

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Second Revised Straw Proposal, posted January 12, 2012**

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on January 31, 2012.

Submitted by	Company	Date Submitted
Please fill in the name, e-mail address and contact number of a specific person who can respond to any questions about these comments. Bonnie Blair bblair@thompsoncoburn.com 202-585-6905	Please fill in here Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (“Six Cities”)	Please fill in here January 30, 2012

This template is for submission of stakeholder comments on the topics listed below, which were discussed in the TPP-GIP Integration Second Revised Straw Proposal posted on January 12, 2012, and during the stakeholder meeting on January 19, 2012.

Please use the list of topics and questions below to structure most of your comments. At the end of the document you may offer comments on any aspect of this initiative not covered by the topics listed. When you state a preference for a particular approach on a topic or issue, your response will be most helpful if you clearly explain the reasoning and business case for your preference.

Section 1. High-level structure of the TPP-GIP Integration proposal. (Please use section 2 below to comment on the details of each element.)

1. The process as described in the January 12 paper and outlined below reflects the proposed process for projects in GIP cluster 5 and later. The process for existing queue projects (serial through cluster 4) will proceed according to the ISO’s January 10, 2012 revised discussion paper.

Comment: It is essential that the ISO implement a process that will avoid construction of unnecessary or under-utilized transmission facilities at the expense of transmission ratepayers. The combined effects of the ISO’s proposals for determination of deliverability for Clusters 1 through 4 and the Second Revised TPP/GIP proposal appear to represent progress toward that goal. However, the Six Cities urge the ISO to keep the

objective of minimizing unnecessary or under-utilized facilities at the forefront as implementation details are developed.

2. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades.

Comment: The Six Cities support this aspect of the Second Revised proposal.

3. The requirement for customer-funding of network upgrades (option (B)) would apply only to delivery network upgrades (DNU); posting and reimbursement for reliability network upgrades (RNU) for all projects would remain as today.

Comment: The Six Cities support retention of the existing posting requirements for reliability network upgrades and interconnection facilities.

4. The allocation of TPP-based deliverability to generation projects would occur after GIP Phase 2, rather than after Phase 1 as in the previous proposal.

Comment: The Six Cities support this aspect of the Second Revised proposal.

5. Allocation of TPP-based deliverability – and project’s ability to retain allocation – will depend on the project’s completion of significant development milestones that demonstrate high confidence in attaining COD. (Specification of appropriate milestones is covered in the next section.)

Comment: The Six Cities support this aspect of the Second revised proposal. Development milestones must be sufficiently rigorous to support the goal of avoiding construction of unnecessary or under-utilized transmission.

6. The allocation of TPP-based deliverability should achieve the following objectives as far as possible: (a) select projects with high probability of completion; (b) limit ability of non-viable projects to retain the allocation; (c) provide sufficient certainty to enable financing of viable projects; (d) objectivity and transparency.

Comment: The Six Cities support these objectives for allocation of TPP-based deliverability.

Section 2. Details of individual elements of the proposal.

GIP Phase 1

7. For extremely large cluster groups compared to the amount of “TP deliverability” (the amount supported by existing grid plus all approved upgrades to date), GIP phase 1 will study deliverability in each area up to the amount of TP deliverability plus a reasonable margin. The intent is to avoid excessive DNU costs that can result from extremely large

clusters, while providing useful information on needed DNU and associated costs if generation development exceeds grid capacity.

Comment: The Six Cities support this aspect of the Second Revised proposal. The Six Cities request further details on how the reasonable margin would be established and defined.

8. Phase 1 will study RNU for all projects in the cluster.

Comment: The Six Cities support this aspect of the Second Revised proposal.

9. As a result of Phase 1 each project will know its RNU and associated costs, and these results will establish cost caps for RNU as they do today.

Comment: The Six Cities support this aspect of the Second Revised proposal.

10. The DNU and associated costs resulting from phase 1 will be advisory. The only formal use of Phase 1 DNU costs in the TPP-GIP process will be to establish posting requirements for projects advancing to phase 2 under option (B), as described below.

Comment: The Six Cities support this aspect of the Second Revised proposal.

