



California ISO

Interconnection Process Enhancements (IPE) 2015

Revised Draft Final Proposal

August 27, 2015

Table of Contents

1	Executive Summary.....	3
2	Introduction	3
3	Revisions to the July 6 th Draft Final Proposal.....	4
4	Stakeholder Process Next Steps	6
5	Topics	6
5.1	Topic 1 – Affected Systems	6
5.1.1	Overview	6
5.1.2	Stakeholder Input	7
5.1.3	Changes from the Revised Straw Proposal.....	11
5.2	Topic 2 –Time-In-Queue Limitations.....	13
5.2.1	Overview	13
5.2.2	Stakeholder Input	15
5.2.3	Changes from the Revised Straw Proposal.....	26
5.2.4	Revised Proposed Tariff Language.....	26
5.3	Topic 5 - Stand-Alone Network Upgrades and Self-Build Option	28
5.3.1	Overview	28
5.3.2	Stakeholder Input	28
5.3.3	Changes from the Revised Straw Proposal.....	29
5.3.4	Revised Proposed Tariff Language.....	30

Interconnection Process Enhancements 2015

Revised Draft Final Proposal

1 Executive Summary

The Interconnection Process Enhancements (“IPE”) 2015 initiative is the latest in a series of stakeholder initiatives that the California Independent System Operator Corporation (“CAISO”) has conducted over the past several years to continuously review and improve the generator interconnection process and associated generator interconnection agreements. Similar to the previous iteration of the IPE initiative, IPE 2015 includes several topics that the CAISO is proposing to improve or clarify the administration of the interconnection process. There are a total of eleven improvements proposed for this year’s initiative. The CAISO is bringing nine of the eleven topics to the Board for approval in September 2015 and hopes to complete the stakeholder process for the remaining two topics and obtain Board approval for those in November 2015.

2 Introduction

The CAISO posted an issue paper/straw proposal on March 23, 2015, a revised straw proposal on May 11, 2015, and a draft final proposal on July 6, 2015 consisting of the eleven items listed in Table 1 below. To help make its proposals more clear, the CAISO included proposed draft tariff language topic in these proposals.¹

¹ The tariff language is “draft” tariff language. Stakeholders may submit comments or proposed edits and the CAISO may revise it. As with all draft tariff language in the stakeholder process, the CAISO reserves the right to revise the tariff language, including up to the time of filing at the Federal Energy Regulatory Commission.

Table 1 –Scope of topics	
Topic No.	Topic Description
1	Affected Systems
2	Time-In-Queue Limitations
3	Negotiation of Generator Interconnection Agreements
4	Deposits Interconnection Request Study Deposits Limited Operation Study Deposits Modification Deposits Repowering Deposits
5	Stand-Alone Network Upgrades and Self-Build Option
6	Allowable Modifications Between Phase I and Phase II Study Results
7	Conditions for Issuance of Study Reports
8	Generator Interconnection Agreement Insurance
9	Interconnection Financial Security Process Clarifications Posting Clarifications TP Deliverability Affidavit Impacts
10	Forfeiture of Funds for Withdrawal During Downsizing Process
11	TP Deliverability Option B Clarifications

3 Revisions to the July 6th Draft Final Proposal

Below is a brief summary of the CAISO’s revisions to Topic 1- Affected Systems, Topic 2 – Time in Queue Limitations and clarification on Topic 5 – Stand Alone Network Upgrades.² A complete discussion of stakeholder comments on these topics and the CAISO’s response follows. Topics 3-11 of this initiative will be brought to the September Board of Governors meeting for approval. The proposal for Topic 5 being brought to the Board will include clarifications proposed in this paper. Topics 1-2 have been revised and the CAISO hopes to bring these topics to the November Board of Governors meeting for approval.

² The CAISO received comments on the draft final proposal from EDF Renewable Energy (“EDF-RE”), First Solar, Independent Energy Producers (“IEP”), Large-scale Solar Association (“LSA”), Modesto Irrigation District (“MID”), Pacific Gas and Electric Company (“PG&E”), Southern California Edison (“SCE”), Sempra US Gas and Power (“Sempra USGP”), Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (“Six Cities”), S-Power (“sPower”).

Topic 1 – Affected Systems

The CAISO here proposes to modify the draft tariff language as follows:

- clarify that, absent a legitimate reliability issue, the CAISO will not delay the synchronization or commercial operation of the Generating Facility where an Affected System identifies itself beyond its initial 60-day timeline.
- clarify that the only exceptions to the affected system’s initial 60-day timeline are: (i) the CAISO failed to identify a potentially Affected System in the first place; or (ii) the Interconnection Customer modified its project resulting in a material change impacting an Affected System.
- Include a clause that states “An Affected System’s mitigation remedies that may be available outside the CAISO Tariff are unaffected by this provision.”

Topic 2 – Time-In-Queue Limitations

The CAISO proposes to modify the draft tariff language to clarify that if an Interconnection Customer has declared Commercial Operation for one or more Phases of the Generating Facility, or has declared commercial operation for markets for a portion of its capacity, and the Interconnection Customer elected Full Capacity Delivery Status (“FCDS”), then the CAISO will not convert to Energy-Only the portion of the project that is in-service and participating in the CAISO markets. Rather, the project will be converted to Partial Capacity Deliverability Status (“PCDS”) to the extent that undeveloped capacity remains in the queue. If the project downsizes to the capacity that was in-service and participating in the CAISO market, then the facility will have FCDS for that portion of the capacity.

The CAISO has also modified the proposal to require the Participating TO have an obligation to provide notice when Network Upgrade construction timelines have changed.

Topic 5 – Stand-Alone Network Upgrades and Self-Build Option

The CAISO clarifies that for a self-build Stand Alone Network Upgrades (“SANU”), an Interconnection Customer’s maximum cost responsibility will be reduced by the cost of the SANU, while both the original and revised maximum cost responsibility will be documented in the Generation Interconnection Agreement. If at any time the responsibility for constructing the SANU reverts back to the Participating TO, the Interconnection Customer’s maximum cost responsibility will revert back to the original maximum cost responsibility that included the cost of the SANU.

4 Stakeholder Process Next Steps

Table 2 summarizes the anticipated stakeholder process schedule for the IPE 2015 initiative.

Table 2 – Stakeholder process schedule		
Step	Date	Milestone
Revised Draft Final Proposal for Topics 1-2, and clarification on Topic 5	August 27, 2015	Revised Draft Final Proposal Posted
	September 3, 2015	Stakeholder meeting (web conference)
	September 17, 2015	Stakeholder comments due
Tariff Language Review for Topics 3-11	September 14, 2015	Stakeholder meeting (web conference)
Final Proposal to Board for Topics 3-11	September 17-18, 2015	Board of Governors Meeting
Final Proposal to Board for Topics 1-2	November 4-5, 2015	Board of Governors Meeting

5 Topics

5.1 Topic 1 – Affected Systems

5.1.1 Overview

In the 2014 stakeholder process to clarify the affected system coordination language in the Business Practice Manual (“BPM”) for the Generator Interconnection and Deliverability Allocation Procedures (“GIDAP”), the CAISO committed to the following:

The CAISO understands that the Interconnection Customers desire a definitive time by which an electric system operator identifies themselves as an Affected System. The CAISO does not currently have tariff authority to provide this definitive time. The CAISO proposes to include in the IPE a topic that would propose a tariff amendment establishing a timeframe and process similar to the WECC Project Coordination and Path Rating Process.

This proposal described above is the result of that commitment.

