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CAISO Board of Governors
Chair Jan Schori
Vice Chair Severin Borenstein
Joe Eto
Angelina Galiteva
Mary Leslie

Re: Interconnection Process Enhancements 2023
NCPA Comments to the Board of Governors

Dear CAISO Board of Governors:

Thank you for your consideration of the following comments. The Northern California Power Agency (NCPA) supports the Final Proposal in the 2023 Interconnection Process Enhancements Stakeholder Initiative, as clarified by the May 9, 2024 Addendum to Final Proposal. The Final Proposal tackles the difficult, but critically important, issue of interconnection reform. The current study and queue processes are insufficient to manage the unprecedented volume of interconnection requests CAISO is facing. These challenges have significant impacts on load-serving entities (LSEs), who must be able to access the generation resources they need to reliably serve their customers and meet environmental mandates.

Over the course of a thorough and robust stakeholder process, CAISO has developed and refined a proposal that offers creative and forward-thinking solutions to this complex issue. While stakeholders, including NCPA, may not favor every individual element of the proposal viewed in isolation, CAISO has created an overall package that appropriately balances wide-ranging stakeholder interests to address this urgent problem. NCPA appreciates the attention and effort CAISO has devoted to this vital issue.

CAISO's Final Proposal includes several much-needed improvements to the interconnection study and queue management processes. First, building off the December 2022 Memorandum of Understanding between CAISO, the California Public Utilities Commission (CPUC), and California Energy Commission (CEC), the proposal further aligns resource and transmission planning activities, interconnection processes, and resource procurement. Critically, the proposal recognizes that non-CPUC jurisdictional LSEs must have their resource needs and portfolios included in the transmission planning process. NCPA applauds CAISO for recognizing that the resource plans of all LSEs must be considered on a comparable basis in the planning

process, as such inclusion is essential for CAISO's proposal to prioritize projects in zones with existing or approved transmission capacity to be just and reasonable.

Second, NCPA supports CAISO's proposal to prioritize certain projects for study purposes based on commercial readiness and available transmission capacity. This prioritization is necessary to address the overwhelming volume of interconnection requests and to allow CAISO to conduct studies that produce meaningful and useful results. This proposal ultimately improves access to the grid by ensuring that the study and queue process are manageable. As discussed below, CAISO's carefully balanced scoring criteria appropriately evaluate which project are most ready for study in a given cycle.

Third, NCPA strongly supports CAISO's inclusion of LSE interest as one of the scoring criteria used to evaluate project readiness for study. A significant amount of procurement will be necessary for LSEs to meet requirements set by California and by the CPUC (for CPUC-jurisdictional LSEs) or Local Regulatory Authorities (for non-CPUC jurisdictional LSEs—who face similar, and sometimes even more stringent, requirements). These procurement needs must inform how CAISO prioritizes which projects are most ready for study in order to align state/LRA requirements and available supply, and ultimately address strains on the interconnection study and queue processes.

Although LSE interest is an important component of CAISO's scoring framework, the Final Proposal also appropriately limits the impact of LSE interest on the overall scoring process. Thus, the proposal recognizes and preserves the benefits of competition by limiting the impact of LSE interest in the following ways:

- LSE interest is one of two ways¹ for projects to receive points in the “Commercial Interest” scoring criterion, which accounts for only 30% of the total scoring criteria (the other two criteria, Project Viability and System Need, have higher weightings at 35% each).
- The number of LSE interest points available to LSEs for allocation each study cycle is limited to 50% of available Transmission Plan Deliverability. Since CAISO will study projects up to 150% of available TPD, this ensures that a significant portion of projects that proceed to study will be projects that do not receive any LSE interest points.
- The proposal meaningfully limits an LSE's ability to assign interest points to projects it develops itself. LSEs can only self-assign points to a maximum of three projects, or up to 25% of its capacity allocation, per cycle.²

¹ The Final Proposal also permits non-LSEs to award points to projects of interest.

² NCPA would strenuously object to such a limitation outside of the compromise provisions of the Final Proposal.

These numerous restrictions and limitations on the LSE interest mechanism ensure that there will be many projects that can proceed to study without LSE interest points.

Importantly, the Final Proposal appropriately addresses stakeholder concerns that smaller LSEs may not receive a sufficient allocation to allow them to assign LSE interest points in a manner that reflects their needs. Because the amount of capacity provided to LSEs to allocate as LSE interest points is based on load share, a small LSE may not receive enough points to designate to needed resources. To reflect the practical realities of procurement processes—and the potential for significant ratepayer benefits from procurement of larger projects rather than year-to-year procurement of very small projects—the proposal allows an LSE to designate a single project to receive full points in the LSE interest category. But this “full allocation election” option requires the LSE to award all its points to only that one project in that cycle, which again limits the LSE interest points component of the overall scoring criteria.

