Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 ("GIP 2")

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics detailed in the May 27, 2011 *Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at http://www.caiso.com/2b21/2b21a4fe115e0.html). We ask that you please submit your comments in MS Word to GIP2@caiso.com *no later than the close of business on June 10, 2011*.

Your comments on any these issues are welcome and will assist the ISO in the development of the revised draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide comments that address any concerns you foresee implementing these proposals.

Please note there are new topics in this comments template that have been introduced for the first time in the draft final proposal - Item # 18, 19, 20, 25, 26 & 27

Comments on topics listed in GIP 2 Draft Final Proposal:

Work Group 1

Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline

Work Group 2

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

   Comments:

   Section 7.2.1 begins with a statement "*Some stakeholders have expressed the opinion that the per-unit cost estimates and cost-estimation methodologies provided by PTOs under the cluster process yield cost estimates that are too high and thus result in overstatement of costs*." SDG&E reiterates its earlier comments that as long as Phase I cost estimates include land, ROW, environmental mitigations and permitting and is intended to reflect a "not to exceed" cost exposure cap for the developers, the Phase I cost estimates are going to be unreasonably high due to lack of detailed engineering, land, and environmental information. For this reason there is not a lot of detail behind the unit costs for new transmission lines and new substations at the PHASE I stage of the studies. Even at Phase II, the cost estimates are not fine tuned because until the project starts construction activities the PTO does not allocate engineering resources to thoroughly evaluate and identify the detailed scope of work to construct the project. The Phase II cost estimates are still planning level estimates.

   SDG&E agrees that PTOs should use a common format for presenting per unit cost information. What the CAISO posts on its website for per-unit-costs for the three utilities should be in a common format.

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

   Comments:

   A generator connecting to a non-PTO should request a Deliverability Assessment from CAISO by injecting to the bus at the interchange point (or related branch group) unless it is using existing available interchange RA capacity.

   However SDG&E believes that this requirement should also apply to any generator that wants full deliverability to the CAISO loads. In the situation of a generator interconnecting to non-PTO facilities –whether inside or outside the CAISO BAA – provisions should be added via the GIP II process whereby the interconnecting generator would submit a request for full deliverability to the CAISO, and the CAISO would conduct deliverability studies which may identify network upgrades within the

CAISO BAA that provide the requested deliverability, in accordance with the study procedures and queuing procedures that currently apply only to generators interconnecting within the CAISO BAA. This process would be similar to the process that currently applies to PTOs' WDAT projects. The generator requesting full capacity/deliverability would be obligated to fund the construction of any identified deliverability upgrades on the CAISO-controlled grid, similar to the generators that connect within the CAISO BAA. Otherwise, generators outside the CAISO BAA are getting discriminatory treatment compared to generators connecting within the CAISO BAA. Note that under this proposed approach, a generator that seeks to interconnect to the facilities of a non-PTO would still be required to comply with the interconnection requirements of the entity owning the non-PTO facilities.

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

Comments:

SDG&E supports that if report revisions become necessary (due to errors or omissions), the CAISO should establish a policy for extending the deadlines for Phase I or Phase II security postings. However, SDG&E finds the detail provided in the CAISO final proposal burdensome and questions if it is necessary to add this detail to the GIP tariff.

SDG&E feels the detailed write up of so many different conditions, "within 3 business days", "within 5 business days" and assigning percentages to the degree to which an error or omission is substantial will result in confusion.

SDG&E proposes that report errors and omissions should be handled by the CASIO on a case by case basis, according to the ISO policy. SDG&E questions whether the tariffs of other ISOs contain such lengthy metrics/parameters and particular details related to report errors and omissions.

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

Comments:

In prior comments SDG&E provided it has not run into and is not aware that any confusion about the definition of the start of construction exists. SDG&E agrees with PG&E and believes that the current definition for start of construction is adequate, and that such information should be, if it is not already, outlined in the milestones section of the generator interconnection agreement. After the LGIA is executed, the start of construction is defined as when written authorization to proceed with construction is provided pursuant to Articles 5.5.2 and 5.6.3 of the LGIA and when the third/final posting of IC financial security is submitted by the IC, pursuant to Articles 5.5.3, 5.6.4 and 11.5 of the LGIA and as should be outlined in LGIA Appendix A.

