



California ISO
Shaping a Renewed Future

Interconnection Process Enhancements

Scoping Proposal

April 8, 2013

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Interconnection Process Enhancements

Scoping Proposal

1 Introduction

California's ambitious renewable portfolio standards and environmental goals have resulted in significant development of new generation projects in recent years, especially new renewable solar and wind projects. The majority of these projects request interconnection to facilities under the operational control of the ISO.¹ For projects that entered the ISO queue prior to 2012 (i.e., up to and including ISO queue cluster 4), interconnection to the ISO grid is governed by the tariff provisions encompassed by the ISO's generator interconnection procedures ("GIP").² Successful completion of the interconnection process is a necessary step in the development of a new generation project and is but one of the many challenges faced by generation developers.

The ISO is committed to continuously review potential enhancements to its GIP to reflect changes in the industry and to better accommodate the needs of generation developers. As a demonstration of this commitment, the ISO has conducted a series of stakeholder processes over the past several years to improve the GIP. These include Generation Interconnection Process Reform ("GIPR") held in 2008-09, Generation Interconnection Procedures Phase 1 ("GIP 1") in 2010, Generation Interconnection Procedures Phase 2 ("GIP 2") in 2011 and early 2012, and Generation Interconnection Procedures Phase 3 ("GIP 3") in 2012³.

¹ Some projects request interconnection to the distribution systems of the participating transmission owners through their wholesale distribution access tariff ("WDAT").

² For projects entering the ISO queue in 2012 or later (i.e., starting with ISO queue cluster 5), interconnection to the ISO grid is governed by the new Generator Interconnection and Deliverability Allocation Procedures ("GIDAP") approved by FERC in 2012. The present initiative focuses exclusively on the GIP, as the ISO is now only partway through the first implementation cycle of the GIDAP and is not yet ready to consider changes to the GIDAP. In the event that a proposed enhancement to the GIP under this initiative appears to be appropriate to extend to the GIDAP, the ISO will consider whether extension of the enhancement to GIDAP would have any unintended consequences on the GIDAP, and if not we would support such extension. The present initiative is not intended, however, to entertain changes specifically targeted to the GIDAP.

³ GIP 3 was started in early 2012 but later deferred while the generator project downsizing initiative was pursued. In GIP 3 the ISO solicited stakeholder comments on the relative priority of issues that should be considered, on generator project downsizing as well as on a couple dozen other topics. The ISO explained that a limited number of topics would be included in the initial stakeholder effort to ensure timely resolution and implementation. Stakeholders expressed broad support for only one topic, the extent to which an interconnection customer could downsize the MW capacity of its proposed generating facility and retain its queue position. As a result of this stakeholder feedback, the ISO deferred work on the other topics that did not receive such broad support and focused efforts on generator project downsizing through a separate stakeholder initiative.

With this scoping proposal, the ISO is launching this initiative to begin a new cycle of interconnection process enhancements.⁴

To identify a set of potential GIP-related topics for inclusion in the scope of this initiative, the ISO assembled a list of potential topics from a number of sources including:

- During the course of last year's GIP 3 stakeholder process a list of twenty-seven potential topics (including generator project downsizing) were compiled for consideration. These are described in section 4.1.
- Outside of the GIP stakeholder process, individual stakeholders have suggested GIP-related topics to the ISO over the past year. These are described in section 4.2.
- At the September 2012 ISO Board of Governors meeting, ISO Management committed to include two topics in the scope of this initiative in response to stakeholder interest: (1) future generator project downsizing policy, and (2) disconnection of an initial project phase of a generation project for failure of the project to complete a subsequent phase. These, and other topics proposed to be in scope, are discussed in more detail in section 3.

It is apparent that the resulting composite list of topics (nearly fifty topics in total) represents a far larger set of topics than can be reasonably addressed within the scope of this initiative. Thus, it was necessary to pare this list down to a reasonable scope. To develop a subset of topics representing a more reasonable workload to include in the scope of this initiative, the ISO estimated the level of effort and relative priority associated with each topic. This step produced the subset of topics described in section 3 that the ISO is recommending in this scoping proposal comprise the scope of this initiative. The remaining topics, which the ISO is not initially recommending be in scope, are described in section 4. Through subsequent discussion with stakeholders, the topics described in section 4 could either become candidates to replace topics that the ISO proposes be in scope without triggering a net increase in scope (refer to the estimated level of effort for each topic) or serve as the starting point for a subsequent interconnection process enhancements cycle.

2 Stakeholder process and next steps

Following the publication of this scoping proposal, the ISO will work with stakeholders to make any needed adjustments to the overall scope of the initiative or to the descriptions of specific topics in scope. To this end the ISO requests that parties interested in particular topics provide, through their written comments, any additional topic clarification or description that can help to ensure

⁴ In keeping with the past practice of employing slightly different acronyms to refer to different but related initiatives, the ISO offers IPE (pronounced *īp*) for this initiative.

that the effort is properly and accurately focused to address the issues stakeholders are most concerned about. Once the scope of this initiative and the high-level descriptions of the in-scope topics are resolved, the ISO will develop and post an issue paper providing detailed discussions of all of the topics in scope. In accordance with the normal ISO stakeholder process, following discussion with stakeholders on the issue paper, the ISO will develop straw proposals for each of the issues.

