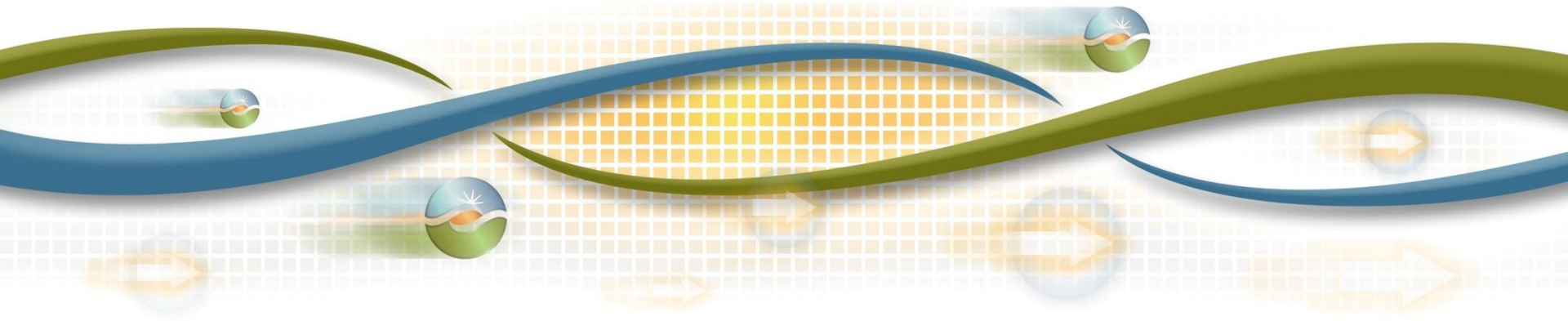


Interconnection Process Enhancements Initiative

Issue Paper

Stakeholder Web Conference

June 11, 2013



Introduction, Stakeholder Process

Mercy Parker Helget

Senior Stakeholder Engagement and Policy Specialist

Agenda

Time	Topic	Speaker
12:30-12:45	Introduction, Stakeholder Process	Mercy Parker Helget
12:45-3:00	Discussion of each topic	CAISO team
3:00-3:15	Next Steps	Mercy Parker Helget

ISO Stakeholder Initiative Process



We Are Here

Stakeholder process schedule

Date	Event
April 8	Post Scoping Proposal <i>[Completed]</i>
April 22	Stakeholder web conference <i>[Completed]</i>
April 30	Stakeholder comments due <i>[Completed]</i>
June 3	Post Issue Paper
June 11	Stakeholder web conference
June 25	Stakeholder comments due
July 18	Post Straw Proposal
August 8	Stakeholder meeting (in person)
August 22	Stakeholder comments due
Sept 12	Post Draft Final Proposal
Sept 19	Stakeholder web conference
October 3	Stakeholder comments due
Dec 18-19	Take some topic proposals to ISO Board of Governors

Purpose of this initiative

- Consider potential enhancements to ISO's generator interconnection process
 - Focus primarily on GIP (pre-GIDAP)
 - Include areas of GIDAP not pertaining to or affecting its overall process design, participant incentives and deliverability allocation elements

Objectives for today's stakeholder call

- Review process used to determine the 15 topics in scope
- Present the 15 topics
 - Discuss issues and options associated with each topic
- Obtain initial stakeholder feedback on each topic

Development of proposed scope

1. ISO assembled a list of 49 potential topics for consideration
2. ISO pared the list down to an initial proposed scope of 12 topics
3. Stakeholders provided feedback
4. ISO added four additional topics to original 12 topics
 - a. Combined two topics together
 - b. Net total of 15 topics
5. ISO will manage additional workload by staging presentation of proposals across more than one ISO Board meeting (multiple tariff amendment filings)

12 topics initially proposed to be in scope

No.	Topic
1	Future downsizing policy
2	Disconnection of first phase of project for failure of second 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
6	Provide for ability to charge customer for costs to process a material modification request
7	COD modification provision for small generator projects
8	Length of time in queue provision for small generator projects
9	Clarify that PTO and not ISO tenders GIA
10	Timeline for tendering draft GIAs
11	LGIA negotiations timeline
12	Consistency of suspension definition between serial and cluster

4 topics added to scope

No.	Topic
13	Clarity regarding timing of transmission cost reimbursement
14	Distribution of forfeited funds
15	Inverter/transformer changes
Part of topic #4	Behind the meter expansion

Topic 1 – Future downsizing policy

Scope of topic:

