Interconnection Process Enhancements

Second Addendum to the September 12, 2013 Draft Final Proposal for Topics 1 and 2

October 21, 2013

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Draft Final Proposal for Topics 1 and 2

1 Introduction

The ISO posted its draft final proposal for Topic 1 (future downsizing policy) and Topic 2 (disconnection of a completed phase or phases of a project due to failure to complete a subsequent phase) on September 12. The ISO subsequently published a modification of how it proposes to calculate a downsizing generator's share of downsizing study costs in a supplemental presentation posted on September 18. On September 19 the ISO held a stakeholder web conference to discuss both the draft final proposal and the supplemental presentation. During the September 19 stakeholder web conference the ISO stated its intention to issue an addendum to the draft final proposal to explain its proposed modification regarding downsizing study costs. Following the stakeholder web conference the ISO identified another modification it proposed to make to its draft final proposal regarding reductions in interconnection financial security postings. On September 24 the ISO issued an addendum to the September 12 draft final proposal addressing both modifications.

On October 7 stakeholders submitted written comments on the September 12 draft final proposal as modified by the September 24 addendum. In consideration of these comments the ISO decided to make further modifications to its proposal as explained in this second addendum. The ISO will conduct a conference call on October 28 to discuss these modifications with stakeholders.

2 Topic 1 – Future downsizing policy

In stakeholder comments received October 7, some stakeholders raised issues that go beyond the scope of this initiative. The ISO recently issued the results of the first annual reassessment study performed under the Generator Interconnection and Deliverability Allocation Procedures. For some projects the reassessment results removed required network upgrades that were no longer needed. As a result, these customers may have expected immediate reductions in their interconnection financial security posting requirements. However, the ISO had planned to make such adjustments only later, at the time of the third and final posting. In the context of the proposed annual downsizing opportunity, to be consistent with the approach for other projects affected by the reassessment study, the ISO proposed that any adjustment in posting requirements for downsizing generators would also occur at the next posting. In their comments several stakeholders opposed this approach not just for downsizing projects, but for all projects affected by the reassessment study. Their concern emphasized the cost a customer could incur to maintain, potentially for years, their previously posted financial security that was now seen to be excessive in view of the reduced network upgrade requirements.

Although the ISO recognizes the importance of this stakeholder concern, the concern is related to the reassessment study process and all projects affected by it, and thus beyond the scope of the annual downsizing proposal. The ISO therefore proposes to open a new initiative in 2014 to consider more broadly the matter of adjustments to security posting requirements resulting from the reassessment studies, including but not limited to adjustments for projects participating in the annual downsizing window. In the near term, the ISO proposes to adopt the proposal made by the Large-scale Solar Association to allow, as quickly as possible, a reduction in the interconnection financial security posting in cases where a customer's total cost responsibility, as indicated by the recent reassessment results, is less than the amount of security already posted by the customer. The ISO will issue a technical bulletin providing more detail on this in the near future.

3 Topic 2 – Disconnection of completed phase(s) of project due to failure to complete a subsequent phase

3.1 September 12 draft final proposal

In the draft final proposal for topic 2 the ISO identified the two situations comprising the scope of this topic. In either situation, under current tariff provisions, an interconnection customer could be in breach – and potentially at risk of default and termination – of its generator interconnection agreement (GIA).

1) The interconnection customer completes a phase or less than the full MW capacity of the project and decides to cancel the rest of the project;
2) The final MW capacity of the interconnection customer's project falls short of the 95-percent requirement to be considered to have substantially performed under the GIA in accordance with the 5 percent safe harbor provisions.

The ISO further explained that in either situation, the interconnection customer should be aware of the need to reduce the project size well before the commercial operation date specified in its GIA and should, given the proposal now offered under topic 1, participate in an annual downsizing window prior to its commercial operation date. Thus the situations identified above should rarely if ever arise; i.e., by utilizing one of the annual downsizing windows the interconnection customer can fully prevent the triggering of a GIA default due to reduced MW build-out of its project. In addition, some projects may be eligible to incorporate partial termination provisions in their GIAs, which gives them the ability to reduce their project sizes by exercising partial termination and thus avoid both the downsizing window process and GIA default due to size reduction.