The ISO anticipates that the pace of development of straw proposals for each topic may differ—i.e., a straw proposal for some topics may be developed rather quickly whereas more time may be needed to work with stakeholders and develop straw proposals for other topics. Nevertheless, the ISO expects that some of the topics in the scope of this initiative will be sufficiently resolved by Fall 2013 to take the resulting proposal to the ISO Board for approval and file any necessary tariff amendments before the end of the year. If necessary, an ISO Board meeting in the first or second quarter of 2014 will be targeted for those topics requiring additional time. Despite the possibility of having to complete the topics in two stages, all topics within the scope of this initiative will be addressed from the start to allow as many topics as is feasible to be completed within 2013.

The immediate next steps are for stakeholders to consider this proposed scope as well as the descriptions of the proposed topics, offer input at the April 22 stakeholder meeting and subsequently provide written comments by April 30. The ISO also requests that stakeholders identify whether there are any important topics that may have been omitted from the proposed scope and should be included, whether any topics the ISO proposes to include should be deferred, and how any of the topic descriptions should be revised or clarified if necessary. Lastly, to help expedite work on these topics, stakeholders who already have proposals or concrete ideas for how to address any of the issues are invited to submit them with their written comments. As always, comments and proposals will be most useful if parties clearly explain the business rationale for their recommendations.

The near term schedule is as follows:

April 8	ISO posts scoping proposal
April 22	Stakeholder web conference
April 30	Stakeholder written comments due

Beyond these near term steps, the ISO expects that during the month of May it will develop and post the issue paper providing detailed discussions of all of the topics in scope, hold a stakeholder web conference, and solicit further stakeholder comments. Following that, the ISO will commence the process of developing straw proposals for each of the issues and anticipates posting the first such paper in the June timeframe.

The ISO will develop the remaining schedule for this initiative during the straw proposal stage.

3 Topics initially proposed to be in scope

This section lists the topics that the ISO proposes as in scope for this initiative. To develop a proposed list of topics for this initiative, the ISO has reviewed the topics compiled from a number of sources (as described in section 1). Although the ISO intends to address a reasonable number of topics in this initiative raised by stakeholders, it is important to note that not all topics can be addressed and that some may need to be deferred to a subsequent interconnection process enhancements cycle. As already stated, the ISO is committed to continuously improving the GIP to reflect changes in the industry and the needs of its interconnection customers.

The following table provides a summary of those topics that the ISO proposes as in scope and the estimated level of effort for each. If the topic received a composite score in the March 2012 survey conducted during GIP 3, then that is also provided.

Table 1 – Topics initially proposed to be in scope

Topic	Estimated level of effort	March 2012 survey score (scale: 1 to 3)
1. Future downsizing policy	High	2.10
2. Disconnection of first phase of project for failure of second phase	High	1.88
3. Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects	Medium	1.88
4. Improve the Independent Study process	Medium	1.50
5. Improve the Fast Track Study process	Medium	1.43
<u>Queue Management Topics</u>		
6. Provide for ability to charge customer for costs for processing a material modification request	High	N/A (new topic)
7. COD modification provision for SGIP projects	Medium	N/A (new topic)
8. Length of time in queue provision for SGIP projects	Low	N/A (new topic)
9. Clarify that PTO and not ISO tenders GIA	Low	N/A (new topic)
10. Timeline for tendering draft interconnection agreements	Low	1.43
11. LGIA negotiations timeline	Medium	1.21
12. Consistency of suspension definition between serial and cluster	Low	N/A (new topic)

A further description of each topic proposed to be in scope—including the source of the topic and, if applicable, stakeholder text describing the issue—is provided below.

Topic #1 – Future downsizing policy

Source: Generator project downsizing was a topic suggested by stakeholders in GIP 3 and received the highest score (2.10) in the March 2012 stakeholder survey. In response to this stakeholder demand the ISO developed in consultation with stakeholders, and submitted to FERC in 2012, tariff

amendments which proposed to give certain customers in the ISO interconnection queue a one-time opportunity to downsize their projects. In an order issued on December 20, 2012, the FERC conditionally accepted the ISO's downsizing proposal; and, implementation is underway. This topic was also recently re-proposed by the Large-scale Solar Association (see topic #31 in section 4.2).