1. Consideration of a second downsizing opportunity for pre-Cluster 5 projects following completion of the interconnection studies for Cluster 5
2. ISO's ongoing downsizing policy for pre-Cluster 5 projects more generally

Topic 1 – continued

Existing downsizing opportunities:

1. During study process when all parties agree
2. Through a “material modification” review
 - If material impact, then request is denied
 - Highly unlikely that many projects requesting to downsize would be able to pass
3. Safe-harbor downsizing opportunity
4. Use of non-conforming “partial termination” provision
 - Developed and used in four GIAs in 2010
 - ISO continues to consider this for projects meeting criteria

Topic 1 - continued

One-time downsizing opportunity:

- Approved by FERC in 2012 and currently being implemented in 2013
- Limited to pre-Cluster 5 customers
- Utilized a downsizing request window of limited time duration
- Downsizing customers pay cost of study and cost to amend affected GIAs
- Opportunities to withdraw downsizing request provided
- Protects customers who are affected but not downsizing

Topic 1 - continued

Future downsizing policy considerations:

- Limit to pre-Cluster 5 customers
- Submit downsizing requests during a window of limited time duration (maximum of one per year)
 - ISO does not support anytime submission of downsizing requests or expanded use of “material modification” review as a future downsizing option
- Study the combined impacts of downsizing requests at the same time as the GIDAP re-assessment study
- Downsizing customers pay cost of study and cost to amend affected GIAs
- Protect customers who are affected but not downsizing
- ISO does not view “partial termination” as a generally applicable downsizing option

Topic 2 – Disconnection of operational first phase of a project for GIA breach

- 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.

Topic 2 – page 2

Process to terminate GIA involves several steps

- Breach of GIA, followed by notice of breach to the customer with opportunity to cure
- Failure to cure breach within allotted time to cure constitutes default on the GIA
- Upon declaring default, ISO or PTO may, or may not, seek termination of the GIA
 - Parties may find equitable, non-termination remedy to default, and file it for FERC approval
 - Defaulting party may request dispute resolution process
- Absent an agreeable alternative, ISO or PTO will file notice of GIA termination with FERC
- FERC approval terminates the GIA.

Topic 2 – Proposed revision to “safe harbor” provision

- Currently, customer may reduce final completed project MW capacity by up to 5% for any reason, with no adverse impact on GIA (“5% safe harbor”)
- It has been suggested that this can be changed to “the greater of 5% or 10 MW” and the change
 - Would be beneficial to project developers
 - Would not adversely impact other parties

Topic 2 – Questions & topics to address in written comments

1. Expand on the explanation of how current risk of disconnection affects project financeability & viability.
2. Suggest potential ways to reduce risk for developers, short of blanket elimination of ISO termination rights.
3. Suggest what alternative, equitable non-termination remedies to GIA default might look like.
4. Comment on the proposed modification to the safe harbor to “greater of 5% or 10 MW.”

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

- Address situation where an IC wants to divide project into phases with different CODs such that MW capacity of original project is maintained and COD of last phase is same as COD of original project
- Three scenarios identified:
 1. IC retains ownership of all phases and includes all phases in a single GIA
 2. IC assigns ownership of each phase to a different owner, with all phases under a single GIA
 3. Same as 2, except separate GIA for each phase

Topic 3 - continued

- ISO proposes to limit scope of topic to pre-Cluster 5
- ISO believes it essential that co-owners agree to joint and several liability for the obligations relating to the whole project
- Issues to consider
 - Minimum total MW size threshold to be eligible to divide project into phases
 - Maximum number of phases
 - Minimum MW size of each phase
 - Timing of when ICs may request to divide project into phases

Topic 4 – Improve Independent Study Process

Issues

- The tests for independence do not align with the overall ISP intent
- Process is viewed as overly complicated and needs to be simplified
- Behind the meter expansion component of ISP should be reviewed for improvements

Topic 4 – Improve Independent Study Process - continued

ISP working group

- ISO proposes to use a working group comprised of engineers from PTOs and ISO along with other stakeholders
 - to develop straw proposal regarding:
 - revised methodology for testing project independence
 - more clarity to the description of the process methodology

Topic 5 – Improve Fast Track

Issues

- Screening criteria are adapted from distribution interconnections
- Screening criteria have been found to not be workable for projects seeking to interconnect to ISO's networked transmission system
- Delays in screening FT projects
- Few projects pass all screens and qualify for FT treatment

