Stakeholder Comments Template

Generator Interconnection Procedures Phase 3 ("GIP 3")

Issue Paper, posted March 1, 2012

Please submit comments (in MS Word) to GIP3@caiso.com no later than the close of business on March 23, 2012.

Submitted by	Company	Date Submitted
Fernando E. Cornejo *fernando.cornejo@sce.com*	*Southern California Edison*	*March 23, 2012*

This template is for submission of stakeholder comments on the topics listed below, which were discussed in the Generator Interconnection Procedures Phase 3 ("GIP 3") Issue Paper posted on March 1, 2012, and during the stakeholder meeting on March 15, 2012. **Please submit your comments in MS Word to GIP3@caiso.com *no later than the close of business on March 23, 2012*.** For the seven topics listed below, we ask that you rank each with a score of *0, 1, 2, or 3* in the space indicated (a more detailed description of each topic is contained in the issue paper posted at http://www.caiso.com/informed/Pages/StakeholderProcesses/GeneratorInterconnectionProceduresPhase3.aspx).

Please ascribe the following definitions to your scores:

- *3:* For topics that are high priority and urgent (i.e., the topic is a candidate for the first phase of GIP 3).
- *2:* For topics that are high priority but of less urgency than a score of 3 (i.e., the topic is a candidate for the second phase of GIP 3).
- *1:* For topics that have low priority (i.e., the topic could wait until the next GIP stakeholder initiative subsequent to GIP 3).
- *0:* For topics that are not appropriate to address in a GIP enhancement initiative.

Stakeholders need not score, or comment on, every topic but are encouraged to do so where they have an opinion. The ISO will assume that a stakeholder has "no opinion" on issues for which no score is provided.

In addition to scoring each topic on which you have an opinion, please also provide your comments on each. Also, if you disagree with the characterization of any particular topic in the issue paper, please explain how you describe the issue, how this compares to the existing rules, and what the objective on that topic should be in this initiative. Also, provide specific proposals to address each of the topics you have given a score of 3 (i.e., high priority and urgent topics).

For those topics you have given a score of 3, please provide the reasons and the business case for your perspective on the relative priority of the topic (e.g., explain the commercial impacts of not treating the topic as a Phase 1 high priority item in GIP 3).

Please also identify those topics which you believe may require a long time to address and therefore be candidates for work groups.

Please also provide any additional topics that you believe should be considered within the scope of the GIP 3 initiative; but, do not provide a score for these (the ISO will compile these into one composite list and use a survey process to request stakeholders to score them). For any additional topics that you provide in your comments, please provide specific proposals to address them.

Your comments in this regard will assist the ISO in the development of the Straw Proposal (on the Phase 1 high priority items) to be posted on April 10, 2012.

Comments on Items listed in GIP 3 Issue Paper:

1. **Downsizing** The potential need for an Interconnection Customer ("IC") to downsize or and/or delay in the late stages of the interconnection process may arise for various reasons (both for commercial reasons and those beyond an IC's control). An IC's primary recourse may be to withdraw from the queue and re-enter a later cluster. The current tariff prohibits the ability to downsize or delay the commercial operation date if a later queued project is adversely affected. There is no allowance for an IC to build in the option to downsize or, compensate/indemnify materially affected later-queued projects, or to remedy material impact in any way. The objective of this topic would be to identify and explore potential remedies.

   Score 0-3:

   1

   Comments:

   SCE reiterates its comments previously submitted to the CAISO in the GIP2 stakeholder initiative. The CAISO should be careful that in an attempt to accommodate generators to downsize by an amount greater than the currently allowed 5% "safe harbor" for reasons beyond the interconnection customers control, this does not result in excessive transmission being built, creating a glut in capacity. The opportunity to downsize should also not be viewed as an opportunity to allow for gaming by an interconnection customer requesting a higher MW interconnection study, when its true intention is to build a lower MW project. In today's environment, where an increasing number of generation projects are being deployed in a phased approach, the ability for interconnection customers to downsize their projects is an issue that might warrant additional consideration, but any such efforts must be undertaken with a balanced perspective to ensure the associated transmission is planned and built properly.

