

# Comments of the Large-Scale Solar Association on Deliverability Assessment Methodology Initiative Draft Final Proposal

October 18<sup>th</sup>, 2019

## 1. Introduction & Overview

The Large-scale Solar Association (LSA) appreciates the opportunity to comment on the CAISO's Draft Final Proposal (Proposal) in the Deliverability Assessment Methodology initiative.

LSA supports the CAISO's position to proceed with Deliverability Assessment changes and congestion-mitigation features as a package. In addition, LSA is pleased to see that the Proposal includes some changes to the earlier Straw Proposal in response to stakeholder comments.<sup>1</sup> LSA particularly supports the CAISO's support of full reimbursement of Off-Peak Network Upgrades (OPNUs), which is discussed further in Section 2 below.

However, the Proposal did not respond to other significant comments from stakeholders, and some of the new proposed provisions raise further questions. The number of important issues requiring additional details and clarifications is striking for an initiative at the Draft Final Proposal stage. It will be difficult or impossible for the CAISO to craft and file a tariff filing at FERC without resolution of these many open or unclear issues.

The unresolved issues are made more urgent given the apparent near-term implementation timing for at least some elements in this proposal, i.e., that CAISO's statements about "implementation in the 2020 Reassessment process" actually meant implementation through the Spring 2020 TPD Allocation process, where affidavits start to become due a month from now. If implementation of this proposal could impact project affidavits or other procedures associated with that allocation process, then developers urgently need to know now.

### **Overview of policy issues** (explained further in Section 3 below)

LSA questions the general policy matters listed below.

- Why there would be no "one-time" opportunity for EO/PCDS projects denied FCDS due to insufficient area deliverability to access newly available deliverability
- Why average summer CPUC ELCC Qualifying Capacity (QC) value should be used in Secondary System Need (SSN) On-Peak Deliverability Assessment scenarios
- Why OPDS project self-schedules would have priority in on-peak hours over FCDS/non-OPDS project self-schedules
- Whether other OPDS incentives that would not encourage self-schedules should be considered
- Why there would be only a "one-time" opportunity for Energy Only projects to request OPDS, and how that opportunity would be implemented
- Concept and implementation of the proposed hybrid-resource rules for OPDS eligibility
- Why projects could receive OPDS before OPNU completion

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<sup>1</sup> LSA suggests renaming the terms here that reference "Off-Peak" (Deliverability Assessment, Deliverability Status, Network Upgrades) to refer instead to "Congestion," since the status (OPDS) associated with these terms applies in all hours (not just "off-peak" hours) and many of the applicable hours for the analysis (e.g., summer afternoons) are still widely considered to be "peak" hours for consumption.

## Overview of process issues (explained further in Section 4 below)

Important missing or unclear OPDS details include (but are not limited to) those listed below.

- Distinction (if any) between groups that would receive OPDS vs. those that would not but could continue “grandfathered” self-scheduling
- OPDS status of new wind/solar projects “in the queue before OPDS implementation”
- Grandfathering status of current PCDS projects (existing or in the queue)
- Any OPNU cost reflection in Maximum Cost Exposure (MCE) figures
- How area constraints identified in the On-Peak Assessment Secondary System Need (SSN) would interact with Transmission Planning Process (TPP) analyses

## **2. OPNU reimbursement**

LSA strongly supports the proposed full refundability for Off-Peak Network Upgrades (OPNUs). The value of Off-Peak Deliverability Status (OPDS) is not clear; self-schedules would still be price-takers and it’s likely the CAISO will lower the bid-price floor further at some point, increasing risks for submitting self-schedules.

However, as LSA explained in its last comment submittal, OPNU funding and construction will also protect existing/higher-queued generation from congestion and curtailment impacts even if OPDS projects submit economic bids instead of self-schedules, so (as the CAISO has stated) OPNU funding and construction should be encouraged. Those earlier projects would otherwise have no other protection against congestion/curtailment impacts of newer projects, and protection of those resources should be deemed to serve a “policy-driven” purpose.

Thus: (1) The framework should actively encourage OPNU funding; and (2) should at least not discourage it through limiting reimbursement.

Moreover, this will be a self-correcting mechanism that protects ratepayers against unreasonably high OPNC and other transmission costs, even with reimbursement, because:

- **Financing unusually costly upgrades can be costly even with reimbursement**, e.g., because:
  - The required security postings require expensive financing instruments (e.g., letters of credit) and raise forfeit risk if projects later drop from the queue
  - The FERC interest rate is far below developers’ cost of capital.
- **Most Load-Serving Entities (LSEs) count transmission costs against bid prices**, since ratepayers must pay for both transmission and procurement costs.<sup>2</sup> “All other things equal, a project with high Network Upgrade costs will not be competitive, and this will help ensure that only cost-effective upgrades are built.”

