

Stakeholder Comments Template

Integration of Transmission Planning and Generation Interconnection Procedures (TPP-GIP Integration) Straw Proposal, July 21, 2011

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the TPP-GIP Integration Straw Proposal posted on July 21, 2011 and discussed during the stakeholder meeting on July 28, 2011.

Please submit your comments below where indicated. At the end of this template you may add your comments on any other aspect of this initiative not covered in the topics listed. If you express support for a preferred approach for a particular topic, your comments will be most useful if you explain the reasons and business case behind your support.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on Tuesday, August 9, 2011.

1. The ISO has laid out several objectives for this initiative. Please indicate whether your organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.

PROPOSED NEW OBJECTIVE: “The process should encourage and support the development of renewables AND the necessary back-up/shaping projects required to reliably support the renewables. However, renewables and back-up/shaping projects have significantly different characteristics in terms of capacity factors, availability, reliability, dispatchability and location. There should be a way to study them independently, and then bring them together in some comprehensive way where they support one another.”

PROPOSED NEW OBJECTIVE: “Support the competitive-based solicitations of the Public Utilities by allowing the projects that have successfully negotiated a PPA to be studied expeditiously and provided with reasonable results upon which to make a timely decision to complete the projects.” *The proposed process appears to completely ignore and/or circumvent the RFO process. Is it expected that a project would move forward in the RFO process, if and when that occurs, only after they have a “winnable location” as identified by CAISO? Or, it is expected the RFO process would continue, and a project having a winning PPA would then have to wait a significant amount of time to find out what the network upgrade costs would be. Once a project has a PPA the capacity payment and other revenues are fixed, as is the power delivery date. A Project that has successfully negotiated a PPA should have an expedited study to determine the expected costs and an expedited interconnect process. After all, TSO’s have determined the project to be needed for reliability, but not at any cost.*

PROPOSED NEW OBJECTIVE: “The study process should be based on some reasonable assumptions about how much Renewable generation can be absorbed in a given year and then determine how much reliability-based generation is needed to support it. “

CONCERNS ABOUT OBJECTIVES 3 and 4: **How does a developer quickly determine an acceptable location for a new project?** *In addition to transmission interconnection, there are many significant considerations for location of a power plant; i.e., natural gas supply, water supply, wastewater disposal, availability of emission reduction credits, local support or opposition, array of environmental considerations, and local TSO needs. The risk is far too great to wait years after an RFO to find out the project may be accountable for some unknown interconnect cost.*

At the end of the Objectives section (section 4) of the straw proposal, the ISO lists seven previously identified GIP issues that may be addressed within the scope of this initiative.

We believe these fixes are very important and they should be available to all participants and clusters currently in the process.

- a. Please indicate whether your organization agrees with any or all of the identified topics as in scope. If not, please indicate why not.

7A. Allow projects that have met multiple criteria to be studied independently for quick interconnection process.

7B. Take more aggressive action here. Projects with PPAs and COD requirements run a high risk of dissolution or cancellation while waiting for the results from this burdensome process.

7C. Charge only fair prices for doing studies and refund money not consumed during the process.

7E. We believe it is not appropriate to study excess proposed capacity beyond a point. In particular, studying excess capacity completely wastes a Phase I study, as the results are not meaningful to anyone. For instance, if 1,000 MWs are needed in a region to maintain reserves, it makes no sense to study 7,000 MWs of proposed projects. We suggest studying 100% of expected required additions. If a reserve margin is deemed necessary, then study an absolute maximum of 150% (1,500 MW in this example). This would need to be divided by “type” (i.e. renewable vs. reliability). CAISO would then be consistent with the needs of Public Utilities and the appropriate load requirements. Robust projects (meeting development milestones) would be allowed to obtain the capacity.

7F. Assume that only a reasonable amount of proposed generation will succeed and that the dispatch of existing units would be decreased to match load. Once the need for generation is met, only speculators would continue in the IC process. The existing model of showing exports to an adjacent region is not realistic.

7G. We support this idea.

- b. Please identify any other unresolved GIP issues not on this list that should be in scope, and explain why.

A committed, viable project is unable to complete this process in a timely manner. There needs to be a way to address a project that is committed and able to be constructed and online by a date certain. The hurdles or milestones that would allow a project to be studied separately are (1) site control, and (2) executed PPA, and (3) data adequate CEC filing, and (4) control of ERCs. If a project doesn't have all of these it could still proceed by putting down a HUGE deposit.

- c. Stage 1 of the ISO's proposal offers two options for conducting the GIP cluster studies and transitioning the results into TPP.

Which option, Option 1A or Option 1B, best achieves the objectives of this initiative, and why? Are there other options the ISO should consider for structuring the GIP study process?

