

August 20, 2012

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket Nos. RM12-10-000, ER12-1177-001, ER12-1855-000, ER12-502-001, and ER12-502-002
Comments regarding Commission's July 17, 2012 Technical Conference**

Dear Secretary Bose:

On August 16, 2012, the California Independent System Operator Corporation filed comments regarding the Commission's July 17, 2012 technical conference in Commission Docket AD12-17. The Commission, however, noticed the technical conference in several related dockets. Accordingly, the ISO is filing and serving its comments submitted on August 16, 2012 in these related dockets.

We apologize for any inconvenience this may have caused.

Respectfully submitted,

By: /s/ Andrew Ulmer

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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Review of Small Generator
Interconnection Agreements and
Procedures**

Docket No. AD12-17-000

**COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

I. Introduction

The California Independent System Operator Corporation (ISO) submits these comments in connection with the Commission's July 17, 2012 technical conference involving a review of small generator interconnection agreements and procedures. The technical conference examined potential reforms to small generator interconnection procedures and the *pro forma* small generator interconnection agreement in light of increased penetration of small generation resources in some areas of the country.

For purposes of this proceeding, the Commission should recognize that differences exist between distribution systems and networked transmission systems, especially with respect to fast track interconnection screens for interconnection projects. Any proposed rulemaking should acknowledge the possibility of different outcomes for transmission interconnection procedures. The ISO plans to begin a stakeholder initiative to refine fast track interconnection screens for transmission interconnections starting in the first quarter of 2013. Any action in this proceeding should not pre-judge the ISO's stakeholder process to examine possible refinements for fast track interconnection procedures applicable to transmission facilities under the ISO's operational control.

In examining potential reforms, the Commission should also recognize other efforts that complement interconnecting more generation to the distribution grid and allow these efforts to proceed. For instance, the ISO plans to file a tariff amendment in the near future to propose a new means for distributed generation resources to obtain resource adequacy deliverability status on the ISO grid through an annual study process.¹ This deliverability study process does not intrude on small generator interconnection procedures but will allow load-serving entities to count distributed generation towards their annual resource adequacy requirements without waiting for the results of an ISO interconnection study cycle.

Finally, the Commission should coordinate any proposed reforms with the California Public Utilities Commission's efforts to reform its Rule 21 interconnection process.² The Commission should not propose requirements or criteria that conflict with proposed reforms under consideration at the CPUC.

II. Any rulemaking the Commission undertakes should recognize differences between interconnecting generation on distribution networks as opposed to networked transmission systems

The Commission's recent technical conference involved discussions concerning screens for interconnecting projects to distribution line segments through a fast track process. Participants discussed availability and access to information concerning loading of individual distribution line segments as well as whether interconnection customers should have a right for third party review of a utility distribution company's

¹ The ISO's Board of Governor's approved ISO Management's recommendations relating to the deliverability for distributed generation initiative on May 16, 2012. Information on the stakeholder initiative can be found on the ISO's initiative webpage at <http://www.caiso.com/informed/Pages/StakeholderProcesses/DeliverabilityforDistributedGeneration.aspx>

² *Order Instituting Rulemaking on the Commission's Own Motion to improve distribution level interconnection rules and regulations for certain classes of electric generators and electric storage resources*, CPUC Rulemaking 11-09-011 (September 2011).

interconnection studies that identify the need for reliability upgrades. The Commission, however, has not developed a record with respect to reforming small generator interconnection procedures as they relate to a networked transmission system.³

Important differences exist between distribution and networked transmission systems. For example, the fast track interconnection screen related to generating facilities not exceeding 15 percent of a line segment's annual peak load does not apply on a significant number of networked transmission line segments because no load is connected to these segments. Further, some of these transmission line segments have existing generation interconnected and a flow-based analysis is necessary to determine if additional generation can reliably interconnect to the line.

The ISO plans to begin a stakeholder initiative during the first quarter of 2013 to refine its fast track interconnection screens and eligibility requirements for small generators seeking to interconnect to the transmission system. The ISO will develop the scope of this effort through discussions with participating transmission owners, existing interconnection customers, developers, trade associations and California regulatory agencies. Any action in this proceeding should not pre-judge the ISO's stakeholder process to examine possible refinements to fast track interconnection screens applicable to transmission facilities under the ISO's operational control.

