing process. These include (1) costs associated with the generator downsizing study and production of the downsizing generator's study report, and (2) costs associated with amending the GIA of the downsizing generator. Thus the generator downsizing deposit will consist of two portions. With regard to study costs associated with each downsizing request, the ISO proposes that the generator downsizing study portion of the generator downsizing deposit be equal to $50,000.[26] The downsizing generator's share of the actual study costs will be equal to the actual costs of that particular annual GIDAP reassessment multiplied by a ratio with the quantity of one in the numerator and the sum of three quantities in the denominator. The three quantities in the denominator would be: (i) the number of new downsizing requests; (ii) the number of interconnection request withdrawals since the last GIDAP reassessment; and (iii) the number of projects that have reduced the MW generating capacity or changed deliverability status of their proposed facilities under the GIDAP requirements. Quantities (ii) and (iii) are the drivers that the GIDAP reassessment was originally designed to account for. With regard to the costs associated with amending the GIA of a downsizing generator, the ISO proposes that the downsizing generator be responsible for the costs to amend its own GIA but not the costs to amend GIAs other than its own. The reasons for this are that under the ISO's proposal the effects of downsizing will be assessed along with other factors unrelated to downsizing (*e.g.*, withdrawals of interconnection requests) in the annual

[26] The interconnection study deposit applied under the GIP (Appendix Y) and GIDAP (Appendix DD) is equal to $50,000 plus $1,000 per MW of electrical output of the generating facility, up to a maximum of $250,000. The ISO is proposing to omit the variable term for purposes of the downsizing deposit. As the ISO previously stated during the development of the one-time downsizing opportunity, the ISO reviewed historical cost data from past queue cluster studies and found that, on average, queue cluster study costs have not exceeded $50,000 per interconnection customer.

GIDAP reassessment process and it will not be possible to separate out those GIA amendments attributable to a downsizing project from amendments attributable to other causes. Therefore, the ISO proposes to charge each downsizing project to cover the actual cost for the ISO and PTO to amend only the downsizing generator's GIA. The ISO proposes that the GIA amendment portion of the generator downsizing deposit be equal to $10,000. This is based on the amount of $10,000 per amended GIA used in the FERC-approved one-time downsizing process.[27]

- Material modification requests. The ISO proposes that those aspects of the material modification request process that relate to being able to change the size of a project will remain in place until the first annual downsizing request window opens in October 2014. Once this first downsizing request window opens, however, the ISO will no longer review requests to downsize a project's capacity pursuant to the general "material modification" review provisions. This will ensure that all downsizing requests are processed and analyzed in a manner that operates in harmony with the ISO's ongoing cluster study process. This will not, however, affect customers' rights to downsize during the interconnection studies, insofar as those rights are explicitly provided in the applicable interconnection procedures, or the ability of customers to utilize the 5 percent safe harbor provisions.[28]
- GIDAP modifications. The ISO proposes to offer three additional downsizing decision points within the GIDAP tariff itself to address scenarios that were not explicitly considered when GIDAP was developed. These are as follows:
    - Under Appendix DD Section 8.9.4, if an option (A) project is either allocated less transmission plan deliverability than requested or declines the amount allocated, then it must select one of three options: (i) withdraw its interconnection request; (ii) enter into a GIA and convert to energy-only deliverability status; or (iii) park until the next allocation of transmission plan deliverability in the next interconnection study cycle. The ISO proposes that a customer selecting either option (ii) or (iii) would be allowed to reduce the MW generating capacity of its project.
    - Under Appendix DD Section 8.9.5, if an option (A) or (B) project is allocated less transmission plan deliverability than requested, then it must choose one of four options: (i) accept the allocated amount and reduce the size of its project to match the allocated amount; (ii) accept the allocated amount and adjust the deliverability status of the project to achieve partial capacity deliverability corresponding to the allocated amount; (iii) for option (A) projects accept the allocated amount and seek

[27] The ISO and PTOs are currently negotiating the one-time downsizing GIAs and will have a better idea of actual costs going forward and may need to adjust the deposit amount at a later date.

[28] In addition, this clarification will not prevent customers with partial termination provisions in their GIAs from exercising those rights consistent with the terms thereof.

additional transmission plan deliverability for the remainder in the next allocation cycle; or (iv) decline the allocated amount and either withdraw its interconnection request or convert to energy-only deliverability status or, for an option (A) project that has not previously parked, it may decline the allocation and park until the next allocation of transmission plan deliverability in the next interconnection study cycle. The ISO proposes that a customer selecting either option (iii) or (iv) would be allowed to reduce the MW generating capacity of its project.

- Under Appendix DD Section 8.9.6, an option (A) project that has not previously parked and is allocated the entire amount of requested transmission plan deliverability may decline all or a portion of the allocation and park until the next allocation of transmission plan deliverability in the next interconnection study cycle. The ISO now proposes that a customer making the decision to decline the allocation and park in accordance with this tariff section would be allowed to reduce the MW generating capacity of its project at the same time.

Stakeholders are invited to comment on the ISO's draft final proposal on this topic.

4.2 Topic 2 – Disconnection of completed phase(s) of project due to failure to complete a subsequent phase

4.2.1 *Scope of topic*

This topic relates to the rights of one or more of the contracting parties under the *pro forma* GIA (*i.e.*, the interconnection customer, the PTO, and the ISO) to declare another contracting party who fails to perform or observe any material term or condition of the GIA to be in breach of and to default on the GIA. The *pro forma* GIA provides that termination of the GIA is a potential remedy for default, and further provides for disconnection of the generating facility if the GIA is terminated. The question of whether and how a contracting party actually exercises these rights is entirely fact-specific and can only be determined on a case-by-case basis. Section 4.2.4 below outlines the steps of the process that must be followed before a GIA breach can result in termination of the GIA, which requires a ruling by FERC that termination is just and reasonable.

The specific scenario initially identified to be addressed in this topic concerns a situation in which a portion or phase, or multiple portions or phases, of the interconnection customer's project have been completed and have commenced commercial operation, and where the customer has determined not to complete all phases or the full MW size of the project as required under the executed GIA (*i.e.*, the stated nominal MW size less the 5 percent safe harbor amount). In such a scenario, termination of the GIA would mean that an operating generator that represents a portion or phase of a project could be disconnected from the ISO grid if the customer fails to complete the entire project.

This topic was originally suggested by LSA, CalWEA, and Tenaska in the March 2012 stakeholder survey, and was proposed again for consideration in the current initiative by LSA.[29] Stakeholders raising this issue assert that the possibility of the ISO fully terminating a GIA, in the situation where one or more phases of a project are already operating but a later phase of the project is cancelled, causes severe project financing problems. In the comments submitted on June 25, several stakeholders reiterated this concern, stating that the potential for disconnection would cause a financial institution to add a substantial risk premium or perhaps even decline to finance the project at all. Although the ISO has acknowledged this concern on the part of project developers, the ISO has also expressed its own concern about any blanket elimination of its right to terminate a GIA.

In the July 18 straw proposal the ISO proposed to resolve this matter by agreeing not to seek GIA termination based solely on the interconnection customer's cancellation of a later project phase, so long as there are no other adverse impacts that the interconnection customer cannot mitigate. As described below, the current draft final proposal clarifies and slightly modifies the straw proposal.