Some participants have claimed that the LSE interest proposal infringes upon the principle of open access, but FERC’s open access policy was created to prevent transmission owners from using their control of their system to disadvantage competitors³—a situation not present here, where CAISO controls the grid and access to it. Indeed, FERC has recognized that “an RTO or ISO . . . is less likely to act in an unduly discriminatory manner than a Transmission Provider that is a market participant,” and therefore allows RTOs/ISOs greater flexibility to customize interconnection procedures based on their specific needs.⁴ CAISO is facing an

³ For instance, FERC has explained that “an open-access tariff that is not unduly discriminatory or anticompetitive should offer third parties access on the same or comparable basis, and under the same or comparable terms and conditions, *as the transmission provider’s* uses of its system.” *Am. Elec. Power Serv. Corp.*, 67 FERC ¶ 61,168, at 61,490 (emphasis added), *clarified*, 67 FERC ¶ 61,317 (1994). FERC re-affirmed that the focus of open access was ensuring comparable treatment of third parties by transmission owners in Order No. 888, explaining that “a voluntarily offered, new open access transmission tariff that did not provide for services comparable to those that the transmission owner provided itself was unduly discriminatory and anticompetitive.” *Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Service by Public Utilities; Recovery of Stranded Costs by Public Utilities*, Order No. 888, 75 FERC ¶ 61,080, FERC Stats. & Regs. ¶ 31,036, at 31,648 (1996), *order on reh’g*, Order No. 888-A, 78 FERC ¶ 61,220 (1997), *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in relevant part sub nom. Transmission Access Pol’y Study Grp., et al. v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1 (2002).

⁴ *Improvements to Generator Interconnection Procs. & Agreements*, Order No. 2023, 184 FERC ¶ 61,054, P 1764 n.3346 (quoting Paragraph 826 of Order No. 2003, and requiring that non-RTO/ISO transmission providers demonstrate that deviations from Order No. 2023 are consistent with or superior to that final rule, whereas RTO/ISOs are subject to the more flexible “independent entity variation” standard), *order on reh’g*, 185 FERC ¶61,063 (2023), *order on reh’g*, Order No. 2023-A, 186 FERC ¶61,199 (2024). Under the independent entity variation standard, an RTO/ISO must demonstrate that its proposed variation from a FERC rulemaking is

overwhelming number of applications. These challenges are fundamentally different than those that lead to FERC’s open access reforms, which focus on preventing unduly discriminatory conduct of non-independent transmission providers who controlled third party competitors’ ability to access the grid.

Indeed, at the time of the original Open Access orders, it is difficult to imagine a situation where one parent company might control LLCs responsible for 20 or more interconnection requests in a single cluster, which CAISO has reported does occur now.⁵ Interconnection Procedures must evolve to meet current challenges, and this is a particularly appropriate issue for an independent entity to tackle.

CAISO’s efforts to ensure an orderly, manageable study and queue process ultimately promotes open access by addressing the serious barriers to grid access caused by an unworkable number of interconnection requests. By using LSE interest as one indicator of project viability—and thus readiness for study—the Final Proposal is also consistent with FERC’s recognition that “because load-serving entities have an obligation to serve their native load, generating facilities that are being developed by such entities are generally less speculative for purposes of demonstrating commercial readiness.”⁶ Provided that there are options that allow independent power producers to move through the queue without LSE backing—as there undoubtedly are under the Final Proposal, given the many restrictions CAISO has placed on the LSE interest mechanism—consideration of commercial readiness and LSE interest is just, reasonable, and not unduly discriminatory.

Finally, concerns about the transparency of LSE point allocation are simply unfounded. As correctly acknowledged in the Addendum to the final proposal, LSEs already have in place requirements to run open and fair procurement processes—processes that will necessarily inform LSEs’ allocation of their interest points. Thus, while it is not CAISO’s role to dictate LSE procurement rules and processes, interconnection customers have ample information about how LSEs make such decisions. For example, NCPA recently concluded an RFP process that received a robust response, and which included considerable detail regarding NCPA’s needs and the kinds of projects it is looking for to meet its load and environmental requirements. By accounting for LSE interest—about which interconnection customers have abundant information—CAISO’s Final Proposal strikes the right balance in making its study and queue processes workable, reflecting the vital needs of LSEs, and preserving just and reasonable open access to the grid.

“just and reasonable and not unduly discriminatory or preferential, and accomplish[es] the purpose of the Commission’s rulemaking[.]” *Sw. Power Pool, Inc.*, 183 FERC ¶ 61,215, P 30 (2023).

⁵ See Draft Final Proposal at 31.

⁶ *Ariz. Pub. Serv. Co.*, 184 FERC ¶ 61,188, P 40 (2023).

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NCPA supports the CAISO's Proposal, with Addendum, as a balanced package that will enhance the functionality of the interconnection process.

Sincerely,



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