

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 July 5, 2011 *Revised 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 *no later than the close of business on July 14, 2011* so that there will be time to include them in Board documents.

Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Please also respond to the question “Do you support the proposal?” for each item listed below.

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

The ISO has determined that WG 1 topics should be taken out of the 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;

Do you support the proposal?

Yes. PG&E continues to support the proposal.

Comments:

PG&E continues to be committed to working with the CAISO, other PTOs, and stakeholders through the BPM change process to implement a common format, develop common methodologies for cost factors, and provide adequate explanations of various components of the per-unit-cost process.

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

Do you support the proposal?

Yes. PG&E supports the proposal.

Comments:

PG&E continues to support the CAISO's proposal and appreciates the CAISO's willingness to accommodate projects that are already in the study process, or have completed their studies with the host non-PTO in CAISO-BAA utility. PG&E looks forward to working with the CAISO to help such interconnection customers receive timely results.

PG&E appreciates the CAISO's clarification that network upgrades associated with such projects will be treated similarly to generators interconnecting to the CAISO grid with respect to cost responsibility. This should be made clear in the final proposal and any tariff language.

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

Do you support the proposal?

PG&E strongly supports the changes that were made in the Revised Final Draft Proposal.

Comments:

PG&E believes that the proposed criteria for substantial error or omission that would result in the need for a revised study report (the greater of 5% of \$1,000,000 for either the network upgrades or the Participating TO's interconnection facilities) provide the right balance of being large enough so as not to create an endless loop of revised study reports, yet small enough so as to capture the intent of requiring a revised report.

PG&E also supports extending the standard GIA negotiation deadline to 120 days. This change is the result of practical experience with interconnection customers and will also provide relief as PTOs process and negotiate through projects that are in a cluster, with all studies finishing at the same time.

PG&E continues to the extension of time, but believes that this extended time must be enforced more stringently, including triggering withdrawal procedures. To the extent that the timeline is reached and parties agree to continue, procedures should be established to allow for the PTO to charge time and expenses.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

PG&E continues to believe that more PTO discretion is needed to determine whether a project can be phased or broken into discrete projects without creating an adverse impact on PTO's assets, personnel resources or project schedules.

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

Do you support the proposal?

PG&E continues to support providing any process improvements needed to ensure timely and accurate notification of required amounts for IFS posting.

Comments:

PG&E agrees with the goal to develop these procedures through the BPM process with results by the end of 2011.

6. Information provided by the ISO (Internet Postings)

Do you support the proposal?

PG&E continue to support this change.

Comments:

No further 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.

Do you support the proposal?

PG&E supports the changes that the CAISO has included in the Revised Final Draft Proposal.

Comments:

PG&E appreciates the CAISO's responsiveness to PG&E's and others' comments on this proposal. In particular, limiting eligibility where the partial termination change multiplier would be beyond 0.5 is a necessary safeguard to PTOs and their ratepayers. PG&E also appreciates the CAISO's movement away from a 75% maximum reduction to a 50% reduction.

PG&E continues to support the eligibility criteria, including the 200 MW size minimum and the timing restrictions. These are all important criteria that address the CAISO's intent for the proposal, as discussed at Work Group 3 meetings and at the wider stakeholder meetings.

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

Do you support the proposal?

PG&E supports this proposal

Comments:

No further comments.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

The discussion on this topic at the stakeholder meeting revealed a potential conflict in the generator interconnection agreement with respect to generator responsibility to fund and for commencement of refunds for costs associated with network upgrades. The GIA section 11.4.1 seems to have been written under the assumption that all required

network upgrades, including delivery network upgrades would need to be commercially operational before the interconnection customer could come online. It does not contemplate how refunds are to be made when the generator is operating under Section 5.9 (Limited Operation). Nor does the GIA contemplate generation that builds in phases. While Section 5.9 is silent on its interaction with Section 11.4 (Network Upgrade Costs and Refunds), a conflict exists between Sections 11.3 and 11.4, when Section 5.9, Limited Operations, is in effect. If, as some stakeholders have claimed, the commercial operation of the generator is the only trigger (as opposed to commercial operation of the companion network upgrades along with the generator), then refunds would be in order before some of the costs for which the generator is clearly responsible to upfront fund, pursuant to section 11.3 have been paid. Clearly a refund cannot be made on costs which have not been paid.

Therefore, what some stakeholders have proposed, in effect, is that if the generation achieves commercial operation, then its upfront funding requirement for any costs that it has not yet paid should be removed. This conflicts with Section 11.3, under which the Interconnection Customer is required to fund network upgrade costs.

PG&E agrees with the CAISO that refunds should not be triggered until the network upgrades and the generator are both fully operational. However, it does not make sense to require that all network upgrades be online before any refunds can start. For a single-phase project that may come online before the required delivery network upgrades are online, a generator that achieves limited operation under Section 5.9 should trigger refunds for any network upgrades that have already been completed, but should not receive refunds for any other network upgrades until such upgrades are commercially operational. For a phased project, to the extent network upgrades (either reliability or delivery) can be associated with specific phases of the project, then the same logic should apply, albeit in a more complicated manner due to multiple phases and multiple upgrades. PG&E believes that the proposal above is consistent with the CAISO's current proposal. Such clarification is needed in the GIA Section 11.4, which only contemplates the simplistic scenario where the generator cannot achieve commercial operation prior to all network upgrades also being commercially operational.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

No further comments.

11. CPUC Renewable Auction Mechanism

Do you support the proposal?

PG&E supports the CAISO's approach to this issue.

