California ISO

2018 Interconnection Process Enhancements

Addendum to Revised Straw Proposal

August 28, 2018

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Introduction

On July 10, 2018 the California Independent System Operator Corporation (CAISO) posted its Revised Straw Proposal associated with the 2018 Interconnection Process Enhancement (2018 IPE) initiative proposing a number of enhancements to the CAISO's interconnection and transmission plan deliverability allocation procedures. A stakeholder web conference was conducted on July 17, 2018 to discuss that proposal. As a result of the comments received and additional informal discussions with stakeholders related to the proposal on allowed changes in deliverability status to Energy Only (revised straw proposal topic 4.4), the CAISO is putting forth the instant addendum to modify and clarify its proposal.

The CAISO also clarifies which qualifying criteria take precedence in the event that an interconnection customer possibly meets multiple TP Deliverability allocation groups, as described in the revised straw proposal topic 4.1.

This addendum to the revised straw proposal will be the final proposal for this topic, which will be presented to the September 5 and 6, 2018, Board of Governors meeting for approval.

Specific Modifications and Clarifications

In the revised straw proposal the CAISO proposed that projects changing to energy only deliverability status as a result of the project's failure to meet commercial viability or TPD retention criteria will retain the cost responsibility for all deliverability network upgrades (DNUs) unless the annual reassessment study shows that the DNUs are no longer needed for other queued projects. The CAISO is modifying the proposal for projects that receive a transmission plan deliverability (TPD) allocation, but lose the allocation because they fail to meet the retention criteria. Specifically:

1. If a project that obtains a TPD allocation by having a PPA and the procuring entity terminates the PPA due to no fault of the interconnection customer, the project would not be required to retain the cost responsibility for any assigned DNU costs.
    a. The project would have to demonstrate evidence that the procuring entity unilaterally terminated the PPA through no fault of the interconnection customer. An inability of the interconnection customer to secure sufficient financing with the PPA would not qualify, and would be considered the fault of the interconnection customer.
2. If a project that obtains a TPD allocation by being on an RFO shortlist and does not receive a PPA, the project would not be required to retain the cost responsibility for any assigned DNU costs.
    a. The project will be allowed to seek a new TPD allocation if the cluster study group it is associated with is still eligible to seek an allocation in allocation groups 1, 2 or 3, as defined in section 4.1 of the revised straw proposal dated July 10, 2018, and may park if the project (and its cluster) meets the parking criteria for parking during the second parking year opportunity.

Additionally, to clarify the impact of a project that is required to retain the cost responsibility for assigned DNUs after conversion to Energy Only, if such a project does fully fund its allocated portion of the DNU assigned to it and achieves commercial operation, then the project will be eligible for reimbursement of the funding it provides for the construction of the DNUs.

With regard to the TPD allocation groups proposed in Section 4.1, the CAISO clarifies that the deliverability status an *online* interconnection customer originally requested will not set precedence over receiving a PPA or being shortlisted in determining its eligibility to be placed in allocation groups four through seven. For example, previously the CAISO had stated that allocation group four was for interconnection customers that had originally requested FCDS, became Energy Only, and then received a PPA that required deliverability. The CAISO also stated that group six was for Energy Only interconnection customers that had originally requested FCDS and had achieved commercial operation. This raises the question of which allocation group the CAISO would place an Energy Only interconnection customer that had never requested FCDS, had achieved commercial operation, and had received a PPA that required deliverability. The CAISO clarifies that such an interconnection customer would be eligible for group four. Likewise, an online Energy Only interconnection customer that is placed on a shortlist would be eligible for group five. This allows load-serving entities to select from existing generators, thereby providing the potential to avoid new construction. As such, this clarification is limited to online generators. An interconnection customer that never requested FCDS at any point and has not achieved commercial operation still would not be eligible for groups four or five, as the CAISO explained in the revised straw proposal. Allowing otherwise would allow interconnection customers to attempt to bypass DNU cost responsibility in the first place with the hope of making their project less expensive, then receiving a PPA and deliverability as a result. This would be unfair gaming of the TPD allocation process.

Groups four through seven are thus Energy Only interconnection customers requesting deliverability:

(4) that requested FCDS or have achieved commercial operation, and that have executed power purchase agreements.

(5) that requested FCDS or have achieved commercial operation, and are actively negotiating a power purchase agreement or on an active short list to receive an power purchase agreement.

(6) that originally requested Full Capacity Deliverability Status but achieved Commercial Operation as Energy Only (without meeting any above criteria).

(7) that achieved Commercial Operation (without meeting any above criteria).

It is important to remember that the CAISO will allocate TP Deliverability to these four foregoing groups based on TP Deliverability available from existing or already planned upgrades only; they may not trigger new upgrades. Groups one, two, and three remain as proposed in the revised straw proposal.

Change in Deliverability Status to Energy Only

Background/Issue

The CAISO is seeking to clarify when projects may elect to convert to energy only deliverability status, when the CAISO will convert projects to energy only regardless of customer election, and the consequences for such conversions.

Currently, projects may voluntarily convert from FCDS or Partial Capacity Deliverability Status (PCDS) to energy only deliverability status only at certain times during the interconnection process. A project may convert to energy only deliverability status between Phase I and Phase II studies, or immediately following the TPD allocation process (either after the Phase II study or after parking for parked projects). This restriction minimizes impacts on other projects and the PTOs. Projects that convert to energy only deliverability status at these times are no longer responsible for DNU costs going forward.

Although the CAISO tariff is specific on when a project can voluntarily convert to energy only deliverability status, it does not specify whether a project can request energy only deliverability status at other times during the interconnection process, nor does the tariff describe the consequences of such conversion, particularly with regard to financial obligation for DNUs.

