

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Revised Straw Proposal, September 12, 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 September 12, 2011, and issues discussed during the stakeholder meeting on September 19, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on September 29, 2011.

1. Section 4 of the paper laid out several objectives for this initiative, including four previously-identified GIP issues to be included in scope. 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.

It makes sense to incorporate the TPP in the process, however, upgrades should be based on resource plans as well that take into account the amount of generation which will actually be needed, not the amount applied for.

Trying to incentivize developers to build new plants in the most effective grid locations will have little value because it is only part of the development equation. It may also not be the most cost effective. For example, regarding combustion turbine projects, a location has many other essential attributes that are required and equally as important as interconnection. These include high pressure gas transmission, availability of emission credits, land use and zoning, water and wastewater disposal availability, local support or opposition, etc. Just because a project location may seem good from and

electrical interconnection standpoint, doesn't mean that the location has any viability as a good project site.

2. The revised straw proposal presents a timeline describing how the new TPP-GIP process would work. Please comment on the overall process design in terms of how well it meets the objectives of this initiative and how workable it is from a practical perspective. If you see ways it can be improved please offer concrete suggestions.

The proposed process seems to ignore the generation resource planning and RFO process completely. As previously stated, developers cannot and will not bid projects without knowing any network upgrade costs they might be responsible for as these will have to be included in the capacity payment bids. Few developers are interested in owning transmission facilities and CRRs since the value is very difficult to quantify. Also at issue is who would actually permit and construct new transmission lines. Private developers do not have any powers of eminent domain which could make it very difficult and likely impossible to obtain land use rights. Additionally, the time period required for permitting and constructing new transmission lines would be outside of the already very long time period required to permit and build new generation facilities.

3. Please comment on the following specific aspects of the design of the proposed new TPP-GIP process, and offer concrete suggestions for improvement where needed.
 - a. The study assumptions proposed for each of the two GIP study phases.

Everyone recognizes the current Phase 1 studies provide no meaningful results whatsoever. If this isn't change drastically in the forthcoming process, the results will be no better. This can be corrected by changing the assumptions used (base the studies on needed generation not applications) and providing and by separating "real" projects from "non-real" or very early stage development projects. The best approach to this, while imperfect, is a PPA. At least projects with a PPA have a significant chance of going forward. Projects without PPAs have no chance of going forward until one is obtained and that may be years in the future if at all because of the very competitive nature of the RFO process.

Clusters for renewables should be separated from non-renewable projects. In general, peaker plants will only be running during periods of highest demand on the entire system and when demand is high but renewables are not available. It does not make sense to assume that peakers and renewable projects will all be running at the same time.

- b. The information available to interconnection customers at each decision point in the process.
- c. The “soft” nature of the GIP cost caps, whereby interconnection customers and ratepayers will have shared responsibility for upgrade costs that exceed the cost cap. Comment on both (i) the appropriateness of sharing this cost responsibility, and (ii) the ISO’s specific proposal for how the costs would be shared.

Any concept that developers are going to put in facilities for which they are not ultimately reimbursed is a complete fallacy. All costs will be borne by ratepayers, either through direct reimbursement or by increased capacity payments in the bids to the LSE. Developers will not bid projects with unknown non-reimbursable upgrade amounts.

- 4. In the revised straw proposal, the ISO identifies four options by which allocation of ratepayer funded upgrades could be allocated.
 - a. Please rank the options, Option 3A, 3B, 3C, or 3F, from 1 (most appropriate) to 4 (least appropriate) your organization believes to be the most appropriate means for determining the allocation of ratepayer funded upgrades. Please explain the reasons for your preference? If there other options the ISO should consider, please describe them and explain why they could be superior to the other options.
 - b. Based on stakeholder feedback during the September 19 stakeholder meeting, many parties stated the ISO would likely need to utilize more than one of the identified options. Please provide comment regarding what combination of these options will best facilitate the efficient allocation of ratepayer funded transmission capacity. Please provide as much detail as possible.
 - c. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?” In particular, some stakeholders

have suggested that only projects with signed PPA should be allowed to qualify. Please comment on the appropriateness of this criterion and any others that might be needed.

We absolutely agree with this. No project has a potential to be “real” until it has a PPA. Site control doesn’t really mean anything.