5.1.2 Stakeholder Input

The CAISO received nine comments on the draft final proposal for this topic. Two comments supported the revised draft proposal, three comments supported the proposal with qualifications, two comments supported the proposal with reservations, and two comments opposed the draft final proposal.

Affected System coordination requirements

EDF-RE responded that “the more recent CAISO policy change requiring each developer to obtain a waiver or Affected System mitigation agreement from any possible Affected System Operator before the CAISO will allow their project to operate has exacerbated the problem. Since that time, Affected Systems problems have become more numerous and significant, especially since those systems know that generators have only limited recourse to dispute unnecessary and/or costly mitigation payments.” This concern is based on a false premise. The Generator Interconnection Agreement (“GIA”) requirement for this coordination has existed since FERC Order No. 888 and is specifically stated in section 11.4.2 and Appendix A of the GIA. The Commission stated in FERC Order 888 that while it continues to treat interconnection and delivery as separate aspects of transmission service, and an Interconnection Customer may request Interconnection Service separately from transmission service (delivery of the Generating Facility's power output), in the majority of circumstances, interconnection alone is unlikely to affect the reliability of any neighboring Transmission System. However, in those rare instances in which the interconnection alone may cause a reliability problem on an Affected System, the Commission required network upgrades to protect an Affected System from any reliability problem.³ Under Order No. 888, the Transmission Provider is required to assist the Transmission Customer in coordinating with the Affected System on any Network Upgrades needed to protect the reliability of that system.⁴ FERC went on to state that it would allow the Transmission Provider to coordinate the timing of construction of Network Upgrades to its Transmission System with the construction required for the Affected System.⁵ As provided in the pro forma

³ See Section 21 of the pro forma OATT from Order No. 888. See also Tampa Electric Co., 103 FERC ¶ 61,047 (2003), and Nevada Power, 97 FERC ¶ 61,227 (2001), reh'g denied, 99 FERC ¶ 61,347 (2002); but see American Electric Power Service Corporation, 102 FERC ¶ 61,336 (2003). FERC Order 2003 paragraph 118.

⁴ Section 21.1 of the pro forma OATT from Order No. 888 states that: "The Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, provided any information or data required by such other Transmission System pursuant to Good Utility Practice."

⁵ Section 21.2 of the pro forma OATT from Order No. 888 states that: "Transmission Provider shall have the right to coordinate construction on its own system with the construction required by others. The

OATT from Order No. 888, the Commission's Dispute Resolution Service is available should the Interconnection Customer wish to challenge the Transmission Provider's decision to delay construction pending completion of the Affected System's upgrades.⁶

The CAISO's proposal provides a process for Affected System engagement and resolution of impacts as early as possible in the interconnection process. As Order 888 notes if a resolution cannot be timely determined then the Interconnection Customer can use the Commission's Dispute Resolution Service.

EDF-RE also raised concerns that the proposal did not require that the Affected System to explain how it would be impacted, commence or complete any studies by any particular time, address the reasonableness of the assumptions or conclusions of those studies, or constrain the timing or content of mitigation agreements. LSA raised a similar concern. While the CAISO is sympathetic to these concerns, there is little that the CAISO could do to address them as the Affected System is not a party to the CAISO tariff. While the CAISO proposes to proceed with the interconnection, unless there is a valid reliability issue the CAISO cannot mandate specific actions the Affected System must take as Affected Systems are not bound by the CAISO tariff.

Identification of Affected System after 60 calendar days

Nearly all of the parties that commented on this topic expressed concern that the exemption to the initial 60-day timeline in which Affected Systems could identify themselves has the potential to create an exception that would swallow the rule. Commenters proposed various suggestions to limit the exemption. The CAISO generally agrees with these comments. Accordingly, the CAISO proposes to limit Affected System exceptions to the initial 60-day timeline if: (i) the CAISO failed to identify a potentially Affected System in the first place; or (ii) the Interconnection Customer modified its project resulting in a material change impacting an Affected System. In addition, if a project converts from a WDAT interconnection queue to the CAISO interconnection queue, it would start the timeline for Affected Systems.⁷

Some commenters also requested that the CAISO preclude any exceptions to the initial 60-day timeline within a certain period, e.g., within a year prior to Commercial Operation Date ("COD") or after GIA execution. Because the CAISO has narrowed the available exceptions, this is not necessary.

Transmission Provider, after consultation with the Transmission Customer and representatives of such other systems, may defer construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner."

⁶ Section 21.2 of the pro forma OATT from Order No. 888.

⁷ The Participating TOs do not have an Affected System process for the distribution system.

Another commenter requested that the exception only be allowed for Affected Systems that had previously responded to the CAISO's notice within the window that the Affected System did not believe they were affected. With the CAISO's narrowing of the exception, this request has effectively been met. Because only an entity that was originally not notified is provided the exception, or due to a change in the project by the Interconnection Customer the entity that previous did not believe they were affected is provided the exception.

Additional Affected System requirements

LSA requested that Identified Affected Systems rescind their declarations that the entity is an Identified Affected System if it determines that it is no longer impacted by the generator interconnection and, therefore is not an Affected System. The CAISO believes that this rescission does not need to be specified in the tariff because if an Identified Affected System determines it is no longer impacted, or the impact has been mitigated, then the Identified Affected System so notifies the CAISO and Interconnection Customer. In that instance the Interconnection Customer has met the Affected System obligation, and the notification is a de facto rescission because the entity is no longer an Affected System.

LSA requested that the Affected System should describe how it is affected when it identifies itself. CAISO disagrees as this additional requirement is not realistic. With the revised process, the timeline for the Affected System to identify themselves is now approximately 90 calendar days after the first Interconnection Financial Security posting. The first Interconnection Financial Security posting is 90 calendar days after the Phase I study results are issued. At this point in time, the Affected System may have participated in a scoping and results meeting and, if requested, they have received the Phase I study results. The Interconnection Customer has likely not even contacted the Affected System to perform a study, which they have to pay for, nor is it likely that the Affected System has done any study work. Thus the identification at this early stage is more of an educated understanding of the system and not engineering proof. However, by identifying the Affected System so early in the interconnection process it will give the Interconnection Customer the opportunity to perform their own outreach to identify reliability issues on the affected system caused by their project early, which could then reduce project risk.

Notification process

IEP would prefer that the CAISO be required to notify all adjacent systems, regardless of whether they may be identified as an Affected System, and only allow exceptions to the 60-day timeline in the case of "material and unforeseen facts." The CAISO disagrees.

The CAISO determines which potential Affected Systems to notify based on the region where the project interconnects. It would be unreasonable to require, as an example, Bonneville Power Administration to respond to a request of interconnection to the ECO substation close to the Mexico border. The CAISO is thorough and as broad as reasonable in notifying potentially Affected Systems therefore the CAISO has proposed to limit the 60-day timeline exemption only to initial errors by the CAISO, and changes by the Interconnection Customer (most obviously, for example, changes to the Point of Interconnection). For reference, the Affected System Contact List can be found at: <http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx>

Proposed expansion of initiative

LSA requested a robust stakeholder process to discuss better coordination and potential combination of interconnection studies by the CAISO and Affected Systems. While the CAISO is sympathetic to this request, such a process would be premature. First, the CAISO could not require the Affected Systems to participate or agree to any change absent an obligation on the Affected System. Second, the interconnection studies of the CAISO and Affected Systems could not be combined without the CAISO assuming their NERC Planning Authority requirements. The CAISO has implemented an initiative to offer these services to Affected Systems however, to date, the CAISO has not taken on any generator interconnection study obligation.