Comments:

No further comments.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

For completeness, PG&E reiterates its previous comments related to the existing transmission-level Fast Track screens:

PG&E has concerns about the applicability of the existing Fast Track screens to transmission facilities. The screens were intended to be applied to radial distribution circuits only. PG&E, in general, agrees with the spirit of the Fast Track process, but believes that a different set of screens need to be developed to be more appropriate to the transmission system. The screens must be able to adequately identify whether an expansion proposal could be installed without the need for a study for impacts to the grid or to other generators in the queue. PG&E looks forward to working with the CAISO and stakeholders to develop these screens as part of GIP 3.

b. Maintaining Deliverability upon QF Conversion

Do you support the proposal?

PG&E supports this proposal.

Comments:

No further comments.

c. Distribution Level Deliverability

Do you support the proposal?

PG&E supports this proposal, but continues to request that the CAISO explore a safe harbor provision for projects that pass the Fast Track screens.

Comments:

PG&E supports inclusion of distribution level project information provided by distribution utilities into its deliverability modeling analysis. PG&E continues to advocate for a safe harbor provision for projects pass the fast track screens. The issue of deliverability is very relevant for resources interconnecting at the distribution level, through the feed-in-tariff, RAM and RPS solicitation. Some of these projects will qualify for fast interconnection under the Fast Track process, but have no clear way to qualify for resource adequacy due to a lack of a process to gain a deliverability assessment. In

PG&E's stakeholder process reforming its wholesale distribution tariff (Effective March 3, 2011 under FERC docket ER11-3004-000) the CAISO specifically requested that PG&E not allow for any energy-only projects to be able to request deliverability except under the "no-new transmission" option. The Fast Track process currently only offers an Energy Only product. PG&E believes that the two relevant screens: 1) aggregate of generation is less than 15% of peak load the interconnecting distribution circuit, and 2) no distribution or transmission upgrades are needed, provide evidence that the Fast Track should be a Full Capacity only interconnection product and should be granted deliverability under a safe harbor provision.

Work Group 4

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

No further comments.

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.

Do you support the proposal?

PG&E supports this proposal, but re-iterates its comment from the last round.

Comments:

PG&E submitted specific comments on the proposed language revisions, none of which seem to be incorporated into the Revised Final Draft Proposal. PG&E re-submits them for the CAISO's consideration:

Provision 18.3.1 -- There appears to be a redundant typo in the second line "... commencement of any commencement."

Provision 18.3.3 -- Insurance coverage should be in place before any travel related to the project work begins, not just travel to the work site. For example, the following situations could incur auto accident liability before there is travel to the project site: travel to recruit local workers, buy or rent office trailers for the job site, other rentals, etc.,

Provision 18.3.4 -- Similar to 18.3.3, the insurance should be in place before any construction related activities begin, not just on site work.

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

Do you support the proposal?

PG&E supports the CAISO's approach to this issue and looks forward to working with the CAISO and other PTOs to develop these standards.

Comments:

No further comments.

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

Do you support the proposal?

PG&E supports the CAISO's proposal.

Comments:

No further comments.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

While PG&E concurs with the stakeholder comments that "a call for a decrease in capital outlay for secure deposits for PTO's Interconnection Facilities might contribute to the undesirable result of prolonging the presence of non-viable projects in the queue", PG&E believes that mirroring the security posting requirements for network upgrades strikes the right balance.

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

Do you support the proposal?

PG&E supports the proposal to not include this issue in the GIP2.

Comments:

PG&E agrees with the CAISO's proposal not to consider as an alternative to financial security posting using generator viability criteria. However, the CAISO should consider using such criteria **in addition** to IFS to screen interconnection requests post Phase I study as a prerequisite to move on to Phase II. PG&E recommends that the CAISO consider this in its discussion of working group 1 issues (moved to a separate

stakeholder process and timeline), or in the next GIP improvements stakeholder process.

19. Consider limiting interconnection agreement suspension rights

Do you support the proposal?

PG&E supports this proposal.

Comments:

The CAISO's proposal provides clarity, and provides the right protections to the PTO such that suspension by one generator does not affect the PTO's ability to continue work to interconnect other generators that might be affected, even if at the time of the suspension, it could not have been determined that such a situation could arise.

20. Consider incorporating PTO abandoned plant recovery into GIP

Do you support the proposal?

PG&E supports this proposal.

Comments:

It is important that cost recovery be assured under each of these circumstances.

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Do you support the proposal?

PG&E supports this proposal.

Comments:

No further comments.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

As noted in previous comments, the power factor requirement in the PG&E Interconnection Handbook differs from the CAISO requirement. PG&E appreciates the

CAISO clarification regarding any potential contradictory technical requirements between the CAISO LGIA Appendix H and the PTO Interconnection Handbooks.

PG&E does note that this may pose a conflict to NERC standards. Per NERC standard FAC-001, Transmission Owners must establish facility connection and performance requirements. This includes the development, documentation, and enforcement of interconnection requirements. The CAISO is not the Transmission Owner, but rather only shares Transmission Operator functions with the PTOs as defined by the Reliability Standard Agreements (RSAs) between CAISO and the PTOs. PG&E is not aware of a RSA for NERC standard FAC-001.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

PG&E supports retaining the off-peak deliverability assessment for informational purposes. This will provide valuable information to the IC and the procuring entities with regard to potential energy delivery issues.

24. Operational partial and interim deliverability assessment

Do you support the proposal?

PG&E strongly supports the CAISO's updated proposal and appreciates the CAISO's responsiveness to stakeholder comments.

Comments:

No further comments.

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

Do you support the proposal?

PG&E supports this proposal.

Comments:

While PG&E continues to believe that this topic should be considered in this round, the need to close out the multitude of issues and move on to the next stakeholder process is more important.

Other Comments:

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