With this draft final proposal, the ISO also includes within this topic an issue that was identified as part of topic 15 in the July 18 straw proposal. The situation described in that paper is where a project fails to complete and place into commercial operation the full MW capacity required for "substantial performance" with the executed GIA, (*i.e.*, the nominal MW size stated in the GIA less the 5 percent safe harbor amount). The ISO tariff currently states that when the completed project falls more than 5 percent short of the MW capacity stated in the GIA (*i.e.*, outside the 5 percent safe harbor) and the project satisfies at least one of three conditions that reflect causes for the inability to develop the full capacity that are beyond the control of the interconnection customer, the ISO would consider on a case-by-case basis whether or not to deem the project to be in "substantial performance" of its GIA.[30] The question raised for stakeholder comment in the July 18 straw proposal regarding this situation concerns the interconnection customer's responsibility for the *pro rata* cost share of its needed transmission facilities associated with the project MW that were not completed. In considering how to resolve this question, the ISO observed that this situation is for all practical purposes equivalent to the original topic 2 situation, and therefore is addressing both in a consistent manner in this draft final proposal for topic 2.

Another issue within the scope of this topic is a further aspect of the provision for "substantial performance" by an interconnection customer of its obligations under the GIA. In the GIP 2 initiative in 2011, the ISO clarified that a customer will have a safe harbor of 5 percent of its project's MW capacity as specified in the GIA.

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[29] This issue was also raised in a complaint filed at FERC by CSOLAR earlier this year in FERC Docket No. EL13-37-000. FERC denied the complaint.

[30] Appendix CC Article 5.19.4.

Recent experience with projects in the interconnection process has suggested that the 5 percent safe harbor could be revised to allow size reductions up to "the greater of 5 percent of the project capacity or 10 MW" for any reason, and that this would be helpful to project developers without having adverse unintended consequences. Several stakeholders commented on this issue in their June 25 comments, and in response the ISO's July 18 straw proposal contemplated modifying the safe harbor language to read "the greater of 5 percent of the project capacity or 10 MW, but not greater than 25 percent of the project capacity." This draft final proposal retains the straw proposal approach.

4.2.2 *Summary of stakeholder comments*

CalWEA – CalWEA commends the ISO for proposing a logical and commonsense approach to address the failure of projects to develop later phases of their projects. However, CalWEA believes that a generator should retain the GIA for phases that have started construction as well as project phases that are already operational at the time the failure of future phases are identified. For the purpose of determining whether a project phase has entered construction, the ISO could use the same definition that it currently uses for start of construction for transmission upgrades.

ISO response – The draft final proposal resolves this issue.

CPUC staff – CPUC staff supports the straw proposal.

IEP – IEP recommends that the ISO allow the interconnection customer the option to "submit the incomplete portion of the interconnection request to downsizing in the next downsizing cycle and become responsible for all costs associated with that process."

ISO response – The draft final proposal resolves this issue.

LSA and **Silverado** – LSA and Silverado recommend the following revisions to the straw proposal: (1) define "adverse consequences," such as cost increases or delay in the commercial operation date for other projects; (2) the interconnection customer should not be responsible for costs for upgrades no longer needed, if this can be determined without further study; (3) the interconnection customer should be reimbursed for network upgrade costs it funded if later projects use the capacity; and (4) eliminate 25 percent size limit on the safe harbor.

ISO response – The draft final proposal does not define (1) "adverse consequences." Instead, the ISO will agree not to terminate solely for the failure to build all the capacity. The draft final proposal does not adopt either (2) or (3) because it would weaken the incentives for an interconnection customer that wants to be eligible for reduced postings and reimbursement of all network upgrade costs to utilize the downsizing window. The draft final proposal does not adopt (4) because it would weaken the incentives for smaller projects seeking major size reductions to utilize the downsizing window.

PG&E – PG&E suggests adding the following language: "In addition, should the subsequent pre-validation/reassessment window determine that any other fully or partially completed network upgrade is no longer needed by any project in the then-current queue, the stranded costs for such upgrade will not be eligible for reimbursement to the interconnection customer."

ISO response – The provision making the interconnection customer ineligible for reimbursement for any excess transmission capacity renders this issue moot.

SCE – SCE suggests adding that the interconnection customer must pay for GIA amendment costs, and must request material modification review or enter an annual downsizing window and pay all associated costs.

ISO response – The ISO agrees that it is appropriate that the interconnection customer be obligated to pay the cost to the ISO and applicable PTO of amending its GIA, consistent with the discussion of this cost under topic 1 above. The draft final proposal is also consistent with SCE's proposed requirement to utilize the annual downsizing window, as described below. The suggestion that the customer request material modification review, however, is moot under the ISO's proposal to no longer review requests to downsize pursuant to the general "material modification" review provisions once the annual downsizing process has been implemented.

SDG&E – SDG&E agrees with ISO proposal, and proposes to allow the interconnection customer to substitute a later phase for an earlier phase if the technology and size are equivalent.

ISO response – Nothing in the draft final proposal for topic 2 precludes this possibility.

Six Cities – The Six Cities supports the ISO proposal.

4.2.3 *Draft final proposal*

Upon further consideration of the first two issues described above – the issue that was the initial scope of this topic, and the issue that was mentioned under topic 15 in the July 18 straw proposal – the ISO believes that there is no practical difference between the following two situations:

1) The interconnection customer completes a phase or a partial amount of the full MW capacity of the project and decides to cancel the rest of the project; and
2) The final MW capacity of the interconnection customer's project falls short of the 95-percent requirement to be considered to have substantially performed under the GIA in accordance with the 5 percent safe harbor provisions.

In either situation, the interconnection customer should be aware of the need to reduce the project size well before the commercial operation date specified in its GIA and should, given the proposal now offered under topic 1, participate in an annual downsizing window prior to its commercial operation date. Thus the situations described here should rarely if ever arise; by utilizing one of the annual downsizing windows the interconnection customer can fully prevent the triggering of a GIA default due to reduced MW build-out of its project. In addition, some projects will be eligible to incorporate partial termination provisions in their GIAs, which gives them the ability to reduce their project sizes by exercising partial termination and thus avoid both the downsizing window process and GIA default due to size reduction.

The ISO therefore proposes that if an interconnection customer is in situation (1) or (2) above and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions in its GIA, and if the project's commercial operation date as specified in its GIA occurs before the next downsizing window opens, then:

a) The ISO will not seek to terminate the GIA solely due to the interconnection customer's failure to complete the full MW required under the GIA, subject to the following rules.

b) The interconnection customer will still be responsible for all interconnection financial security postings and costs associated with the full MW size of the project as stated in the GIA.

c) With regard to interconnection financial security postings and other costs for which the interconnection customer would normally have been reimbursed, the *pro rata* portion of such postings and costs associated with the cancelled MW portion or phase(s) of the project will not be eligible for reimbursement, unless the interconnection customer can demonstrate that the MW size reduction is due to one of the three factors listed below which are beyond the interconnection customer's control, and that the interconnection customer only learned of the relevant factor(s) after the last opportunity to enter a downsizing window had passed. The three factors are the same ones that are identified in the current ISO tariff as conditions for the ISO to consider allowing an interconnection customer whose final project size falls short of meeting the requirements of the 5 percent safe harbor provisions to avoid being found in breach of the GIA. These three factors are:

    i. The interconnection customer's failure to secure required permits and other governmental approvals to construct the generating facility at its total MW generating capacity specified in the interconnection request after making diligent efforts.

    ii. The interconnection customer's receipt of a written statement from the permitting or approval authority indicating that construction of the facility at the total MW size specified in interconnection request will likely result in disapproval due to significant environmental or other impact that cannot be mitigated.

    iii. The interconnection customer's failure to obtain legal right to use of the full site acreage necessary to construct/operate the total MW generating capacity size for the entire generating facility after making diligent efforts (only applies where an interconnection customer had previously demonstrated and maintained its demonstration of site exclusivity).

d) If the interconnection customer informs the ISO that it needs to reduce its project size due to situation (1) or (2) above and there is an opportunity to enter an annual downsizing window prior to the project's commercial operation date, then the interconnection customer will be required to either utilize the downsizing window or forfeit any eligibility for reimbursement of costs as discussed in item (c) above.

e) The interconnection customer will be obligated to pay for GIA amendment costs.