SCE's preferred path is to have the CAISO amend the Adjacent Balancing Authority Operating Agreement ("ABAOA") or enter into new, legally binding agreements to ensure appropriate, enforceable mechanisms including cost responsibility for the mitigation that will be implemented. SCE wants a clear definition of roles and responsibilities. SCE understands that the Affected Systems need to be willing to negotiate the agreements. As the CAISO stated in the Revised Straw Proposal, the CAISO shares this goal and believes such a proposal could be a long-term objective if the Affected Systems were interested in developing this type of structure. However, to date, the Affected Systems the CAISO has worked with have different timelines and priorities, and have not been interested in developing a binding contract. However, the CAISO is willing to continue to look for ways to improve the affected system process over time.

LSA and sPower requested that the CAISO revise the financial security rules regarding non-refundable portion of financial security in the case of significant late upgrade costs are assigned by Affected Systems to the Interconnection Customer. LSA suggested modifying the posting requirements to allow for higher refunds of the amount of Interconnection Financial Security eligible for refund if the Affected System is identified late and the project wants to withdraw from the CAISO queue due to significant

Affected System costs. The CAISO tariff imposes financial security obligations on Interconnection Customers that apply to e Network Upgrades that the Participating TOs are building in support of their interconnection request and not for the cost of Affected System mitigation. The obligations between the Interconnection Customer and the Affected System are outside of the CAISO tariff. This would be a substantial change to the current construct of forfeiture of funds late in this stakeholder process and, if desired by stakeholders, should be addressed at a future stakeholder initiative.

Existing agreements

LSA requested the CAISO clarify that the “new rules” would be in effect once FERC approves the tariff provisions. Specifically the “new rule” would apply to all Interconnection Customers who’s Synchronization Date is after the FERC approval date and if an Affected System identifies itself outside of the notification process proposed here. The notification process is already included in the Business Practice Manual for Generator Interconnection and Deliverability Allocation Procedures (GIDAP BPM) section 6.1.4.⁸

LSA is also requesting that the CAISO confirm that the new rules proposed here would “supersede” agreements between Affected Systems and parties besides the CAISO. On the other hand, MID disagrees that the CAISO rules could supersede such agreements. In short, the CAISO agrees with MID. The CAISO tariff cannot impose obligations on entities that are not subject to the CAISO tariff. Nor can the CAISO tariff supersede agreements where the CAISO is not even a party. The CAISO recognizes that this is an area that could benefit from generally applicable rules, such as those that can be developed in a FERC rulemaking. In the event a conflict or disagreement arises, the CAISO would work with all interested parties to try and develop a mutually acceptable solution.

To address this issue and prevent further dispute, the CAISO proposes to add a sentence to the end of the new provision stating that Affected System’s mitigation remedies that may be available outside the CAISO Tariff are unaffected by this provision.

5.1.3 Changes from the Revised Straw Proposal

The CAISO proposes the following revisions:

- Further clarification of what the CAISO will do if an Affected System identifies itself outside of the 60-day Affected System process.
- Narrow the exceptions to the initial identification process.

⁸ The tariff revision proposed here will expand the initial identification window from 30 days to 60 days.

- Confirm that third party agreements are not affected by this provision.

The following edits to Section 3.7 of Appendix DD and Appendix A of the CAISO tariff. Changes from the draft final proposal are highlighted in yellow:

3.7 Coordination With Affected Systems

The CAISO will notify the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study within which the Interconnection Customer's Interconnection Request will be studied. The CAISO will coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators, to the extent possible, and, if possible, the CAISO will include those results (if available) in its applicable Interconnection Study within the time frame specified in this GIDAP. The CAISO will include such Affected System Operators in all meetings held with the Interconnection Customer as required by this GIDAP. The Interconnection Customer will cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Affected Systems, including providing consent to CAISO's identification to Interconnection Customer's name, Generating Facility project name, and release of information which the Interconnection Customer provided as part of its Interconnection Request to the Affected System, and participating in any coordinating activities and communications undertaken by the Affected System or CAISO. The CAISO will provide notice to the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study, within thirty (30) calendar days after determining which projects in each study cluster have posted their initial Interconnection Financial Security. Within sixty (60) calendar days of notification from the CAISO, the Affected System Operator shall advise the CAISO in writing that either: 1) the CAISO should consider the electric system to be an Identified Affected System; or 2) the electric system should not be considered an Identified Affected System. If the electrical system operator does not make an affirmative representation within sixty (60) calendar days of notification, the CAISO will assume that the electric system is not an Affected System.

If an electric system operator comes forward after the established timeline as an Affected System, absent the Affected System identifying a legitimate reliability issue that the CAISO will confirm, the CAISO will not delay the synchronization or Commercial Operation of the Generating Facility due to a mitigation required by the Affected System. The CAISO will work with the Affected System and Interconnection Customer to establish temporary mitigations if possible for the identified reliability issue. Any mitigation the Affected System Operator feels is necessary required for a project identified by the Affected System will be the responsibility of the Affected System and not the CAISO, the Participating Transmission Owner(s), or the Interconnection Customer. except that The CAISO may waive this timeline and deem the electric system operator as an Identified Affected System if facts and circumstances are later discovered (i) the CAISO failed to identify the Affected System; or (ii) if the Interconnection Customer modifies its project such that indicate an electric system operator may becomes a potentially Affected System. In such cases, or where a project converts from a Wholesale Distribution Access Tariff to the CAISO Tariff, the CAISO will coordinate with the Interconnection Customer and the electric system operator to develop an expedited timeline to determine whether the electric system operator is an Affected System. The CAISO will then notify the Interconnection Customer as soon as practical of the new Identified Affected System. If required by the Identified Affected System, the Interconnection Customer will signing a separate study agreements with the Identified Affected System owners and paying for necessary studies. An entity which may be an Identified Affected Systems shall cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Identified Affected Systems. An Affected System's

mitigation remedies that may be available outside the CAISO Tariff are unaffected by this provision.

Appendix A – New Definition

Identified Affected System –

An Affected System Operator who, as described in Section 3.7 of Appendix DD, either (1) responded affirmatively to the initial CAISO notification, or (2) was later deemed by the CAISO an Identified Affected System after a change in facts and circumstances.

5.2 Topic 2 –Time-In-Queue Limitations

5.2.1 *Overview*

When Interconnection Customers request an extension to a Generating Facility’s COD, the CAISO evaluates the request under the Material Modification Assessment (“MMA”) process. Currently, the In-Service Date (“ISD”) for Generating Facilities studied in the serial study process shall not exceed ten (10) years from the date the Interconnection Request is received by the CAISO. For Generating Facilities studied in the cluster study process, the COD shall not exceed seven (7) years from the date the Interconnection Request is received by the CAISO.⁹ Both study processes allow for extensions beyond the 7 to 10 year limits subject to agreement of both the CAISO and the applicable Participating TO.

In order to support viable Generating Facilities in the Generator Interconnection Queue and avoid unnecessary Network Upgrades, the CAISO proposes requiring Generating Facilities that are holding capacity that could be used by later-queued projects be required to meet and maintain certain commercial viability criteria in order to extend their ISD or COD beyond the 7/10 year thresholds. These criteria will be applied to Generating Facilities that may request milestone extensions beyond the 7/10 year thresholds in the future. The CAISO proposes to approve milestone extensions beyond the 7/10 year thresholds, only on the Interconnection Customer’s demonstration that the Generating Facility meets the following commercial viability criteria:

- Having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation “as data adequate” for the authority to initiate its review process;

⁹ See Appendix U, Section 3.5.1; Appendix Y, Section 3.5.1.4; Appendix DD, Section 3.5.1.4; as applicable.