ISO comment: During the development of the downsizing proposal, some stakeholders requested that the ISO's downsizing proposal include a second downsizing request window. The ISO responded at the time that it would not be prudent to commit to introduce a second downsizing request window without first reviewing the lessons learned from implementing the initial cycles of several critical initiatives – GIDAP, resource adequacy deliverability for distributed generation, and generator project downsizing. The ISO indicated that once that point was reached, and if there is demand and need for a second downsizing request window, the ISO may consider a second window. Accordingly, the ISO expects to make a recommendation to the Board before the end of 2013 regarding whether a second downsizing window should be provided. Also, ISO staff has been directed by ISO management to determine what the ISO policy should be regarding future downsizing opportunities.

Topic #2 – Disconnection of first phase of project for failure of second phase

Source: This topic was suggested by Large-scale Solar Association, CalWEA, and Tenaska in March 2012 stakeholder survey. This topic was also recently proposed again by the Large-scale Solar Association (see topic #32 in section 4.2).

Stakeholder text: The idea that a GIA could be fully terminated, even if part of a project is already operating, if a later phase or other portion of a project is cancelled, has caused severe financing problems.

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

Source: This topic was suggested by AES Wind Generation in March 2012 stakeholder survey.

Stakeholder text: Developers should be allowed to split projects into smaller pieces in order to better meet LSE PPA procurement opportunities and/or make financing more manageable as long as the parties involved (e.g., different LLCs) are "related" to the entity that submitted the interconnection request.

ISO comment: The current GIP allows an interconnection customer to divide its project into phases. As this topic was suggested by stakeholders over a year ago, it is not clear whether the current GIP provisions still do not meet what stakeholders are looking for or what additional capability is desired. The ISO requests that stakeholders provide this information in their written comments to this scoping proposal.

Topic #4 – Improve the Independent Study Process

Source: In response to stakeholder requests for an improved Independent Study Process, this topic was included in the March 1, 2012 ISO GIP 3 Issue Paper.

ISO comment: The ISO agrees that the Independent Study Process still needs improvement. Under this topic the ISO intends to work with stakeholders to revise the eligibility criteria for the Independent Study Process. This process is viewed as overly complicated and should be changed so as to only consider independence for projects requesting Energy-Only Deliverability Status and not for projects requesting Full Capacity Deliverability Status. As the ISO and the PTOs have implemented the Independent Study Process (ISP), it has become apparent that the eligibility criteria do not align with the overall ISP intent, which was to study qualifying projects requesting Energy-Only Deliverability Status in an expedited process and to study projects requesting Full Capacity Deliverability Status in the standard cluster study process. This process allows an eligible project to come on-line more quickly than the standard cluster study process. This effort will seek to develop alternative eligibility criteria that are more closely aligned with the intent of the ISP, which is to allow projects that are electrically independent from the Reliability Network Upgrades (RNUs) of other projects to move forward at a faster pace.

Topic #5 – Improve the Fast Track Study Process

Source: In response to stakeholder requests for an improved Fast Track Study Process, this topic was included in the March 1, 2012 ISO GIP 3 Issue Paper.

ISO comment: The ISO agrees that the Fast Track Study Process still needs improvement. The intent of this topic is to undertake an effort to develop improved screening criteria for the Fast Track Study Process. The screening criteria for the Fast Track Study Process are adaptations of criteria used for screening distribution interconnections and have been found to not be workable for interconnections to a higher voltage network transmission system. This has resulted in delays in the screening process and few projects have been able to pass the process screens and qualify for Fast Track treatment. This effort will seek to develop more appropriate screening criteria for projects that meet the Fast Track size restrictions to qualify for Fast Track treatment and more quickly interconnect to the ISO grid.

Topic #6 – Provide for ability to charge customer for costs for processing a material modification request

Source: In response to stakeholder requests for improved queue management, the ISO is proposing this topic.

ISO comment: The ISO and PTO are allowed cost recovery from the interconnection customer for the application and study process, repowering request process and limited operation study process. With the expansion of queue management in 2012, the ISO and PTO analyzed 96 modification requests that have taken significant amount of time and resulted in the hiring of new staff for both the ISO and PTO. These costs should be reimbursed by the project requesting the

modifications. Direct reimbursement would allow the ISO and PTO to dedicate additional resources to this task and thereby aid in expediting the process.

Topic #7 – COD modification provision for SGIP projects

Source: In response to stakeholder requests for improved queue management, the ISO is proposing this topic.

ISO comment: Article 4.4.3 and 4.4.5 of Appendix U for serial, and Article 3.5.1.4 and 6.9.2.2 of Appendix Y for cluster projects, allow large generators to change their COD through the modification process. There is no corresponding provision in the SGIA (there is only a milestone change provision in the SGIA). The ISO believes that the SGIA should be modified to make clear that small generators have the right to change their CODs through the modification process.

Topic #8 – Length of time in queue provision for SGIP projects

Source: In response to stakeholder requests for improved queue management, the ISO is proposing this topic.