Consistent with its previous comments, SDG&E agrees with the last paragraph of 5.2.4 that the relationship between E&P agreement security posting and third/final posting of IC financial security per the LGIA should be clarified in the GIP tariff. The GIA start of construction financial security posting = total GIA financial security posting requirement less any E&P agreement financial security postings

SDG&E agrees with Six Cities do not support allowing construction of a project to begin before full funding is secured due to the risk to transmission customers as well as to other interconnection customers that also are relying on completion of the project.

In section 7.2.4, SDG&E would modify that CAISO's proposed added a paragraph to section 9.3.2 —Third Posting of Interconnection Financial Security of Tariff Appendix Y as follows:

If an Interconnection Customer's ~~n~~Network ~~u~~Upgrades and/or Interconnection Facilities can be separated into two or more separate and discrete ~~projects or~~ project phases (discrete components) and the Participating TO is able to identify and separate the costs of the identified discrete components, then the Participating TO, the ISO and the Interconnection Customer may negotiate in the Generator Interconnection Agreement parsing the third posting for Interconnection Financial Security into smaller deposit amounts and discrete milestone dates for each discrete component related to the Network Upgrades and/or Interconnection Facilities described in the Generator Interconnection Agreement.

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

Comments:

SDG&E suggests and supports development of a procedure to alleviate confusion as experienced in the most recent security postings following Cluster 2 Phase I. SDG&E proposes that the CAISO should provide to parties a summary of the IC's financial security amounts due, due dates, and details of calculations and cost allocations between PTOs for network upgrades in advance of, or at the Phase I and Phase II Results Meetings. SDG&E supports CAISO efforts to develop a procedure and responsibility document in coordination with the PTO.

Related to posting amounts and Network Upgrade cost responsibilities, SDG&E continues to recommend CAISO should also develop a procedure and responsibility document for IC Network Upgrade Permitting Responsibilities for Network Upgrades where costs are allocated to several projects in a cluster, where each is allocated less than 100% of the total Network Upgrade cost.

SDG&E provided this in its written comments to the CAISO's Straw Proposal. This SDG&E comment was ignored and not addressed by the CAISO in its final Draft Proposal. SDG&E would like to have this comment acknowledged and this issue addressed by CAISO in this stakeholder process.

6. Information provided by the ISO (Internet Postings)

Comments:

SDG&E continues to applaud the CASIO efforts to provide more current information by consistently and more frequent updates to the Queue.

Work Group 3

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

Comments:

SDG&E also reiterates its prior comment that considering there are no provisions in the GIP for restudy/re-evaluation of a project specifically in regards to the DNUs, partial termination might cause issues with the CASIO Queue involving adverse impacts on lower projects in the queue, and might result in the Queue providing bad or incorrect information to stakeholders. Allowing an IC to terminate/abandon a part of their project with relatively large capacity and with large upgrades associated with it could cause unrealistic (oversized) upgrades to be associated with projects that remain within the same cluster, or even projects lower in the Queue. If different phases of a project have a separate COD, and different upgrades associated, CAISO should consider making phases of a project completely separate projects. This SDG&E comment was submitted in writing in the previous round of GIP II (CAISO's Straw Proposal) and was ignored by the CAISO in its final Draft Proposal. SDG&E would like to have this comment acknowledged and this issue addressed by CAISO in this stakeholder process.

SDG&E agrees with PG&E that projects should utilize multiple interconnection requests and that an option to downsize a project could result in a transmission plan that overbuilds. SDG&E believes allowing projects to be phased will lead to delays in completion of the LGIA.

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

Comments:

Allowing a project to make a reduction in size could be deemed a material modification if it results in significant impacts to other projects in the queue and also the identified DNUs.

SDG&E reiterates its comments provided to the GIP 2 Issues Paper and again to the Straw Proposal: The CAISO tariff should be more specific about Material Modifications. For instance, if an IC has executed an LGIA and thereafter changes the technology of the project or moves the project to a different site, or significantly changes the project schedule, at what point should such changes be evaluated and considered a material modification that would trigger the CAISO to treat such change(s) as a new project required to re-enter the Queue rather than an acceptable modification to the original project in the Queue? The GIP tariff should clearly state what modifications are permissible and at what stage of the process (if to be evaluated at all). SDG&E provided this comment in writing in the previous round of the GIP II (CAISO's Straw Proposal). However this SDG&E comment was ignored by the CAISO in its final Draft Proposal. SDG&E would like to have this comment acknowledged and this issue addressed by CAISO in this stakeholder process. The CAISO tariff must be more specific about the parameters for Material Modifications.