- Having an executed power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
- Demonstrating Site Exclusivity for 100% of the property (in lieu of a Site Exclusivity Deposit);
- Having executed a GIA; and
- Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

In order to ensure that Generating Facilities maintain the level of commercial viability upon which the COD extension approval was conditioned, the CAISO will perform an annual review of the Generating Facility's commercial viability during the transmission plan deliverability allocation process. Failure to maintain commercial viability will result in loss of Full Capacity Deliverability Service ("FCDS") or Partial Capacity Deliverability Status ("PCDS"), as applicable.

Generating Facilities requesting a COD extension beyond the 7/10 years thresholds, and that either are serial or requested FCDS or PCDS, reserve transmission capacity that could be used by other Generating Facilities. If such Generating Facilities do not meet the commercial viability criteria, they will not be deemed withdrawn from the Generator Interconnection Queue. Instead, the Generating Facility's deliverability status will be changed to Energy-Only. If FCDS or PCDS is still desired for the Generating Facility, the Interconnection Customer will have to pursue that option through the Annual Full Capacity Deliverability Option in accordance with Section 9.2 of Appendix DD.

Generating Facilities studied under the serial study process also will be subject to these requirements. Some of the serial studies were completed prior to the CAISO process of distinguishing Reliability Network Upgrades from Deliverability Network Upgrades. Because the serial study process did not contemplate the separation of Network Upgrades into the categories of Reliability Network Upgrades and Deliverability Network Upgrades, Generating Facilities studied under the serial study process that are subject to the consequences of failure to meet commercial viability criteria may also be required to undergo re-study in accordance with Sections 7.6 and/or 8.5 of CAISO tariff Appendix U to determine what Network Upgrades and corresponding GIA amendments will be required to interconnect their proposed Generating Facility as Energy-Only.

Generating Facilities in cluster 7 and beyond whose Phase II study results identify a longest-lead Network Upgrade required for the project that is beyond the 7-year

threshold are entitled to a limited exception to the commercial viability criteria. Such Generating Facilities requesting COD modification within six (6) months of the CAISO's publishing the Phase II results are eligible for this exception. This six-month timeline allows ample time for TP Deliverability allocation activities, the MMA process, and GIA negotiation, and it places a needed boundary on the exception. Additionally, the exception to the commercial viability criteria explicitly excludes report addendums and revisions to the Phase II that are required as an outcome of customer-initiated modifications to its Interconnection Request.

5.2.2 *Stakeholder Input*

Stakeholders generally support the proposal to apply commercial viability criteria to projects requesting to go beyond the 7/10 year threshold. The CAISO received seven comments regarding the time-in-queue draft final proposal: three comments supported the proposal, three comments supported the proposal with qualifications, and one comment took no position. Stakeholder comments addressed several concepts and suggestions:

- 1) Restudies for serial projects
- 2) Allocating cost responsibility when a Generating Facility is converted to Energy-Only
- 3) Participating-TO requested delays
- 4) Applying commercial viability only to projects with shared Deliverability Network Upgrades
- 5) Conditional approval for Generating Facilities without regulatory approved Power Purchase Agreements ("PPA")
- 6) Increasing the grace period for projects without a PPA to two years
- 7) Allowing Generating Facility's failing commercial viability to be evaluated for deliverability with a later cluster study group
- 8) Clarifications to PPA matching requirement
- 9) Clarifications on the CAISO's current COD extension framework

The CAISO addresses the comments below:

Restudies for serial projects

EDF-RE and LSA expressed concern about the proposal's impacts to serial study process projects, specifically, that a project's conversion to Energy-Only may trigger cascading restudies. They also requested clarification on what assumptions are used for serial restudies.

As clarified in CAISO's draft final proposal, assumptions used for the restudy process, established in Appendix U of the tariff, are generally informed by two questions: 1) What generation projects are already online and what are their assigned transmission upgrades? and 2) what generation projects are earlier in the queue that are not online and what are their assigned transmission upgrades?

The CAISO appreciates stakeholders' concerns that projects' conversion to Energy-Only may trigger the need for some restudies, but the CAISO has evaluated the potential effects of this proposal and of the 271 projects in the queue, only 21 are serial projects with FCDS (7%). A review of these projects indicates that:

- All of these 21 projects have executed GIAs (which is one of the commercial viability criteria);
- The projects are situated in diverse locations across the grid (7 different counties and 17 unique Points of Interconnection), mitigating the potential for cascading re-studies; and
- Seven of the 21 projects are already partially online as a result of Phasing arrangements or having declared commercial operation for markets for a portion of its capacity.

Due to the limited impact potential, the CAISO does not believe that this concern merits a change to the proposal.

However, the CAISO notes that this topic has not addressed the implications for projects that have already declared COD for some of their capacity. The CAISO clarifies that if a Generating Facility has declared Commercial Operation for one or more Phases, or has declared commercial operation for markets for a portion of its capacity, the portion of capacity in the market will not be converted to Energy-Only status. Rather the project will be converted to PCDS, retaining deliverability for the portion of the project that is already online. Take, for example, a 200 MW FCDS project developed in 4 Phases of 50 MW. If the first 3 Phases are online (150 MW) and the Interconnection Customer requests a COD beyond the 7/10 year threshold for the final Phase of the project, the CAISO will require evidence of commercial viability for the final Phase. If the Interconnection Customer cannot demonstrate commercial viability for the Phase, the CAISO will convert the project to PCDS where 150 MW has TP Deliverability status and 50 MW is Energy-Only.¹⁰ The CAISO, however, does not expect that these provisions will be frequently applied, as most projects that reach COD for any portion of their projects likely will be able to meet the commercial viability criteria. After their conversion to PCDS, generators may continue on to declare Commercial Operation for

¹⁰ See Appendix DD, Section 8.9.5

the remainder of their Generating Facility, or may enter into the next downsizing window to eliminate the undeveloped portion or Phase of their project, in which case the resource may be considered as having FCDS for the downsized project.

Allocating cost responsibility when a Generating Facility is converted to Energy-Only

EDF-RE, PG&E, and LSA requested clarification on the treatment of cost responsibility and reimbursement for Deliverability Network Upgrades. The commenters requested clarification on two general scenarios posed by PG&E where Deliverability Network Upgrades are removed from project responsibility as a result of converting to Energy-Only or are otherwise no longer needed.

The CAISO appreciates stakeholders' concerns, and agrees that the questions are important, but it is essential to note that these are not new questions. Reallocation of costs for upgrades that are still needed (as a result of withdrawal or downsizing) are addressed in the reassessment provisions.¹¹ If an upgrade is no longer needed, then these upgrades can be removed from all interconnection customers' plans of service if the construction activities have not begun. Converting from FCDS to Energy-Only will be addressed pursuant to the same tariff provisions.

Similarly, a project that fails to meet or maintain commercial viability criteria and is converted to Energy-Only status is the functional equivalent of a project¹² that fails to meet the criteria for retention of TP Deliverability and is converted to Energy-Only Status.¹³ The CAISO processes these changes—and changes to the CAISO transmission plan—in the annual reassessment process. The annual reassessment is an element of the GIDAP approved by FERC in 2012.

After review of the issues identified by stakeholders regarding reallocation, the CAISO's assessment is that the risks identified therein are existing risks of developing a Generating Facility, not risks created by the proposal. As discussed in greater detail below, all projects are only ever assigned costs which they actually trigger in their cluster study group, and cluster projects are further protected from extreme costs increases by their maximum cost responsibility.

