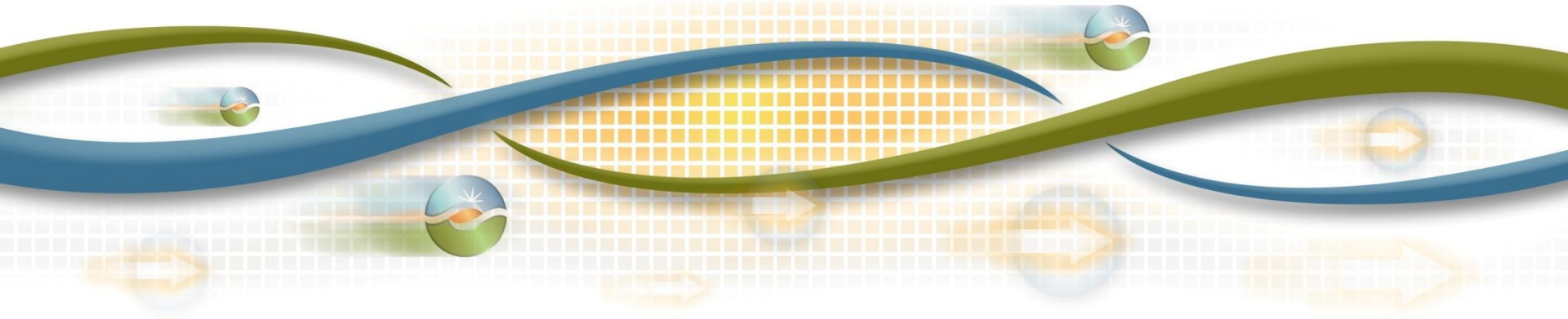


Interconnection Process Enhancements Initiative

Straw Proposal – Topics 1-5 and 13-15

Stakeholder Meeting
August 8, 2013



Introduction, Stakeholder Process

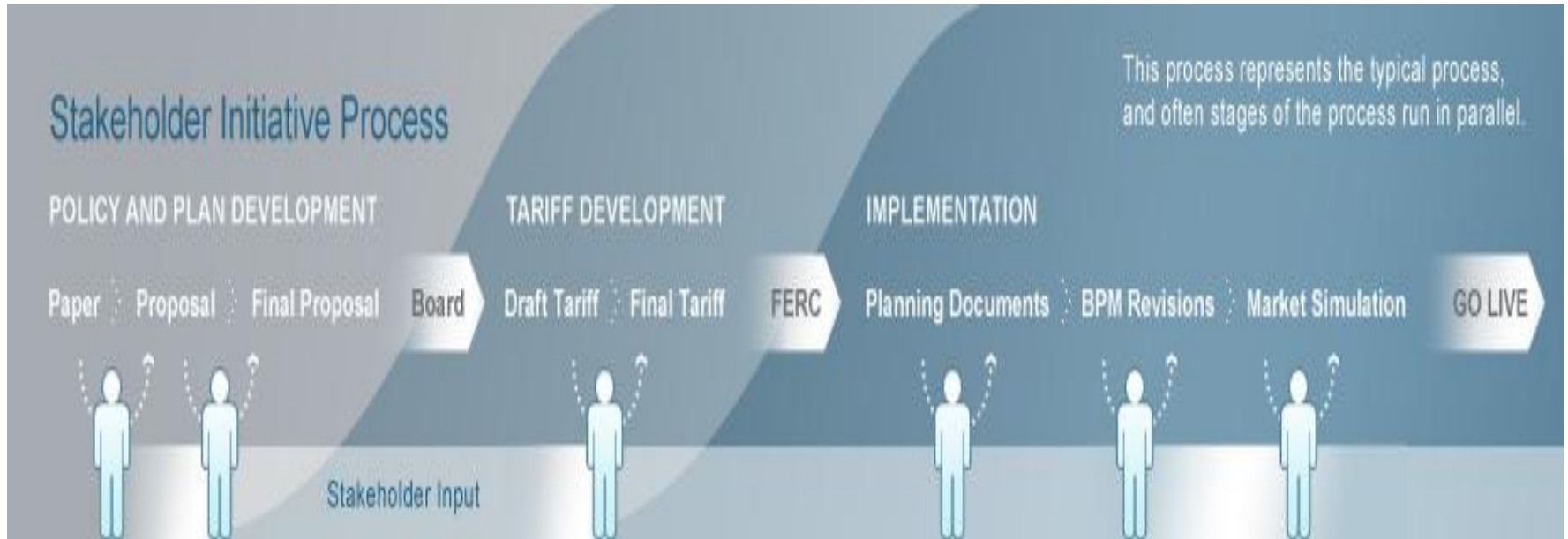
Mercy Parker Helget

Senior Stakeholder Engagement and Policy Specialist