The ISO therefore proposed, in the September 12 draft final proposal, that if an interconnection customer is in situation (1) or (2) above and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions in its GIA, and if the project's commercial operation date as specified in its GIA occurs before the next downsizing window opens, then:

a) The ISO will not seek to terminate the GIA solely due to the interconnection customer's failure to complete the full MW required under the GIA, subject to the following rules.

b) The interconnection customer will still be responsible for all interconnection financial security postings and costs associated with the full MW size of the project as stated in the GIA.

c) With regard to interconnection financial security postings and other costs for which the interconnection customer would normally have been reimbursed, the *pro rata* portion of such postings and costs associated with the cancelled MW portion or phase(s) of the project will not be eligible for reimbursement, unless the interconnection customer can demonstrate that the MW size reduction is due to one of the three factors listed below which are beyond the interconnection customer's control, and that the interconnection customer only learned of the relevant factor(s) after the last opportunity to enter a downsizing window had passed. The three factors are the same ones that are identified in the current ISO tariff as conditions for the ISO to consider allowing an interconnection customer whose final project size falls short of meeting the requirements of the 5 percent safe harbor provisions to avoid being found in breach of the GIA. These three factors are:

   i. The interconnection customer's failure to secure required permits and other governmental approvals to construct the generating facility at its total MW generating capacity specified in the interconnection request after making diligent efforts.

   ii. The interconnection customer's receipt of a written statement from the permitting or approval authority indicating that construction of the facility at the total MW size specified in interconnection request will likely result in disapproval due to significant environmental or other impact that cannot be mitigated.

   iii. The interconnection customer's failure to obtain legal right to use of the full site acreage necessary to construct/operate the total MW generating capacity size for the entire generating facility after making diligent efforts (only applies where an interconnection customer had previously demonstrated and maintained its demonstration of site exclusivity).

d) If the interconnection customer informs the ISO that it needs to reduce its project size due to situation (1) or (2) above and there is an opportunity to enter an annual downsizing window prior to the project's commercial operation date, then the interconnection customer will be required to either utilize the downsizing window or forfeit any eligibility for reimbursement of costs as discussed in item (c) above.

e) The interconnection customer will be obligated to pay for GIA amendment costs.

3.2 Proposed modification

In the submitted written comments several stakeholders argued for further relief of the customer's loss of reimbursement for the pro rata share of financial security postings associated with the MW project capacity that was not completed, as specified in item (c) above, particularly in instances where the associated transmission capacity was either not built because it was not needed, or was built and utilized by subsequent interconnection customers. Although the ISO does not favor such an approach because it would be unduly cumbersome to administer, the ISO does find merit in the rationale behind these stakeholders' proposals and therefore offers a simpler approach that should satisfactorily address the concerns.

The ISO now proposes that if an interconnection customer is in situation (1) or (2) above and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions in its GIA, and if the project's commercial operation date as specified in its GIA occurs before the next downsizing window opens, then:

> The ISO will not consider the customer to be in breach nor seek to terminate the interconnection agreement solely due to the failure to complete the full megawatt size required under the interconnection agreement, provided that the customer enters the next available downsizing window and complies with all applicable costs and requirements as approved for the new annual downsizing opportunity.

The ISO clarifies that the customer's failure to comply with the above proviso would, of course, fail to relieve the GIA breach conditions and potential consequences that this initiative was intended to address.

4 Stakeholder process and next steps

Table 1 summarizes the anticipated stakeholder process schedule for the remainder of the IPE initiative for Topics 1 and 2.

Table 1 – Stakeholder process schedule

Date	Milestone
September 12	Post draft final proposal for topics 1 and 2

Date	Milestone
September 17	Post agenda and presentation for September 19 stakeholder web conference
September 18	Post supplemental presentation regarding downsizing study costs
September 19	Stakeholder web conference
September 24	Post addendum to the September 12 draft final proposal for topics 1 and 2
October 3	Stakeholder web conference
October 7	Stakeholder comments due on both the September 12 draft final proposal and the September 24 addendum
October 21	Post second addendum to the draft final proposal
October 28 (1:00-3:00)	Stakeholder web conference (see market notice for more information)
November 7-8	ISO Board meeting
Early 2014	FERC filing