ISO comment: This provision is needed in conjunction with the previous topic, SGIP COD modification. Article 3.5.1 of Appendix U for serial LGIP projects, and Article 3.5.1.4 of Appendix Y for cluster LGIP projects, establish a specific length of time from the interconnection request whereby an LGIP facility must be either in-service or in commercial operation. Absent a comparable time limit for SGIP projects, if the ISO and PTO agree to consider a request for COD extension, they will have no authority or ability to limit the length of time SGIP projects can remain in queue without advancing to commercial operation.

Topic #9 – Clarify that PTO and not ISO tenders GIA

Source: In response to stakeholder requests for improved queue management, the ISO is proposing this topic.

ISO comment: The draft of the GIA is tendered by the PTO and not the ISO. The PTO tenders the GIA because the PTO is the party that has the detailed cost and schedule information for interconnection facilities and network upgrades. The tariff currently states that the ISO and PTO tender the GIA. This tariff provision should be changed to reflect that the PTO tenders the GIA and not the ISO.

Topic #10 – Timeline for tendering draft interconnection agreements

Source: This topic was included in the March 1, 2012 ISO GIP3 Issue Paper. In response to stakeholder requests for improved queue management, the ISO is proposing this topic here. This topic was also recently proposed by the Large-scale Solar Association (see topic #36 in section 4.2).

ISO comment: To increase efficiency of contract negotiations, the ISO is proposing to modify the timeline to tender the draft GIA 30 Calendar Days (“CD”) from the results meeting. This would

allow the ISO and PTOs to incorporate customer changes requested at the results meeting. In a number of instances, there has been work that needs to be re-done because the existing timeline of 30 CD from the date the Phase II study reports are published could require the ISO and PTO to tender a draft that does not incorporate the customer's changes discussed at the results meeting.

Topic #11 – LGIA negotiations timeline

Source: This topic was suggested by San Diego Gas & Electric Company in the March 2012 stakeholder survey. In response to stakeholder requests for improved queue management, the ISO is proposing this topic here. See also topic #36 in section 4.2.

Stakeholder text: The GIP tariff, Appendix Y, at 11.2 states “The applicable Participating TO(s) and CAISO and the Interconnection Customer shall negotiate concerning any disputed provisions of the appendices to the draft GIA for not more than one hundred twenty (120) calendar days after the CAISO provides the Interconnection Customer with the final Phase II Interconnection Study report”.⁵ Because CASIO has not adhered to this 120 calendar day negotiation limit, SDG&E suggests the tariff should be modified to identify this is a suggested guideline rather than a firm deadline. SDG&E suggests the tariff language should be reworded to include the term “best efforts:” “The applicable Participating TO(s) and CAISO and the Interconnection Customer shall use best efforts to negotiate concerning any disputed provisions of the appendices to the draft GIA for not more than one hundred twenty (120) calendar days after the CAISO provides the Interconnection Customer with the final Phase II Interconnection Study report.”

Topic #12 – Consistency of suspension definition between serial and cluster

Source: In response to stakeholder requests for improved queue management, the ISO is proposing this topic here.

ISO comment: The ISO is considering updating the definition of suspension in the ISO's pro forma LGIA applicable to Serial projects to make it consistent with the ISO's other LGIA versions by specifying that suspension extends up to 3 years from when the IR was received, only applies to PTO upgrades (Section 5.16 in LGIA) that do not impact other projects, and does not provide a day-for-day delay of project. The purpose of this topic is to clarify that suspension does not stay the obligation of paying invoices and to clarify that suspension does not apply to small generation interconnection agreements.

4 Topics not initially proposed to be in scope

This section describes those topics that the ISO is not initially proposing be within the scope of this initiative. These topics were compiled from two sources: one is the remaining topics from GIP 3

⁵ The negotiation period was expanded from 90 CD in the serial process to 120 CD in the cluster process in GIP 2.

described in section 4.1; and, another is a set of topics recently proposed by stakeholders (described in section 4.2). The ISO invites stakeholders to suggest whether any of these topics should become candidates to replace topics in the proposed scope without creating a net increase in scope (refer to the estimated level of effort for each topic). Topics ultimately not in scope will serve as the starting point for a subsequent interconnection process enhancements cycle.

4.1 Topics from the GIP 3 initiative in 2012

As discussed in section 3, some topics from the GIP 3 initiative in 2012 are proposed to be in scope; however, many are not. The following table summarizes those GIP 3 topics not initially proposed to be in scope (sorted in order of score from the March 2012 stakeholder survey) along with an estimated level of effort for each.