Option 1B is better. The timeline for 1A is just too long. There should be an option replacing 1A that allows an interconnection applicant to demonstrate their ability to connect. An applicant that can demonstrate this should be quickly studied and given 30-60 days after the study to sign an LGIA. If an LGIA cannot be executed within

that timeframe, that application should be pushed to the back of the line.

d. What, if any, modifications to the GIP study process might be needed?

The GIP process should include a more stringent screening of projects prior to inclusion in the study process. This will help control the unreasonable MW volume issue and allow for a more realistic outcome for the more robust and justifiable projects. Some basic screening criteria should include: a PPA , site control, CEC permitting.

2. Stage 2 of the straw proposal adds a step to the end of the TPP cycle, in which the ISO identifies and estimates the costs of additional network upgrades to meet the interconnection needs of the cluster. Please offer comments and suggestions for how to make this step produce the most accurate and useful results.

The TPP objective is to determine the minimum necessary upgrades to meet reliability/load growth capacity requirements. The GIP objective as it exists today, with clustering to manage the massive policy driven renewable request, is to determine the capacity requirements to support the integration of renewable generation. To better merge these processes and create more accurate results, a higher level of coordination should take place in the first phases of the two study processes.

For example, the TPP process should include “reliability based” generation projects that are also included in the GIP. “Reliability based” projects should be those projects that meet certain criteria such as , 1) located within an LCA, 2) Under PPA with LSE to deliver energy within the LCA, and 3) Will or are expected (per PPA) to provide operating reserves or other reliability benefits. By doing so, there will be a closer correlation to the upgrades determined in both studies and allow for better management and acknowledgment of reliability vs. policy driven generation. When the two studies are merged and results are evaluated for cost assignments, the results from the GIP process for the individual reliability project(s) can be used to determine what additional upgrade costs may be applicable to reliability project. This way the TO will maximize the use of reliability based TPP upgrades with reliability based generation. Generation that does not directly support reliability (i.e. intermittent renewable generation) will still benefit from TPP upgrades, but be responsible for an more appropriate allocation of upgrade costs.

Additionally, When the TPP and GIP are incorporated together in the TPP phase 2, the CAISO must apply screening criteria so that only the “real” projects are included. “Real” project screening criteria will need to be vetted with market participants, but should serve as a reality check on project viability. For example, it makes no sense to include in the TPP a renewable project that does not have a PPA, does not have site control, or has been allocated excessive costs in the GIP Phase 1. All of which indicate that a project is struggling or is not advancing at an appropriate pace to be included in the TPP. By applying a fair and impartial screening process, the CAISO can manage which projects are included and largely resolve the current issue with unrealistic volumes of projects seeking interconnection.

3. Stage 3 of the straw proposal identifies three options for allocating ratepayer funded upgrades to interconnection customers in over-subscribed areas.
- a. Please identify which option, Option 3A, 3B, or 3C, your organization prefers and why. Are there other options the ISO should consider?

We want to think about this some more and perhaps offer another alternative. 3B is not good for adding clarity or achieving the stated objectives.

Of the three options, 3A is the cleanest and least complicated. 3C is problematic. Developers have enough challenges, so adding an auction will only complicate the process even further. Developers need certainty, even if the answers are not favorable. Furthermore, the approach to allocating capacity must be very clear and simple. It does not need to include an auction which will presumably add more financial and process burden on the project developer.

- b. **In terms of other options, we suggest that the CAISO consider long and hard what the State of California is trying to accomplish with the 33% RPS Mandate. Not only is California pushing this through law, but so is the federal government via tax incentives. We must also understand that at the end of the day, regardless of what the average consumer in California understands, they will ultimately be paying for this “Green” initiative, regardless of who foots the bill. If the generator is put into the position of paying for non-refundable upgrades, they will be forced to include these costs into their PPA offers. Unless the utility agrees to the increased PPA prices, the projects will fail and go away. If they agree, then the cost is rolled into their rate base and the end use customer pays anyway. Under the current process, the utility pays and refunds the entire costs to the IC and again rolls the costs into the rate base. Either way, the end use customer pays, but in the options proposed by CAISO herein, a greater burden is placed on the IC which is counter to removing barriers for these projects. These upgrades should be placed in the “policy driven” bucket and be funded by the utility once reasonable showing of capacity need is established. This showing could be measured using similar screening criteria as discussed above for inclusion in the study process, or a construct similar to the showing required for the Tehachapi Renewable Transmission Plan.**
- c. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?”
- (1) site control, and (2) executed PPA, and (3) data adequate CEC filing, and (4) control of ERCs. If a project doesn't have all of these it could still proceed by putting down a HUGE deposit.**
- d. If Option 3B is selected, what is the appropriate methodology for determining pro rata cost shares?
- e. If Option 3C is selected, how should such an auction be conducted and what should be done with the auction proceeds from the winning bidders?

This option looks ripe for participants to “Game the System”. Need more thought here.