2. **Distribution of forfeited funds** Non-refundable portions of the IC study deposits and financial security postings are distributed in the same manner as are penalties assessed market participants (i.e., distributions are made to scheduling coordinators). Current

procedures provide for retention of certain portions of IC study deposits and financial security postings upon withdrawal from the queue. The objective of this topic would be to investigate/explore whether there is a more appropriate way to distribute these funds.

Score 0-3:

3

Comments:

The CAISO and stakeholders should explore the possibility of using at least a portion of forfeited funds to offset the PTOs' incurred costs for the incremental work related to performing technical studies and developing generator interconnection agreements which are not currently being recovered. SCE, and ultimately ratepayers, continues to incur significant costs in the performance of technical studies and development of interconnection agreements. Distribution of forfeited funds to PTO's would be an equitable approach as there is a cost-causation link between the interconnection customers and the PTOs who have performed a substantial amount of work on their behalf.

3. **Independent study process** The determination of independent study process ("ISP") eligibility heavily relies on cluster study results which can result in delays meeting tariff timelines. Under existing rules, interconnection requests ("IRs") must satisfy the eligibility criteria set forth in Section 4 of the GIP (Appendix Y). The objective of this topic would be to investigate the potential for improving the ISP determination process to allow projects that are electrically independent to move forward on a faster pace than the annual cluster process would provide.

   Score 0-3:

   1

   Comments:

   The Independent Study Process takes into account generation development activity in a particular technical study area. By its general electrical and connectivity characteristics, the design of the networked transmission system is such that inter-dependency of generation projects becomes clearer upon completion of the cluster studies. It is difficult to envision a way to structure the evaluation of the ISP by avoiding consideration of the cluster study results. The reliability of the transmission provider's electrical system cannot be put into a jeopardy situation as a result of trying to short-circuit a proper ISP review to identify potentially needed network upgrades in order to maintain the reliability and operating integrity of the transmission system. SCE has not received any request for ISP treatment for generators seeking to interconnect at the transmission level and finds no urgent need to address this topic.

4. **Fast track study process** The current eligibility screens were designed for distribution rather than transmission. Under existing rules, an IR must satisfy the eligibility screens set forth in Section 5 of the GIP (Appendix Y). The objective of this topic would be to investigate eligibility screens that may better suit the intent of the fast track study process (i.e., allow qualified projects to move forward on a faster pace than the provided by the annual cluster study process).

Score 0-3:

1

Comments:

The established eligibility criteria for using the Fast Track study process help to ensure the safety and reliability of the transmission provider's electric system. There could be substantial impacts to safety and reliability caused by the elimination or modification of these criteria without any interconnection studies to assess their impacts. It would be difficult to revise the existing criteria, since they still are intended to avert potential safety and/or reliability violations. Further, SCE cannot find a rationale to modify the Fast Track study process since it has received only one interconnection customer request for Fast Track treatment at the transmission level, and that request was subsequently withdrawn by the customer. Given that Fast Track is not an option often pursued by interconnection customers and is not an impediment to safely and reliably interconnect qualifying generators to the electric system, SCE finds no urgent need to address this topic.

5. **Behind the meter expansion** Some stakeholders have expressed interest in behind-the-meter ("BTM") expansion for phased generation interconnection projects. Under existing rules BTM expansion meeting business and technical criteria is studied using the independent study process track; however, the expansion can only happen after the original facility is in service. The objective of this topic would be to investigate/explore criteria and procedures that could enable BTM expansion before the entire original facility is in service.

   Score 0-3:

   2

   Comments:

   SCE assumes the reference to "meter" in "behind the meter" as referring to the CAISO meter without regard for retail metering. It is important to understand, as the distribution operator, SCE considers two different meter perspectives (wholesale and retail) that may or may not be common.