Table 2 – Summary of topics from GIP 3 not initially proposed to be in scope

Topic	Estimated level of effort	March 2012 survey score (scale: 1 to 3)
13. Coordination with CPUC (and perhaps other LRA) procurement efforts	Medium	1.86
14. Improve process for interconnection customers to be notified of their required amounts of IFS posting	Medium	1.67
15. PTO cost estimation and benchmarking	High	1.62
16. Increases to project MW size should be allowed as long as there are not material impacts to other projects in queue	High	1.55
17. ISO to identify permitting responsibilities for shared network upgrades	Medium	1.43
18. Increased disclosure around tariff timelines	Medium	1.38
19. Project parking	Medium	1.38
20. Clarity on initial review	Low	1.33
21. Address deposit requirements and contingent liabilities which should be done as part of implementing TPP-GIP	Medium	1.31
22. Distribution of forfeited funds	High	1.26
23. GIP process refunds	Medium	1.26
24. Additional time for post-Phase I project decisions	Medium	1.24
25. Behind the meter expansion	Medium	1.21
26. Interest rate for transmission cost reimbursement	Medium	1.17
27. Unresolved PIRP solar issues	Medium	1.17
28. External transmission lines	High	1.10
29. Possible alignment of recovery of costs related to contract development from cost-causer	Medium	0.79

A further description of each of the GIP 3 topics not proposed to be in scope—including the source of the topic and, if applicable, stakeholder text describing the issue—is provided below.

Topic #13 – Coordination with CPUC (and perhaps other LRA) procurement efforts

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey. This topic was recently resubmitted by the Large-scale Solar Association (see topic #43 in section 4.2).

Stakeholder text: Identify ways to better align the GIP with current CPUC procurement mechanisms.

Topic #14 – Improve process for interconnection customers to be notified of their required amounts of IFS posting

Source: This topic was suggested by San Diego Gas & Electric Company in the March 2012 stakeholder survey.

Stakeholder text: ISO should in advance of, or at the Phase I and Phase II results meetings, provide to ICs a summary of required financial security amounts due, the due date, and details of calculations and any cost allocations between PTOs for network upgrades and also the summary of next steps.

Topic #15 – PTO cost estimation and benchmarking

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey.

Stakeholder text: Developers effectively have no choice but to pay these costs. Need to rationalize PTO cost estimation practices. Should benchmark these costs with other areas.

Topic #16 – Increases to project MW size should be allowed as long as there are not material impacts to other projects in queue

Source: This topic was suggested by San Diego Gas & Electric Company in the March 2012 stakeholder survey.

Stakeholder text: This especially true when the increase is for an existing plant and the amount of increase is a very small percentage in comparison to the main project.

Topic #17 – ISO to identify permitting responsibilities for shared network upgrades

Source: This topic was suggested by San Diego Gas & Electric Company in the March 2012 stakeholder survey.

Stakeholder text: Develop a document on procedures, roles and responsibilities in coordination with the PTO for IC NU permitting responsibilities where costs are allocated to several projects in a cluster and where each is allocated less than 100% of total NU cost.

Topic #18 – Increased disclosure around tariff timelines

Source: This topic was suggested by Clean Coalition in the March 2012 stakeholder survey.

Stakeholder text: Increased disclosure will allow all parties to see if deadlines are being met and, more importantly, will inform future reform efforts of potential bottlenecks in the process. The public queue (spreadsheet on ISO website) should include additional columns indicating the date specific milestones occur (e.g., date application deemed sufficient, date of delivery of initial review for fast track, date of delivery of supplement review for fast track, date of scoping meeting, date of delivery of system impact study, date of delivery of facilities study, date of results meeting, etc).

Topic #19 – Project parking

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey. This topic was recently re-submitted by the Large-scale Solar Association (see topic #41 in section 4.2).

Stakeholder text: This item would allow an Option A project in the proposed TPP-GIP Integration Initiative process to “park” indefinitely (paying for any re-studies needed while they are parked), or to withdraw and re-apply and then move directly into Phase II. Since RNU costs are expected to be largely project-specific and the CAISO would not be reserving any TP Deliverability for these projects, there is no harm in allowing them to remain parked until they are ready to proceed.

ISO comment: The present initiative focuses exclusively on the GIP (see footnote 2).

Topic #20 – Clarity on initial review

Source: This topic was suggested by Clean Coalition in the March 2012 stakeholder survey.

Stakeholder text: ISO should clarify that it is following its tariff and supplying a Fast Track Initial Review to applicants in the manner and timeframe required by the tariff.

Topic #21 – Address deposit requirements and contingent liabilities which should be done as part of implementing TPP-GIP

Source: This topic was suggested by Wellhead in the March 2012 stakeholder survey.

Stakeholder text: The ISO should address excessive deposit requirements and contingent liabilities. This should be done as part of implementing TPP-GIP.

ISO comment: The present initiative focuses exclusively on the GIP (see footnote 2).

Topic #22 – Distribution of forfeited funds

Source: In response to stakeholder interest, this topic was included in the March 1, 2012 ISO GIP3 Issue Paper. This topic was also recently submitted by the Large-scale Solar Association (see topic #39 in section 4.2).

ISO comment: This is a topic from GIP 3 and would examine the current rules and assess potential alternatives for the distribution of forfeited study deposit and financial security funds. Currently the GIP requires that all non-refundable portions of the Interconnection Financial Security and

Interconnection Study Deposits shall be treated in accordance with ISO Tariff Section 37.9.4. Some stakeholders have suggested that the ISO investigate whether there is a more appropriate way to distribute these funds.