Finally, consistent with the July 18 straw proposal, the ISO proposes to modify the safe harbor language to read "the greater of 5 percent of the project capacity or 10 MW, but not greater than 25 percent of the project capacity." The implications of this provision are summarized in the following table:

If the project MW size as specified in the GIA is:	**Then the safe harbor is:**
Greater than 200 MW	5 percent
Between 40 MW and 200 MW	10 MW
Less than 40 MW	25 percent

Stakeholders are invited to comment on the ISO's draft final proposal on this topic.

4.2.4 *The process required to disconnect an operating project for GIA breach*

In summary, before a large or small generating facility can be disconnected from the ISO controlled grid due to the interconnection customer's default on a GIA, the customer must be notified of and fail to cure a default of the agreement, and FERC must accept a notice of termination filed by the ISO and/or PTO. The specific steps are described in more detail as follows.

- A breach of the GIA occurs if a party fails to perform or observe any *material* term or condition of the GIA.[31]
- A default occurs if a party fails to cure a breach of the GIA.[32]
- The ISO and/or PTO is required to provide a written notice of breach to the interconnection customer, providing an opportunity to timely cure the breach within a specified number of days:
    - Five (5) business days to timely cure a failure to post interconnection financial security required by the GIA.[33]

[31] Article 1 of ISO tariff Appendices V, Z, BB, CC, and EE (definition of breach).

[32] Attachment 1 of ISO tariff Appendices T and FF (definition of default); Article 1 of ISO tariff Appendices V, Z, BB, CC, and EE (definition of default).

- For a large generating facility only: Thirty (30) calendar days to timely cure any other breach of the GIA; provided, however, that if the cure cannot be completed within 30 calendar days, the defaulting party must commence the cure within 30 calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the notice.[34]
- For a small generating facility only: Sixty (60) calendar days to timely cure any other breach of the GIA; provided, however, that if the cure cannot be completed within 60 calendar days, the defaulting party must commence the cure within twenty (20) calendar days after notice and continuously and diligently complete such cure within six (6) months from receipt of the notice.[35]
- If a breach is not timely cured, or if a breach is not capable of being timely cured within the applicable period described above, the non-breaching parties may declare a default and terminate the GIA by written notice at any time until cure occurs.[36] The tariff does not, however, require the ISO or PTO to seek termination of the GIA upon declaring a default. The tariff states that the non-breaching party can "recover from the breaching party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or equity" regardless of whether or not the non-breaching party terminates the GIA. Thus, it is possible at this point for the contracting parties to try to identify and seek FERC approval of an alternative, equitable, non-termination remedy that is appropriate to the situation.

- A party that disputes a written notice of default can initiate dispute resolution procedures pursuant to the GIA.[37] Termination of the GIA would not occur while the dispute resolution procedures are in progress.
- Absent the parties identifying a mutually acceptable non-termination alternative, the ISO and/or PTO will file any notice of termination of the agreement with FERC. The termination can become effective only after FERC determines that termination of the GIA – and the consequences, in this case disconnection of the operational phase of the generating facility – are just and reasonable, and accepts the notice.[38]

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[33] Article 6.4.2 of ISO tariff Appendices T and FF; Article 11.5.1 of ISO tariff Appendices Z, BB, CC, and EE.

[34] Article 17.1.1 of ISO tariff Appendices V, Z, BB, CC, and EE.

[35] Article 7.6.1 of ISO tariff Appendices T and FF.

[36] Article 7.6.2 of ISO tariff Appendices T and FF; Article 17.1.2 of ISO tariff Appendices V, Z, BB, CC, and EE.

[37] Article 10 of ISO tariff Appendices T and FF; Article 27 of ISO tariff Appendices V, Z, BB, CC, and EE.

[38] Article 3 of ISO tariff Appendices T and FF; Article 2.3.4 of ISO tariff Appendices V, Z, BB, CC, and EE.

- Upon approval by FERC to terminate the agreement, the parties will "take all appropriate steps" to disconnect the generating facility from the ISO controlled grid.[39]

[39] Article 3.3.3 of ISO tariff Appendices T and FF; Article 2.5 of ISO tariff Appendices V, Z, BB, CC, and EE.

Appendix A

Steps and timeframes associated with the one-time downsizing opportunity		
Step no.	**Sequential steps in the generator downsizing process (Including citations to relevant ISO tariff sections)**	**Timeframe**
1	Each downsizing generator submits its generator downsizing request to the ISO. (Appendix GG Sections 2.3, 2.5.1) Each downsizing generator must meet all requirements of good standing of its interconnection request. (Appendix GG Section 2.4(2))	No later than the generator downsizing request due date, *i.e.*, 5:00 p.m. Pacific time on January 4, 2013
2	The ISO notifies each downsizing generator whether its generator downsizing request is deemed complete, valid, and ready to be studied. (Appendix GG Section 2.5.2.1) If the generator downsizing request is not deemed complete, valid, and ready to be studied, the process starts for requesting and providing additional information to address the deficiencies in the generator downsizing request. (Appendix GG Section 2.5.2.2)	No later than 10 business days after the generator downsizing request due date
3	The ISO issues a market notice when it has posted on its website (1) a listing of valid generator downsizing requests and (2) a preliminary estimate of the aggregate study costs for conducting the generator downsizing study. Issuance of this market notice opens the opportunity for each downsizing generator to withdraw its generator downsizing request pursuant to the information provided in the market notice, *i.e.*, opens the first withdrawal opportunity. (Appendix GG Sections 3, 5.1(i))	Following the generator downsizing request due date, in late January 2013
4	The ISO tenders a downsizing generator payment obligation agreement to each downsizing generator that has not thus far chosen to exercise the first withdrawal opportunity. (Appendix GG Section 6.1)	No later than 5 calendar days prior to the close of the first withdrawal opportunity as described in step 5
5	Close of the first withdrawal opportunity. (Appendix GG Section 5.1(i))	8:00 a.m. Pacific time on the sixth business day following issuance of the market notice described in step 3
6	Each downsizing generator that chooses not to exercise the first withdrawal opportunity must execute and return its tendered downsizing generator payment obligation agreement to the ISO. (Appendix GG Section 6.1)	Within 5 calendar days after tender of the downsizing generator payment obligation agreement as described in step 4
7	The ISO issues a market notice of the anticipated commencement and completion dates of the generator downsizing study. (Appendix GG Section 6.4)	January/February 2013
8	The ISO and participating transmission owners perform the generator downsizing technical assessment for the generator downsizing study. (Appendix GG Section 6; Attachment A to Appendix 4 of Appendix GG)	February - April 2013
9	The ISO provides written notice to each downsizing generator whose cost responsibility for network upgrades is expected to increase by more than five percent or five million dollars, whichever is lower, from the cost responsibility identified in its interconnection facilities study, Phase II interconnection study report, or generator interconnection agreement. Provision of this written notice opens the opportunity for each downsizing generator that receives such notice to withdraw its generator	April 2013

