

## Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics detailed in the May 27, 2011 *Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>).

We ask that you please submit your comments in MS Word to [GIP2@caiso.com](mailto:GIP2@caiso.com) no later than the close of business on June 10, 2011.

Your comments on any these issues are welcome and will assist the ISO in the development of the revised draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide comments that address any concerns you foresee implementing these proposals.

Please note there are new topics in this comments template that have been introduced for the first time in the draft final proposal - Item # 18, 19, 20, 25, 26 & 27

Comments on topics listed in GIP 2 Draft Final Proposal:

### Work Group 1

Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline.

### Work Group 2

1. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

#### Comments:

NextEra supports the proposal to provide more clarity on the per-unit costs.

2. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

#### Comments:

No comment.

3. Triggers that establish the deadlines for IC financial security postings.

#### Comments:

NextEra supports the ISO proposal for addressing customer's comments on the phase 1 and 2 reports and maintenance of the respective 90 and 180 day security posting requirement. NextEra supports no opportunity to delay security posting given that the ISO has agreed to address comments on the phase 1 and 2 reports in a timely fashion. Providing the opportunity to delay the security posting for substantial omissions or errors opens up the possibility of a delayed and frustrated interconnection process to the detriment of all interconnection customers in the study process. NextEra supports the ISO's proposal and timelines to address questions, errors and concerns about the study reports but does not see why this should lead to delayed security postings. To the extent that time to post security is extended, it should be under very narrow and limited circumstances.

On page 23 the ISO proposal states:

*A substantial error or omission shall mean any error or omission that changes the cost by a minimum percentage of the either the network upgrades or Participating TO interconnection facilities by more than 1% or \$1,000 dollars, or delays by more than 90 days the schedule that the proposed generating facility can obtain commercial operation. Any other errors discovered in the final Phase I or Phase II study report shall be considered to be non-material and will not result in the issuance of a revised report.*

To the extent that the ISO allows for an error or omission to trigger a security delay at all, the determination of what constitutes “substantial” should be for a much higher dollar figure than 1% or \$1,000. Given that transmission expenditures are in the millions and sometime multi- millions of dollars this threshold is far too low. If the ISO is to develop a threshold it should be on the order of 10-20% of total costs (including interconnection and network upgrade costs). NextEra does not support a delay in security, but if one is allowed for substantial errors in the study report they should be for truly substantial amounts relative to transmission expenditures.

4. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Comments:

No comment.

5. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

NextEra supports this proposal.

6. Information provided by the ISO (Internet Postings)

Comments:

Work Group 3

7. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Comments:

NextEra strongly supports the ISO’s initiative to allow for partial termination for phased projects. NextEra also believes that generators that elect a phased project should be willing to pay a pre-specified partial termination charge (“PTC”) since the phased interconnection essentially constitutes a valuable “option” on transmission.

NextEra supports the proposal, but has reservations about the eligibility criteria. The ISO proposes that no project smaller than 200 MW should be eligible. NextEra supports a threshold closer to 100 MW. There are increasing opportunities for smaller projects in California. For wind development especially, there are fewer opportunities for large scale development. A lower size threshold would be more useful to developers. To the extent the PTC is set properly, the ISO should not need to have such a restrictive size threshold as the PTC will serve to screen projects and provide discipline to the process.

In addition, NextEra does not support the 3 year difference between COD and deliverability network upgrades as an eligibility criterion. There are many reasons that a developer may want to elect partial termination for a phased project that has little to do with the timing of transmission. While this timing factor may have been the impetus for partial termination in the past, that situation may not necessarily be a driver going forward. For the process to achieve its objectives, it seems more prudent to have a more flexible process. For this reason, focusing on the project criteria and a termination charge that provides the correct incentives to manage the risk associated with phased projects will provide the right criteria and allocation of risk to make the process successful.

8. Reduction in project size for permitting or other extenuating circumstances

Comments:

NextEra supports the ability to be able to reduce the project size up to a threshold of 10 % between the LGIA execution date and COD.

9. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

NextEra believes it would be useful to have further discussion about repayment of network upgrades and the timeline for repayment. For example, if repayment for a phased project is tied to the COD of a project phase, repayment may start before the transmission expenditures have been made. NextEra believes that repayment should be tied to transmission expenditures and since expenditures may not be aligned with the COD of any particular project phase, this issue should be given further thought in the workshop process. One option may be that repayment starts with COD of a phase, but repayment will constitute no more than the expenditure made to date for transmission.