¹¹ See Appendix DD, Section 7.4

¹² Projects in the GIDAP are subject to CAISO Tariff Appendix DD, which requires that, once a Generating Facility is allocated TP Deliverability under Section 8.9.1, the Interconnection Customer annually must demonstrate that the Generating Facility meets certain criteria to retain its Deliverability

¹³ The Transmission Plan Deliverability Retention and commercial viability policies are so similar that the CAISO has made use of the existing annual Transmission Plan Deliverability affidavit process to capture the annual verification process for commercial viability, and avoid creating additional or new reporting burdens for Interconnection Customers.

LSA 's comments raise specific concerns that "it would be highly inequitable for other projects in the same cluster as a project losing deliverability to pay more for still-needed upgrades, especially if later-queued clusters benefit from cancellation of their upgrades enabled by the deliverability withdrawal." The CAISO disagrees. As an initial matter, Interconnection Customers' that fund upgrades are paid for doing so at the FERC interest rate. Thus, while these customers may have higher upfront cash requirements, they are not ultimately paying more and may even benefit from the rate of return.

Moreover, this is the foundation of the cluster study approach as updated by the GIDAP. One of the reasons that the CAISO implemented a clustered study approach when it reformed the LGIP is the need to evaluate collective impacts to the grid, and to more equitably allocate the financial responsibility for required network upgrades to generators. If a project in a cluster is converted to Energy-Only, and it is determined that the cluster study group still triggers the Deliverability Network Upgrade, then the costs of the Deliverability Network Upgrade are rightly reallocated to the remaining projects in that study group subject to the maximum cost responsibility adopted by the GIDAP.

As described in the technical bulletin, *GIDAP Reassessment Process Reallocation of Cost Shares for Network Upgrades and Posting*¹⁴, the tariff does not restrict the CAISO and/or applicable Participating TO from reallocating the costs of Network Upgrades among customers in a study group, so long as such reallocation does not result in a customer being assigned costs greater than its maximum cost responsibility¹⁵. This applies to cluster projects with and without executed GIAs. The purpose of this maximum cost responsibility is to ensure that customers have certainty regarding their maximum cost exposure relatively early in the interconnection process. Provided the project declares Commercial Operation, the costs assigned for Network Upgrades are eligible for reimbursement. To the extent that reallocating the costs of a still needed Network Upgrades among customers in a study group up to their maximum cost responsibilities does not account for the entire costs of Network Upgrades, then the excess costs will be assumed by the applicable Participating TO. This assumption of excess costs by the applicable Participating TO is consistent with the risk that the Participating TOs faces under the current tariff due to defining the maximum cost responsibility as the lesser of

¹⁴ http://www.caiso.com/Documents/TechnicalBulletin_GIDAP-ReassessmentProcessReallocation-CostShares-NetworkUpgrades-Posting.pdf

¹⁵ The CAISO's interconnection procedures define a customer's maximum cost responsibility (often referred to as the "cost cap") as the lesser of the costs assigned to that customer in the Phase I and Phase II interconnection studies.

the costs assigned to customers in the Phase I and Phase II interconnection studies.^{16 17} Upon completion of the Network Upgrade, the Participating TOs is eligible to pursue recovery for these costs.

Changes to serial study group projects are not processed as a part of the annual re-assessment process. Instead, for these projects, the CAISO and Participating TO may identify at any time, pre or post GIA execution, the need for a restudy. LSA's comments raise specific concerns that "it would be highly inequitable for Later-queued serial Group projects to bear additional upgrade costs because the project losing deliverability will no longer pay for a still-needed upgrade, especially if a later-queued project or cluster benefits from cancellation of its upgrade enabled by the deliverability withdrawal." The CAISO confirms that withdrawal of a previously queued serial project (complete withdraw or withdraw of the project's Deliverability) may indeed trickle upgrades down to later queued projects, and cause the need for serial projects to be restudied. This is part of the foundation of the serial study process, and this issue is one of the many reasons the CAISO transitioned from the serial study process to a cluster study process.

LSA also notes that because serial projects do not have cost caps, they are "unfairly" vulnerable to changes and extra costs. The CAISO observes that some Interconnection Customers believe that projects studied in the serial process are a more valuable asset than projects studied in a cluster process because serial projects have certain "grandfathered" rights or protections. The CAISO is agnostic to this value assessment. Projects studied in the serial process are certainly queued before the bulk of the projects in the generation interconnection queue, and in some areas that has benefit, but, for the reasons described above, Interconnection Customers for the 27 serial projects that remain in the generator interconnection queue will always have difficulty ascertaining the exact timing and costs for their project, as their cost responsibility can change and is not capped.

It is possible, in both the serial study process and the cluster study process, that as a result of project withdrawal (complete withdraw or withdraw of the project's Deliverability) Interconnection Customers or Participating TOs may have expended money on the engineering, procurement, or construction for Network Upgrades that are determined to be no longer needed. Stakeholders asked for clarification on recovery for

¹⁶ See *California Independent System Operator Corp.*, 124 FERC ¶ 61,292, at P 180 (2008) (finding that the tariff provisions are "reasonable to establish cost certainty and to equitably share cost responsibilities among interconnection customers and the PTOs [Participating TOs] during the interconnection process.").

¹⁷ GIDAP Reassessment Process Reallocation of Cost Shares for Network Upgrades and Posting, http://www.caiso.com/Documents/TechnicalBulletin_GIDAP-ReassessmentProcessReallocation-CostShares-NetworkUpgrades-Posting.pdf

costs spent on Deliverability Network Upgrades that are no longer needed. There are two potential mechanisms for recovery of costs spent on Deliverability Network Upgrades that are no longer needed; (1) for the Participating TO to seek and obtain abandoned plant recovery and (2) under section 11.4.1 of the LGIA, the Interconnection Customer may recover previously unreimbursed costs if conditions discussed in the GIA are met.

- Abandoned plant
Participating TOs may petition FERC for abandoned plant recovery for up to 100% of prudently-incurred abandoned plant costs.
- Section 11.4.1 of the LGIA
Alternatively, in the event that upgrades are not currently needed, but are again identified as needed in future clusters, Section 11.4.1 of the pro forma LGIA provides that the Participating TO will be responsible to reimburse the Project if a future Generating Facility utilizes the Network Upgrade. This provision protects projects with executed GIAs from paying for upgrades used by later queued projects. Projects who terminate their LGIAs are also protected by this provision per section 2.6 of the pro forma LGIA, which states that the LGIA shall continue in effect after termination to the extent necessary to provide for final billings and payments and for costs incurred hereunder, including billings and payments pursuant to this LGIA.

PG&E requested that the CAISO work through a few specific scenarios regarding cost recovery. PG&E does not specify, *but the CAISO assumes in all scenarios that both Project A and Project B have executed GIAs and have provided Written Notice to Proceed.*

Scenario 1: Two FCDS projects (Project A and Project B) that are each allocated 50% of the cost of a Deliverability Network Upgrade. After construction of the Deliverability Network Upgrade is commenced Project A is converted to Energy-Only. Following Project A's conversion to Energy-Only, the Deliverability Network Upgrades are deemed no longer needed

The CAISO confirms that Project A is responsible to pay for invoices for any costs the Participating TO has incurred on its behalf as of the date of conversion that are associated with constructing Deliverability Network Upgrades.

- Further, any financial security may be liquidated to reimburse all Participating TO costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer.