Steps and timeframes associated with the one-time downsizing opportunity		
Step no.	**Sequential steps in the generator downsizing process (Including citations to relevant ISO tariff sections)**	**Timeframe**
	downsizing request pursuant to the information provided in the notice, *i.e.*, opens the second withdrawal opportunity. (Appendix GG Section 5.1(ii))	
10	Close of the second withdrawal opportunity. (Appendix GG Section 5.1(ii))	8:00 a.m. Pacific Time on the eighth business day following provision of the written notice described in step 9
11	The ISO and participating transmission owners complete the generator downsizing study. The ISO provides a generator downsizing study report to each downsizing generator that has not exercised the first or second withdrawal opportunity and to each affected generator. (Appendix GG Section 6; Attachment A to Appendix 4 of Appendix GG)	Late June 2013
12	Each downsizing generator may request a generator downsizing study results meeting with the ISO and the applicable participating transmission owner(s). (Appendix GG Section 10)	Within 10 calendar days of receipt of the generator downsizing study report
13	Each affected generator may request a generator downsizing study results meeting with the ISO and the applicable participating transmission owner(s). (Appendix GG Section 10)	Within 14 calendar days of receipt of the generator downsizing study report
14	The ISO provides notice of updated posting amounts of interconnection financial security, if necessary, to each downsizing generator and affected generator whose cost responsibility for network upgrades and/or participating transmission owner's interconnection facilities changes between its earlier interconnection studies and the generator downsizing study. (Appendix GG Section 12(2))	Within 15 business days of the issuance of the generator downsizing study report
15	The applicable participating transmission owner(s) and the ISO tenders to each downsizing generator or affected generator a draft amendment to its executed generator interconnection agreement, if necessary, together with draft amended appendices. (Appendix GG Section 13) If the downsizing generator or affected generator has not yet executed a generator interconnection agreement, then the applicable participating transmission owner(s) and the ISO will, if necessary, tender a revised draft generator interconnection agreement with draft appendices. (Appendix GG Section 13) Also, the process subsequent to such tender for providing comments, negotiation, and execution and filing of a revised generator interconnection agreement, or an amendment to an executed generator interconnection agreement, including all timeframes, will be identical to the process set forth in Appendix Y Section 11, or as agreed to by the downsizing generator or affected generator, ISO, and participating transmission owner(s). (Appendix GG Section 13)	Within 30 calendar days after the ISO provides the generator downsizing study report
16	To the extent that a downsizing generator's cost responsibility for network upgrades or participating transmission owner's interconnection facilities increases or decreases, or an affected generator's cost responsibility for network upgrades or participating transmission owner's interconnection facilities decreases, adjustments to the interconnection financial security to conform to the updated amounts specified in the notice described in step 14 must be made. (Appendix GG Section	Within 30 calendar days after the issuance of the notice described in step 14

Steps and timeframes associated with the one-time downsizing opportunity		
Step no.	**Sequential steps in the generator downsizing process (Including citations to relevant ISO tariff sections)**	**Timeframe**
	12(2))	
17	The participating transmission owner and any third parties performing work related to the generator downsizing study on the downsizing generator's behalf must invoice the ISO for such work. (Appendix GG Section 2.12)	Within 75 calendar days of completion of the generator downsizing study
18	The ISO issues invoices to the downsizing generator based upon the invoices provided to the ISO as described in step 17 and the ISO's own costs for the generator downsizing study. (Appendix GG Section 2.12)	Within 30 calendar days after the invoices are provided to the ISO as described in step 17
19	Each downsizing generator that receives an invoice as described in step 18 must pay any invoiced amount not covered by the downsizing generator's generator downsizing deposit. (Appendix GG Sections 2.7, 2.12)	Within 30 calendar days of the date of the invoice

Attachment D – Addendum to Draft Final Proposal

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

Interconnection Process Enhancements

Addendum to the Draft Final Proposal for Topics 1 and 2

September 24, 2013

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Interconnection Process Enhancements

Addendum to the September 12, 2013

Draft Final Proposal for Topics 1 and 2

1 Introduction

The ISO posted its draft final proposal for Topic 1 (future downsizing policy) and Topic 2 (disconnection of a completed phase or phases of a project due to failure to complete a subsequent phase) on September 12. The ISO subsequently issued a modification to how it proposes to calculate a downsizing generator's share of downsizing study costs in a supplemental presentation posted on September 18. On September 19 the ISO held a stakeholder web conference to discuss both the draft final proposal and the supplemental presentation. During the September 19 stakeholder web conference the ISO discussed its intention to issue an addendum to the draft final proposal to explain its proposed modification regarding downsizing study costs. Following the stakeholder web conference the ISO has identified another modification it is proposing to make to its draft final proposal regarding reductions in interconnection financial security postings.

This addendum is intended to present both of these modifications to stakeholders. This addendum will be discussed during a stakeholder web conference on October 3. The due date for written stakeholder comments on both the September 12 draft final proposal and this addendum is extended to October 7 (rather than the previous deadline of October 3).

2 Downsizing study costs

Consistent with the one-time downsizing opportunity approved by FERC in 2012, under the draft final proposal downsizing generators will be obligated to finance the costs of evaluating the impacts of their downsizing. Throughout this initiative stakeholders have broadly supported this requirement. In this section the ISO refines its draft final proposal for how to calculate a downsizing generator's share of the costs of the GIDAP reassessment study, which under the ISO's proposal will be the vehicle used to evaluate generator downsizing impacts.

2.1 September 12 draft final proposal and September 18 presentation

In the September 12 draft final proposal, the ISO proposed that the downsizing generator's share of actual study costs will be equal to the actual costs of that particular annual GIDAP reassessment multiplied by a ratio with the quantity of one in the numerator and the sum of three quantities in the denominator. The three quantities in the denominator would be: (i) the number of new downsizing requests; (ii) the number of interconnection request withdrawals since the last GIDAP reassessment; and (iii) the number of projects that have reduced the MW generating capacity or changed deliverability status of their proposed facilities under the GIDAP requirements. The ISO subsequently realized that the proposed denominator was too limited, however, because the GIDAP reassessment study is a central component of the interconnection study process for all interconnection customers proceeding through the GIDAP. Thus, given the essential role of the reassessment study in the overall GIDAP design, the cost of the reassessment study should be distributed over all projects for which the study is performed, including projects moving through the GIDAP as well as projects participating in the annual downsizing window.