Project's Decision to Enter Phase 2 and Implications of Decision

11. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades. Once a project chooses and the deadline for phase 2 is passed, the project cannot switch to the other option.

Comment: The Six Cities support this aspect of the Second Revised proposal.

12. A project choosing (A) will have to post for its RNU under today's rules, but not for DNU.

Comment: The Six Cities support this aspect of the Second Revised proposal.

13. A project choosing (B) will have to post for both RNU and DNU. Its DNU posting amount will use phase 1 results for the project's study area, converted to a DNU rate (\$ per MW of deliverability) = (cost of incremental DNU)/(deliverability MW studied above TP deliverability amount). The posting amount will = rate x (project MW), where project MW reflects how the project is modeled in the deliverability study depending on the resource type, would typically be less than nameplate for renewables.

Comment: The Six Cities support this aspect of the Second Revised proposal.

14. A project choosing (B) will be eligible for TPP-based deliverability if available, but should expect very low probability of obtaining it and should plan to fully fund its needed DNU.

GIP Phase 2

15. ISO will perform a baseline re-study at the start of each phase 2 study process. The re-study will assess impacts of status changes – project drop-outs or revised COD, new transmission expansion approvals, etc. As a result, the RNU or DNU for some projects may be modified and their GIAs revised.

Comment: The Six Cities support this aspect of the Second Revised proposal.

16. Phase 2 will study RNU for all projects in phase 2.

Comment: The Six Cities support this aspect of the Second Revised proposal.

17. Phase 2 study will assume that all TP deliverability is used up by (A) projects and existing queue, and then will model (B) projects at requested deliverability status to assess their incremental DNU needs.

Allocation of TPP-based Deliverability

18. Once phase 2 results are completed and provided to the projects, the 120-day period for negotiating and executing the GIA begins. Option (A) projects that demonstrate completion of certain milestones within this period will be able to execute GIAs at their requested deliverability status, with no cost responsibility for DNU. Option (B) projects that complete the same milestones would be eligible for TPP-based deliverability, but would receive an allocation only if capacity is available.

Comment: The Six Cities support development of GIAs for Option A projects subject to satisfaction of milestones sufficiently rigorous to support the goal of avoiding construction of unnecessary or under-utilized transmission. The Six Cities take no position at this time regarding eligibility of Option B projects for assignment of TPP-based deliverability.

19. The proposed milestones required are (a) completion of all permitting required to begin project construction, and (b) either a PPA approved by buyer's regulatory authority or demonstration of committed project financing. PLEASE COMMENT on whether these milestones are appropriate, or if not, what milestones would be preferable and explain why. Please keep in mind the objective that milestones must provide a high confidence that the project will meet its planned COD.

Comment: The Six Cities consider the proposed milestones acceptable for entry into Phase 2. However, the *Renewable Power in California- Status and Issues* report (page 47), dated December 2011, under the 2011 IEPR indicates a 30% - 40% failure rate for PPAs approved by the CPUC. Given the magnitude of the failure rate for CPUC-approved PPAs, the project milestones for remaining in Phase 2 and retaining a deliverability assignment must be sufficiently rigorous to support the goal of avoiding construction of unnecessary or under-utilized transmission. As one such milestone, the Six Cities recommend that a project that receives an assignment of deliverability be

required to demonstrate substantial physical progress on project construction by no later than one year after the signing of the GIA.

20. PLEASE COMMENT on what could constitute evidence of committed project financing as an alternative to regulator-approved PPA for item (b) above.
21. All option (A) projects that meet the milestones by the time required would be able to execute FC GIAs at this time, even if the total amount exceeds the TP deliverability available. In that case, the ISO would expand the TPP planning portfolio in that area for the next TPP cycle, to provide sufficient deliverability.

Comment: It is not clear at what point the ISO proposes to consider expansion of the TPP planning portfolio. Expansion of the TPP planning portfolio should not occur until the Option A projects remaining in Phase 2 have made substantial progress toward commercial operation, such as actual construction of 20% - 30% of the anticipated project capacity in a given area.

22. Any project that obtains TPP-based deliverability would have additional milestones in its GIA which track progress toward COD. Failure to meet one of these milestones would cause the project to lose its deliverability allocation, but would not necessarily terminate its GIA if the project wishes to continue as EO.

