Stakeholder Comments Template

Submitted by	**Company**	**Date Submitted**
Mark Higgins mark.higgins@pge.com 415-973-5657	Pacific Gas & Electric Company	August 22, 2013

Please use this template to provide your comments on the Interconnection Process Enhancements Straw Proposal posted on July 18 and as supplemented by the presentation and discussion during the August 8 stakeholder meeting.

Submit comments to GIP@caiso.com

Comments are due August 22, 2013 by 5:00pm

The Straw Proposal posted on July 18 may be found at:

http://www.caiso.com/Documents/StrawProposal-Topics1-5_13-15_InterconnectionProcessEnhancements.pdf

The presentation discussed during the August 8 stakeholder meeting may be found at:

http://www.caiso.com/Documents/Agenda_Presentation-InterconnectionProcessEnhancements080813.pdf

Please provide your comments following each of the topics listed below.

Topic 1 – Future downsizing policy

Comments:

PG&E does not support the downsizing policy in the straw proposal. However, PG&E would support the proposal if a few critical modifications are made.

Conceptually, PG&E supports providing a permanent, annual downsizing process that is fully integrated into the existing GIDAP study process and provides the flexibility for generators to make *commercially reasonable* downsizing requests. Moreover, the process should not create a loophole for projects to avoid putting the 'skin in the game' through posting requirements or gaming the process to downsize to a project that doesn't pass a common sense test for comparability to the original interconnection request. PG&E proposes to address these concerns through the following modifications:

- To address the commercial reasonableness issue, downsizing requests are limited to a 75% capacity reduction from the original nameplate capacity of the project. In other words, a project shall not be allowed to downsize to anything smaller than 25% of the original interconnection request, even if requests are made in successive downsizing windows.
- To address the skin in the game issue, downsizing requests would not result in a reduction of postings already made by projects. Rather, any reduction in posting requirements would be trued up at the next posting. For example, if a project has completed its second posting, and the downsizing resulted in a reduction of its posting obligation, such reduction would occur as a true-up at the time of the third IFS posting.
- As a matter of queue management, in exchange for the right to downsize, projects requesting downsizing with existing Interconnection Agreements would be required to amend their Interconnection Agreements to conform with current tariff provisions relating to time in the queue and project suspension.
- As a point of clarification, on page 26 of the straw proposal, the CAISO indicates that downsizing customers are obligated to finance NUs that the project at its full size triggered if later-queued projects are shown to need such upgrades. PG&E believes the CAISO should modify this statement to also apply if projects in the *same* queue cluster are shown to need such upgrades.

PG&E believes these modifications to the proposal preserves the flexibility to generators to address the vast majority of commercial scenarios that would drive a downsizing request, e.g., a project is unable to execute a contract for the full capacity of an original interconnection request. However, by providing some sensible limitations on the downsizing mechanism, the CAISO can ensure that the downsizing mechanism wouldn't just be used as an open-ended loophole for non-viable projects to avoid posting or remain in the queue longer than would otherwise occur.

Topic 2 – Disconnection of first phase of project for failure to build later phase

Comments:

PG&E supports the straw proposal for Topic 2, and recommends that the CAISO clarify the last sentence of item 2. In Section 4.2.3 of the straw proposal to read as follows: *"Moreover, with* *regard to security postings and other costs for which the IC is normally reimbursed, the pro rata portion of such postings and costs associated with the cancelled portion or phase(s) of the project will not be eligible for reimbursement. In addition, should the subsequent pre-validation/reassessment window determine that any other fully or partially completed network upgrade to be no longer needed by any project in the then-current queue, the stranded costs for such upgrade will not be eligible for reimbursement to the interconnection customer."*

Topic 3 – Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects

Comments:

PG&E does not support the phasing policy in the straw proposal. PG&E understands the commercial drivers behind interconnection customers' desire for a more flexible phasing policy; however, we believe stakeholders have not demonstrated a commercial need for the unlimited flexibility provided in the stakeholder proposal, nor have the significant majority of stakeholders even suggested that such an open-ended policy be adopted.

PG&E believes the policy adopted by the CAISO must balance between creating a commercially reasonable degree of flexibility to the process, and providing so much flexibility as to create an overly burdensome process for the PTOs that diverts resources away from maximizing the number of generators that can be interconnected in a timely manner. Often, generators don't realize that interim configurations must be adopted for projects that are partially interconnected. This diverts resources away from interconnecting other projects during the limited clearance windows PG&E has each year to schedule transmission outages in areas with a significant amount of generation. Therefore, it would be counterproductive to the broader goal of meeting the state's 33% RPS targets in a timely manner if the CAISO were to adopt an unlimited phasing policy.

PG&E presents the following counterproposal to the straw proposal:

a) ≤20 MW projects may have up to two phases, with no individual phase smaller than 1 MW[1]

b) > 20 MW projects may have additional phases, provided no additional phase is smaller than the larger of 20 MW or 10% of the project nameplate capacity

c) No more than one phase can be interconnected every month, with PTO discretion to further limit frequency of phases coming online in areas where doing so would create

[1] This is a modification from PG&E's suggestion in comments on the scoping proposal, which would have limited the smallest phase to 5 MW.

significant impacts to other generators (e.g., would violate the “do no harm” principle) or to the reliability of the grid

Topic 4 – Improve Independent Study Process

Comments:

- The current scope of the ISP reform track seems very open ended. The CAISO should better articulate the objectives of ISP reform. For example, deliverability methodology reform should not be an objective of this track.