On September 19 the ISO held a stakeholder web conference to discuss the draft final proposal. In advance of the web conference, the ISO posted an agenda and presentation on September 17, and then posted a supplemental presentation on September 18 to revise the calculation of the study cost shares for downsizing generators. In the supplemental presentation, the ISO identified that the cost share calculation in the September 12 draft final proposal did not reflect the full scope of drivers and beneficiaries of the GIDAP reassessment study and therefore needed to be amended. The supplemental presentation used as an example the GIDAP reassessment study that will be performed in 2015 and identified the multiple purposes of that study (pursuant to Appendix DD Section 2.4.3)[1]. The purposes of the 2015 study were listed as follows:

1. Setting up the transmission plan deliverability allocation for Cluster 6 and parked Cluster 5 projects;
2. Accounting for the transmission plan deliverability awards and subsequent decisions by Cluster 6 and parked Cluster 5 projects;
3. Setting up the Phase II study for Cluster 7 projects;
4. Setting up the Phase I study for Cluster 8 projects; and,
5. Assessing the impacts identified in the September 12 draft final proposal:
    a. New downsizing requests from the proposed Oct-Nov 2014 downsizing request window;
    b. Interconnection request withdrawals since the last reassessment; and,
    c. Projects that reduced their size since the last reassessment.

[1] This section specifies that for interconnection requests in Cluster 5 and subsequent Clusters, the interconnection studies consist of a Phase I interconnection study, a reassessment conducted prior to the commencement of a Phase II interconnection study, a Phase II interconnection study, and an update to the Phase II interconnection study report to reflect the results of a reassessment conducted after the transmission plan deliverability ("TP Deliverability") allocation process for the Cluster.

Based on these multiple purposes and the potential beneficiaries (pursuant to Appendix DD Section 3.5.1.2)[2], and continuing with the 2015 reassessment example, the supplemental presentation went on to clarify that a downsizing generator's share of actual study costs would be equal to:

$$\textit{Total GIDAP reassessment cost} \div (n_1 + n_2 + n_3 + n_4 + n_5)$$

where

n_1 = number of valid downsizing requests, queue withdrawals and projects that reduced size since last reassessment

n_2 = number of parked Cluster 5 projects

n_3 = number of Cluster 6 projects

n_4 = number of Cluster 7 projects

n_5 = number of Cluster 8 projects.

2.2 Modification to the September 12 draft final proposal

Upon further consideration following the September 19 web conference, the ISO has concluded that it is not appropriate to include sub items 5b and 5c in the denominator of the formula and is now proposing that these two items be removed from the calculation of downsizing study cost shares. The reasons for this are as follows. First, although interconnection request withdrawals (i.e., item 5b) are studied in the reassessment, they are not allocated a cost share of the reassessment study and to include them in this list would result in the reassessment costs not being fully allocated to the beneficiaries of the GIDAP reassessment. Second, projects that reduced their size since the last reassessment (i.e., item 5c) are already accounted for by item 2 listed above.

Thus, continuing with the 2015 reassessment example, the ISO is now proposing that a downsizing generator's share of the actual study costs would be equal to:

$$\textit{Total GIDAP reassessment cost} \div (n_1 + n_2 + n_3 + n_4 + n_5)$$

where

n_1 = number of valid downsizing requests from Oct-Nov 2014 request window

n_2 = number of parked Cluster 5 projects

n_3 = number of Cluster 6 projects

n_4 = number of Cluster 7 projects

[2] This section requires that the ISO shall charge and the interconnection customer shall pay the actual costs of the interconnection studies.

n_5 = number of Cluster 8 projects

This calculation ensures that a downsizing project, as one of several beneficiaries of the GIDAP reassessment study, only pays its appropriate share of the study costs. The terms in the denominator as proposed in this addendum would have the effect of reducing a downsizing generator's share of the actual study costs relative to calculation presented in the September 12 draft final proposal.

3 Reduction in posting requirements

The ISO believes that each downsizing interconnection customer should be obligated to continue to finance the costs of certain network upgrades that have been identified for the project during the interconnection study process if projects in the same or later queue are shown to need such upgrades. The ISO has consistently taken this position throughout this initiative and stakeholders have broadly supported this approach. The relevant upgrades include the upgrades previously triggered by the downsizing generator at its full size as well as alternatives to these previously triggered upgrades. The cost cap on the downsizing generator's cost responsibility remains the lower of the Phase I or Phase II cost allocation – the ISO has not proposed any change to this principle under its annual downsizing proposal.

If a downsizing generator's network upgrades are eliminated or reduced in scope, however, then a reduction in the interconnection customer's interconnection financial security posting requirements may result. In this section the ISO modifies the draft final proposal to address the timing of any applicable reduction in the customer's required financial security posting that may result from downsizing of the project.

3.1 September 12 draft final proposal

In response to the July 18 straw proposal, PG&E proposed in its written comments that downsizing requests should not result in a reduction in postings already made; but rather, any reduction in posting requirements should be trued up at the next posting. For example, if a downsizing project has completed its second posting and the downsizing resulted in a reduction of its posting obligation, then the reduction would occur as a true-up at the time of the third posting.

The ISO considered PG&E's proposal and in the September 12 draft final proposal stated that it did not support PG&E's proposal because of the possibility that such a true-up may not occur until several years in the future, especially if network upgrade construction is delayed.

3.2 Modification to the September 12 draft final proposal

Upon further consideration, the ISO has concluded that PG&E's proposal is the more reasonable approach and is proposing in this addendum that any reduction in posting requirements be trued-up at the next posting and not result in a reduction in postings already made. This revised approach would bring this element of the ISO's annual downsizing proposal into alignment with the ISO's general existing practice of making such true-ups at the next posting rather than making an immediate reduction in postings already made. To be more specific, if through the GIDAP reassessment study the network upgrades triggered by a non-downsizing generator are eliminated or reduced in scope and this results in a reduction in the posting requirements for a non-downsizing generator because of a reduction in the costs of network upgrades assigned to that customer, then such reductions will be trued-up at the next posting.[3] Since the ISO is proposing to study the combined impacts of downsizing requests through this same GIDAP reassessment study, it would be inappropriate not to treat their reductions in posting requirements similarly.

Under the prior one-time downsizing process, the combined impacts of downsizing requests were not studied in the GIDAP reassessment, as it was not yet in place and the one-time downsizing opportunity was limited to pre-GIDAP projects. Instead, the combined impacts of the one-time downsizing requests were assessed in a special downsizing study conducted solely for the purpose of the one-time downsizing opportunity. Any reduction in posting requirements that resulted from this special study were made, consistent with explicit tariff requirements, shortly after the completion of the downsizing study rather than being trued-up at the next posting. Based on its experience in implementing the one-time downsizing process, the ISO has found that this one-time exception in reducing postings already made prior to the next required posting, was an extremely complicated, highly labor intensive and very cumbersome process.

Thus, for all of the reasons discussed above, the ISO is now proposing, in this addendum to its September 12 draft final proposal, to true-up any reductions in posting requirements at the next posting.

4 Stakeholder process next steps

Table 1 summarizes the anticipated stakeholder process schedule for the remainder of the IPE initiative for Topics 1 and 2. Although written stakeholder comments on the September 12 draft final proposal were originally due by October 3, the ISO will now hold a stakeholder call on October 3 to discuss this addendum and so has delayed the comment due date to October 7.