Agenda

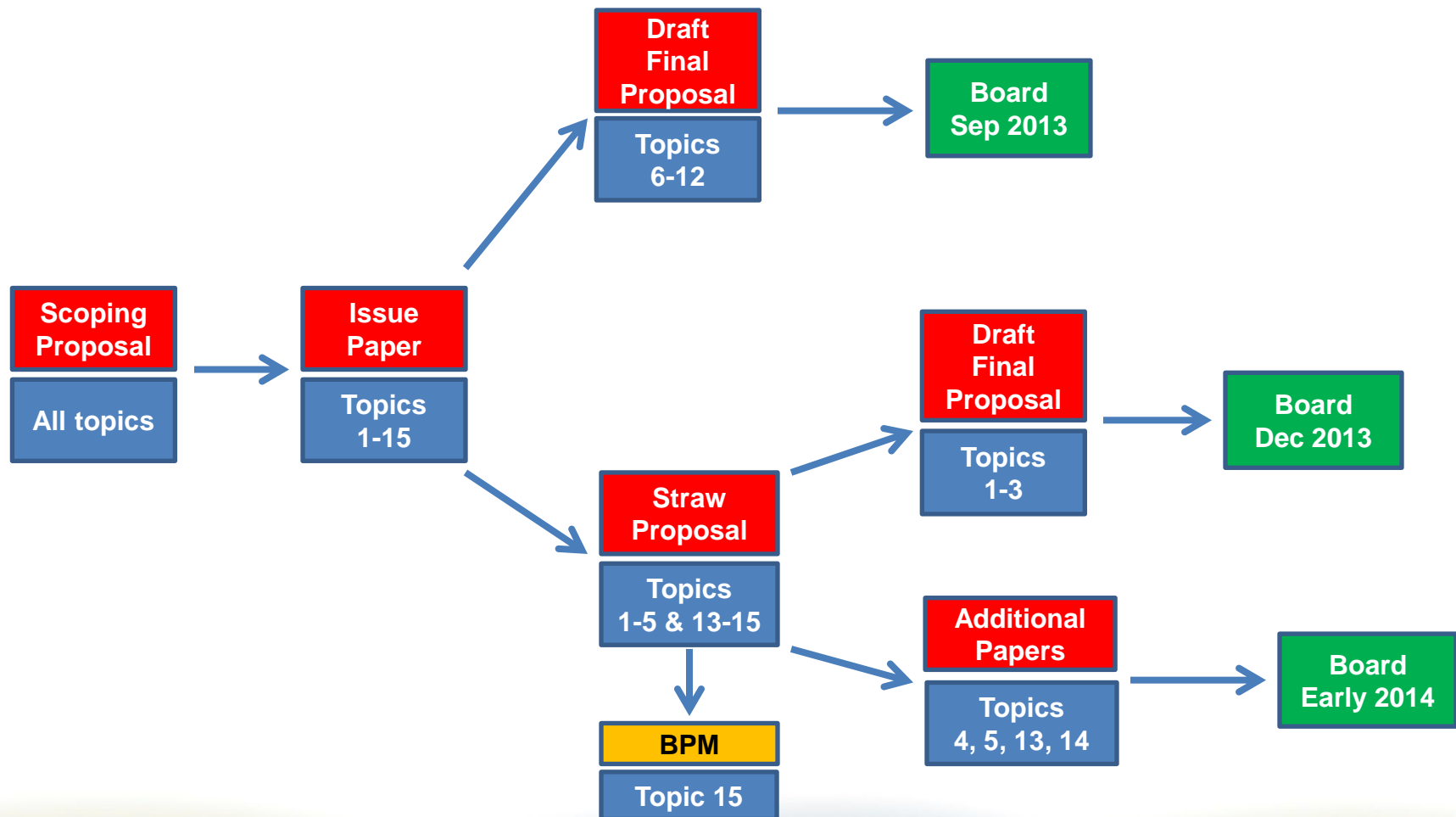
Time	Topic	Speaker
10:00-10:15	Introduction, Stakeholder Process	Mercy Parker Helget
10:15-12:00	Discussion of each topic	CAISO team
12:00-1:00	Lunch (on your own)	
1:00-3:45	Discussion of each topic	CAISO team
3:45-4:00	Next Steps	Mercy Parker Helget