4. The straw proposal describes how the merchant transmission model in the current ISO tariff could apply to network upgrades that are paid for by an interconnection customer and not reimbursed by transmission ratepayers. Do you agree that the merchant transmission model is the appropriate tariff treatment of such upgrades, or should other approaches be considered? If you propose another approach, please describe the business case for why such approach is preferable.

Any requirement for Developers to Pay for transmission upgrades needs to be quantified and declared at the VERY BEGINNING of the process. A developer will not be able to successfully bid to Utilities with these great cost and schedule uncertainties lurking. Even if a developer assumes the transmission upgrade cost and schedule risk, it may not be able to fulfill the terms of a its PPA, thereby discontinuing the project. The “merchant transmission model” would effectively undermine the RFO process, either by discouraging developers from engaging in the RFO process, or by not being able to meet the terms of the PPA due to subsequently determined high transmission costs and schedule problems.

5. Stage 3 of the proposal also addresses the situation where an IC pays for a network upgrade and later ICs benefit from these network upgrades.

If you are going to allow IC’s to build and own transmission that is great. Please determine a way they can reap the financial rewards for the risk they are taking.

- a. Should the ISO’s role in this case be limited to allocating option CRRs to the IC that paid for the upgrades?
 - b. Should the ISO include provisions for later ICs that benefit from network upgrades to compensate the earlier ICs that paid for the upgrades?
6. In order to transition from the current framework to the new framework, the ISO proposes Clusters 1 and 2 proceed under the original structure, Cluster 5 would proceed using the new rules, and Clusters 3 and 4 would be given an option to continue under the new rules after they receive the results their GIP Phase 1 studies.
 - a. Please indicate whether you agree with this transition plan or would prefer a different approach. If you propose an alternative, please describe fully the reasons why your approach is preferable.

We vehemently disagree with any transition plan that does not allow some relief for parties that are stuck in the existing process. By

leaving all of the network upgrades in the clusters (which far exceeds demand and most will never be constructed) none of the projects that are real and have PPAs will be able to go forward resulting in the loss of significant system reliability, jobs, tax revenues, etc. The ability to shape and support load for renewables will also be lost.

There needs to be a way to address early Cluster projects that are committed and able to be constructed and online by a date certain. The hurdles or milestones that would allow a project to be studied separately are (1) site control, and (2) executed PPA, and (3) data adequate CEC filing, and (4) control of ERCs. If a project doesn't have all of these it could still proceed by putting down a HUGE deposit.

- b. If the straw proposal for the transition treatment of clusters 3 and 4 is adopted and a project in cluster 3 or 4 drops out instead of proceeding under the new rules, should the ISO provide any refunds or other compensation to such projects? If so, please indicate what compensation should be provided and why.

See our comments in a. above.

7. Some stakeholders have expressed a need for the ISO to restudy the need for and costs of network upgrades when projects drop out of the queue. The ISO seeks comment on when and restudies should be conducted, in the context of the proposed new TPP-GIP framework.

In addition to projects dropping out of the queue, how would the CAISO address upgrades for projects that never win PPAs or are never constructed? If projects are each assigned portions of a new transmission lines and only one out of ten of the projects goes forward, it would appear that the remaining project could never be deliverable because none of the upgrades would ever be built because there is no funding to build them.

8. Some stakeholders have suggested that there may be benefits of conducting TPP first and then have developers submit their projects to the GIP based on the TPP results. Does your organization believe that conducting the process in such a manner is useful and reasonable?
9. Please comment below on any other aspects of this initiative that were not covered in the questions above.

The problem is not only the process but it is also the assumptions used, both of which result in completely unrealistic requirements for network upgrades for projects that will never be constructed.

Comments to Section 5.1 Straw Proposal Central Design Concepts

COMMENT ON 5.1-paragraph 4

It would not be fair to allow an IC to “lock onto” and hold the ability to interconnect unless they meet very serious milestones. Developers could game this to obtain valuable positions when they are really unable to complete a project. The concept should be to reserve the available capacity for the first projects to get committed (i.e. PPA, file application with CEC, etc.)

Comments to Section 5.2 Outline of Integrated Process

COMMENT ON 5.2: This timeline is too slow and burdensome. A committed party should be able to apply for interconnection and sign an LGIA within 12 months. Viable projects and respondents to RFOs need price certainty ASAP. A new cost and timing risk is being proposed that will impede development of serious reliability projects. Provide an option for a party to apply for expedited committed interconnect with very specific milestones (that must be met to stay in). This would allow for a completely different process for serious applicants. Hire a third party and make the applicant pay the cost if CAISO time and resources are a concern.

5.2 Stage 1. All of this needs to be timely. This process continues to take way too long, and there are too many other State and Federal requirements that are not compatible with this time line.

“A question for discussion is whether both options can be equally effective in enabling the stronger projects to proceed while encouraging weaker ones to drop out.”

If this is the point, there needs to be less emphasis on studying every single application collectively and more emphasis on moving serious applicants to the head of the line.