10. Clarify site exclusivity requirements for projects located on federal lands.

Comments:

No comment.

11. CPUC Renewable Auction Mechanism

Comments:

No comment.

12. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

a. Application of Path 1-5 processes

Comments:

b. Maintaining Deliverability upon QF Conversion

Comments:

c. Distribution Level Deliverability

Comments:

NextEra supports the ISO initiative to allow for a deliverability assessment of WDAT interconnection projects. NextEra would appreciate clarity in the tariff or the business practices manual on how the process and timing works. For example, the ISO should clarify the following: 1) whether it is the PTO or WDAT interconnection customer that must seek a CAISO deliverability assessment; 2) what the process and timing will be; 3) how the costs of the ISO studies will be handled; 4) the study agreement between the ISO and the entity submitting the request; and 5) how the ISO will assess deliverability for repowers and projects that are already in the base case.

Work Group 4

13. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

No comment.

14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Comments:

No comment.

15. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Comments:

No comment.

16. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

NextEra supports the clarification.

17. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

NextEra does not support capping the interconnection financial security. While NextEra acknowledges that there are some customer specific interconnection costs that should factor into the interconnection security amount, such as redundant telecommunications lines, it seems there should be a solution to these

instances without lowering the threshold for security. In fact, it is not clear that lowering the security deposit will address these issues at all. In addition, one difference between network and interconnection facility deposits is that unlike network upgrades, interconnection facilities security amounts are not subject to forfeiture if the project is withdrawn. NextEra continues to believe that the security postings are important to filter out unviable projects and keep the queue and transmission construction process manageable. Furthermore, interconnection cost estimates provide an important price signal with regard to the customer's chosen point of interconnection. As discussed more fully below, the number of projects received in the Mar 2011 window indicates that the careful balance in setting security deposits is probably misaligned and that the queue is over-subscribed. A focus should therefore be on raising the security deposits to a more realistic level rather than capping interconnection security deposits for interconnection facilities.

18. Consider using generating project viability assessment in lieu of financial security postings

Comments:

NextEra strongly opposes this idea. The ISO's initiative to raise the financial security posting amounts and move to a cluster study process have been some of the biggest and most important improvements serving to screen viable projects in the past few years. In fact, the challenge in clearing out the serial cluster projects is in part due to the serial nature of the study process, but also attributable to the fact that there is no financial incentive to leave the process if the project is not moving forward. While NextEra certainly agrees that the existing queue is over-subscribed, it is not because interconnection process reform has failed. It is because in an attempt to find the balance between promoting highly viable projects through higher security deposit thresholds and having reasonable security thresholds to not to discriminate against smaller projects, the balance is currently misaligned. NextEra acknowledges that it is a fine balance that requires constant scrutiny. However, the fact that the ISO received 200 projects in cluster 4 constituting 35,000 MW of capacity indicated that barriers to entry do not exist and that there should be further consideration of whether a higher threshold is warranted.

With regard to the idea that a viability assessment should be a substitute for interconnection security, NextEra would highlight that project viability is a consideration in the utilities' procurement process. One of the key factors of project viability in the utility assessment is the generator progress in the ISO's interconnection process. In other words, the utilities, and the CPUC in the Renewable Auction Mechanism, are looking to the ISO's process to screen many of the less viable projects. To substitute what has been a successful ISO means to screen projects through security thresholds with another qualitative assessment would not improve the process. If a project is truly promising, there should be no reason the generator would not be willing to post security. Once that is completed, the utilities and PUC can consider other qualitative factors that may support project viability. As is stands, the ISO's interconnection process has been the single most effective mechanisms for assessing whether the generator believes its project is viable enough to move forward into phase 2 of the interconnection process.

19. Consider limiting interconnection agreement suspension rights

Comments:

20. Consider incorporating PTO abandoned plant recovery into GIP

Comments:

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Comments:

22. Conform technical requirements for small and large generators to a single standard

Comments:

23. Revisit tariff requirement for off-peak deliverability assessment.

Comments:

24. Operational partial and interim deliverability assessment

Comments:

25. Post Phase II re-evaluation of the plan of service

Comments:

New Topics since straw proposal

26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.

Comments:

27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.

Comments:

Other Comments:

1. If you have other comments, please provide them here.