- d. If Option 3B is selected, what is the appropriate metric and methodology upon which pro rata shares should be determined?
 - e. If Option 3C is selected, then how should such an auction be conducted? Specifically, the ISO seeks comments regarding whether an auction should be an open bid or closed bid and held in a single round or an iterative bidding process? Please provide as much detail as possible.
 - 1. Should the ISO conduct separate auctions for large projects and small projects? If so, how should the ISO determine how much transmission capacity should be available in each auction?
 - f. If Option 3F is selected, how shall transmission capacity be allocated to the LSEs? In particular, is the existing methodology for allocating import capacity to LSEs for RA (tariff section 40.4.6.2) applicable in the present context? If not, how should it be adapted?
 - g. All of the options provided could create opportunities to buy/sell allocations of capacity created by ratepayer funded projects. Is there a need for the ISO to set up rules to prohibit or manage such sales?
5. In cases where an IC pays for a network upgrade and later ICs benefit from these network upgrades, the ISO has proposed two options, Options 3E and 3G to resolve the “first mover-late comer” problem.
- a. Does the ISO need to select one of these options or should both be implemented? If both, please explain or give an example of how the two could work together.
 - b. If only one option is to be chosen, which option does your organization favor and why?
 - c. In option 3G, should the “late comer” be responsible for paying back ratepayers for the portion of the network upgrades already covered by ratepayers or simply take over paying for the portion of the network upgrades covered by ratepayers moving forward?

6. In order to transition from the current framework to the new framework, the ISO proposes that the entire existing queue including Clusters 3 and 4 proceed under the original structure, and that Cluster 5 would proceed using the new rules.
 - a. Does your organization support this transition approach? If not, please indicate how it should be modified and provide the justification for your proposal. **Yes**
 - b. Given the potential size of clusters 3 and 4, if these clusters proceed under the existing rules is there a need to create new rules that would strengthen the incentives for less viable projects to drop out of the queue rather than proceed into the GIP phase 2 study process? If so, please offer concrete suggestions and explain why your suggestions would be effective and reasonable.
7. Some stakeholders expressed interest in determining only the reliability upgrades and costs in the GIP studies and to consider the need for delivery upgrades in the TPP. The ISO seeks comment regarding the feasibility/desirability of separating the assessment of reliability and delivery upgrades in this manner. In particular, how would this approach improve the process of identifying delivery upgrades that ICs would be required to pay for?
8. Stakeholders have expressed concerns about the appropriate time to restudy the needs for and costs of network upgrades when projects drop out of the queue. Therefore the ISO seeks concrete suggestions for when and how restudies should be conducted.
9. Please offer any other comments on the revised straw proposal, including any suggestions for improvement of the proposal or other issues your organization believes the ISO must address in this initiative.
 - a) *Will the NU for projects in a cluster after Phase 2 change, when some of the projects drop out? ISO should consider clustering projects based on COD rather than filing date with certain milestones required to stay in the cluster (specifically a PPA at least two years prior to COD, and filing with the CEC, where appropriate, at least three years prior to COD). While some suggested that site control should also be included as a gating mechanism, this means very little and can be easily obtained by any party. What viable mechanism will be in place to remove “dead” or “non-viable” projects from the clusters.*
 - b) *CAISO is comparing CA with other ISOs. However, the comparison is invalidated because of the RPS which is causing a complete distortion of the planned generation. First, there is significantly more proposed generation than*

will ever be constructed. Second, the renewable generation is located in areas that require construction of large transmission facilities to deliver the power to the load centers. The other ISOs are not dealing with major RPS issues or generation being constructed far from the load centers.

- c) How is the proposed process integrated with generation resource planning by the LSEs and the CPUC and how will it be integrated into the RFO process? This integration should also be an objective of CAISO. As previously stated there is much more to providing electric generation than just the electrical interconnection. Would it not make sense to take a more comprehensive approach to transmission planning by creating a work group that not only understands the transmission side but also includes experienced and knowledgeable representatives from the procurement and transmission side of the LSEs, the CPUC, the CEC, and developers. The stakeholder meetings are not conducive to real input and discussion or reaching a consensus on how to solve a very challenging and complex problem.*
- d) How will the annually revised TPP affect projects that are already in the queue and in the Phase 2 process? For example, what happens if in year 2014, the TPP determines that there is a need for four new transmission lines to serve the proposed generation and demand for power and then in 2015 the revised TPP determines that the previous study was inaccurate and the NUs are significantly changed, either up or down, from the prior year?*