- Under current rules, electrical independence from deliverability upgrades is unlikely to occur, thus many stakeholders have requested it be removed as a screen in the ISP. PG&E is still evaluating the consequences of making such a change and cannot take a position on this yet. For example, there could be an area for which the screens would not show RNUs being triggered by voltage, dynamic, or SCD studies, but with a significant number of DNUs and many queued interconnection projects. If the electrical independence test for DNUs were to be removed, any new ISP interconnection projects in such an area would pass the electrical independence test, but wouldn’t truly be electrically independent on other projects and could result in negative impacts to other generators’ deliverability results. Such an area could be found in some pockets of PG&E’s Fresno study area, where a substantial volume of new generation interconnection requests exist in a very small area.

- PG&E is concerned with certain stakeholders expressing the viewpoint that the current deliverability methodology should not apply to ISP track projects. To exempt ISP projects from the current methodology would create unfair carve outs for projects and could create negative impacts for larger projects seeking deliverability. PG&E believes a better solution would be to carve out deliverability as a separate add-on attribute that ISP-track projects could apply for via the standard cluster study process. This would allow them to quickly execute an Interconnection Agreement and come online energy only, but would allow them to be assessed in a fair manner vis-à-vis other projects.

- The CAISO should also consider folding the ISP into the fast track process. Given some stakeholders’ interest in removing deliverability screens for the process, the ISP would look increasingly similar to the Fast Track process, so the CAISO should consider consolidating the ISP into a hybrid Fast Track process that includes the flexibility to accommodate ISP-style characteristics. One such way to accomplish that would be to allow the hybrid Fast Track process to allow projects to apply for deliverability as a separately through the normal cluster study process.

Topic 5 – Improve Fast Track

Comments:

As stated above, the CAISO should consider folding the ISP into the fast track process. Given some stakeholders' interest in removing deliverability screens for the process, the ISP would look increasingly similar to the Fast Track process, so the CAISO should consider consolidating the ISP into a hybrid Fast Track process that includes the flexibility to accommodate ISP-style characteristics. One such way to accomplish that would be to allow the hybrid Fast Track process to allow projects to apply for deliverability as a separately through the normal cluster study process.

PG&E is also concerned about the open-ended tariff language associated with failed/passed screens. After screening is complete, it is possible that PTOs would be required to provide an Interconnection Agreement within 15 business days without accurate knowledge of the engineering scope of work and cost estimates to physically interconnect the project. This puts the PTO in a difficult position, and can create uncertainty for generators that ultimately would be counterproductive to the objective of helping projects successfully interconnect and meet their contractual offtake obligations as quickly as possible.

PG&E therefore recommends removal of the 15 business day requirement to render an Interconnection Agreement. PG&E further recommends that projects proceed directly to the supplemental review after the screening process. This would allow the PTOs to conduct sufficient studies in order to provide an accurate representation of required Interconnection Facilities and Network Upgrades in the Interconnection Agreement.

Topic 13 – Clarify timing of transmission cost reimbursement

Comments:

PG&E supports clarifying that both phased and non-phased projects should become eligible to receive transmission cost reimbursement starting at COD, up to the costs billed to the IC by the PTO at the time COD is achieved.

In cases where upgrades are continuing to be funded by generators post-COD, PG&E floated the concept at the stakeholder meeting of rolling reimbursement periods for any additional billed amounts. LSA indicated support for this concept and prefers for such rolling reimbursement periods to be triggered monthly. Following the meeting, compliance concerns were raised about rolling reimbursements. Specifically, given the substantial number of individual accounts that might result for each individual project, such an arrangement could be prone to error, as well as substantially increase the administrative and compliance burden associated with each project.

PG&E therefore revises its recommendation to provide two default options for cost reimbursement of post-COD work at the discretion of the generator:

1. The generator pre-funds the remaining work at COD and begins to receive reimbursement of the fully funded amount starting at COD, or

2. The generator continues to pay for work as billed by the PTO post-COD, which would accrue until the network upgrades are complete, at which point a second reimbursement period would begin for the post-COD work.

The tariff should continue to allow additional options to be available at the mutual consent of the generator and PTO, such as monthly or annual rolling reimbursement, or a complete discontinuation of post-COD customer payments.

Topic 14 – Distribution of forfeited funds

Comments:

With respect to methodology, PG&E believes funds should be used to hold harmless affected generators, ratepayers, and the PTOs from project withdrawals. As such, PG&E recommends that method #4 be adopted. This method would use forfeited funds to offset the costs of network upgrades associated with the withdrawn project, if still needed. This methodology would best uphold the 'hold harmless' principle. Funds should then be allocated via method #8 to offset the CAISO and PTO Interconnection Agreement negotiation costs. Lastly, any remaining funds should be allocated via method #3, which would reduce the TAC by PTO area. This waterfall would best hold harmless generators, the CAISO/PTOs, and ratepayers in the territory where the project is withdrawn, which PG&E believes is the most equitable use of forfeited funds.

PG&E does not support retention of the current approach of distributing to scheduling coordinators; this method is inequitable and does not uphold the 'hold harmless' principle because it is not linked closely enough with cost causation.

Topic 15 – Inverter/transformer changes (material modification process)

Comments:

PG&E supports the CAISO's straw proposal for material modification review. As the CAISO indicated in its presentation, the process can be extremely quick and efficient depending on the nature of the request, but as no two projects or technology swaps are identical, it's important that the CAISO and PTO have the opportunity to at least verify that the specific request does not create negative impacts.

The CAISO requested feedback on the issue of reductions greater than 5% where the CAISO determines that the reduction meets certain criteria for being outside of the IC's control. PG&E believes such ICs should have the option to be treated per partial termination provisions, or to go through the next downsizing window for reassessment. However, if a downsizing reassessment is pending or ongoing and work on shared upgrades is required to proceed per the schedule in the existing Interconnection Agreement, the IC should be required to fund such upgrades during the interim period. This requirement would apply regardless of whether such window occurs before or after the project has achieved (partial) COD.