Topic #23 – GIP process refunds

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey. This topic was recently re-submitted by the Large-scale Solar Association (see topic #38 in section 4.2).

Stakeholder text: This item would examine IFS releasability in the GIP process and consider changes that would tie releasability to the burden imposed on other projects. For example, in many cases, no party would be harmed by an Option A project withdrawal from the queue before the allocation of TP Deliverability, and some may even benefit. In such cases, the IFS should be returned to the IC – where there is no harm, there should be no penalty.

ISO comment: The present initiative focuses exclusively on the GIP (see footnote 2).

Topic #24 – Additional time for post-Phase I project decisions

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey.

Stakeholder text: Consider allowing more time for developers to make these important decisions (e.g., early opportunity to downsize and/or reduce the deliverability in an IR after the Phase I Study Results meeting).

Topic #25 – Behind the meter expansion

Source: In response to stakeholder interest, this topic was included in the March 1, 2012 ISO GIP3 Issue Paper.

ISO comment: In 2012, stakeholders had suggested that the GIP 3 effort refine the Independent Study Process for behind the meter expansions (BTM) of existing as well as currently queued projects and implementation of the BTM expansion. Concerns were raised relative to requiring that the entire original facility be in operation prior to the expansion facility. Stakeholders were also seeking clarification whether the BTM expansion facility could have its own resource ID.

Topic #26 – Interest rate for transmission cost reimbursement

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey. This topic was recently re-submitted by the Large-scale Solar Association (see topic #42 in section 4.2).

Stakeholder text: The FERC rate currently used is far below independent developers' cost of capital and there is considerable justification for using a higher measure (e.g., the actual PTO interest rate or PTO's rate of return).

Topic #27 – Unresolved PIRP solar issues

Source: This topic was suggested by the Large-scale Solar Association in the March 2012 stakeholder survey.

Stakeholder text: Regarding expansion of PIRP to solar projects, ISO previously addressed meteorological data and equipment requirements but postponed discussion of forecasting methodology and other details. Large solar projects will start becoming operational in the next couple of years and it is time to address those issues.

Topic #28 – External transmission lines

Source: In response to stakeholder interest, this topic was included in the March 1, 2012 ISO GIP 3 Issue Paper.

ISO comment: Under this topic the ISO would explore a path for the developer of an external transmission facility that is planned to provide gen-tie service to external generating facilities to connect to the ISO grid, to participate in the ISO's GIP and obtain reliability and delivery network upgrade requirements and deliverability status prior to identifying the specific generation projects that will utilize the transmission facility. The ISO has received inquiries from developers of external transmission lines who see a business opportunity in transporting renewable energy from areas of the west rich in wind or solar potential to the ISO grid to help meet California's RPS requirements. These transmission developers are not seeking ISO Transmission Access Charge cost recovery for their proposed transmission project; instead, their intention is apparently to attract generating facilities to interconnect to the external transmission line by providing them with "deliverability" to the ISO grid in return for the generators paying charges to the developer of the external transmission line for providing this service. However, under the current GIP, the ISO can only provide deliverability to a generation project that submits an interconnection request, not to a transmission developer. The concept here would be to develop rules under the GIP whereby a developer of such an external generation-tie could apply to the GIP for interconnection studies within a cluster to determine reliability and delivery network upgrades and costs on the ISO's system for a certain quantity of eventual generation it expects to serve, with the specific generating resources to be identified at a later time. Then the transmission developer could contract with generators and offer them deliverability that the transmission developer had obtained through the GIP.

Topic #29 – Possible alignment of recovery of costs related to contract development from cost-causer

Source: This topic was suggested by Southern California Edison in March 2012 stakeholder survey. This topic was recently resubmitted by Southern California Edison (see topic #48 in section 4.2).

Stakeholder text: GIP 3 should explore the possible alignment of recovery of costs related to contract development from interconnection customers.

4.2 Topics recently proposed by stakeholders

This section discusses topics that have recently been submitted (and resubmitted in some cases) by stakeholders.

Table 3 – Summary of topics recently proposed by stakeholders

Topic	Estimated level of effort	March 2012 survey score (scale: 1 to 3)
30. Inability to delay a shared reliability network upgrade (for cluster projects)	Medium	N/A
31. Partial termination options	High	2.10
32. Partial termination criteria	High	N/A
33. FCDS certification	Low	N/A
34. Transmission cost reimbursement for completed phased projects	High	N/A
35. Transmission cost reimbursement for non-phased projects	Medium	N/A
36. LGIA timing/processing	Medium	N/A
37. Affected system coordination	Medium	N/A
38. Disposal of financial postings and deposits: financial security releasability	High	N/A
39. Disposal of financial postings and deposits: distribution of forfeited funds	High	1.26
40. Inverter/transformer changes	Medium	N/A
41. Option A project “parking” (GIDAP)	High	1.38
42. Interest rate for transmission cost reimbursement	Medium	1.17
43. Coordination with CPUC procurement efforts	Medium	1.86
44. Reduce requirements for PTOs to provide backstop upfront financing exposure	High	N/A
45. Actual environmental costs should not be subject to cost cap	High	N/A
46. Commencement of repayment of transmission credits	Medium	N/A
47. Collateral requirements for posting Interconnection Financial Security	High	N/A
48. Recovery of contract development costs	High	N/A
49. Timeline for tendering draft GIA and execution of GIA	Medium	N/A

A further description of each of the recently proposed topics not initially proposed to be in scope—including the source of the topic and, if applicable, stakeholder text describing the issue—is provided below.