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

Comments:

SDG&E disagrees with this proposal. IF the IC wants partial reimbursement, then the project should be broken into discrete phases that correspond with the partial cost. SDG&E's interprets a separate phase with a separate COD and separate network upgrades should be a separate project. Reimbursement for network upgrades should remain as defined in the LGIA, upon the project's COD. Repayment of IC funding of network upgrades associated with a phased generation facility would also cause complication and administrative burden in the tracking the partial repayments.

A better solution is for the IC to instead submit the separate phases of the project as separate projects in the Queue.

The purpose of the IC providing and PTO retaining interconnection financial security is to protect ratepayers so PTOs are not building network facilities to accommodate the entire project as studied for the benefit of the project seeking full deliverability. In this case when IC fails to construct the entire project the system will be overbuilt. By reimbursing the IC for funding the Network Upgrades the cost would either have to go into transmission rates or the PTO must carry that cost while the need for that facility may have reduced to some level less than 100%.

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

Comments:

When the IC provides evidence of site exclusivity, CAISO should not only validate the evidence but also verify that the amount/size of real estate identified for use by the project can support the MW requested in the IR (especially in IRs for Solar PV and Wind projects).

11. CPUC Renewable Auction Mechanism

Comments:

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

    a. Application of Path 1-5 processes
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    Comments:
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b. Maintaining Deliverability upon QF Conversion

Comments:

SDG&E agrees that if an existing QF is making changes that do not implicate the interconnection process and its commercial status is also not being altered, then no requirement for a Generation Interconnection Agreement should be required. The QF's existing arrangement with the host utility should remain in force. Nor should there be any need to protect or modify the QF's deliverability status. Any increase in the project's output should be evaluated just for the increased capacity. ISP should be considered if applicable to the project's location.

c. Distribution Level Deliverability

Comments:

SDG&E agrees with the current language in the GIP for accommodating WDAT projects seeking full deliverability status.

Work Group 4

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

Comments:

When PTO elects to fund a Network Upgrade there is no need for the IC to post security with the PTO. The CAISO GIP tariff should be modified to reflect this.

14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Comments:

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

Comments:

SDG&E has consistently provided cost estimates in the dollars for year spent. As long as the escalation factor used in the cost estimation is identified by the PTO, the IC can use the factor and deescalate the dollars to derive the nominal/constant dollars. SDG&E finds there is no benefit of including costs estimates in constant dollars.

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

Comments:

SDG&E believes the Phase I cost estimates should not be used as an IC cost cap (cost exposure limit). Considering the fact that current Phase II studies combine two clusters, there could be network upgrades as a result of the Phase II studies with a plan of service with a larger scope than the Phase I study which may increase the overall cost of network upgrades.

However, if the CAISO determines the Phase I cost estimates must continue to represent an IC cost cap (cost exposure limit), The IC financial responsibility cap and maximum cost responsibility needs to be better defined in the CAISO GIP tariff.

SDG&E believes that the cost cap only applies to the cost of those facilities and upgrades identified and estimated in the Phase I study results. Projects may drop out and ICs have the flexibility to change their IRs between Phase I and Phase II, the plan of service and network upgrades can significantly change. Should the facilities and upgrades identified in the Phase II study results differ from those identified in the Phase I study, the cost cap (cost exposure) limit will only apply to those facilities and upgrades that carried over from the Phase I study to Phase II. If different and/or additional facilities and upgrades are identified in the Phase II study, then the Phase I cost cap cannot be applied to these facilities and upgrades introduced in the Phase II Study.

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

Comments:

SDG&E does not see the need for a posting cap to the security required for the PTO's Interconnection Facilities. Not necessary.

CAISO has not sufficiently explained its position at 7.4.5 on page 49 where it states "*The ISO was persuaded by the point that the Phase I interconnection study determinations of for the PTO's Interconnection Facilities are not individualized for the circumstances of the interconnection customer*." SDG&E disagrees and requests that the CASIO explain under what circumstances are the Phase I PTO Interconnection Facilities not individualized in the Phase I study results?

