

Breakout Group 1 Notes:

Goal #1: one venue for ratepayer funded transmission

Goal #2: ratepayers do not fund all transmission upgrades

Group 1:

Ean O'Neill – CEC

David Schiada – SCE

Elijah Gilfenbaum – PG&E

Randy Nicholson – SD&GE

Irene Moosen – Attorney City and County of S.F. (PG&E's ratepayer)

Jim Bushnell – Market Surveillance Committee

Chifong Thomas – Brightsource Energy

Shawn Bailey – Sempra Generation

Michael Wheeler – Recurrent Energy

Steve Ruty - ISO

Integrated TPP-GIP Timeline

CAISO developed, but with a CPUC element (CPUC is willing to be flexible)

The CPUC was not willing to state publically that they could meet approval constraints.

Group seeks to discuss queue management, in addition to the variety of allocation methods provided.

Summary

Each option had at least one participant choose it as the most favorable option.

LSE Allocation and Milestone Allocation was slightly more favorable to more participants.

Much was learned through discussion and that more discussion would likely begin to create recommendations

Null Hypothesis:

Strengths:

- Process familiarity
- Reliance on LCBF

Weaknesses:

- Huge modeled network upgrade costs impact the entire interconnection and procurement process – no end in sight.

Comments:

- Status quo got us into this situation, and queue management would need to be rigorous beyond what we have seen so far to avoid repeating the situation.
- However, the jury is not convinced that transmission must lead procurement.

LSE Allocation:

Strength:

- LSE is in the best position to make these decisions
- LSE is the representative of the ratepayer

Weakness:

- Subjective – but at least with those who make the procurement decision.
- Does this bestow too much power on LSEs? Market power?
- **Serious concern:** Load share allocation could bind the options of the smaller LSEs: 1000MW of deliverability, PG&E and SCE get 90% and SDGE gets 10% - so they are limited in the options they have – SDGE ratepayers could be impacted.
 - Tradeability would help, but is not a cure all.

Question:

- Can the deliverability be fungible? Or is it tied to the generator that it was originally awarded?
 - Theoretical discussion...
 - Deliverability cannot be fungible in general because the transmission impacts (which determine deliverability) can be very different with different POIs, generator characteristics, etc.

Comments: LSE could not award capacity to non-PPA winners

Milestone Allocation:

Strength:

- More transparent than the pure LSE allocation but*
- More advanced/viable projects get the capacity

Weakness:

- Limits to the ability to share milestone achievement.
- *Potential for different outcomes between LSEs and the ISO

Questions: How does the thermal vs renewable shake out?

Auction based Allocation:

Strengths:

- Inherent queue management abilities
- Developers can self assess their project and bet they would place

Weakness:

- Potential for different outcomes between LSEs and the ISO
 - No more games: Winning a PPA but losing the auction would prove infuriating for developers
- May favor deep pockets – and defining the little guy to carve them out is difficult

Suggestion:

- Shortlisting should be a condition of participation in the auction. But that takes you back to the LSE auction.

Pro Rata Allocation:

Benefits:

- ProRata is non-discriminatory, and it is the deficiencies of the other options that make it the best choice. There is certainty, in that you knew that you would get some amount of capacity.
- All, projects in a region would get a share of the capacity,

Weaknesses:

- Process biases those developers who have access to financing.
- There is no certainty – the iterative nature and the different levels over time create uncertainty.
- In an oversubscription situation – upfront funding weeds out those who play and those who go home.
- In a transmission limited situation, being allocated transmission capacity enough for 30% of the project can mean that the project will not be developed.

Queue Management:

Is queue management in pre-Cluster 5 a better approach to dealing with a cost effective transmission system?

Problem is being addressed currently:

- Projects have missed milestones
- Projects are in suspension
- Many are legally paused
- About 60 projects in total.
- Serial cluster can only be kicked out if they don't meet a COD date within 3 years
- Can't mandate a PPA cause some projects want to operate merchant

What about?

Annual fee to remain in the study process?