ISO Stakeholder Initiative Process



We Are Here

Stakeholder process overview



Stakeholder process schedule

Date	Event
April 8	Post scoping proposal paper (all topics)
June 3	Post issue paper (topics 1-15)
July 2	Post draft final proposal paper (topics 6-12)
July 18	Post straw proposal paper (topics 1-5 & 13-15)
August 8	Stakeholder meeting
August 22	Stakeholder comments due on July 18 straw proposal paper
Sept 12	Post draft final proposal paper (topics 1-5 & 13-15)
Sept 12-13	ISO Board (topics 6-12)
Sept 19	Stakeholder web conference for topics 1-5 & 13-15
October 3	Stakeholder comments due on Sept 12 draft final proposal paper
Q4 2013	Additional paper (topics 4, 5, 13, 14)
Dec 18-19	ISO Board (topics 1-3)
Q1 2014	Additional paper (topics 4, 5, 13, 14)
Q1/Q2 2014	ISO Board (topics 4, 5, 13, 14)

Topics for discussion during today's meeting

No.	Topic
1	Future downsizing policy
2	Disconnection of first phase of project for failure to build later phase
3	Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects
4	Improve Independent Study Process
5	Improve Fast Track
13	Clarify timing of transmission cost reimbursement
14	Distribution of forfeited funds
15	Inverter/transformer changes (material modification process)

Topic 1 – Future downsizing policy

Existing options for reducing project size

- Changes during interconnection studies when all parties agree
- Material modification review
 - However in light of ISO's downsizing proposal, the ISO is proposing to no longer review requests to downsize a project's capacity through material modification review process (see slide 13)
- Safe-harbor and substantial performance provisions
 - However, in light of the ISO's downsizing and termination proposals (topics 1 and 2), the ISO is considering two alternative revisions to address less than 95% completion (see slide 15)
- Use of non-conforming "partial termination" provision
- Reducing project size under GIDAP

Elements of straw proposal

- Annual downsizing opportunity will be provided until there is no further demand
- Downsize for any reason
- No limit on the MW amount of downsizing
- No limit on number of downsizing requests (but number of years a project can remain in queue is limited)
- Limited to pre-Cluster 5 projects

Elements of straw proposal – page 2

- Annual downsizing request window open mid-October through mid-November starting in 2014
- Downsizing deposit to cover cost of downsizing studies and amending downsizing generator's GIA
- Withdrawal of downsizing request allowed only if responsibility for network upgrade costs may significantly increase
- Downsizing generator obligated to finance network upgrades that project at full size triggered if later-queued projects need upgrades (eligible for reimbursement)

Downsizing deposit

- Pool of funds to cover cost of downsizing studies and amend downsizing generator's GIA
- Study portion of deposit: \$50,000
- GIA amendment portion of deposit: definitive amount not yet proposed
- A downsizing generator's share of actual study costs equal to:

$$\text{total GIDAP reassessment cost} \div (n_1 + n_2 + n_3)$$

where

n_1 = number of new downsizing requests

n_2 = number of IR withdrawals since last GIDAP reassessment

n_3 = number of projects making changes under GIDAP rules

Relationship between downsizing and modification requests

- ISO's proposed annual downsizing opportunity is intended to be the primary means to reduce the MW generating capacity of pre-Cluster 5 projects
- ISO is proposing to clarify in its tariff that the ISO will not review requests for capacity reductions as part of an IC's general right to seek project modifications
 - ICs will need to pursue such requests through the proposed annual downsizing opportunity

Relationship between downsizing and “safe harbor” provisions (moved from topic 15)

- Under existing rules, if final MW of generating facility that is completed and achieves commercial operation (as compared to that specified in the GIA) is...
 1. at least 95% then it's deemed to have met the substantial performance of the contract
 2. less than 95% then IC must demonstrate is warranted under one or more of three criteria (if not then the request is denied)
- However, in light of the ISO's downsizing and termination proposals (topics 1 and 2), the ISO is considering two alternative revisions to scenario 2 (see following slide)

Two alternatives for potential revisions to scenario 2 (moved from topic 15)

