

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 you 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.

BAMx and CCSF support the following six (6) objectives laid out by the CAISO in this initiative.

1. Develop ratepayer-funded transmission for the CAISO grid in a comprehensive planning process
2. Rely primarily on the TPP as the venue for developing ratepayer-funded transmission

3. Provide incentives for resource developer location decisions to make most efficient use of transmission
4. Limit potential ratepayer exposure to costs for under-utilized or excessive transmission upgrades;
5. Provide greater certainty that transmission approved by CAISO will be permitted by siting authorities (e.g., CPUC)
6. Create greater transparency for all transmission upgrade decisions.

In particular, we believe that Objective 4 is of critical importance. Next in priority are Objectives 5 and 6.

2. 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.
 - a. Please indicate whether your organization agrees with any or all of the identified topics as in scope. If not, please indicate why not.

BAMx and CCSF believe that it is extremely important to get this new integration initiative approved as soon as possible. In that light we believe that the addition of these seven previously identified GIP issues do not need to be resolved at this time. Rather, they should be resolved in GIP-3 or separately under changes to the BPM or other processes within the existing tariff. The current initiative was removed from GIP-2, delayed, and put on a separate track with the promise of minimal delay. It is counterproductive to risk further delay by “adding on” any unnecessary issues after deciding on a separate track for this important Tariff change.

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

None.

3. Stage 1 of the ISO’s proposal offers two options for conducting the GIP cluster studies and transitioning the results into TPP.
 - a. 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?

No opinion at this time.

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

No opinion at this time.

4. 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.

No suggestions at this time.

5. 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?

BAMx's and CCSF's preferences are as follows.

- Option 3A: Not preferred.
- Option 3B: Most reasonable. We understand that this is the approach adopted by the Midwest ISO.
- Option 3C: Workable, but appears inferior to Option 3B.

The CAISO should favor the option that is expected to result in the most efficient utilization of ratepayer-funded upgrades. Option 3B satisfies this criterion better than the other two options.

- b. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?”
- c. If Option 3B is selected, what is the appropriate methodology for determining pro rata cost shares?

The MWs requested at the time of peak deliverability should be the primary driver for determining pro rata cost shares.

- d. 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?

No opinion at this time.

6. 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.

BAMx and CCSF submit that the adopted MISO method is the best method that we are aware of at this point.

7. 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.
 - a. Should the ISO's role in this case be limited to allocating option CRRs to the IC that paid for the upgrades?

No opinion at this time.

- b. Should the ISO include provisions for later ICs that benefit from network upgrades to compensate the earlier ICs that paid for the upgrades?

BAMx and CCSF submit that the MISO solution of Shared Network Upgrades to the "first mover/late comer" problem is the best method we are aware of at this point.

8. 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.

BAMx and CCSF do not agree with this transition plan. BAMx believes the new Tariff should be applicable to all Interconnection Customers (ICs) for reasons discussed more fully below. At this time it is most appropriate for the new Tariff provisions to be effective for all ICs that depend upon network upgrades, but which have not received permitting approval.

In contemplating transition period issues, BAMx and CCSF believe it is important to fully account for dramatically changed circumstances in California. When the CAISO proposed the original GIP, it attempted to limit ratepayer funded network upgrades. In its 2006 Tariff filing submitted in compliance with FERC Order 2003, the CAISO proposed an economic test for GIP-driven network upgrades to enable the CAISO to allocate some costs of the upgrades above a certain threshold to ICs. The CAISO proposal at that time would have triggered an economic test for any Network Upgrade project with a capital cost exceeding \$20

million. Instead, the CAISO has approved 12 network upgrade projects in recent years, each costing more than \$20 million and none of which having undergone any economic assessment. The total capital investment for these projects is about \$7.2 billion.¹

In addition, the commercial interest, as reflected in the existing CAISO generation interconnection queue dwarfs the number of MW's of projects accommodated with \$7.2 billion in network upgrades. Approximately, 9,000MW of renewable capacity have signed LGIAs so far, which has led to the large potential transmission investment of \$7.2 billion.² Given that only 20,000 MW of additional renewable capacity is needed to meet the State 33% RPS goal and factoring in the State's policy goal of 12,000MW of Distributed Generation, it is evident that the CAISO has already signed more than the required amount of LGIAs and has already approved the related transmission network upgrades to reach the 33% RPS by 2020. Moreover, the current 2011/2012 Transmission Planning Study is not yet complete. The use of CPUC-generated base case analysis together with the CAISO study will offer California the first and only comprehensive Transmission Plan that examines not only interconnection of individual projects, clusters of projects and related proposed network upgrades, but also the cost-effectiveness of the proposed projects in the context of meeting the state's recently enacted 33% RPS.

As indicated earlier, these significantly changed circumstances require full implementation of the new Tariff as soon as possible. The CAISO has approved enough transmission already to meet the 33% goal, but has more than 60,000 MW in today's queue beyond what is needed.

At the very least, since none of the Cluster 3 or 4 projects have signed LGIA's, our proposal would make all of the Cluster 3 and 4 projects subject to the new Tariff provisions, as they should be. On that basis alone, it would not matter that much whether the CAISO delays the start of the GIP Phase 2 study process until after FERC decision. Clearly, we do not believe Clusters 3 and 4 should be given an option to continue under the existing rules.

In summary, we support an earlier effectiveness of the new Tariff provisions. We propose that all projects that have signed LGIA's except for those that depend upon network upgrades that have received permitting approval, should be covered under this new process. Moreover, any LGIAs that have not made sufficient progress should also be subject to the new framework. We believe the work the CAISO staff is doing to "unplug the queue", once released, will help us

¹"Decision on the 2010/2011 ISO Transmission Plan," by Neil Millar, Executive Director, Infrastructure Development at the Board of Governors Meeting General Session, May 18-19, 2011.

² "Briefing on Renewable Generation in the ISO Generator Interconnection Queue," A Memorandum to the ISO Board of Governors from Keith Casey, Vice President, Market & Infrastructure Development, July 6, 2011.

all better define those projects with signed LGIA's which should be seriously considered under the new tariff provisions.

- 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.

No opinion at this time.

9. 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 if restudies should be conducted, in the context of the proposed new TPP-GIP framework.

BAMx and CCSF believe that this issue should be resolved in GIP-3 or separately under changes to the BPM or other processes within the existing tariff.

10. 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?

BAMx and CCSF believe that it is desirable to have developers respond to TPP results. It appears to us that this will happen automatically due to the cyclical nature of the planning processes.

11. Please comment below on any other aspects of this initiative that were not covered in the questions above.

We appreciate and endorse the CAISO efforts to investigate and report on how the above issues are being treated in other ISOs/RTOs. The investigation and reporting of MISO practices is a good start. After a period of "socializing" all network upgrades, the CAISO proposes to move towards more common practices in the U.S. It is logical to look to how others have treated allocation of transmission costs to beneficiaries over the years.

We encourage the CAISO to accelerate these efforts and concentrate on the practices of other ISOs/RTOs that are related to the basic core of this proposed Tariff change. The CAISO should be cautious not to unnecessarily broaden these investigations beyond what is needed to implement the core proposal.