Finally, as LSA noted before, there is no basis for capping OPNU costs. Reliability Network Upgrade (RNU) cost caps are based on a percentage of actual historical costs, while OPNUs are entirely new, without any historical cost data to rely on.

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<sup>2</sup> While PG&E’s comment at the last stakeholder meeting – that buyers would have to recognize and perhaps modify their bid-assessment methods to recognize these additional costs. However, this is not a complicated issue and it seems like a relatively simple matter.

### **3. Other Policy issues**

#### **One-time opportunity for certain EO/PCDS projects to access newly available deliverability**

The Proposal did not adopt proposals from LSA and others to provide a one-time opportunity for EO and PCDS projects to access newly available deliverability when their FCDS requests were denied earlier solely due to lack of area deliverability. The the CAISO stated on the last stakeholder call that “most” projects that requested FCDS but ended up as EO did so because of inability to qualify for a deliverability award.

However, that is certainly not true for many projects coming out of the interconnection-study process that would have received full awards had sufficient deliverability been available in their areas. The CAISO should have sufficient historical information to identify these projects and, based on CAISO statements, there should be few of them to accommodate.

LSA understands CAISO’s reluctance to modify the seven-priority structure for TPD awards the first time it will be used. It is a matter of simple fairness, though, that these projects be given higher priority to access available deliverability, e.g., through very narrow and temporary transitional adjustments within the existing structure that would allow them to be included, as appropriate, in:

- Groups 1 or 2, if they have a PPA or are shortlisted, respectively, instead of Groups 4 or 5; and
- Group 3, if they so choose.

LSA also suggests that the CAISO allow this transitional group (including Group 3) to request a limited COD extension to no later than December 2024. This would allow projects to take full advantage of the ITC benefits to pass those along to ratepayers, thus supporting the state’s urgent capacity needs.

#### **Use of CPUC ELCC QCs in On-Peak Deliverability Assessment SSN scenarios**

The CAISO partly accepted earlier stakeholder comments that On-Peak Deliverability Assessments should not be assuming lower values than ELCC-based CPUC Qualifying Capacity (QC) figures, by raising the SDG&E-area resource dispatch in the SSN scenario to the summer average ELCC value. The CAISO’s explanation was that the CAISO’s analysis – focusing on peak-flow hours – should not logically use values below ELCC values (averaged over 8,760 hours a year).

However, the CAISO noted in the last conference call that the ELCC methodology assumes resource ability to produce above the ELCC level in “a significant portion of hours.” This argues for use of a dispatch above peak summer ELCC values, and against averaging over several months.

The CAISO said that, since ELCC values are declining over time, use of a lower-than-peak ELCC value in this adjustment would be more “stable.” However, many study assumptions change over time, and peak ELCC values would not necessarily be less “stable” than load trends, for example.

Thus, the CAISO should use the peak-month ELCC value in this assessment, and not a smoothed multi-month summer value.

#### **OPDS self-schedule priorities in non-peak hours**

Stakeholders have expressed concerns that OPDS project self-schedule scheduling/curtailment priority would apply regardless of whether the reason for the limitations is related to local issues like congestion or system-wide issues like over-generation. The CAISO’s response basically said that the CAISO cannot realistically assess (especially in real time) the source of the limitations.

However, that response does not complain why projects funding OPNUs (i.e., those with OPDS) should have priority over those funding upgrades identified in On-Peak Deliverability Assessments (i.e., those with FCDS) in on-peak hours. Specifically, it seems contradictory for OPDS projects to have priority over FCDS projects even in on-peak hours.

Instead, a more logical framework would give FCDS project self-schedules priority in on-peak hours and OPDS projects priority only in off-peak hours.

### **Whether other OPDS incentives that would not encourage self-schedules should be considered**

LSA remains concerned that the primary direct incentive to fund OPNUs will encourage submittal of more self-schedules, even if only OPDS projects (which, with grandfathering, will be the overwhelming number and capacity of projects on the system) can submit them. LSA believes that other incentives for funding OPNUs should be explored that may not have that adverse impact.

Protection of self-schedules would be worthless if a project SC submits economic bids, and a developer cannot know when Interconnection Requests (IRs) are submitted how the project will be bid years later. Moreover, protection for self-schedules carries with it significant disadvantages, e.g., status as a price-taker and resulting lack of protection when prices are negative.