For Project B, which is proceeding towards a COD with FCDS and which has maintained its commercial viability criteria, PG&E asks whether the costs incurred for Deliverability Network Upgrades by Project B can be paid by Project A, either directly through a cash payment or through a withholding of financial security. The answer is no, the recovery of such costs is through Section 11.4.1 of the LGIA for the Interconnection Customer and abandoned plant for the Participating TO. Similarly, withdrawing Interconnection Customers are not responsible for paying for costs incurred by the Participating TO on behalf of other Interconnection Customers for upgrades that are no longer needed

Scenario 1B: Would the answers be any different if the Deliverability Network Upgrades were deemed still needed?

Yes, the process and outcomes for still needed Deliverability Network Upgrades is different, but Project A is no longer responsible for costs of such upgrades beyond costs incurred on behalf of Projects A at the time of the conversion to Energy Only.

Project A is responsible to pay for invoices for any costs the Participating TO has incurred on its behalf as of the date of conversion that are associated with constructing Deliverability Network Upgrades.

For project B, which is proceeding towards a COD with FCDS and has maintained its commercial viability criteria, costs for the still needed Deliverability Network Upgrade will be reallocated, as appropriate, through the existing cluster reassessment process or a serial restudy.

Scenario 2: If a FCDS project fully funded a Deliverability Network Upgrade and later converts to Energy-Only, would that project be reimbursed for the Deliverability Network Upgrade?

Yes, if the project achieves COD and the Deliverability Network Upgrade is placed in-service, the project is eligible for reimbursement of those costs.

Scenario 2 B: Would the answer change if the project withdraws after converting to Energy-Only?

Yes when projects who do not achieve COD may ultimately be reimbursed if the upgrade is identified as needed in a future cluster pursuant to Section 11.4.1 of the LGIA.

Participating-TO delays

The CAISO proposes to more clearly define, in the BPM, when a COD extension is due to a Participating TO construction delay versus when a COD extension is an Interconnection

Customer-initiated material modification request subject to the commercial viability criteria. EDF-RE and LSA expressed concern that this clarification will create the circumstances for a Participating TO and Interconnection Customer to disagree about which party was responsible for negotiation delays many years before. To resolve their concern, EDF-RE and LSA both recommend that the CAISO limit the determination to only the immediate need for the COD extension. The CAISO disagrees for two reasons 1) a few very old projects have been in negotiations for numerous years, some as long as five years, that have not yet executed a GIA would be at risk of the commercial viability criteria if the project needed another COD extension and the cause of the delay is unclear; and 2) now is the time for such projects to obtain any needed COD extension exercising the existing tariff provisions before the commercial viability criteria is implemented and execute the GIA.

As a matter of customer service the CAISO will reach out to the projects identified as most likely affected by this clarification, and provide information about the forthcoming changes, and how the new time-in-queue policies may affect their deliverability.

Now is the time for projects to obtain COD extensions and/or execute GIAs beyond the 7/10 year threshold under current tariff provisions. It will take at least several months before this proposal could be approved by FERC. This is ample time for projects potentially affected by this proposal to execute a GIA with an achievable COD. The CAISO currently has procedures for approving COD extensions beyond the 7/10 year threshold. The BPM for Generator Management, Section 6, explains this policy:

If the Participating TO fails to submit a modification request to the CAISO when changes are needed to the scope of, or schedule for, planned Network Upgrades or Participating TO's Interconnection Facilities, then an impacted Interconnection Customer may submit a Material Modification Request for such modifications. Upon CAISO verification that the requested modification(s) are solely or primarily due to such scope or schedule changes, the Interconnection Customer will not be charged further for the assessment and the \$10,000 deposit will be returned to the Interconnection Customer.

With respect to future projects and modifications, the clarifications proposed in Topic 3 should prevent the GIA negotiation period from going beyond a certain amount of time, which will also help prevent projects remaining in the queue indefinitely without a GIA.

In addition, the CAISO does not necessarily agree that Participating TOs currently have no tariff obligation to provide notice of delay to projects without GIAs, but the CAISO acknowledges that the obligation is not plainly stated in the tariff. As such, the CAISO proposes to clarify that obligation.

Applying commercial viability only to projects with Deliverability Network Upgrades that could be used by later-queued projects

LSA requested that commercial viability criteria should only apply to projects holding deliverability capacity that can be used by later-queued projects. The CAISO disagrees. The purpose of this proposal is to add features to aid the CAISO in administering the queue so as to encourage the timely development of projects and to eliminate the ability of projects to hold capacity that can be used by other projects. The CAISO notes that other ISOs have successfully petitioned FERC to include much less flexible time-in-queue provisions in their generation interconnection procedures.¹⁸

Conditional approval for Generating Facilities without regulatory approved PPAs

First Solar requested that the CAISO remove its requirement that a PPA have regulatory approval to satisfy commercial viability criteria. The CAISO disagreed, the CAISO has seen projects with executed PPAs fail to obtain regulatory approval or proceed to Commercial Operation and therefore regulatory approval is consistent with the CAISO's standard for TP Deliverability affidavit scoring.

EDF-RE requested that the CAISO grant "conditional approval to the COD extension on the basis of the executed PPA, with the conditional status removed upon regulatory approval." The CAISO agrees that projects failing to meet commercial viability criteria for failure to have an executed, regulatory approved PPA should have the opportunity to obtain regulatory approval of their PPA before being converted to Energy-Only. To that end, the CAISO added a one-year grace period in the draft final proposal. In the event that the sole reason a Generating Facility does not meet the commercial viability criteria is failure to secure a PPA, the CAISO proposes to wait one year before converting the Generating Facility to Energy-Only. The one-year period will allow ample time for regulatory approval of the PPA. The one-year period will begin the day the customer submits the MMA request for the COD extension. It should be noted that during this grace period, customers will still be responsible for payments toward Network Upgrades as outlined in their GIAs.

Increasing the grace period for projects without a PPA to two years

First Solar requested that the CAISO increase the one year grace period to two years to allow for additional time for a project to secure a PPA. The CAISO declines. At the end

¹⁸ For example, FERC Order Nos. ER12-309-000, ER12-309-001, ER12-309-002 approved changes to Midcontinent Independent System Operator's (MISO) Generator Interconnection Process that that neither suspension of obligations under a GIA nor extension of GIA milestones is permissible unless a defined "force majeure" event occurs.

of a one-year grace period to secure a PPA, the Interconnection Customer will have had at least 8 years to secure a PPA. The CAISO also notes that procurement cycles are not strictly “once a year” events, but rather, are authorized on an ongoing basis as needs are identified.

Allowing Generating Facility’s failing commercial viability to be evaluated for deliverability with a later cluster study group

In its comments EDF-RE proposed an alternative set of consequences for projects that fail to meet commercial viability criteria. EDF-RE requested that the CAISO provide customers an “Option 2”:

Option 2: Retain FCDS status, continue to pay Deliverability Network Upgrade costs ... lose the deliverability for now, but be re-evaluated for deliverability with the last cluster before its COD, based on the GIDAP criteria in effect at that time. If there is insufficient deliverability to accommodate that cluster in the regular study process, the project would be subject to a reduced deliverability award commensurate with other projects in the study cluster with the same viability scoring.

The CAISO tariff currently does not allow for a single request to be studied in more than one study process. However, the CAISO appreciates the core of EDF-RE’s request here, and believes that the draft final proposal addresses EDF-RE’s core concern that projects be allowed an opportunity to attempt to preserve their deliverability.

For projects failing to meet commercial viability criteria for failure to have an executed regulatory approved PPA, the CAISO proposes to wait one year before converting the Generating Facility to Energy-Only. During this year projects maintain their FCDS and continue to pay for their Deliverability Network Upgrades as outlined in their GIAs,¹⁹ and have the opportunity to improve their project standing to meet commercial viability criteria.

