Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal paper posted on September 4, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due September 24, 2018 by 5:00pm

The Draft Final Proposal posted on September 4, 2018 and the presentation to be discussed during the September 17, 2018 stakeholder meeting can be found on the CAISO webpage at the following link:
http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx

Please use this template to provide your written comments on the Draft Final Proposal topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Draft Final Proposal paper for convenience.

6. Generator Interconnection Agreements

6.2 Affected Participating Transmission Owner

Nextera has no comments on this issue at this time.

6.4 Ride-through Requirements for Inverter based Generation

Nextera continues to have concerns regarding an inverter's capability to continuously record inverter-level data. In Nextera's experience, not all newer inverters have the needed functionality that can simply be "turned-on" by the generation owner. Addition of this functionality in many cases will result in more required hardware and cost. The CAISO should not impose these additional standards without further information about those aspects.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

The CAISO's formal definition of the different upgrade types and cost-assignment categories are helpful, and the overall framework proposed here is reasonable. However, Nextera has two specific concerns:

- **Proposed treatment of Potential Network Upgrades (PNUs) in the Maximum Cost Responsibility (MCR):** Nextera objects to retention of PNU costs in the MCR even after execution of a Generator Interconnection Agreement (GIA) covering those upgrades, and use of that amount to then allocate additional Directly Assigned Network Upgrade (DANU) costs.
- **Proposed treatment of Interconnection Service Upgrades (ISUs):** Nextera disagrees with the definition and proposed treatment of Interconnection Service Upgrades (ISUs) and proposes an alternative treatment for costs above those allocated directly to a project that is similar to its PNU proposal above.

Nextera believes that:

(1) Costs included in the MCR to cover contingent upgrades should: (1) Be removed once the contingent obligations no longer apply; and (2) should not be used as a basis for assignment of additional costs beyond those specific upgrades.

(2) Financial-security postings or actual funding of contingent obligations, such that postings or payments across generators and clusters exceed 100% of the costs of an upgrade, should not be required.

These positions are explained further below.

Proposed treatment of Potential Network Upgrades (PNUs) in the MCR

In a limited sense, this proposal is a formalization of the current provisions of GIDAP Section 14.2.2 holding later-queued clusters potentially responsible for the cost of upgrades they need that are DANUs for earlier clusters that are not covered in an executed GIA. Inclusion of the allocated cost of these upgrades essentially holds projects are at risk for the same amount they would have been allocated had the upgrade been assigned to their cluster, consistent with the CAISO's current practice.

However, this proposal is more punitive than Section 14.2.2 because it does not consider the likelihood that a PNU would actually become the responsibility of a later cluster, and once the PNU cost is included in the MCR, it cannot be removed (except for the extremely stringent conditions of GIDAP 7.4).

Under the CAISO's proposal, PNU costs could be included in the MCRs of successive clusters removed from the original assignment, without regard to whether the cost is actually likely to be imposed on those later clusters. This possibility is increased by widespread "parking" (for up to two years now) and other submission of GIAs later in the process than before, per earlier IPE reforms, that can result in classification of an upgrade as a PNU for several successive clusters.

For example, consider an upgrade assigned to Cluster 10 that is also needed by projects in Clusters 11-13. The likelihood that all the relevant projects in Clusters 10, 11, and 12 will withdraw without even one executing a GIA may be very small, yet a Cluster 13 project would still be hit with a full allocation of PNR costs in its MCR.

Further, the proposal imposes far more risk than the current GIDAP Section 14.2.2. Currently, PNU costs can be assigned to later-queued projects, but: (1) that liability is removed once an earlier-queued project assigned those costs executes a GIA; and (2) they cannot be used to allocate any additional direct costs – their impact is limited to allowing the potential cost assignment of that upgrade cost only.

These additional risks should not be placed on generation developers. PNUs are only potential liabilities, not actual liabilities, and once the potential for cost assignment is gone, the upgrade should be removed from the MCR. Projects "assigned" PNU costs are already at risk for bearing those additional costs under the current tariff. They should not be placed further at risk for bearing additional costs for upgrades assigned to their own cluster simply because they need an upgrade assigned to an earlier cluster.

Thus, Nextera recommends that, if the CAISO includes allocated PNU costs in project MCRs, it should be limited to allowing for those costs to fall to the project's cluster as DANUs. Those costs should be removed from the MCR if and when GIAs are executed for those PNUs and they become Precursor NUs, and they should not be used for re-allocating additional DANU costs.

Nextera also notes that, once they become DANUs, they would be treated like other DANUs (e.g., if they are not needed due to dropouts in the cluster, they would allow for reallocation of other DANU costs).

Proposed treatment of Interconnection Service Upgrades (ISUs)

The Proposal defines these DANUs as "Reliability Network Upgrades at the Point of Interconnection to accomplish the physical interconnection of the generator project to the CAISO controlled grid." Though the Proposal says these are the same as "Plan of Service" upgrades, that term is only used by SCE currently and is not defined in the CAISO tariff. ISUs are not well-defined here either, but at a minimum appear to include switching stations.

This term appears to be defined separately from other DANUs, only to allow imposition of more onerous Maximum Cost Responsibility (MCR), Current Cost Responsibility, security posting, and perhaps payment requirements. Thus, Nextera objects to several features of this proposal.