Instead or in addition to self-schedule protection, the CAISO could simply allow more economic bidding flexibility for OPDS projects. OPDS projects could be allowed to submit economic bids at a lower bid floor than non-OPDS projects, so non-OPDS would be subject to market curtailment before OPDS projects. This would allow the market to work better than high levels of self-scheduling and provide value to OPDS projects even with submission of economic bids.

(These proposals would apply to FCDS projects in on-peak hours if LSA's proposal above is accepted.)

### **“One-time” opportunity for Energy Only projects to request OPDS – rationale**

The Proposal would allow existing EO projects, and those “in the queue before OPDS implementation,” a one-time opportunity to elect OPDS. Among other things, the Proposal does not explain why this should be a one-time opportunity, i.e., why such EO projects should not be allowed to elect OPDS at a later time. The CAISO should not impose this limitation without an explanation of the rationale behind it.

### **“One-time” opportunity for Energy Only projects to request OPDS – implementation**

It is not clear when or how this one-time option would be implemented. For example:

- Is the CAISO planning to award OPDS in conjunction with the upcoming Spring 2020 TPD Allocation process, as part of the C12 or C13 cluster-study process, or some other way?
- Could projects electing this option be assigned OPNU costs?

The CAISO must provide more information about these processes and procedures.

### **Proposed OPDS eligibility rules for hybrid resources**

The Proposal does not fully explain the OPDS hybrid eligibility rules for: (1) hybrids where “the energy storage component of the resource is not sized to eliminate intermittency of the wind or solar resources in the on-peak deliverability assessment” (eligible); and (2) hybrids where “the energy storage component of the resource is sized to eliminate intermittency of the wind or solar resources in the on-peak deliverability assessment” (not OPDS-eligible).

First, this entire proposal element depends on a developer knowing the configuration of a multi-fuel project when the Interconnection Request (IR) is submitted and an OPDS election is made, i.e., whether the project will be structured as a hybrid (single Resource ID) or as Collocated Resources (multiple Resource IDs). This determination is typically not required until a project enters the New Resource Implementation (NRI) process a few months before Initial Synchronization.

Second, there are numerous other unresolved details. For example:

- **Why is “elimination of intermittency” the right criterion to determine eligibility?** This seems like an effort to determine whether a hybrid is more like a VER or a non-VER, but that characteristic could be more related to relative installed capacity or output timing. Moreover, the CAISO itself has acknowledged in the Hybrid Resources Initiative that mitigation or elimination of VER intermittency is only one consideration for mixed-fuel projects.
- **Why would the HSN VER study dispatch percentage be used for this determination, and not the higher SSN or Off-Peak Deliverability Assessment dispatch figures?**
- **How would this framework accommodate changes in the HSN study dispatch percentage over time?** As flows on the system change, HSN hours and dispatch numbers may also change, so the proposed eligibility calculations could yield different results.
- **How would this framework accommodate creation or modification of hybrids over time?** For example, if OPDS VERs add storage and become hybrids, could that jeopardize their OPDS status? What if hybrids add or subtract VER or storage capacity (after IR submittal, or even after COD), e.g., through modification requests or the generator downsizing process, where the change would impact OPDS eligibility under this criterion?
- **How will this framework accommodate multi-fuel projects that start as Collocated Resources but later switch to a single Resource ID (hybrid)?** For example, what if the VER Resource ID has OPDS but the combined project would not qualify under the proposed criteria?

LSA believes that the CAISO should provide additional explanation of its intent for these eligibility rules, and how they would be applied under actual real-world conditions.

### **OPDS before OPNU completion**

The CAISO said on the last stakeholder call that – unlike DNUs and FCDS – OPDS would be awarded to projects qualifying for and electing it when those projects reach COD, even if all the OPNUs were not complete. This provision is inconsistent with long-standing policies related to Full Capacity Deliverability Status (FCDS), which is not received by a new project until all the Delivery Network Upgrades (DNU) are complete.

Allowing OPDS before all the needed upgrades are complete, for example, would allow self-schedules of such projects scheduling/curtailment priority before all upgrades needed to provide that protection are constructed. Thus, this provision would likely impair the status and self-schedule protection of other operating OPDS projects, and CAISO should either justify or revise it.

#### 4. Process issues

##### **Whether “Existing wind/solar generation” Energy Only projects would receive OPDS**

The Proposal at p.21 states that “OPDS will provide a scheduling priority by continuing to allow self-scheduling for existing resources and new non wind and solar resources that select FCDS and new wind and solar resources that select OPDS.” However, Table 7 from the Proposal (reproduced below) addresses self-scheduling only, not OPDS explicitly.