[3] Under Appendix DD Section 11.5, for interconnection customers having selected Option (B), the most recent reassessment conducted under Section 7.4 in any interconnection study cycle following the interconnection customer's receipt of its Phase II interconnection study report shall provide the most recent cost estimates for the interconnection customer's area delivery network upgrades ("ADNUs") and the interconnection customer shall adjust its interconnection financial security for network upgrades to correspond to the most recent estimate for ADNUs. This exception to the ISO's general existing practice of making such true-ups at the next posting is appropriate because Option (B) projects are posting for the non-reimbursable ADNUs they are required to fund and therefore represent a special case. Under GIDAP there are no posting requirements for ADNU for Option (A) projects due to transmission plan deliverability allocations.

Table 1 – Stakeholder process schedule

Date	Milestone
September 12	Post draft final proposal for topics 1 and 2
September 17	Post agenda and presentation for September 19 stakeholder web conference
September 18	Post supplemental presentation regarding downsizing study costs
September 19	Stakeholder web conference
September 24	Post addendum to the September 12 draft final proposal for topics 1 and 2
October 3	Stakeholder web conference
October 7	Stakeholder comments due on both the September 12 draft final proposal and the September 24 addendum
November 7-8	ISO Board meeting
Early 2014	FERC filing

Attachment E – Second Addendum to Draft Final Proposal

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

Interconnection Process Enhancements

Second Addendum to the September 12, 2013 Draft Final Proposal for Topics 1 and 2

October 21, 2013

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Interconnection Process Enhancements

Second Addendum to the September 12, 2013

Draft Final Proposal for Topics 1 and 2

1 Introduction

The ISO posted its draft final proposal for Topic 1 (future downsizing policy) and Topic 2 (disconnection of a completed phase or phases of a project due to failure to complete a subsequent phase) on September 12. The ISO subsequently published a modification of how it proposes to calculate a downsizing generator's share of downsizing study costs in a supplemental presentation posted on September 18. On September 19 the ISO held a stakeholder web conference to discuss both the draft final proposal and the supplemental presentation. During the September 19 stakeholder web conference the ISO stated its intention to issue an addendum to the draft final proposal to explain its proposed modification regarding downsizing study costs. Following the stakeholder web conference the ISO identified another modification it proposed to make to its draft final proposal regarding reductions in interconnection financial security postings. On September 24 the ISO issued an addendum to the September 12 draft final proposal addressing both modifications.

On October 7 stakeholders submitted written comments on the September 12 draft final proposal as modified by the September 24 addendum. In consideration of these comments the ISO decided to make further modifications to its proposal as explained in this second addendum. The ISO will conduct a conference call on October 28 to discuss these modifications with stakeholders.

2 Topic 1 – Future downsizing policy

In stakeholder comments received October 7, some stakeholders raised issues that go beyond the scope of this initiative. The ISO recently issued the results of the first annual reassessment study performed under the Generator Interconnection and Deliverability Allocation Procedures. For some projects the reassessment results removed required network upgrades that were no longer needed. As a result, these customers may have expected immediate reductions in their interconnection financial security posting requirements. However, the ISO had planned to make such adjustments only later, at the time of the third and final posting. In the context of the proposed annual downsizing opportunity, to be consistent with the approach for other projects affected by the reassessment study, the ISO proposed that any adjustment in posting requirements for downsizing generators would also occur at the next posting. In their comments several stakeholders opposed this approach not just for downsizing projects, but for all projects affected by the reassessment study. Their concern emphasized the cost a customer could incur to maintain, potentially for years, their previously posted financial security that was now seen to be excessive in view of the reduced network upgrade requirements.

Although the ISO recognizes the importance of this stakeholder concern, the concern is related to the reassessment study process and all projects affected by it, and thus beyond the scope of the annual downsizing proposal. The ISO therefore proposes to open a new initiative in 2014 to consider more broadly the matter of adjustments to security posting requirements resulting from the reassessment studies, including but not limited to adjustments for projects participating in the annual downsizing window. In the near term, the ISO proposes to adopt the proposal made by the Large-scale Solar Association to allow, as quickly as possible, a reduction in the interconnection financial security posting in cases where a customer's total cost responsibility, as indicated by the recent reassessment results, is less than the amount of security already posted by the customer. The ISO will issue a technical bulletin providing more detail on this in the near future.

3 Topic 2 – Disconnection of completed phase(s) of project due to failure to complete a subsequent phase

3.1 September 12 draft final proposal

In the draft final proposal for topic 2 the ISO identified the two situations comprising the scope of this topic. In either situation, under current tariff provisions, an interconnection customer could be in breach – and potentially at risk of default and termination – of its generator interconnection agreement (GIA).

1) The interconnection customer completes a phase or less than the full MW capacity of the project and decides to cancel the rest of the project;
2) The final MW capacity of the interconnection customer's project falls short of the 95-percent requirement to be considered to have substantially performed under the GIA in accordance with the 5 percent safe harbor provisions.

The ISO further explained that in either situation, the interconnection customer should be aware of the need to reduce the project size well before the commercial operation date specified in its GIA and should, given the proposal now offered under topic 1, participate in an annual downsizing window prior to its commercial operation date. Thus the situations identified above should rarely if ever arise; i.e., by utilizing one of the annual downsizing windows the interconnection customer can fully prevent the triggering of a GIA default due to reduced MW build-out of its project. In addition, some projects may be eligible to incorporate partial termination provisions in their GIAs, which gives them the ability to reduce their project sizes by exercising partial termination and thus avoid both the downsizing window process and GIA default due to size reduction.

The ISO therefore proposed, in the September 12 draft final proposal, that if an interconnection customer is in situation (1) or (2) above and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions in its GIA, and if the project's commercial operation date as specified in its GIA occurs before the next downsizing window opens, then:

a) The ISO will not seek to terminate the GIA solely due to the interconnection customer's failure to complete the full MW required under the GIA, subject to the following rules.

b) The interconnection customer will still be responsible for all interconnection financial security postings and costs associated with the full MW size of the project as stated in the GIA.

c) With regard to interconnection financial security postings and other costs for which the interconnection customer would normally have been reimbursed, the *pro rata* portion of such postings and costs associated with the cancelled MW portion or phase(s) of the project will not be eligible for reimbursement, unless the interconnection customer can demonstrate that the MW size reduction is due to one of the three factors listed below which are beyond the interconnection customer's control, and that the interconnection customer only learned of the relevant factor(s) after the last opportunity to enter a downsizing window had passed. The three factors are the same ones that are identified in the current ISO tariff as conditions for the ISO to consider allowing an interconnection customer whose final project size falls short of meeting the requirements of the 5 percent safe harbor provisions to avoid being found in breach of the GIA. These three factors are:

    i. The interconnection customer's failure to secure required permits and other governmental approvals to construct the generating facility at its total MW generating capacity specified in the interconnection request after making diligent efforts.

    ii. The interconnection customer's receipt of a written statement from the permitting or approval authority indicating that construction of the facility at the total MW size specified in interconnection request will likely result in disapproval due to significant environmental or other impact that cannot be mitigated.

    iii. The interconnection customer's failure to obtain legal right to use of the full site acreage necessary to construct/operate the total MW generating capacity size for the entire generating facility after making diligent efforts (only applies where an interconnection customer had previously demonstrated and maintained its demonstration of site exclusivity).

d) If the interconnection customer informs the ISO that it needs to reduce its project size due to situation (1) or (2) above and there is an opportunity to enter an annual downsizing window prior to the project's commercial operation date, then the interconnection customer will be required to either utilize the downsizing window or forfeit any eligibility for reimbursement of costs as discussed in item (c) above.

e) The interconnection customer will be obligated to pay for GIA amendment costs.