1. Indicate that all requests for reductions greater than 5% that meet one or more of the three criteria will be deemed to be downsizing requests to be included in the next downsizing request window, and will be subject to all the requirements related to participation in the annual downsizing process set forth in topic 1
2. Treat capacity reductions greater than 5% that meet one or more of the three criteria in accordance with the proposed mechanism relating to GIA termination set forth in topic 2
 - IC would be responsible for all financial requirements for full project MW, with no reimbursement of financial security associated with unbuilt project MW

Topic 2 – Disconnection of first phase of project for failure to build later phase

Problem statement

- Under the pro forma GIA, one contracting party may declare another party in breach for failing to perform or observe any material term or condition of the GIA
- Failure of an interconnection customer to complete the full MW capacity of its project (less 5% “safe harbor”) can constitute breach of the GIA
 - Breach may lead to termination of GIA and disconnection of operational phase of a project
- Developers assert that potential disconnection of an operational phase poses risks for project financing
- ISO is concerned about blanket elimination of its ability to exercise GIA termination rights.

Straw proposal – 1

1. If an IC has completed and achieved commercial operation for a portion or phase of its project, then...
 - the ISO will not seek to terminate the GIA *solely* for the IC's failure to complete the full MW required under the GIA (i.e., stated MW size is less than 5% safe harbor)
 - unless it is determined that such failure results in adverse consequences that the IC cannot mitigate

Straw proposal – 2

2. In a situation where the IC cancels a later portion or phase of its project and has not downsized the project through either:
 - a formal ISO downsizing opportunity; or
 - by exercise of partial termination provisions incorporated into its GIA

Then the IC will still be responsible for all security postings and costs associated with the full MW size of the project as stated in its GIA.

And, the pro rata portion of security postings and costs associated with the cancelled portion of the project will not be eligible for reimbursement.

Straw proposal – 3

3. With regard to modifying the “safe harbor” provision to read “the greater of 5% or 10 MW” the ISO proposes an additional refinement that would affect smaller resources:

Define the “safe harbor” to read “the greater of 5% or 10 MW, but no greater than 25% of the project’s MW capacity as stated in its GIA.”

Topic 3 – Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects

Straw proposal elements – page 1

Propose to continue to allow projects to be developed in phases.

1. IC will be allowed to develop its project in phases, such that each phase may be planned to reach commercial operation at same or different date, subject to reliability upgrades and interconnection facilities required for each phase being in service, as long as last phase achieves commercial operation by **the currently approved COD ~~specified in IR~~**. Once a phased structure for a project is agreed upon, it will be incorporated into GIA.

Straw proposal elements – page 2

2. Option for IC to develop its project in phases will be available to ICs in all queue clusters including GIDAP.
3. IC will be allowed to submit request for phasing at any time up until last phase has reached commercial operation and all facilities have been completed.
4. IC seeking to phase an IR must contact ISO and request phasing. If such request is submitted after completion of interconnection studies, must go through material modification request process.

Straw proposal elements – page 3

5. No requirement that IC must be of a certain MW size to be eligible to request phasing.
6. No limit on total number of phases allowed.
7. No limit on MW size of each phase.
8. No more than one phase can reach commercial operation each month.

Straw proposal elements – page 4

9. Once phasing is incorporated into GIA, any modifications to phasing plan will need to be negotiated with ISO and PTO and GIA must be amended.
10. Cost repayment for NUs will follow rules for phased projects (see topic 13)
11. IR may not be broken into multiple GIAs.
 - However, ISO will continue to allow IC to develop its project in phases under a single GIA and allow phases to have different owners provided that all owners are affiliates of IC and all owners agree to assume joint and several liability for all obligations specified in GIA.

Topic 4 – Improve the Independent Study Process

Scope of topic

- Purpose of effort – Align the tests for independence with the overall ISP intent and to clarify tariff language
- Current tests require the project be electrically independent of NUs in existing cluster/ISPs
 - Determination made whether project would have had share in cost responsibility of any NUs required (test against “network upgrades”)
 - Does not delineate between RNUs and DNUs and process implies test should be against RNUs alone

Scope of topic – page 2

- May be more appropriate to test against “reliability network upgrades” rather than the more broad “network upgrades”
- Behind the meter expansion component of ISP will also be reviewed for improvements
- Will seek to clarify tariff language to make it more understandable and easier to implement
- An ISP working group has been formed to develop proposals for improving the ISP
 - First meeting was held July 19
 - Will meet biweekly

Topic 5 – Improve the Fast Track Process

Scope of topic

Purpose of effort – develop improved screening criteria for projects seeking FT treatment

- Appropriate screens for a networked transmission system versus distribution system
- Maintain 5 MW project size limitation
- Hold off on other revisions until after FERC rules on SGIP/SGIA NOPR
- FT working group has been formed to develop a proposal for improving the FT screening criteria
 - First meeting was held July 19.
 - Will meet biweekly.