   A generating entity is required by CAISO to have a meter for the scheduling and settlement of wholesale trades. Data from this metering is generally also used by the parties of the PPA for confirmation of commercial terms.

   Most every generator also consumes energy when not in a net generation output mode. Commonly these are shutdown or start-up conditions (commonly referred to as station power.). This back-feed of power from the distribution provider is a retail service under normal CPUC rules.

   When there is a single wholesale entity on a point of interconnection the master wholesale meter and the retail meter energy flows will in fact match, and the interconnection customers (IC) are often able to work with retail providers to share/combine some metering assets, reducing costs.

When there are multiple generating entities (which generally means multiple wholesale settlements, CAISO meters) on a common tie line there are most likely multiple retail customers. These scenarios require evaluation to ensure proper balancing for both retail and wholesale metering and tariff participation. (Ensure correct net energy flow reporting from metering.)

From a retail perspective to SCE, if the new generation capacity is part of the same CAISO master meter output by the same legal entity then there are no retail or balancing concerns. In the event that additional capacity is on a different CAISO output meter and/or by a different legal entity then there may be multiple issues/concerns. These concerns can be addressed but the IC needs to be prepared for the associated costs. Some form of study and or GIA revisions would be required to determine solution alternatives.

To assist with the proper identification of this issue and development of a solution for behind-the-meter expansion, SCE has identified the following three key items that need resolution:

1) If "expansion behind the meter" is truly behind the same CAISO meter and by the same legal entity then issues are primarily associated with generation technology change/mix affects and telemetry.

2) If "expansion behind the meter" involves multiple legal entities, or is actually behind the POI but independent of, or parallel to existing meters then in addition to generation technology impacts there may be impacts to wholesale and retail metering, scheduling and settlements. The IC may be subject to significant metering revisions/additions. In some configurations, conformance to retail rules and tariffs may require installation of independent station power service lines from the distribution provider with tie line back-feed prevention circuitry.

3) Connection/configuration behind the meter by multiple separate entities may impact participation in the Station Power Protocol tariff.

6. **External transmission lines** Generator projects interconnecting to a gen-tie external to the ISO-controlled grid cannot obtain deliverability on the ISO grid (either directly or through the gen-tie developer). The objective of this topic would be to investigate/explore the development of rules under the GIP enabling the developer of such a gen-tie to offer deliverability (on the ISO grid) to generating projects interconnecting to the gen-tie.

   Score 0-3:

   3

   Comments:
   The CAISO Tariff does not include provisions to process transmission interconnection requests, rather such requests are directed to the PTO for processing. Likewise, SCE's Transmission Owner Tariff does not provide any specific process or procedures for handling "transmission" interconnection requests and studies. Thus, the status quo does not provide the necessary guidance regarding how to coordinate/integrate transmission interconnection requests with the generator interconnection requests.

At present, SCE uses the previous LGIP "serial" procedures to process transmission interconnection requests, on a first come-first served/first pay queue basis, in parallel with generator interconnection requests, which are studied in clusters. This "ad hoc model" was implemented in the absence of a formal FERC-approved procedure. The serial queuing process creates interdependencies among projects that can materially affect the cost of interconnection facilities and the timely completion of studies as updates are required to address facility changes. As a practical matter, interconnection requests cannot be studied in isolation. The costs for the interconnection of a project are affected by those triggered or paid for by other projects either currently connected to or seeking interconnection with the same or nearby facilities.

SCE's use of the serial process for transmission interconnection requests has been feasible in the past because there were so few of them. However, this ad hoc process will no longer be tenable as the number of transmission interconnection requests to SCE's system has begun to increase. In fact, within the last year, SCE has gone from one transmission interconnection request to a total of six requests that are now under active study. Additionally, these requests often involve large MW transfers of power which have a heavy impact on reliability studies, especially those in relation to other transmission interconnection requests as well as generation interconnection requests in the areas of study.