3.2 Proposed modification

In the submitted written comments several stakeholders argued for further relief of the customer's loss of reimbursement for the pro rata share of financial security postings associated with the MW project capacity that was not completed, as specified in item (c) above, particularly in instances where the associated transmission capacity was either not built because it was not needed, or was built and utilized by subsequent interconnection customers. Although the ISO does not favor such an approach because it would be unduly cumbersome to administer, the ISO does find merit in the rationale behind these stakeholders' proposals and therefore offers a simpler approach that should satisfactorily address the concerns.

The ISO now proposes that if an interconnection customer is in situation (1) or (2) above and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions in its GIA, and if the project's commercial operation date as specified in its GIA occurs before the next downsizing window opens, then:

> The ISO will not consider the customer to be in breach nor seek to terminate the interconnection agreement solely due to the failure to complete the full megawatt size required under the interconnection agreement, provided that the customer enters the next available downsizing window and complies with all applicable costs and requirements as approved for the new annual downsizing opportunity.

The ISO clarifies that the customer's failure to comply with the above proviso would, of course, fail to relieve the GIA breach conditions and potential consequences that this initiative was intended to address.

4 Stakeholder process and next steps

Table 1 summarizes the anticipated stakeholder process schedule for the remainder of the IPE initiative for Topics 1 and 2.

Table 1 – Stakeholder process schedule

Date	Milestone
September 12	Post draft final proposal for topics 1 and 2

Date	Milestone
September 17	Post agenda and presentation for September 19 stakeholder web conference
September 18	Post supplemental presentation regarding downsizing study costs
September 19	Stakeholder web conference
September 24	Post addendum to the September 12 draft final proposal for topics 1 and 2
October 3	Stakeholder web conference
October 7	Stakeholder comments due on both the September 12 draft final proposal and the September 24 addendum
October 21	Post second addendum to the draft final proposal
October 28 (1:00-3:00)	Stakeholder web conference (see market notice for more information)
November 7-8	ISO Board meeting
Early 2014	FERC filing

Attachment F – Board Memorandum

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

Memorandum

To: ISO Board of Governors

From: Keith Casey, Vice President, Market and Infrastructure Development

Date: October 31, 2013

Re: Decision on interconnection process enhancements for downsizing and risk of disconnection

This memorandum requires Board action.

EXECUTIVE SUMMARY

California's renewable portfolio standards and environmental goals have resulted in significant development of new renewable solar and wind generation projects in recent years. The design of these projects is often scalable, and generator interconnection customers may find themselves in a situation where the project size listed in their original interconnection request may no longer be viable, for siting, commercial or other reasons, thereby impeding their ability to perform in accordance with their generator interconnection agreement.

When the one-time generator downsizing proposal was approved by the Board on September 13, 2012, stakeholders expressed both a need for future downsizing opportunities and a concern that the ISO might attempt to terminate their interconnection agreements for failure to build their full project size. At that meeting, Management responded by committing to address these two topics in the next interconnection enhancements initiative. The interconnection process enhancements initiative conducted this year resulted in proposals relating to both of these issues.

To address the first issue, Management is proposing an annual downsizing opportunity beginning in 2014, open to any active projects in the interconnection queue. The availability of an annual downsizing opportunity also helps address the second issue by providing interconnection customers with recurring opportunities to reduce their project size and thus avoid the risk of breach and termination of their interconnection agreements due to completing less than a project's full specified capacity. To further address the risk of disconnection, Management is proposing to clarify that the ISO will not seek to terminate a customer's interconnection agreement solely due to the customer's failure to complete the full megawatt size of its project, provided the customer participates in the next available annual downsizing opportunity.

Management recommends the following motion:

> ***Moved, that the ISO Board of Governors approves the proposal for generator project downsizing and risk of disconnection, as described in the memorandum dated October 31, 2013; and***
>
> ***Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.***

DISCUSSION AND ANALYSIS

Generator project downsizing: Management proposes an annual downsizing window with no specified sunset date. The proposed window will allow all downsizing requests each year to be studied together within the existing interconnection study process. The ISO intends this annual downsizing opportunity to be the primary means for a customer to reduce the megawatt size of its project. The design of the proposed annual downsizing opportunity follows closely the design of the one-time downsizing opportunity approved in 2012. The key elements of the generator project downsizing proposal are:

1. Request window: Each annual process begins with a one-month request window that opens in mid-October. The first window will open in October 2014.
2. Eligibility: The annual window will be open to any active project that wants to downsize for any reason, thus maximizing customer flexibility.
3. Number of downsizing requests: There is no limit on the number of annual downsizing processes a project can participate in. This does not allow a project to automatically extend its maximum time in queue, however, as the existing limits will remain in effect (10 years from the interconnection request to the in-service date for serial projects and seven years for cluster projects).
4. Downsizing projects with existing interconnection agreements will be required to amend their agreements to reflect the outcome of the downsizing study.
5. Downsizing study: The combined impacts of each year's downsizing requests will be studied in the annual reassessment study process under the generator interconnection and deliverability allocation procedures. This approach efficiently leverages existing study processes, in contrast to the special downsizing study required for the one-time downsizing opportunity held this year.
6. Commitment to downsizing: A downsizing customer will be allowed to withdraw its downsizing request only up to the close of the downsizing window, but not after that. Thus, the customer will be committed to downsizing if its request is deemed complete, valid and ready to be studied. This commitment will prevent

later withdrawals of downsizing requests from harming other customers by delaying or requiring restarts of the reassessment studies.

7. Protection for affected non-downsizing customers: Each downsizing customer will be obligated to finance the costs of the network upgrades that its project triggered at full size, or alternatives to those upgrades, if needed by projects in the same or later queue cluster, up to the limit of the customer's cost cap.
8. Downsizing deposit: Customers will be obligated to pay the actual costs of downsizing studies and amending their interconnection agreements. Each downsizing generator will provide a $60,000 deposit to be applied toward actual costs incurred by the ISO and the participating transmission owners. The deposit consists of two portions: $50,000 toward study costs and $10,000 for amending the downsizing customer's interconnection agreement.
9. Material modification requests: Currently serial interconnection customers may request downsizing by submitting a modification request. Management proposes to specify that once the first annual downsizing window opens, serial customers will no longer be permitted to request capacity reductions through material modification requests.

Risk of disconnection: During the stakeholder initiative, two situations were identified in which, under current tariff provisions, an interconnection customer could potentially be found to be in breach and at risk of termination of its interconnection agreement due to failure to develop the full megawatt capacity of its project, even though a portion of the project was proceeding to or had already come online: (1) the interconnection customer completes a phase or a partial amount of the full megawatt capacity of the project and decides to cancel the rest of the project; or (2) the final megawatt capacity of the completed project falls short of 95 percent of its studied capacity, which is the "substantial performance" requirement under the ISO's interconnection agreement.

Given the availability of the annual downsizing window proposed above, Management believes that these situations should rarely if ever occur, because in most cases the customer should be able to anticipate the need to downsize and use the annual window to reduce the project size specified in its interconnection agreement. Nevertheless, if a customer's final commercial operation date is imminent and the customer is in situation (1) or (2) and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions, Management proposes that:

> The ISO will not consider the customer to be in breach nor seek to terminate the interconnection agreement solely due to the failure to complete the full megawatt size required under the interconnection agreement, provided that the customer enters the next available downsizing window and complies with all applicable costs and requirements as approved for the new annual downsizing opportunity.

