<u>**Stakeholder Process: Generator Interconnection Process Reform (GIPR)**</u>

Summary of Submitted Comments on Outstanding Issues

Stakeholder comments are posted at: http://www.caiso.com/1f42/1f42c00d28c30.html

1. Advance and Increase Study Deposits			
Management Proposal	Parties Generally Supportive	Parties Generally Opposed	Management Response
The interconnection customer must make a $250,000 deposit to cover costs of processing the request and conducting studies. Under the current three study process, the aggregate study deposits total $170,000. Portions of the GIPR study deposits become non-refundable as the process moves forward. However, upon execution of an Interconnection Agreement (IA), the deposit net any administrative and study costs incurred will be fully refunded. The purpose of the financial consequences embedded in the GIPR study deposit structure is to focus developers on their most promising opportunities. The CAISO allows projects of less than 20 MW, but still subject to the GIPR, and projects to existing generating facilities of less than 20 MW to submit a reduced study deposit of $100,000.	<u>Pacific Gas and Electric (PG&E)</u> <u>Southern California Edison (SCE)</u> <u>San Diego Gas and Electric (SDGE)</u> <u>California Public Utilities Commission (CPUC)</u> <u>CALWEA: Abengoa Solar; Ausra; Brightsource</u> The refund provisions in the latest ISO proposal reduce IC risks considerably, and we withdraw our opposition to the deposit requirement on that basis. (3/19/08) <u>Mirant</u> Mirant supports the CAISO requirement for substantial site control to weed out less viable project proposals. <u>Sempra Generation</u> Sempra Generation is in agreement with the deposit for study costs no longer being unequivocally nonrefundable 4/11/08.	<u>eSolar</u> eSolar strongly opposes the requirement for a $250,000 up-front study deposit <u>Calpine</u> No portion of the study deposit should be non-refundable if an IC drops out of the queue prior to signing an Interconnection Agreement regardless of the reason. <u>Attorneys for Independent Energy Producers</u> Under any fee structure, IEP remains opposed to the non-refundable nature of fees above the actual costs incurred by CAISO in processing and study 4/11/08. <u>Wellhead</u> The proposed process for clustered group projects involving a non-refundable payment of fixed amount unfairly discriminates against small projects and will result in a slowed response for development of new generation, reduced competition and reduced innovation. <u>DG Power</u> Initial deposit should be refundable any time the IC withdraws from the queue, less any administrative and study costs. <u>LS Power / Dynegy</u> We do not agree that a study deposit be a non-refundable payment; especially if the deposit amount is in the order of $250K as has been recommended by the CAISO. <u>Macquarie Energy North American Trading Inc</u>.	The original white paper proposal was to make the $250,0000 Study Deposit entirely non-refundable. After considering stakeholder comments, a number of concessions to the original proposal were made. First, if after the initial Scoping Meeting, the Interconnection Customer wishes to withdraw their Interconnection Request, the entire deposit of $250,000 will be refunded (less any cost incurred to date). Second, within a set period of time following the Phase I Results Meeting, the Interconnection Customer can withdraw their Interconnection Request and only $100,000 would be non-refundable. Third, for projects less than 20 MW, yet still subject to the LGIP, the required deposit was reduced to $100,000. In a related issue, several stakeholders claimed that the proposed general study deposit amount of $250,000 discriminated against small developers or projects and would thereby inhibit healthy competition. An alternative proposal was to establish "tiered" deposits depending on the size of the generator. While the CAISO has accommodated certain "small" projects, the CAISO elected not to follow this approach for several reasons. First, the CAISO has not identified a correlation between the size of the project and its study costs. Second, information from other regulatory entities indicates that the deposit amount is reasonable given the financial resources of most viable developers.