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

Comments:

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19. Consider limiting interconnection agreement suspension rights

Comments:

SDG&E continues to agree with SCE's comments to the Straw proposal that the suspension provisions removed from the Generation Interconnection Agreements as this could cause delays and uncertainty building transmission for non-suspending entities.

SDG&E believes that if the suspension provisions are not removed, then the language in this section of the GIA needs to be modified to include when the suspension can become applicable. For example, if an IC provides to the CAISO and SDG&E a written request to suspend work on their project per Article 5.16 of the GIA. However if this IC has not yet provided the required security for the Interconnection Facilities and Network Upgrades per Article 5.5.2 and has not provided the required written authorization to proceed with the work per Article 5.5.3, then the interconnection work the IC is requesting to suspend has never been started. SDG&E argues that work cannot be suspended pursuant to the Article 5.16 of the GIA if work was never started per Articles 5.5.2 and 5.5.3 of the GIA (no security posted and no written authorization to proceed with the interconnection work). This is merely a loop hole in the process used as a delay tactic by the IC.

The CAISO's position on this issue in the Draft Final proposal is not clear.

20. Consider incorporating PTO abandoned plant recovery into GIP

Comments:

SDG&E continues to review the proposal by SCE and although agrees in principal with SCE's proposal SDG&E will provide additional comments in advance of the June 30th revised draft final proposal posting.

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Comments:

The CAISO's position on this issue in the Draft Final proposal is not clear.

SDG&E raised this issue at the beginning of the GIP 2 process due to comments received at the results meetings. Generally, developers asked "if phase I report allocates several millions of dollars for full deliverability what would be their level of deliverability for a lower levels of DNU obligation. The current partial deliverability language does not address this particular issue.

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

Comments:

SDG&E agrees.

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

Comments:

SDG&E believes the Deliverability Assessment study methodology needs to be reviewed and revised by going through a stakeholder process.

24. Operational partial and interim deliverability assessment

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

Comments:
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New Topics since straw proposal

26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.

Comments:
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27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.

Comments:
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Other Comments:

If you have other comments, please provide them here.

1. At the June 3rd stakeholder SDG&E identified that when a project's Phase I study results identify Reliability and Delivery Network Upgrades on the PTO's system and also DNUs on the neighboring PTO's system, it is uncertain and unclear how the CAISO allocates the IC's required first posting of Interconnection Financial Security. The CAISO must identify how this first security posting (90 days after Phase I study) is allocated between the PTO and the neighboring PTO. Currently the CAISO method of this allocation is unknown.

SDG&E has experienced that most of the Phase I DNU upgrades on the neighboring PTO's system are high dollar, cost cap, Not-To-Exceed cost estimates and are the results of the dispatch study assumptions in the CAISO's Deliverability Assessment methodology. At the time when the IC must make its second posting of Interconnection Financial Security (180 days after Phase II study), projects have dropped out, IR's have been modified and the reality of upgrades to be funded/secured is more certain.

SDG&E strongly argues that the IC's required first and second postings of Interconnection Financial Security should first cover the required PTO's Reliability Network Upgrades, and only after amount of the security posting(s) covers the cost of the Reliability Network Upgrades should the CAISO then consider any allocation of the remaining security to be posted between the PTO and the neighboring PTO for the DNUs.

The third/final posting should cover the Network Upgrades in the neighboring PTO's system, at the start of construction activities when the upgrade requirements are known with more certainty.

Given the uncertain nature and the high dollar, cost cap, Not-To-Exceed cost of the Phase I study upgrades required on the neighboring PTO's system, requiring the IC to secure three different financial security postings (one for PTO Interconnection Facilities, one for PTO Network Upgrades and a third for neighboring PTO Network Upgrades) is an unnecessary administrative burden.

2. The purpose of holding financial security and upfront funding by developers for Network Upgrades is to protect ratepayers for circumstances that a developer may suspend or delay their projects' development and achieving COD while PTO has gone through constructing the needed NUs. Under this condition the NUs will be at the expense of the developer up to the point that the project achieves COD.

If a project has achieved COD then there is no need for keeping the security/prefunding since the risk is removed. When a project achieves COD SDG&E reimburses the security funding that is provided by the IC even if the construction of the NU is not completed due to permitting/regulatory process.