Topic 13 – Clarify timing of transmission cost reimbursement

Scope of topic

- Existing tariff requirements:
 - For non-phased projects, refunds for network upgrades begin upon the COD of the generating facility
 - For phased facilities network upgrades must first be in service before reimbursement begins
- ISO does not propose to consider modifications to these existing rules for ICs that have already received a GIA
 - regardless of whether they represent phased or non-phased projects
- ISO maintains that it has already addressed, and FERC has ruled on, this issue with respect to existing tariff requirements
- However, on going forward basis, the ISO has indicated that it is open to at least considering other approaches

Potential options under consideration

1. Status quo – make no changes to the existing rules on a going forward basis
 - Sub-issue: Should a phased project that has completed all phases continue to be treated as a phased project? Or, should it be treated as a non-phased project and eligible to receive reimbursement upon COD of final phase?
2. Eligibility for cost reimbursement should commence upon completion of two events:
 - COD of facility or phase of a phased facility and
 - In-service date of required upgrades for facility or phase of the upgrades for a phased facility

Topic 14 – Distribution of forfeited funds

Background

- ISO manages study deposit funds on account to cover study costs incurred by ISO and PTOs
- PTO manages IFS funds in conjunction with construction of network upgrades required for the IC
- ISO tariff provides for forfeiture by IC of portions of these funds upon withdrawal of its IR
- Forfeited funds are currently distributed to SCs on an annual basis
 - in proportion to the amount of GMC each SC paid during the calendar year in which the funds were deemed forfeited

Background – page 2

- Total forfeited funds collected since 2009 is \$40.1 million
 - \$29.8 million study deposits
 - \$10.3 million in financial security
- Some stakeholders have suggested that forfeited funds be used to offset or reduce the costs of interconnection
- Earliest FERC approval of any tariff changes resulting from this effort would be 2014
 - First implementation would be for funds forfeited during 2015 and re-distributed in 2016
 - However ISO is open to considering alternative distribution schedules

Who should benefit from forfeited funds?

- First policy issue is to identify appropriate beneficiaries
 - Scheduling coordinators (current method)
 - Transmission ratepayers
 - Parties who pay GMC
 - Interconnection customers in queue
 - Specific subsets of above groups
- Consider criteria such as fairness, incentive impacts, economic efficiency, ease of implementation
- Further refinement of options could consider different distributions for different sources of funds (i.e., study deposits versus interconnection financial security)

Potential options under consideration

1. Status quo – distribute to SCs
2. Reduce TAC system wide; allocate pro rata shares to TRRs (or TRBAs) of all PTOs
 - Benefits all transmission ratepayers
3. Reduce TAC in PTO areas where withdrawn projects were interconnecting
 - Benefits ratepayers in PTO territory where projects withdraw
4. Reduce costs of network upgrades (NUs) associated with the withdrawn project, if still needed
 - Benefits ratepayers that would otherwise reimburse NU costs and later queued projects in same area that would otherwise face higher costs for needed NU

Potential options under consideration – 2

5. Reduce costs for some larger set of NU for interconnections (to be determined)
 - Benefits some subset of ratepayers depending on how the target set of NUs is selected.
6. Reduce costs of studies and other interconnection services to offset costs recovered through GMC
 - Benefits payers of GMC. Could cover cost for the new annual reassessment study created under GIDAP.
7. Reduce costs of studies and other interconnection services to offset costs for other ICs
 - Could reduce study costs for some subset of ICs.
8. Offset ISO and PTO GIA negotiation costs

Topic 15 – Inverter/transformer changes (material modification process)

Scope of topic

- This topic was initially about project requests to make inverter/transformer changes without having to go through material modification assessment
- Stakeholders desire more transparency in the modification process
- Over the past year, the ISO and PTOs have put into place significant process structure around requests for modification
- ISO proposes to develop language to add to the GIP and GIDAP BPMs to clarify the modification request process
- Where tariff changes may be needed, those will be incorporated into proposals for topics 1 and 2