Comment: The Six Cities support this aspect of the Second Revised proposal.

23. An option (A) project that does not meet the milestones by the time required would have an opportunity again in the next GIP phase 2 cycle, one year later. If it does not qualify by the end of the next year's 120-day GIA period, it must either withdraw from the queue or continue under an Energy Only (EO) GIA.

Comment: A one-year and four-months period to cure a missed milestone is inappropriately long, as it seems likely to impose burdens on other projects and create the risk of unnecessary expansion of the TPP planning portfolio. A six month period to cure a missed milestone should be sufficient and would be less likely to impose burdens on others.

24. An option (B) project that does not obtain TPP-based deliverability in the current cluster cycle (120 days from phase 2 results to GIA execution) will no longer be eligible for TPP-based deliverability and must proceed to GIA that includes full self-funding of its DNU.

Comment: The Six Cities support this aspect of the Second Revised proposal.

25. If a (B) project drops out after phase 2 instead of executing a GIA that includes self-funding of its DNU, it loses a portion of its posting. PLEASE COMMENT on how much of the posting should be forfeited, and explain your logic.

Comment: An Option B project that drops out of phase 2 should forfeit any portion of its postings necessary to cover all non-avoidable costs incurred by the ISO or relevant

Transmission Owner in preparing to provide interconnection facilities, reliability network upgrades, or deliverability network upgrades for the Option B customer. If the Transmission Owner already has constructed facilities for the departing Option B customer and those facilities are used later by other interconnection customers, the interconnection customers that use the facilities paid for by the departing Option B customer should reimburse the Option B customer for the costs it paid in proportion to their use of the facilities.

Other Proposal Elements

26. DNU paid for by an interconnection customer would fall under the merchant transmission provisions of the ISO tariff and would be eligible for allocation of congestion revenue rights commensurate with the capacity added to the ISO grid. The customer would be able to select a non-incumbent PTO to build the project, provided it is a “green field” project and the builder meets qualifications specified in the ISO tariff.

Comment: The Six Cities support this aspect of the Second Revised proposal.

27. If a (B) project funds DNU that provide more capacity for deliverability than the project needs, the funding party or parties would need to fully pay for the DNU, but would receive reimbursement for the excess deliverability from later projects that are able to use it.

Comment: The Six Cities support this aspect of the Second Revised proposal.

28. Some projects that go forward under these new provisions could be subject to reduction in annual net qualifying capacity (NQC) for one or more years. This could occur if transmission capacity in an area must be expanded through the TPP to accommodate the amount of deliverable capacity that achieves COD in that area. Consistent with the ISO’s January 10 discussion paper on cluster 1-2 approach, “existing” projects would not be subject to the reduction, but “new” projects would be. “New” would include all cluster 5 and later projects that elect option (A).

Comment: The Six Cities support the general concept of reducing net qualifying capacity for “new” projects to the extent necessary for completion of deliverability network upgrades to accommodate the amount of deliverable capacity that achieves commercial operation in an area. It is not clear, however, how the concept would be implemented. Would NQC reductions be “cleared” for earlier-queued groups ahead of later-queued groups? Or would the application of NQC reductions be based on order of achieving commercial operation? The Six Cities encourage the ISO to provide additional details regarding the implementation of the NQC reduction concept.

29. It was suggested by some stakeholders at the January 19 meeting that as an alternative to applying NQC reductions if the need arises, the ISO should allow the new projects to count fully for resource adequacy without any NQC reduction so that the projects and the LSE buyers are insulated from any direct impacts, and then make up for any resulting shortfall in resource adequacy capacity via ISO backstop capacity purchases. PLEASE COMMENT on this proposal.

Comment: As described, it appears that the intent of the suggested approach is to “peanut butter” the costs of deliverability limitations through backstop capacity procurement by the ISO, with resulting costs charged to all ISO load. The Six Cities strongly oppose the suggestion to insulate projects and LSE buyers from the consequences of deliverability limitations. The potential for NQC reduction will provide an appropriate and important signal for projects and their buyers to target areas for development where transmission capacity is likely to be available without incremental upgrades.

30. Please use the space below to offer comments on any other aspect of the proposal not covered above.