As noted above, under current tariff provisions, if a customer completes 95 percent of the megawatt capacity specified in its interconnection agreement, the project is deemed to have “substantially performed” with respect to the project size required under the agreement. This is often referred to as a five percent “safe harbor” with respect to the size requirement. As an additional element to address the risk of disconnection issue for smaller projects, Management is proposing to modify the safe harbor language to read “the greater of 5 percent of the project capacity or 10 megawatts, but not greater than 25 percent of the project capacity.” This will make the safe harbor more accommodating, especially with respect to smaller projects.

POSITIONS OF THE PARTIES

All stakeholders either fully support, or support with qualifications, the annual downsizing proposal. The main qualifications expressed and Management’s responses are as follows.

Management’s proposal states that the first window would open in October 2014. The Independent Energy Producers expressed concern that projects with a commercial operation date prior to this date would not have an opportunity to downsize and could be in breach of their interconnection agreements for failure to build the full megawatt capacity of their projects. Management believes that the proposal to allow a customer to avoid breach by entering the next available downsizing window, as explained above in connection with the risk of disconnection issue, addresses this concern.

Some stakeholders expressed concerns regarding a provision in the proposal whereby a customer would lose eligibility for reimbursement of network upgrade costs in proportion to the megawatt project capacity that was not completed, if the customer proceeded all the way to its final commercial operation date without using the available downsizing opportunities. These stakeholders argued that this provision was punitive, particularly in instances where the associated transmission capacity was either not built because it was not needed, or was built and used by subsequent interconnection customers. In response, Management issued an addendum to the proposal on October 21, removing the loss of reimbursement provision and instead requiring the customer to participate in the next available downsizing window.

Some stakeholders raised issues that go beyond the scope of this initiative. The ISO recently issued the results of the first annual reassessment study performed under the generator interconnection and deliverability allocation procedures. For some projects the reassessment results removed network upgrades that were no longer needed due to other projects withdrawing from the queue. As a result, these customers may have expected immediate reductions in their interconnection financial security posting requirements. However, Management had planned to make such adjustments only later, at the time of the third and final posting of financial security. In the context of the proposed annual downsizing opportunity, to be consistent with the approach for other projects affected by the reassessment study, Management proposed that any adjustment in posting requirements for downsizing generators would occur at the next posting. In their comments, several stakeholders opposed this approach, not just for downsizing projects, but for all projects affected by the reassessment study. Their concern emphasized the cost a customer could incur to maintain, potentially for years, their previously posted financial security that these stakeholders maintain would be excessive in view of the reduced network upgrade requirements.

Although Management recognizes the importance of this stakeholder concern, it is beyond the scope of the annual downsizing proposal because it concerns all projects affected by the reassessment study process, which was implemented as part of the generator interconnection and deliverability allocation procedures initiative. For customers participating in the first annual downsizing window in late 2014, the reassessment study will be completed in 2015 and the potential need for reducing security postings for these customers will not arise before that time. Therefore, Management proposes to open a new initiative in 2014 to consider more broadly the matter of adjustments to security posting requirements resulting from the reassessment studies, including the posting requirements for customers participating in the annual downsizing opportunities. The policy outcome from this initiative would be made available going forward to projects that just completed the recent reassessment study process. In the near term, Management proposes to adopt the proposal made by the Large-scale Solar Association to allow, as quickly as possible, a reduction in the interconnection financial security posting in cases where a customer's total cost responsibility, as indicated by the recent reassessment results, is less than the amount of security already posted by the customer.

CONCLUSION

Management recommends that the Board approve the proposal described in this memorandum to address both the need for future downsizing opportunities and the risk of disconnection issue. This proposal is broadly supported by stakeholders and was refined to address their major comments and concerns. Management believes that its proposal will provide interconnection customers with significantly more flexibility to modify their projects to match the commercial realities they face, improve their ability to comply with the requirements of their generator interconnection agreements, and improve the ISO's ability to administer the interconnection queue more efficiently.

Attachment G – Key Dates in Stakeholder Process

Interconnection Process Enhancements Topics 1 and 2

California Independent System Operator Corporation

May 29, 2014

List of Key Dates in the Stakeholder Process for this Tariff Amendment

Date	Event/Due Date
April 8, 2013	ISO issues paper entitled “Interconnection Process Enhancements – Scoping Proposal”
April 22, 2013	ISO hosts stakeholder conference call that includes discussion of paper issued on April 8 and presentation entitled “Interconnection Process Enhancements Initiative – Scoping Proposal”
April 30, 2013	Due date for written stakeholder comments on paper issued on April 8
June 3, 2013	ISO issues paper entitled “Interconnection Process Enhancements – Issue Paper”
June 11, 2013	ISO hosts stakeholder conference call that includes discussion of paper issued on June 3 and presentation entitled “Interconnection Process Enhancements Initiative – Issue Paper”
June 25, 2013	Due date for written stakeholder comments on paper issued on June 3
July 18, 2013	ISO issues paper entitled “Interconnection Process Enhancements – Straw Proposal”
August 8, 2013	ISO hosts stakeholder meeting that includes discussion of paper issued on July 18 and presentation entitled “Interconnection Process Enhancements Initiative – Straw Proposal for Topics 1-5 and 13-15”
August 22, 2013	Due date for written stakeholder comments on paper issued on July 18
September 12, 2013	ISO issues paper entitled “Interconnection Process Enhancements – Draft Final Proposal for Topics 1 and 2”
September 19, 2013	ISO hosts stakeholder conference call that includes discussion of paper issued on September 12 and presentations entitled “Interconnection Process Enhancements Initiative – Draft Final Proposal for Topics 1 and 2” and “Downsizing Study Costs – Amendment to ISO’s 9/12/13 Draft Final Proposal for Topics 1 and 2 of the Interconnection Process Enhancements Initiative”
September 24, 2013	ISO issues paper entitled “Interconnection Process Enhancements – Addendum to the Draft Final Proposal for Topics 1 and 2”
October 3, 2013	ISO hosts stakeholder conference call that includes discussion of paper issued on September 24 and presentation entitled “Interconnection Process Enhancements Initiative – Addendum to the Draft Final Proposal for Topics 1 and 2”
October 7, 2013	Due date for written stakeholder comments on papers

Date	Event/Due Date
	issued on September 12 and September 24
October 21, 2013	ISO issues paper entitled "Interconnection Process Enhancements – Second Addendum to the September 12, 2013 Draft Final Proposal for Topics 1 and 2"
October 28, 2013	ISO hosts stakeholder conference call that includes discussion of paper issued on October 21 and presentation entitled "Interconnection Process Enhancements Initiative – Second Addendum to the Draft Final Proposal for Topics 1 and 2"
January 10, 2014	ISO issues draft tariff revisions to implement topics 1 and 2
January 24, 2014	Due date for written stakeholder comments on draft tariff revisions issued on January 10
January 29, 2014	ISO hosts stakeholder conference call that includes discussion of draft tariff revisions issued on January 10
February 14, 2014	ISO issues revised draft tariff revisions to implement topics 1 and 2
May 27, 2014	ISO issues final draft tariff revisions to implement topics 1 and 2