There are several issues here:

- **Would all “grandfathered” groups where self-scheduling is allowed receive full OPDS (i.e., priority treatment of self-schedules), or would some simply be allowed to submit self-schedules without OPDS priority?** Option 5 of the prior Straw Proposal would have provided OPDS to “Existing FCDS and P[C]DS generators” but not Existing EO generators (August 5<sup>th</sup> stakeholder meeting presentation, Slide 32). The rationale was that those FCDS/PCDS generators would have been studied at today’s much higher dispatch levels and funded DNUs triggered under those studies.

However, Table 7 below shows Existing EO generators as “Self Scheduling Allowed (Grandfathered).” Does this mean that this group would retain the ability to submit self-schedules, but those self-schedules would not receive OPDS protection?

- **Why would Existing EO wind/solar projects, which would not have funded any DNUs, automatically receive OPDS and/or be allowed to continue self-scheduling, while New EO wind/solar projects entering the queue before OPDS implementation would have to request OPDS (and pay for OPNUs) to receive the same privileges?** New EO projects would have proceeded in the interconnection-study process (including security postings subject to potential forfeit) assuming they would have the same scheduling and bidding rights as others, only to find out in the middle of the process that they must pay more to receive those rights.

**TABLE 7: SELF-SCHEDULE FOR WIND/SOLAR GENERATION INCLUDING ELIGIBLE HYBRID RESOURCES**

STATUS	FCDS		EO	
	OPDS	Non-OPDS	OPDS	Non-OPDS
Existing wind/solar generation	Self Scheduling Allowed (Grandfathered)		Self Scheduling Allowed (Grandfathered)	
New wind/solar in queue before OPDS implementation	Self Scheduling Allowed (Grandfathered)		One-time chance to request OPDS	
			Self Scheduling Allowed	No Self Scheduling
New wind/solar entering queue after OPDS implementation	Self Scheduling Allowed	No Self Scheduling	Self Scheduling Allowed	No Self Scheduling

##### **OPDS status of new wind/solar projects “in the queue before OPDS implementation”**

These projects have requested FCDS but may not yet know whether they will receive a deliverability award. (This ambiguity includes projects coming off parking and seeking deliverability.) So, there is no way to know if they will be:

- FCDS, and thus receive some kind of grandfathering status automatically;
- EO, and thus must request OPDS through the “one-time opportunity” if they want that status; or
- PCDS, where their status is ambiguous in the Proposal – see below.

The CAISO should clarify whether these projects would need to elect the one-time option when their deliverability status is still in question, or whether they should proceed in some other manner under the new framework.

### **OPDS status of projects “in the queue before OPDS implementation” – Cluster 12**

Cluster 12 projects are about to receive their Phase I Studies, under the current methodology, but their subsequent studies would be performed using the new methodology. The Proposal does not clarify whether these projects would be grandfathered as OPDS (entered the queue before OPDS implementation) but would likely have their Network Upgrade costs determined under the new methodology. The CAISO should explain the grandfathering and other treatment of these projects.

### **Grandfathered status of PCDS projects**

The Proposal does not allow for “partial” OPDS but says that existing FCDS/deliverable projects would receive OPDS. It does not address OPDS for existing PCDS projects, or those still in the queue that entered before OPDS implementation and then received a partial deliverability award.

As noted above, the earlier Option 5 – upon which the current proposals are based – did provide grandfathering status for PCDS projects, but PCDS projects are not mentioned at all in the Proposal. It seems unfair for PCDS projects to be excluded from OPDS simply because they have PCDS but not FCDS. Those PCDS projects were dispatched in their Interconnection Studies at today’s higher levels and likely fully funded the Delivery Network Upgrades (DNUs) triggered in those studies.

The CAISO should clarify the grandfathering status of those projects, e.g., whether the Option 5 provision allowing these projects to receive OPDS is included in the Proposal.

### **Any OPNU cost reflection in Maximum Cost Exposure (MCE) figures**

The CAISO should explain further how the OPDS concepts and terms would fit into the recently revised Maximum Cost Responsibility (MCR)/Maximum Cost Exposure (MCE) framework.

### **How SSN-identified area constraints would interact with the TPP analyses**

The proposal states that, if ADNUs are identified in the SSN analysis and then considered in the TPP, but no TPP upgrade was approved, then the upgrade would not be required or limit “portfolio deliverability.” Since the TPP portfolio capacity differs from the capacity studied in Interconnection Studies, the practical application of this concept is unclear. The CAISO should provide some examples of how this provision would work.