Flavors of modification approvals

- Automatically allowed
 - Changes between Phase I and Phase II
- Allowed with approval
 - Changes after Phase II that do not impact other projects
- Not allowed
 - Any change that would require re-study for Cluster
 - Where the ISO has granted modifications in a post Phase II Interconnection Study phase, the ISO must be able to evaluate the change and find it acceptable without the need to undertake a re-study to meaningfully evaluate it. [GIP BPM Section 9.3.3]*
 - Downsizing greater than “safe harbor”

Modifications timing impacts review requirements under existing rules

Between Phase I and Phase II:

- Decrease in electrical output (MW)
- Change in generating facility technology or step-up transformer impedance characteristics
- Change in interconnection configuration

After Phase II study report is complete, such changes must go through a modification review to determine if the modification is material

- This includes changes that are outcomes of the Phase II results meeting

Modification Response Statistics

	2011	2012	7/31/2013
Approved	4	53	36
Denied		5	1
Material but proposed alternative		6	2
Request is not ripe for modification consideration		10	
TOTAL	4	74	39

Acceptable modification requests

- “Safe Harbor” - Under existing rules if final MW of generating facility will be:
 1. at least 95% then it's deemed to have met the substantial performance of the contract
 2. less than 95% then IC must demonstrate it is warranted under one or more of three criteria (if not then the request is denied)
- However, as discussed under topic 1 there are two potential consequences being considered under scenario 2 (see slide 15)

Unacceptable modification requests (proposed)

- Under ISO downsizing proposal, ISO is proposing to clarify in its tariff that the ISO will not review requests for capacity reductions as part of an IC's general right to seek project modifications
- ICs will need to pursue such requests through the proposed annual downsizing opportunity not modification process

Automatic approvals – IC still needs to request modification

- COD extensions associated with a PTO's delay in construction of upgrades
 - New in-service date should be commensurate with new date for upgrades
 - Period of time between in-service, synchronization, and commercial operation would remain unchanged
- Construction sequencing
 - If construction has commenced and COD delay is within 6 months of GIA COD due to construction delays then amendment is not required

Why ISO and PTO need to review

- Inverters – changes are beyond manufacturer and electrical characteristics need to be checked
- COD – impact to other projects; impact to transmission upgrade timing
- Phasing – impact to other projects; impact to transmission upgrade timing; impact to network upgrade cost recovery
- Equipment – need to check electrical characteristics
- POI – does the requested change have an electrical impact to the project or other projects

ISO process for modification requests

1. IC sends request to queuemanagement@caiso.com
2. Engineering analysis – ISO and PTO
3. Business assessment – ISO
4. Response letter
 - a. Drafted and approved – ISO and PTO
 - b. Sent to IC – ISO
 - c. Update RIMS

Process takes ~ 35 BD

Engineering analysis

- ISO planning engineer will evaluate the request pursuant to
 - ISO tariff Appendix U Section 4.4;
 - Appendix T Section 6.2;
 - Appendix Y Section 6.9.2;
 - Appendix DD Section 6.7.2; or,
 - Appendix S Section 1.3.4
- ISO planning engineer will work in coordination with the PTO planning engineer

Business assessment

In considering modification requests, the ISO will perform a business assessment of the project to:

- Ensure project is in good standing
- Ensure consistency of approach based on review of prior communications with IC and PTO
- Ensure compliance with applicable tariff sections
- Ensure compliance with executed GIA or study results
- Ensure consistent application of previous ISO business decisions
- Consider factual circumstances beyond control of IC that necessitate granting the request
- Consider the IC's progress toward project completion

ISO response letter

- ISO will draft a response letter based on the engineering analysis and business assessment
- Once response letter is considered “final” it will be sent to the PTO for review and approval.
- Final approved letter will be sent to the following:
 - IC via email and FedEx
 - PTO via email
- The ISO analyst will:
 - Coordinate with the ISO contract negotiator to evaluate how best to memorialize the change
 - Update RIMS with the approved changes

Next Steps

Mercy Parker Helget

Senior Stakeholder Engagement and Policy Specialist

Upcoming near-term milestones

Date	Milestone
August 22	Stakeholder comments due on July 18 Straw Proposal

- Please use the comments template provided
- Submit to GIP@CAISO.COM no later than 5pm on Thursday, August 22