2. Posting of Security and Schedule for Non-Refundability			
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Under current interconnection rules, an interconnection customer is not required to provide financing for transmission upgrades associated with its project until construction of those facilities begins in accordance with a schedule set forth in the interconnection agreement; however, the interconnection customer may suspend construction activity for up to three (3) years. To the extent the transmission upgrades are Network Upgrades, the interconnection customer will be entitled to reimbursement from the Participating TO of those costs over a five (5) year period once the generating facility comes online. The Participating TO then recovers those costs through the CAISO's Transmission Access Charge assessed to load within the CAISO Balancing Authority Area. The GIPR changes the current rules by requiring the interconnection customer to post security in an amount equal to 20% of the total cost responsibility of the estimated cost of Network Upgrades and Interconnection Facilities determined by the Phase I Interconnection Study. The remaining 80% of the estimated costs must be posted within six (6) months following the conclusion of the Phase II Interconnection Study. Over time, a portion of the posted security becomes non-refundable, except as described in the Management Response.	<u>Pacific Gas and Electric (PG&E)</u> <u>Southern California Edison (SCE)</u> <u>San Diego Gas and Electric (SDGE)</u> <u>California Public Utilities Commission (CPUC)</u> Would like to have predictable PTO upfront funding <u>CALWEA: Abengoa Solar; Ausra; Brightsource</u> Not opposed to financial postings; however are opposed to conversion of the postings to cash to fund transmission Network Upgrades and, would rather have the PTOs upfront fund these upgrades. <u>Sempra Generation</u> Sempra Generation supports the off-ramps as described and staged levels of refundability of amounts posted for Network upgrades.	<u>Macquarie Energy North American Trading Inc.</u> <u>Wellhead Energy</u> The requirement to fund 100% of facilities within six (6) months of IA execution is burdensome and inconsistent with the "pay as you go" process that exists today. There were not many comments submitted in writing specifically on this issue, but most tend to agree that there needs to be an increased level of commitment by interconnection customers as they move through the process. However, in the Stakeholder meeting held on June 10, 2008, a number of stakeholders, representing various generation interconnection customers, raised concerns regarding the use by the CAISO of surrendered funds (which could be in the millions of dollars) upon withdrawal of a project. Suggestions included interconnection customers receiving Congestion Revenue Rights (CRRs) in return for the surrendered funds.	The CAISO recognized that the potential to chill legitimate generation development could occur if the increased financial commitments incorporated in the GIPR failed to acknowledge the inherent uncertainty of project development. Much of this uncertainty results from processes that are independent of the CAISO's interconnection procedures and even outside the control of developers. The most significant of these processes involve load serving entity procurement cycles and solicitations and land using permitting proceedings. GIPR accounts for uncertainty from such factors and moderates developer risk by allowing for specific off-ramps at several points in the interconnection process. Interconnection customers must post 20% of their assigned costs of Network Upgrades and Interconnection Facilities prior to the Phase II Interconnection Study and 100% of such costs within six months after the conclusion of the Phase II Interconnection Study. This postpones posting of 100% of the costs up to approximately 1 year 5 months after the start of the Phase II Interconnection Study. It is contemplated that the Phase I Interconnection Study will provide sufficient information to initiate any land use proceedings. Thus, this structure is intended to balance the goal of increasing the financial commitment of developers to encourage realistic participation in the interconnection process with the inherent uncertainties of project development. The staggered posting requirement was incorporated into the GIPR to facilitate the ability of interconnection customers to obtain financing as well as to defer such financial commitment until after the interconnection customer may have a better understanding of the outcome of pending request for offers or other licensing proceedings. Moreover, the GIPR has proposed refunding a portion of the posted amounts upon the occurrence of specified events outside the Interconnection Customer's control, such as

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			the denial of a land use permit, the inability to secure a Power Purchase Agreement, or an unanticipated increase in the cost of Interconnection Facilities based on the outcome of the transmission planning process. The CAISO further elected not to provide withdrawn project developers surrendering posted funds with CRRs. The basis for this decision was twofold. First, the GIPR is structured to increase the financial commitment or risk borne by developers for participating in the interconnection process. Providing CRRs mitigates the intended risk and may, in some cases, provide a positive investment and incentive to withdraw. Second, CRRs are provided to those that invest in the transmission grid. Under the GIPR, the surrendered funds are not being used to offset the cost of transmission investment. Rather, the surrendered funds are distributed to Scheduling Coordinators in proportion to their contribution to the Grid Management Charge.