Additionally, Energy-Only Interconnection Customers may pursue Deliverability through the Annual Full Capacity Deliverability Option in accordance with Section 9.2 of Appendix DD of the CAISO tariff.²⁰

¹⁹ Projects with an open modification request and projects that elect to move forward under the one-year grace period are subject to the terms and conditions of their executed GIAs. As such, failure to meet the milestones (financial or otherwise), if not cured under the GIA, may result in a breach of the GIA.

²⁰ In the unlikely circumstance that the one-year grace period is ill-matched to the customer’s making a Annual Full Capacity Deliverability Option request during the annual request window in April, provided the Interconnection Customer submits the request in the next open request window, the CAISO will

Clarifications to PPA matching requirement

First Solar requested clarification on how closely PPAs need to match GIAs to demonstrate that the project described in the PPA is the same project described in the GIA. First Solar is chiefly concerned that more than one PPA may be attached to one GIA. The CAISO clarifies it is acceptable and somewhat common for larger GIAs to be divided among more than one PPA. The PPA-to-GIA relationship may be many-to-one. The CAISO's intent is to ensure that Interconnection Customers are neither able to use one PPA to reserve capacity in the queue in excess of that PPA's capacity, nor use one PPA to sustain several projects throughout the queue. For example, a 20 MW PPA used to demonstrate commercial viability for a 20 MW cluster 4 project may not be used for TP Deliverability allocation for a 20 MW cluster 9 project. Or, a 20 MW PPA may not be used to demonstrate commercial viability for a 30 MW project, as such a large discrepancy is certainly more than can be reasonably expected to account for differences in transformer and line losses. At this time, the CAISO expects the PPA(s) provided as evidence of a project's commercial viability to align with the project's GIA with respect to the Point of Interconnection, MW capacity (allowing differences in utility defined project size pre-transformation and line losses), fuel type, technology, and site location.

Clarifications on the CAISO's current COD extension framework

In its comments on the draft final proposal, LSA referenced its prior comments concerning whether the CAISO's application of current time limitations to COD extensions were supported in the tariff. The CAISO believes it addressed LSA's concerns with the current time-in-queue framework on page 21 of the draft final proposal; however, the CAISO notes that it did not identify LSA as having made some of the comments. A more detailed response to both items is captured in the draft final proposal, and a summary is provided below.

- 1) In LSA's comments on the Revised Straw Proposal, LSA raised the concern that the CAISO's current framework COD extension beyond 7/10 year threshold is "in the [tariff] sections addressing the initial submission of Interconnection Requests (IRs) and concern the content of those submittals." In response, in the draft final proposal, the CAISO accepted, with qualifications, the stakeholder suggestion to restructure the proposed tariff language and, rather than adding language to the

extend the grace period to 10 Business Days after the project's receipt of the Annual Full Capacity Deliverability Option results.

existing sections regarding IR submission, create a tariff new section. The new section will specifically address milestone modification and time-in-queue.

- 2) LSA also asserted that “There is no support in the tariff for applying such [the CAISO’s current time-in-queue] limitations to later COD revisions, or for imposing additional requirements for COD extensions beyond those timeframes. Instead, the tariff (and relevant FERC rules) requires imposition of the material modification standard, and nothing more.” The CAISO disagrees. The CAISO’s current time-in-queue procedures are rooted in its FERC-approved tariff and FERC Order No. 2003. COD extensions beyond the 7/10 limit face MMA analysis and require the CAISO and the Participating TO’s consent to go beyond the 7/10 limit. The BPM outlines the CAISO’s criteria for consent. LSA’s interpretation is overly narrow, and FERC precedent does not support it.

At the conclusion of Topic 2 policy development, the CAISO will conduct a stakeholder process to finalize draft tariff language, and take such language to the FERC for approval. Upon FERC approval, the commercial viability proposal will supersede existing time in the queue policies.

5.2.3 Changes from the Revised Straw Proposal

The CAISO proposes the following changes to the revised straw proposal.

- 1) If a Generating Facility has declared Commercial Operation for one or more Phases, or has declared commercial operation for markets for a portion of its capacity, the CAISO will not convert to Energy-Only the portion of the project that has declared Commercial Operation. Rather, the project will be converted to PCDS.
- 2) The CAISO proposes that the Participating TO’s tariff obligation to provide notice that network upgrade construction timelines have changed be plainly stated in the tariff appendices that govern generator interconnection procedures.

5.2.4 Revised Proposed Tariff Language

The CAISO proposes to modify tariff language regarding time-in-queue as follows. The language will be added to Appendix, S, U, Y, and DD in a new section that specifically addresses Time-in-Queue and Milestone Modifications. Final determinations on tariff language for this section will be reviewed through the CAISO’s tariff development process. Changes from the revised straw proposal are highlighted in yellow:

New Section in Appendix, S, U, Y, and DD as applicable

Milestone Modification, Time in Queue, and Commercial Viability Criteria

The modified Commercial Operation Date of the new Generating Facility or increase in capacity of the existing Generating Facility shall not exceed [ten/seven] years from the date the Interconnection Request is received by the CAISO, unless the Interconnection Customer demonstrates that the Generating Facility is commercially viable. The CAISO's agreement to an extension of the proposed Commercial Operation Date does not relieve the Interconnection Customer from compliance with the requirements of any of the criteria in [Section 8.9.3] for retention of TP Deliverability.

The CAISO's agreement to an extension of the proposed Commercial Operation Date is predicated on the Generating Facility meeting and maintaining the criteria on which commercial viability is based. Commercial viability shall be defined as:

- a. Providing proof of having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;
- b. Providing proof of having an executed and regulator-approved power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
- c. Demonstrating Site Exclusivity for 100% of the property necessary to construct the facility through the Commercial Operation Date requested in the modification request. A Site Exclusivity Deposit does not satisfy this criterion;
- d. Having an executed Generator Interconnection Agreement ("GIA"); and
- e. Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

If the Interconnection Customer fails to meet the commercial viability criteria but informs the CAISO that it intends to proceed with the modified Commercial Operation Date, the Generating Facility's Deliverability Status will be Energy-Only Deliverability Status.

If a Generating Facility satisfies all the commercial viability criteria except criterion [6.9.2.4(b)], the CAISO will postpone converting the Generating Facility to Energy-Only Deliverability Status for one year from the day the Interconnection Customer submits the modification request or one year after the Interconnection Customer exceeds [ten/seven] years from the date the Interconnection Request is received, whichever occurs later. Interconnection Customers exercising this provision must continue to meet all other commercial viability criteria.

Generating Facilities in cluster 7 and beyond whose Phase II Interconnection Study report requires a timeline beyond the 7-year threshold are exempt from the commercial viability criteria in this section provided that the COD modification is made within six (6) months of the CAISO's publishing the Phase II Interconnection Study report. This exemption is inapplicable to report addendums or revisions required by a request from an Interconnection Customer for any reason

[New subsection:] Alignment with Power Purchase Agreements

An Interconnection Customer with an executed GIA and an executed regulator-approved power purchase agreement may request to automatically extend the GIA Commercial Operation Date to match the beginning of the power purchase agreement Commercial

Operation Date. Such requests are not exempt from the commercial viability criteria provisions in [Section #]. The CAISO will consider the power purchase agreement Commercial Operation Date to be the Commercial Operation Date provided for in the executed power purchase agreement, inclusive of all extensions provided for per the terms of the power purchase agreement. To exercise this provision, the Interconnection Customer must (1) provide a copy of the power purchase agreement and evidence of regulatory approval, and (2) confirm the power purchase agreement's standing and details in the annual TP Deliverability affidavit process.