Topic #30 – Inability to delay a shared reliability network upgrade (for cluster projects)

Source: This topic was suggested by Wellhead.

Stakeholder text: (LGIA section 5.16) when the upgrade is not needed unless/until the last of the projects sharing in the upgrade comes on line. The current GIP language does not contain any specific provisions that allow the ISO to address this situation in a way that accomplishes the following reasonable outcomes: (1) no material adverse impact on other projects; and, (2) avoiding the construction of facilities that are not needed by linking the construction activities to the project(s) that trigger the ultimate need. Changes needed to allow the appropriate review and

action should be relatively minor, non-controversial and would not impact other projects' interconnection position/rights.

Topic #31 – Partial termination options

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Regular downsizing options (e.g., pro forma LGIA partial termination clauses, material modification process with cost mitigation of other projects, regular downsizing window in pre-validation study process).

ISO comment: Future ISO downsizing policy is topic #1 in section 3.

Topic #32 – Partial termination criteria

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Clearly delineate conditions under which the ISO would seek to terminate a GIA for the operating portion of a generation project if all the capacity is not built.

ISO comment: This is encompassed in topic #2 in section 3.

Topic #33 – FCDS certification

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Have ISO issue notice/certification when generation project achieves FCDS (increasingly required by PPAs and lenders).

ISO comment: The ISO agrees and is already pursuing this outside of this initiative; therefore, this topic is a non-issue.

Topic #34 – Transmission cost reimbursement for completed phased projects

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Begin refunds upon project completion even if all DNU's are not complete, since those projects are then "similarly situated" to non-phased projects.

Topic #35 – Transmission cost reimbursement for non-phased projects

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Clarify refund timing when a generation project comes on-line before all upgrades in its GIA are completed.

Topic #36 – LGIA timing/processing

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: IC and PTO deadlines for issuing and turning around drafts, potentially including penalties for missing deadlines.

Topic #37 – Affected system coordination

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Incorporate affected system upgrade studies into ISO studies and processes, or at least coordinate better between the two (e.g., standard timelines).

ISO comment: Affected system coordination is a topic that the ISO is addressing outside of this initiative (see section 5).

Topic #38 – Disposal of financial postings and deposits: financial security releasability

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Consider revising current procedures, e.g., appropriate forfeit amounts, reasons for partial releasability (and consideration of reducing/removing them for first or second posting), and possible tie of forfeit amount to burden imposed on other projects.

ISO comment: See topic #23 in section 4.1.

Topic #39 – Disposal of financial postings and deposits: distribution of forfeited funds

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Allocate these funds to mitigate withdrawal impacts on remaining projects, e.g., use SD funds to lower their study costs and IFS funds to lower their transmission costs. (Current allocation is to SCs generally.)

ISO comment: See topic #22 in section 4.1.

Topic #40 – Inverter/transformer changes

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Development of guidelines for changes that would be determined in advance to be “not material.”

Topic #41 – Option A project “parking” (GIDAP)

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Allow an Option A project to “park” indefinitely (paying for any re-studies while parked), or withdraw/re-apply and then move directly to Phase II, since RNU costs are expected to be largely project-specific and ISO would not reserve any TP Deliverability for these projects while they are parked.

ISO comment: See topic #19 in section 4.1. Note that the present initiative focuses exclusively on the GIP (see footnote 2).

Topic #42 – Interest rate for transmission cost reimbursement

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Use the actual PTO interest rate or the PTO's rate of return, instead of the FERC rate.

ISO comment: See topic #26 in section 4.1.

Topic #43 – Coordination with CPUC procurement efforts

Source: This topic was suggested by the Large-scale Solar Association.

Stakeholder text: Better coordinate GIP timelines with CPUC procurement process and mechanisms.

ISO comment: See topic #13 in section 4.1.

Topic #44 – Reduce requirements for PTOs to provide backstop upfront financing exposure

Source: This topic was suggested by Southern California Edison.

