

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
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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.
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.
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.
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.

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.)
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.

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.

8minutenergy conceptually supports the proposed methodology for studying in each area up to the amount of TP deliverability plus a reasonable margin.

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

Studying for all projects in Phase I will increase the RNU costs. It’s a known fact that with stringent criteria attached for projects eligibility to move from Phase I and Phase II study, a large number of projects will drop from the queue and as a result Phase II RNU will be significantly lower. 8minutenergy would propose to study the same number of projects as for the DNU purposes, i.e., up to the amount of TP deliverability plus a reasonable margin.

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.

As stated in Item 8, studying all projects for RNU determination would result in extremely higher RNU upgrade cost which is significant and posting LOC I reflecting that higher cost would make some viable projects non- financeable.

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.

As proposed, Option B will be an unlikely event that a project will opt for self-finance multi-million dollar network upgrades and still be competitive in PPA negotiations. In summary, it’s a non-starter.

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.

In principle, this proposal seems on right track. There should not be a switch back and forth after election of either option.

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

Reduced deliverability would not be an option for any project unless PPA negotiation explicitly takes it into considerations.

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.

This seems to be a reasonable approach for projects choosing Option B.

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.

This means Option B projects need to fund DNU for their full deliverability.

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.

A restudy of such nature would be in the best interest of projects remained in Phase 2.

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

On right track, RNU will be lower than that of Phase 1

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.

Seems reasonable assumptions.

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.

In reference to certain milestones for Option A, what specific milestones are being considered in this case? These milestones should be attainable with reasonable efforts and under generation developers' control.

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.

The above milestones are virtually unattainable within the time period of Phase 1 and Phase 2 study results. Securing all permitting documents is a multi-year endeavor, PPA approved by CPUC would be another multi-year milestone and project financing is dependent on many other factors as well. If applied, the proposed milestones would force to drop out credible projects from interconnection queue.

20. PLEASE COMMENT on what could constitute evidence of committed project financing as an alternative to regulator-approved PPA for item (b) above.

CAISO should streamline milestones to COD rather than focusing on PPA, permitting and financing.

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.

If milestones are met by a project, there shouldn't be any reason not to execute FC GIA. Expanding the portfolio is the correct approach in this case.

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.

It seems a correct approach to keeping the projects on track of meeting COD.

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.

Seems a good approach.

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.

Self-funding of DNU is a non-starter in the highly competitive market. It is very unlikely that any project will opt for this option.

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.

It should use the current refund practice.

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.

What about of non-green field projects funded by projects? The non-green field projects should be eligible for RFO bids for least cost and fast track options. A third party build could be able to build the projects at shorter time period and will least cost. CAISO should not ignore this possibility.

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.

A good approach.

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).

Projects from Serial to Cluster 4 should be considered as “existing” generation not subject to Net Qualifying Capacity adjustments. The primary reason for this is that a large number of projects either have GIAs, PPAs or in the GIA and PPA negotiations or short listed for PPA negotiations. Attaching uncertainty of NQC adjustments to these projects would jeopardize their successful GIA and PPA negotiations.

We support the provision of “new” projects that would include Cluster 5 and later cluster projects that elect Option A.

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.

This is a good alternative approach for avoiding NQC reductions for viable projects.

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

8minutenergy believes that projects in Serial Group, Clusters 1, 2, 3 and 4 should be considered as existing generation and are not subject to NQC adjustments. Projects in Cluster 5 and later could be considered as “new” generation and could be subject to NQC adjustments in future years due to situation when TPP based deliverability is not available.

Projects in Serial Group and Clusters 1 thru 5 can only lose their TPP based deliverability if these projects cannot meet GIA milestones towards COD such as their PPA is terminated by LSE or not approved by CPUC, a permit is rejected, could not secure or loss of control of a project site, and GIA is cancelled at customer’s fault.

The proposed allocation of NQC reductions for one or more years will make projects non-financeable and/or non-competitive.

The value of renewable energy delivered to an off-taker under a PPA includes the energy delivered, renewable energy attributes and capacity attributes that include resource adequacy (RA). The RA value can account for up to 30% or more of the value. If there is a reduction in the PPA RA value due to the NQC allocation there can be a corresponding reduction in RA value to an off-taker. During recent discussions, off-takers have expressed considerable concern as to the value provided under a PPA that is subject to recent CAISO proposed NQC reduction risk. Off-takers have stated that they will not sign a PPA that exposes the off-taker customers to a potential diminution of RA value,

unless the PPA requires the developer/Seller to make the off-taker whole for any RA value that may be lost as a result of an NQC reduction.

This make-whole requirement, in turn, results in an uncertain project cash flow stream for an uncertain number of years. Potential lenders will not take the risk that the project will need to make the off-taker whole and not be able to service the project debt. Moreover, if the PPA price is increased to compensate for the reduction in RA value the project will no longer be economic to the off-taker. Conversely, if the PPA price is reduced to account for the reduction in RA value, the project will not be economic to the developer and will not be financeable.

Recommend at a minimum, the allocation of NQC reduction methodology not be applicable to projects that are shortlisted by an off-taker and serial cluster projects because these are the most viable projects. Many of these projects are shortlisted, currently in PPA negotiations. Furthermore, the NQC allocation methodology will also likely cause Cluster 1 thru 4 to be uneconomic and/or not financeable as well.