- **ISU cost in MCRs:** The Proposal would include 100% of ISU costs in project MCRs. When ISUs are assigned to only one project in a cluster (typical for some utilities' "Plan of Service" upgrades), then 100% of the cost naturally would be included in the MCR.

  However, the Proposal would also include 100% of ISU costs in the MCR when the ISUs are shared with other projects in the cluster. This element is not justified in the Proposal.

  Arguments have been made in the past that these upgrades are "different" from other NUs because they must be built if even one of the projects needing it is built. However, the same may be true for other RNUs (i.e., they may also be needed if only one project in the cluster is built). The fact that ISUs can be more easily identified does not justify such disparate treatment.

Moreover, if other projects sharing an ISU assigned that upgrade are actually built, then the inclusion of the full INU cost in the MCR serves no purpose other than to allow other DANU costs to be imposed on the project in question, similar to the situation described above for PNUs where an earlier-queued executes a GIA for that upgrade. The greater the number of projects sharing an INU, the less likelihood that any one project will be the only one using the upgrade, and the more unfair the inclusion of 100% costs in the MCR for each of those projects would be.

A compromise position would be inclusion of 100% of ISU costs in the MCR, but with the additional "headroom" above the allocated cost treated the same as Nextera's recommendation above for PNUs - the cost in excess of the allocated ISU cost to a project should be:

- **Available only for additional costs for that upgrade**, and not for assignment of other DANU costs; and
- **Removed from the MCR once at least one other project assigned the upgrade executes a GIA**, or at least reduced by the amount assigned to the other project executing the GIA.

- **ISU costs in Current Cost Responsibility (CCR) – security postings:** The Proposal would also include 100% of ISU costs in the CCR, which would be used to set security postings.

  Thus, multiple projects sharing an ISU would be forced to post 100% of the entire cost of the ISU. This is contrary to the CAISO's earlier statements in the Straw Proposal regarding Stand Alone Network Upgrades (SANUs). For example, the CAISO stated at p.45 of that document that, "The CAISO's proposal is to only require a project's posting to be based on a 100% cost allocation when the project is truly the only project needing the SANU."

  Nextera supports the CAISO's earlier statement and maintains that it should still apply.

- **ISUs in CCRs – Actual payments:** A project's DANUs typically determine project payments. Multiple projects sharing an ISU should not be required to each pay the full cost of the ISU (i.e., actual payments should only cover each project's allocated cost share).

7.7 Reliability Network Upgrade Reimbursement Cap

Nextera supports the CAISO's decision to refrain from modifying the RNU reimbursement provisions to address potential gaming behavior that has not been observed.

As with other potential gaming behaviors, Nextera believes that the CAISO's statement that it will be watching for such gaming will itself discourage it. Nextera also notes that the CAISO can refer suspected gaming behavior to FERC under current rules.

Nextera also supports the CAISO's proposal to index the RNU reimbursement cap, starting in 2012, as a matter of basic fairness. As PTO costs increase, the "reasonable" reimbursement amount should increase as well. In addition, the index mechanism that the CAISO selects should be shared with stakeholders and open to comment, and the index should be monitored (e.g., compared against PTO Per Unit Cost changes) to ensure that it continues to be representative of PTO costs.

Nextera also believes that one addition to the RNU reimbursement provisions is warranted in order to improve the fairness and reasonableness of these provisions – consideration should be given to the eventual use of an upgrade by other projects, and not just the MWs of the project initially funding it.

Specifically, a generator financing an RNU where reimbursement above the cost limit was forfeited should be allowed to later receive additional reimbursement if and when other projects make use of the RNU.

For example, often a project will finance an RNU (e.g., a switching station) that is later used by other projects. This possibility is increased by PTO requirements to over-build such facilities beyond the need of the funding generator (e.g., requirements for Breaker And A Half (BAAH) configuration). Reimbursement of some or all RNU costs above the limit should be made to the extent that this occurs.

For example, using the $60K/MW 2012 limit, if 100 MW Project A funded a $10 million switching station, it suffered a $4 million forfeit ($10M – (100MW * $60K/MW)). However, if later-queued 100 MW Projects B and C later interconnect using the switching station, clearly the cost was not excessive by this cost-per-MW standard (since 300MW * $60K/MW = $18M).

If Project A had a 300 MW capacity, it would have fully recovered the switching-station cost. Therefore, in the case where additional projects later make use of the RNU (like in the example above), the financing generator should be able to recover some or all of the forfeited amounts. Reimbursement should not be limited simply because the capacity using this RNU comes in three projects instead of one, or because the RNU is used by two or three clusters instead of one.

This proposal is consistent with current LGIA provisions allowing a project that withdraws from the queue without reaching COD to nevertheless be reimbursed if upgrades it funds are later used by other projects. If projects that do not reach COD can be reimbursed for upgrades used by others, it would similarly be fair for projects that do reach COD funding, such upgrades, to be similarly reimbursed.

Conclusion

Nextera greatly appreciates the CAISO's efforts under this Interconnection Process Enhancements stakeholder initiative and the opportunity to comment here. Nextera looks forward to continue to work with the CAISO on these issues.

Respectfully,

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Nextera Energy, LLC