Projects are currently required to convert to energy only deliverability status for failure to meet commercial viability (CVC) or TPD retention criteria. If the CAISO converts a project to energy only deliverability status under these conditions, all DNU costs are removed from the converting project's cost responsibility. However, the CAISO has observed that some project developers may seek to utilize the conversion requirements associated with failure to meet CVC and TPD retention criteria to reduce their cost responsibility and then withdraw. The CAISO believes this outcome is problematic because it potentially allows projects to shift costs to other project developers inappropriately or to the PTOs. Failing to be commercially viable effectively becomes an attractive option for interconnection customers contemplating withdrawal.

The CAISO proposed that projects that change to energy only deliverability status as a result of failure to meet CVC or TPD retention criteria will retain the cost responsibility for all DNUs.

The CAISO also proposed that projects may request to change their deliverability status to energy only at any time after the Phase II study. These requests will be evaluated in the annual reassessment study to determine cost responsibility for the project. If the DNUs are still required, the project will be converted to energy only, but will retain the cost responsibility for those upgrades. If, however, the DNUs are no longer needed, the upgrades will be removed from the project's cost responsibility.

Stakeholder Input

EDF-R, LSA, and NextEra recommend that extra studies be performed before the interconnection customer elects to convert to energy only so that the customer will know if its network upgrades are no longer needed. Alternatively, these stakeholders recommend that the CAISO provide the interconnection customer with the ability to withdraw its request to convert to energy only if their delivery network upgrades are still needed. The CAISO disagrees because these additional study requirements would be burdensome and can be performed by the interconnection customers themselves. The CAISO's study process schedule is integrated with the transmission planning study process and cannot accommodate additional studies.

Intersect Power suggests that funds should only be retained if deliverability upgrades are still needed for other projects in the same cluster. The CAISO disagrees because that would require the PTO to fund the subject upgrade if the project withdraws after converting to energy only, producing an opportunity for the interconnection customer to game the withdrawal process.

First Solar urges the consideration of other ways to address the concerns identified with projects using the conversion to energy only to reduce their cost responsibility for delivery network upgrades and then withdraw, thereby reducing their non-refundable funds amount. The CAISO found that First Solar had a misunderstanding of the proposal, however, determined that First Solar raised a valid concern related to projects that receive an allocation by having a PPA or being on a PPA short list, and then lose the allocation in the retention process through no fault of their own. The CAISO determined that this issue warranted a modification to the proposal to limit the impact to projects that fall within the scenarios in the examples below.

> Example 1: A project receives a PPA and later the procuring entity terminates the PPA even though the developer was meeting the requirements of the PPA. In this case the project would not be required to retain the cost responsibility for DNUs provided they can demonstrate the reason for the loss of the PPA.
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> Example 2: A project is shortlisted in a procuring entity's request for offer process, but fails to be included in the final selection or otherwise obtain a PPA. In this case the project would not be required to retain the cost responsibility for DNUs.

CAISO Revised Straw Proposal (original July 10, 2018)

The CAISO proposes two clarifications from the straw proposal based on stakeholder comments. First, projects that change to energy only deliverability status as a result of failure to meet commercial viability or TPD retention criteria will retain the cost responsibility for all DNUs unless the annual reassessment study shows that the DNUs are no longer needed for other queued projects. If the DNUs are no longer needed, the upgrades will be removed from the project's cost responsibility. The CAISO believes that without this requirement, interconnection customers will be incentivized to remain in queue and then purposely fail the CVC to reduce their non-refundable IFS. The CAISO already has seen examples of this behavior. The second clarification is that projects may request to change their deliverability status to energy only or PCDS at any time after the Phase II study with the determination of the continued need for any associated DNUs accomplished through the reassessment process.

The continuing need for any DNU assigned to a project converting to Energy Only is to be evaluated as part of the annual reassessment study, which is consistent with the requirements that are in place for projects seeking to downsize. This approach has proven effective for the downsizing process and we believe that it is the best approach for this application as well. As with the downsizing process, if a project requests to change to energy only, the project is making a commitment to that change, regardless of the result of whether any DNUs are removed or continue to be required for other projects.

CAISO Addendum to the Revised Straw Proposal

For this addendum the CAISO proposes to modify and clarify the Revised Straw Proposal as follows.

Any project that receives a PPA, a TPD allocation, and cost responsibility for its assigned DNUs, and later the procuring entity terminates the PPA through no fault of the interconnection customer, will not be required to retain the cost responsibility for its DNUs. The project would have to demonstrate evidence that the procuring entity terminated the PPA unilaterally through no fault of the interconnection customer.

Additionally, any project that is shortlisted in a procuring entity's request for offer process, receives a TPD allocation and DNU cost responsibility, but fails to be included in the final selection or otherwise obtain a PPA, will not be required to retain the cost responsibility for the DNUs assigned to the project. The project may convert to Energy Only without DNU costs, or the project will be allowed to seek a new TPD allocation if the cluster study group it is associated with is still eligible to seek an allocation in allocation groups 1, 2 or 3, as defined in section 4.1 of the revised straw proposal dated July 10, 2018, and may park if the project meets the parking criteria for parking during the second parking year opportunity. If such a project were re-selected into groups 1, 2, or 3, it would be able to compete for a new TPD allocation.

Additionally, to clarify the impact of a project that is required to retain the cost responsibility for assigned DNUs after conversion to Energy Only, if such a project does fully fund its allocated portion of the DNU assigned to it and achieves commercial operation, then the project will be eligible for reimbursement of the funding it provides for the construction of the DNUs.