Topic 5 – Improve Fast Track - continued

FT working group

- ISO proposes to use a working group comprised of engineers from PTOs and ISO along with other stakeholders
 - to develop straw proposal on:
 - a set of FT screens
 - more clarity on general process

Topic 6 – Provide for ability to charge customer for costs to process a material modification request

- These costs should be reimbursed by the customer requesting modification of their project
- Reimbursement would allow ISO and PTO(s) to dedicate additional resources to this task and discourage non-serious material modification requests
- Straw proposal
 - Expand existing cost recovery mechanisms to modification requests (i.e. re-study for serial projects)
 - Allow use of study funds already deposited
 - Clarify that all modifications *require* review to determine material modification

Topic 7 – COD modification provision for small generator projects

- SGIP should be amended to allow for a defined modification process for small generators (similar to modification process for LGIAs)
- A change to COD, point of interconnection or technology for small generators should be allowed if there is no impact to other queued projects
- Straw proposal
 - Amend Appendix S SGIP, Appendix T SGIA, and the GIDAP SGIA

Topic 8 – Length of time in queue provision for small generator projects

- Current tariff establishes a specific length of time in queue for LGIP projects
- However, if ISO and PTO agree to consider a request for COD extension from an SGIP project, they have no means to limit the length of time the SGIP project can remain in queue
- Straw proposal
 - Add a new section to Appendix S, SGIP

Topic 9 – Clarify that PTO not ISO tenders GIA

- The draft GIA is tendered by the PTO and not the ISO
- However, current tariff states that the ISO and PTO tender the GIA
- This provision should be changed to reflect that the PTO tenders the GIA
- Straw proposal
 - Amend Appendix U, LGIP; Appendix Y, GIP; and, Appendix DD, GIDAP GIP to reflect that the PTO, not the ISO, will tender draft LGIAs

Topic 10 – Timeline for tendering draft GIAs

- Need to allow ISO and PTO an opportunity to incorporate customer changes requested at the results meeting into the tendered GIA
- Straw proposal
 - Trigger the tendering of the GIA off of the results meeting date rather than when the ISO provides the Interconnection Facilities Study report or Phase II Study report

Topic 11 – LGIA negotiations timeline

- If stakeholders agree to revise the trigger for tendering GIAs (topic 10), then the trigger for negotiation should also be revised, and clarify intent to meet the timeline
- Straw proposal
 - Add the words “use best efforts to” in the negotiation sections of the tariff
 - Trigger the negotiation period off of the results meeting date rather than when the ISO provides the Interconnection Facilities Study report or Phase II Study report
 - Consider prioritizing GIA negotiations if written agreement is insufficient

Topic 12 – Consistency of suspension definition between serial and cluster

- The definition of suspension in the ISO's pro forma LGIA applicable to serial projects does not recognize impact to other queued projects
- Straw proposal
 - Modify Appendix V for amendments to the serial LGIA required in the future and Appendix BB for LGIA that have not been substantially negotiated
 - Specify that suspension extends up to 3 years from when the IR was received, only applies to PTO upgrades that do not impact other projects, and does not provide for a day-for-day delay of project

Topic 13 – Clarity regarding timing of transmission cost reimbursement

- 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 commences
- ISO has already addressed, and FERC has ruled on, this issue with respect to existing tariff requirements
- ISO does not believe it appropriate to consider modifications to the existing rules
- ISO agrees to consider going forward whether cost reimbursement should require both commercial operation and network upgrades in service

Topic 14 – Distribution of forfeited funds

- All non-refundable portions of the IFS and IS deposits (forfeited funds) are treated according to tariff section 37.9.4. Amounts are paid to each scheduling coordinator who, in turn, distributes payments to eligible market participants.
- Some stakeholders have suggested that forfeited funds be used to offset or reduce the costs of interconnection
- Total forfeited funds collected since 2009 is \$35.6 million (\$19.7 million has been re-distributed plus \$15.9 million estimated for re-distribution for calendar year 2012)
- If we retain the timetable by which forfeited funds are re-distributed today and if tariff changes were implemented in 2014, then the change would affect forfeited funds collected in 2015 and re-distributed in 2016

Topic 15 – Inverter/transformer changes

- Stakeholders want to allow certain project revisions without need for a material modification assessment
- More transparency in the modification process is desired
- 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 include in the BPM for GIP and the new BPM for GIDAP

Next Steps

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Upcoming near-term milestones

Date	Milestone
June 25	Stakeholder comments due on Issue Paper

- Please use the comments template provided
- Submit to GIP@CAISO.COM no later than 5pm on Tuesday, June 25