III. Any rulemaking the Commission undertakes should allow complementary efforts to proceed to facilitate development of distributed generation.

Over the course of the last several months, the ISO has developed a proposal to address concerns expressed by renewable project developers and state policy makers

³ Any proposed changes to small generator interconnection procedures on networked transmission systems should be supported by substantial evidence on the record. See e.g. *Transcontinental Gas Pipe Line Corp. v. FERC*, 518 F.3d 916, 921 (D.C. Cir. 2008).

that the ISO's current process for studying deliverability through its interconnection processes is too lengthy and cumbersome for small-scale projects. To respond to these concerns and help advance policy makers' goals to facilitate the development of up to 12,000 MW of distributed generation in California, the ISO plans to file a tariff amendment with the Commission in the near future to establish an additional means for distributed generation resources to obtain resource adequacy deliverability status on the ISO grid through an annual study process. The study process will identify areas where transmission capacity currently exists that can be earmarked for use by distributed generation. The ISO will apportion this capacity to local regulatory authorities that will in turn allocate the capacity to load serving entities to assign to resources with which they contract. The process will provide an alternative avenue for distributed generation projects to achieve full capacity deliverability status and be counted towards annual resource adequacy requirements without having to go through the ISO's current deliverability study process.⁴

The ISO's initiative will in no way intrude on the small generator interconnection processes that require project developers to interconnect to the distribution system in a reliable manner. These projects may still require distribution reliability upgrades as part of their interconnection to the distribution system. The ISO's initiative will, however, help resolve a contracting issue between load serving entities and developers; namely,

⁴ Starting with its 2012/2013 transmission planning process cycle, the ISO plans to perform a study to make an annual determination of amounts of distributed generation at specific locations that will be fully deliverable without any additional delivery network upgrades, without needing any further deliverability assessment studies, and without degrading the deliverability of existing resources or generation projects in the ISO's interconnection queue or in the distribution utilities' wholesale distribution access tariffs. The ISO will provide this information to project developers, load-serving entities, and the regulatory authorities that oversee procurement.

whether or not projects may qualify as a resource adequacy resource without the need for deliverability upgrades on the transmission network. Any action in in this proceeding should permit the ISO's proposal to proceed.

IV. The Commission should coordinate any proposed rulemaking in this proceeding with the CPUC's Rule 21 interconnection proceeding.

As the Commission is aware, a settlement is currently pending in CPUC Rulemaking 11-09-011 that would provide for refinements to the Rule 21 interconnection process.⁵ The settlement proposes changes to Rule 21 that overlap with issues the Commission is considering in this proceeding, including screens for developers to take advantage of a fast track interconnection process. On August 14, 2012, an Administrative Law Judge's proposed decision was issued that, if adopted, would accept the settlement without modification.⁶

The ISO is not a signatory to the settlement in the CPUC's proceeding, but the ISO has participated in workshops addressing reforms to the CPUC's Rule 21 interconnection process. Settling parties have devoted significant time and effort to the CPUC's proceeding. The ISO urges the Commission to coordinate any proposed rulemaking with the CPUC's proceeding and avoid the adoption of conflicting rules or outcomes.

V. Conclusion

The Commission should recognize technical differences exist between interconnection to distribution line segments and networked transmission systems as it

⁵ See generally *Order Instituting Rulemaking on the Commission's Own Motion to improve distribution level interconnection rules and regulations for certain classes of electric generators and electric storage resources*, CPUC Rulemaking 11-09-011 (September 2011).

⁶ <http://docs.cpuc.ca.gov/efile/PD/172820.pdf>

examines refinements to small generator interconnection procedures in this proceeding. The ISO plans to initiate a stakeholder process to examine refinements to small generator interconnection procedures on its transmission system. Any proposed rulemaking the Commission undertakes should not foreclose possible refinements identified in the ISO's process. In addition, any proposed rulemaking should not preclude the ISO's proposal to identify and apportion deliverability on the transmission grid for distributed generation to qualify as resource adequacy resources. Finally, the Commission should coordinate its efforts with proposed reforms to the CPUC's Rule 21 interconnection process in order to avoid conflicting outcomes between state and federal distribution access tariffs.

Respectfully submitted,

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Dated: August 16, 2012

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 20th day of August 2012.

/s/ Anna Pascuzzo
Anna Pascuzzo