Further increases in volume of these transmission interconnection requests will challenge the CAISO's and PTO's abilities to timely process these requests, and, more importantly, to provide applicants with reasonably certain cost estimates to build the requested interconnection. This scenario is identical to the challenges faced by the CAISO and PTOs when processing small generator interconnection requests soon after FERC approved the Generator Interconnection Procedures Reform (GIPR). This was later cured by merging small and large generator interconnection requests and codified the practice in the FERC-approved Generator Interconnection Procedures (GIP).

Regardless of the number of transmission interconnection requests, the fact that these requests exist necessitates the need for new Tariff language to accommodate them. The new language needs to provide consistency and comparability regarding the processing of transmission interconnection requests, and should be similar to what was done under GIP.

The CAISO and stakeholders should explore better ways to coordinate/integrate transmission project proposals into the CAISO's RTPP process in relation to transmission interconnection requests made to PTOs for reliability assessments. One viable option to consider is to develop tariff provisions to handle transmission interconnection requests similar to what was established for the GIP. Using this paradigm, the CAISO would be responsible for handling the initial intake for all transmission interconnection applications and would direct Interconnection Customers to submit transmission interconnection requests to the host PTO for processing only if and when the transmission project proposal was approved by the CAISO. This will be more efficient since reliability assessments would only be performed for those transmission project proposals that receive CAISO approval.

To assist with the proper identification of this issue and development of a solution for processing transmission interconnection requests, SCE has identified the following four key items that need resolution:

1) What roadmap should developers follow to apply for transmission interconnections?
    - Do they need to submit applications to both SCE and the ISO, if so when? The answer may be different if they want to own the facilities and become a PTO versus developing a project on an added facilities basis and turn the facilities over to the host PTO versus a non-PTO connection to form a neighboring utility.

2) How should PTO members, within the ISO, handle proposed transmission projects submitted into the RTTP process but have corresponding interconnection requests?
    - How will technical studies be conducted?
    - What are the ISO/ PTO roles and responsibilities for performing studies based on requests to RTPP?

3) How will transmission interconnection requests be handled from a queuing perspective?
    - Should transmission interconnection requests be integrated in to the GIP study process?
    - If not, what process should be implemented to preserve reliability for studies that involve multiple transmission and generator interconnection requests?
    - What are the timeline for study completion, including but not limited to: (a) study agreement process; (b) performing the system study; (c) determining facilities required; and (d) interconnection agreement.

4) Existing ISO and PTO tariffs do not provide adequate guidance on how to process transmission interconnection requests.
    - Should transmission interconnection requests be incorporated into the GIP process tariff language once a framework has been established?

7. **Timeline for tendering draft GIAs** The large volume of IRs is making it difficult to tender draft GIAs within the 30-day timeline of the GIP. Under current rules, section 11 of the GIP requires tendering a draft GIA within 30 days after the ISO provides the final phase II results. The objective of this topic would be to investigate/explore potential modifications to the timeline for tendering a draft GIA.

    Score 0-3:

    2

    Comments:

    SCE is supportive of providing additional time to tender a draft GIA after the final phase II results, as the swell in interconnection requests and associated studies is making it increasingly difficult to tender a draft GIA within the existing 30-day window.

Other Comments:

1. Please list any additional topics that you believe should be considered for the scope of GIP 3; but, do not assign a score (the ISO will use a subsequent survey process to invite stakeholders to score additional topics). For any additional topics that you suggest, please provide the reasons and the business case for your perspective on the relative priority of the topic (e.g., explain the commercial impacts of not treating the topic as a Phase 1 high priority item in GIP 3). Also, identify those topics which you believe may require a long lead time to address and therefore be candidates for work groups. And lastly, please provide specific proposals to address each additional topic you have suggested.

   1. The scope of GIP3 should explore the possible alignment of recovery of costs related to contract development from the cost-causer (i.e. Interconnection Customers).

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