

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 April 14, 2011 *Straw 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 no later than the close of business on May 5, 2011.

Your comments on any these issues are welcome and will assist the ISO in the development of the 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 greater definition and clarity to each of the proposals as well as concerns you may have with implementation or effectiveness.

Comments on topics listed in GIP 2 Straw Proposal:**Work Group 1**

1. Develop procedures and tariff provisions for cost assessment provisions.

Comments:

Ormat is very concerned with issues related to economic test for network upgrades. The entire proposal, as well as several other ISO initiatives, relies primarily on the resource portfolios that are formulated elsewhere. Portfolio development to date is best characterized as a fairly hypothetical process that relies on assumptions made in the RETI process, in particular the economic and environmental cost assumptions which do not necessarily reflect reality. Reliance on this portfolio approach ties transmission planning decisions to a fixed set of assumptions that could result in missing unforeseen opportunities that could be more economic and create greater benefits. It appears to elevate the forecasting process from a method for modeling potential futures to the mechanism for deciding what that future is going to be. Reliance on a black box model may make sense when evaluating hypothetical scenarios, but it is not an appropriate approach for upgrading the transmission system. Ormat strongly recommends that any portfolio be heavily weighted to commercial interest. The primary focus of the portfolio development process should be on developing an effective mechanism for identifying commercial interest. Because this process is a key element in the transmission planning process, the ISO should initiate a stakeholder process to develop portfolio options as soon as possible.

Regarding the scenarios described in the straw proposal for situations where GIP interest in an interconnection location is different from or in excess of the designated portfolio, Ormat offers a practical alternative solution to the situation where upgrades approved in the TPP are insufficient to accommodate all the capacity in the GIP Phase 2 study group. The basic concept is that costs should be allocated on a deliverable MW basis while credit for TPP-identified upgrade costs should be applied based on expected energy deliveries. Because RPS obligations (the policy preference) are energy-based - not capacity based - an energy delivery based credit furthers renewable policy. For example, suppose 1000 MW interest (750 MW @ 25% CF and 250 MW at 90%) in an upgrade, but only 500 MW in capacity approved in TPP. TPP allocated cost = \$100 MM, excess GIP cost = \$50 MM.

90% CF resource would get credit = $250 \text{ MW} * .9 = 225 \text{ MWa}$

25% CF resource credit = $750 \text{ MW} *.25 = 187.5 \text{ MWa}$. Total credit = 412.5, 54.5% to 90% resource, 45.5% to 25% resource.

Cost responsibility would be on MW basis, so 90% resource would be allocated \$37.5MM of total cost and be eligible for credit of \$54.5 MM and would receive credit of \$37.5 MM and have no cost responsibility. The 25% resource would have total cost obligation of \$112.5 MM and receive credit of \$62.5MM, and thus be responsible for entire \$50 MM excess.

2. Clarify Interconnection Customer (IC) cost and credit requirements when GIP network upgrades are modified in the transmission planning process (per the new RTPP provisions)

Comments:

No comment

Work Group 2

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

Comments:

No comment

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

Comments:

No comment

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

Comments:

Generally support the ISO proposal

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

Comments:

Generally support the ISO proposal

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

Comments:

Ormat strongly supports the development of a GIP BPM that includes and clarifies most of the issues identified in the GIP 2 process. It should incorporate some of the information in the Reliability Requirements BPM.

8. Information provided by the ISO (Internet Postings)

Comments:

Ormat supports increased transparency in the GIP process and encourages the ISO to make information available that can help project developers determine where to focus their limited resources.

Work Group 3

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

Comments:

Generally support the ISO proposal

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

Comments:

The condition regarding the “network upgrade funding obligation” appears to be inconsistent with the proposed economic test process described in 5.1.1. Ormat supports concept but suggests that proposal be revised to be consistent with the adopted economic test process.

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

Comments:

Generally support the ISO proposal

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

Comments:

Generally support the ISO proposal to incorporate into BPM

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

- a. Fast Track application to facility repowerings

Comments:

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Ormat questions the limitation of the use of the Fast Track process to facilities that *total* 5 MW or less. To the extent that a re-powering does not result in an increase in deliverable MW, it would not appear necessary to review network deliverability, making the re-powering the equivalent of an energy-only interconnection. As such, it would appear to qualify for fast track consideration.

Alternatively, the Independent Study Process should definitely apply. Because the re-powering would not add generating capacity there is no need to perform the flow impact test and no network deliverability upgrades would be needed. Even if the short circuit test would identify potential reliability upgrades needed independent of other projects.

b. QF Conversion

Comments:

Ormat supports the proposal as written and encourages the ISO to establish a straightforward mechanism by which QFs can convert to PGA resources.

c. Behind the meter expansion

Comments:

The proposal for behind the meter expansion should apply equal to behind the meter changes that do not involve expansion of generator capacity.

d. Distribution level deliverability

Comments:

Distribution deliverability should be included in the PTOs' WDAT which is coordinated with the ISO's GIP. The only question appears to be whether to deem projects below a certain size to be deliverable. Ormat has no position on this issue.

Work Group 4

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

Comments:

To the extent that PTO-funded network upgrades become the standard for projects that fall within the preferred portfolio, it will be important for the ISO to have some mechanism in place to avoid abuse of the process by speculative placeholder projects. A substantial deposit requirement is one way to do that. The ISO should give careful consideration to anything that might reduce the amount of financial commitment needed to keep a project in the queue.

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15. 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

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

Comments:

No comment

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

Comments:

This should be coordinated with any changes in network deliverability upgrade responsibility resulting from the economic test process.

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

Comments:

PTO Interconnection Facilities payments are not subject to refund. As a result, artificially capping the payment requirement would appear to encourage less economically viable projects to remain in the queue.

Work Group 5

19. Partial deliverability as an interconnection deliverability status option.

Comments:

Ormat supports the availability of a partial deliverability option.

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

Comments:

No comment

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

Comments:

No comment

22. Annual updating of ISO's advisory course on partial deliverability assessment

Comments:

No comment

23. CPUC Renewable Auction Mechanism requirement for projects to be in an interconnection queue to qualify

Comments:

No comment

Other Comments:

1. Provide comments on proposals submitted by stakeholders.
2. If you have other comments, please provide them here.