[New Subsection] Treatment of capacity that has already declared Commercial Operation

If a Generating Facility has declared Commercial Operation for a portion of a Generating Facility, or one or more Phases of a Phased Generating Facility, the CAISO will not convert to Energy-Only the portion of the project that is in-service and operating in the CAISO markets. Instead, the portion of the Generating Facility that has not been developed will be converted to Energy-Only Deliverability Status, resulting in Partial Capacity Deliverability Status for the Generating Facility unless and until the Generating Facility has gone through the downsizing process to reduce its capacity to the amount in in-service and operating in the CAISO markets, in which case the Generating Facility will have Full Capacity Deliverability Status..

[New subsection:] Annual Assessment

The CAISO will perform an annual review of the Generating Facility's commercial viability. If the Interconnection Customer fails to maintain the level of commercial viability on which the Commercial Operation Date approval was based, the Deliverability Status of the Generating Facility corresponding to the Interconnection Request shall convert to Energy-Only Deliverability Status.

5.3 Topic 5 - Stand-Alone Network Upgrades and Self-Build Option

5.3.1 Overview

When an Interconnection Customer is assigned one hundred percent of the cost responsibility of a Network Upgrade and no other Interconnection Customer has the Network Upgrade identified as a requirement for its project, the Network Upgrade may qualify as a Stand Alone Network Upgrade (“SANU”).

Current policy allows for an Interconnection Customer building SANUs to forgo posting Interconnection Financial Security (“IFS”) for the SANU because only the Participating TO is able to draw from IFS postings. The CAISO proposes language intended to clarify the process and outline explicit financial obligations for Interconnection Customers that elect to self-build a SANU.

5.3.2 Stakeholder Input

Only four comments were received regarding the draft final proposal. EDF-RE, commenting for the first time, opposes the proposal. LSA opposes the proposal but

would support it in concept without the clarification that there would be no changes to the maximum cost responsibility included in the draft final proposal. PG&E and SCE supported the draft final proposal.

EDF-RE and LSA expressed concerns that the clarification of allowing an Interconnection Customer to build a SANU will have no impact on the Interconnection Customer's maximum cost responsibility could hurt the developer during the annual reassessment process by leaving more "headroom" for the reallocation of other upgrade costs in that process. The CAISO agrees with EDF-RE's and LSA's comment that there is a potential for unintended consequences related to the clarification in the Draft Final proposal. Not reducing the maximum cost responsibility for SANUs could in some cases be seen as an opportunity to increase an Interconnection Customer's cost allocation for a Network Upgrades beyond what is intended in the reassessment cost reallocation process. The CAISO's proposal to correct this is described under "Changes from the Revised Straw Proposal" below.

EDF-RE and LSA also had concerns that an Interconnection Customer would be required to make the initial and second IFS posting for the costs associated with the SANU (i.e., the Interconnection Customer would only be allowed to reduce the amount of the second posting related to the SANU after the GIA is fully executed). This requirement was added to the Revised Straw Proposal based on stakeholder concerns related to project withdrawals. PG&E had commented that when an Interconnection Customer elects to build a SANU and is allowed to reduce its IFS posting, the lower posting amount could be substantially less than the avoided posting amount for the SANU. In this case, if the Interconnection Customer withdraws without ever posting for the SANU, it could be difficult to recover any forfeiture that would be associated with the avoided posting. PG&E recommended that the second financial security posting never be reduced below the first financial security posting amount, thereby removing any potential opportunity for gaming the IFS process. SCE in its comments on the draft final proposal agreed with the requirement to only allow the IFS to reduce the amount of the second posting related to the SANU after the GIA is fully executed. SCE stated that doing so would mitigate situations where an interconnection customer electing to self-build a SANU withdraws and the actual posted IFS is lower than the IFS posting amount related to the SANU. Considering current and past comments, as well as CAISO experience with this issue, the CAISO believes the current proposal strikes the right balance.

5.3.3 Changes from the Revised Straw Proposal

The CAISO proposes that the Interconnection Customer's maximum cost responsibility will be reduced by the cost of the SANU and both the original and revised maximum cost responsibility will be documented in the GIA. If at any time the responsibility for

constructing the SANU reverts back to the Participating TO, the Interconnection Customer's maximum cost responsibility will revert back to the original maximum cost responsibility.

5.3.4 *Revised Proposed Tariff Language*

The following is a revised new subsection appended after section 11.3.1.4.3 of Appendix DD. The changes from the previous version are highlighted in yellow:

11.3.1.4.4 Posting Related to Interconnection Customer's Opting to build Stand Alone Network Upgrade(s)

If an Interconnection Customer's Phase-II study report identifies Stand Alone Network Upgrades and the Interconnection Customer desires to self-build the Stand Alone Network Upgrades, the Interconnection Customer must post the Interconnection Financial Security for the Stand Alone Network Upgrades in its second posting. The Interconnection Customer may request to build the Stand Alone Network Upgrades in the Generator interconnection Agreement negotiation process, and if the Participating TO and the CAISO agree, the second posting will be reduced accordingly. The Interconnection Customer will not be allowed to revise its second posting amount until the Generation Interconnection Agreement documents the Stand Alone Network Upgrades and has been fully executed. If the Participating TO and the CAISO agree to allow the Interconnection Customer to build a Stand Alone Network Upgrade in an executed Generator interconnection Agreement the Interconnection Customer's maximum cost responsibility will be reduced by the cost of the Stand Alone Network Upgrade and both the original and revised maximum cost responsibility will be documented in the Generation Interconnection Agreement.

If at any time the responsibility for constructing the Stand Alone Network Upgrade reverts back to the Participating TO, the Interconnection Customer will be required to revise its second Interconnection Financial Security posting back to the second posting amount prior to the execution of the Generator Interconnection Agreement within thirty (30) calendar days of determining that the Participating TO will build the Stand Alone Network Upgrade and the Interconnection Customer's maximum cost responsibility will revert back to the original maximum cost responsibility. Failure to make a timely posting adjustment will result in the withdrawal of the Interconnection Request in accordance with Section 3.8. If an Interconnection Customer has been allowed to reduce its second posting following the execution of its Generator Interconnection Agreement and subsequently withdraws, the amount of the Interconnection Financial Security that is determined to be refundable under Section 11.4.2 will be reduced by the amount of the Interconnection Financial Security posting the Interconnection Customer avoided through the self-build option.

The following are proposed edit for Section 11.4.2.2 (a) of Appendix DD:

- a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, and less any posting amount reduction due to Interconnection Customer's election to self-build Stand Alone Network Upgrades.), or...

The following are proposed edits to Article 5.2 of Appendix EE:

5.2 General Conditions Applicable to Option to Build.

If the Interconnection Customer assumes responsibility for the design, procurement, and construction of the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades, or assumes responsibility for any stand-alone task, such as telecommunications, environmental, or real-estate related work, (1) within six (6) months of the execution of this GIA, or at a later date agreed to by the Parties, the Interconnection Customer shall submit to the CAISO and the Participating TO a milestone schedule for the design, procurement, and construction of the Stand Alone Network Upgrades, or any stand-alone task assumed by the Interconnection Customer. The milestone schedule will be required to support the Interconnection Customer's Commercial Operation Date. The Appendix B Milestones will be amended to include the milestone schedule for the Stand Alone Network Upgrade.