Stakeholder text: PTOs should no longer be required to provide "backstop upfront financing" for network upgrades under the base case provisions in the GIDAP. SCE proposes that the base case provision in Section 14.2.2 be eliminated from GIDAP. This provision was important in the early years of interconnection reform, but has been essentially replaced under GIDAP with different financing arrangements. Under GIDAP, there are already requirements on the part of PTOs to upfront finance reliability network upgrades that are approved in the TPP, whereas delivery network upgrades are either upfront financed by ICs subject to refund (Option A) or not subject to refunds (Option B). The backstop financing provision was needed to jump-start the investment in required network upgrades. That time has now passed, as since 2011, the CAISO has repeatedly stated there is already enough transmission approved and under construction to meet California's energy policy goals. Base case provisions from the clusters pre-dating GIDAP/QC5 should be eliminated and replaced with "virtual Case Bs" for later queued generation, reducing the likelihood of shifting risks of potentially unneeded network upgrades from ICs to PTOs and ultimately transmission ratepayers.

ISO comment: The present initiative focuses exclusively on the GIP (see footnote 2).

Topic #45 – Actual environmental costs should not be subject to cost cap

Source: This topic was suggested by Southern California Edison.

Stakeholder text: SCE agrees to maintain the cost caps on network upgrades with one exception. Environmental costs for network upgrades should not be subject to costs caps, considering the inordinate difficulties of estimating these particular costs ahead of licensing and other environmental activities that are completed well after interconnection studies are finished.

Topic #46 – Commencement of repayment of transmission credits

Source: This topic was suggested by Southern California Edison.

Stakeholder text: There is a difference in treatment currently in the GIDAP surrounding the commencement of transmission credits for phased versus non-phased generating facilities. SCE believes there is no basis for this difference in treatment. SCE believes transmission credits should commence with the completion of two events: the commercial operation date of the facility (or phase of facility for phased projects) and the in-service date of required network upgrades for the facility (or phase of facility for phased projects). SCE is willing to discuss with stakeholders whether there can be a different start date for reliability versus delivery upgrades.

Topic #47 – Collateral requirements for posting Interconnection Financial Security

Source: This topic was suggested by Southern California Edison.

Stakeholder text: Currently, the IFS posted by an interconnection customer may be any combination of certain types of instruments provided in favor of the applicable PTO so long as it is issued by a bank/financial institution/insurance company that has a credit rating of A or better by Standard and Poors or A2 or better by Moody's. SCE believes that the requirement should be that both Standard and Poors and Moody's provide high credit ratings for the financial institution in question. These credit rating agencies do not work on the same cycles (i.e. staggered intervals exists between the two agencies) in terms of downgrading issuers of financial instruments and this has caused added risks to PTOs due to the heightened economic crisis of many European countries and their banks.

Topic #48 – Recovery of contract development costs

Source: This topic was suggested by Southern California Edison.

Stakeholder text: PTOs commit substantial resources and incur significant expenses related to the development of a generator interconnection agreement. These costs should be recovered from the cost-causer (i.e. the interconnection customer). In the ISO's generator project downsizing initiative, FERC approved the CAISO's requirement that interconnection customers make a deposit to offset the costs relative to the contract re-work. Taking this further, SCE believes that such costs are appropriately born by ICs and not PTOs and proposes a deposit with refund of actual costs much like the study deposit in today's GIDAP.

ISO comment: See topic #29 in section 4.1.

Topic #49 – Timeline for tendering draft GIA and execution of GIA

Source: This topic was suggested by Southern California Edison.

Stakeholder text: Current 30-day window for tendering a draft GIA after completion of the Phase II studies and the additional ninety days to negotiate a GIA are not realistic versus the reality of project development timelines. SCE proposes a re-evaluation of these timelines in GIP3.

ISO comment: See topics #10 and #11 in section 3.

5 Topics being addressed outside this initiative

There are efforts underway at the ISO outside of this initiative to address stakeholder concerns on the following two topics. These efforts are being conducted separate from this stakeholder process and stakeholders have opportunities to participate in those efforts separately.

Table 4 – Summary of topics being addressed outside this initiative

Topics being addressed outside this initiative	Score March 2012 Survey (scale: 1 to 3)	Note
Affected system coordination	1.90	The ISO is developing material that will clarify what the ISO will do in situations regarding affected systems and this will be put into affected BPMs.
Reform of GIP reliability and deliverability study methodologies	1.88	ISO is developing additional information for stakeholders through ISO training initiative outside of GIP 3 and plans to post a technical paper in July 2013.

Affected System Coordination

Source: This topic was suggested by the Large-scale Solar Association and Pacific Gas & Electric Company in the March 2012 stakeholder survey. This topic was also recently suggested again by the Large-scale Solar Association as discussed in section 4.2.

Stakeholder text: The study of upgrades for these entities should be incorporated into ISO studies and processes or at least coordinated better with them because the current practices can drag out the interconnection study process and increase uncertainty for developers.

Reform of GIP Reliability and Deliverability Study Methodologies

Source: This topic was suggested by the California Wind Energy Association in the March 2012 stakeholder survey.

Stakeholder text: The GIP's underlying technical study methodologies (both reliability and deliverability) severely over-estimate the need for transmission upgrades and are in need of reform.