

## Stakeholder Comments Template

### Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
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This template was created to help stakeholders structure their written comments on topics detailed in the April 14, 2011 *Straw Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>). We ask that you please submit your comments in MS Word to [GIP2@caiso.com](mailto:GIP2@caiso.com) no later than the close of business on May 5, 2011.

Your comments on any these issues are welcome and will assist the ISO in the development of the draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide greater definition and clarity to each of the proposals as well as concerns you may have with implementation or effectiveness.

**Comments on topics listed in GIP 2 Straw Proposal:****Work Group 1**

1. Develop procedures and tariff provisions for cost assessment provisions.

Comments:

BAMx/CCSF strongly support the CAISO's decision to make this topic a high priority under the GIP-2 initiative. We agree that in the GIP-2 initiative, the CAISO should reconsider the question of economic assessment of LGIP network upgrades and develop a new proposal that would remedy the shortcomings FERC identified with regard to the CAISO's earlier filing proposing an economic test. Such a test is critical in limiting the ratepayer impact associated with stranded transmission investment.

BAMx/CCSF appreciates the CAISO staff's efforts in putting together a straw proposal on the GIP Cost Assessment Provisions. In these comments, we provide a specific proposal for the implementation of the CAISO straw proposal.

We believe it is very important for the CAISO to create correct incentives for renewable generators to locate projects in locations that minimize total cost to ratepayers. The current process requiring all load to pay for network upgrades caused by the location of large scale renewable projects in remote areas requiring major network upgrades does not provide incentives to connect to the existing transmission system closer to urban load centers. Although the proposed Straw Proposal does not elaborate how it will change these incentives, we believe that it has provided a broad framework in which to do so.

The straw proposal proposes to enhance integration between the GIP and the Transmission Planning Process (TPP). It envisions that the Phase 2 Cluster Study results will be fed into the TPP's renewable resource portfolio evaluation, where the cost assessment will be performed. We endorse the following two objectives outlined in the CAISO proposal.

- a. Provide incentives through cost allocation for resource developers to locate efficiently
- b. Limit the exposure of ratepayers to potential costs of under-utilized transmission upgrades

The straw proposal points to the portfolio development process under TPP as a method to select projects whose network upgrades would be paid for by all load. Although the cost of network upgrades is developed in the cluster studies there is no economic cost effectiveness analysis performed therein. We believe that the selection of renewable portfolio(s) under TPP, particularly if they are used to determine the cost assessment of GIP projects, needs further refinement. Specifically, BAMx/CCSF recommends the development of one portfolio that does not require new transmission (i.e., a Base Portfolio) and comparing the cost of that scenario to those that do include new transmission.

New renewable projects should pay for network upgrades unless those projects can demonstrate that their proposed network upgrades creates economic benefits to load. Therefore, the CAISO needs to implement a process as described above to provide an economic test to justify new transmission. The proposed economic test will send the proper economic signal so developers can correctly respond to those signals and build renewable projects either in-State or out-of-State, local or remote, and with appropriate technologies to minimize the total cost of meeting our State's renewable goals.

BAMx/CCSF proposes the following Three-Step Implementation create an economic test.

In Step 1, the CAISO develops a Base Portfolio that involves no significant transmission additions. This scenario will include only those resources that can connect to existing transmission and currently approved new transmission. Only minor transmission upgrades would be allowed in this scenario. We suggest a separate stakeholder process to develop this scenario, which will identify the additional renewable resources needed to meet the State RPS goal, such as DG and in-state and out-of-state resources that utilize existing transmission. Projects will be selected that minimize the total combined cost (generation plus transmission) within the above "no transmission upgrades" criteria. The CAISO may use the E3/CPUC RPS calculator or any other spreadsheet-based tool<sup>1</sup> to model the amount, location and cost of renewables in this portfolio.

Step 2 entails developing Alternative Scenarios that model various candidate renewable generation and associated transmission project(s) from the Cluster studies, which also meet the State RPS goal.<sup>2</sup> Intuitively, the newly added renewables will replace the most expensive renewable generation in the Base Portfolio based on the all-in-one total cost criterion.

In Step 3, the CAISO runs Production Cost simulations<sup>3</sup> on both the Base Portfolio and the Alternative Scenarios to improve the total cost estimates of each portfolio. If the total costs in one or more Alternative Scenarios are determined to be lower than the Base Portfolio, then the least total cost Alternative Scenario would be selected and load would pay for the network transmission upgrades associated with that least cost Alternative Scenario. If no Alternative Scenario is less expensive than the Base Portfolio, then any new network additions to connect new renewable projects would be the sole responsibility of the developers proposing such additions.

We request the opportunity to make a brief presentation to further explain our proposed implementation of the CAISO Cost Assessment proposal to Workgroup 1 during the stakeholder meeting on May 11<sup>th</sup>.

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<sup>1</sup> Use of a spreadsheet-based tool will likely ensure transparency and easier flow of information among Stakeholders.

<sup>2</sup> In this example, we shall discuss one alternative generation/transmission project. However, we believe that this methodology can be extended to include multiple renewable generation and associated network upgrade projects.

<sup>3</sup> We believe that the production cost simulations model would be the most appropriate tool to perform the analysis in this step. This issue can be further discussed in Workgroup 1.

2. Clarify Interconnection Customer (IC) cost and credit requirements when GIP network upgrades are modified in the transmission planning process (per the new RTPP provisions)

Comments:

No comments at this time.

### **Work Group 2**

3. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

No comments at this time.

Comments:

No comments at this time.

4. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Comments:

No comments at this time.

5. Triggers that establish the deadlines for IC financial security postings.

Comments:

No comments at this time.

6. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Comments:

No comments at this time.

7. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

No comments at this time.

8. Information provided by the ISO (Internet Postings)

Comments:

Transparency in the Generation Interconnection process is extremely important. Greater transparency in the process is needed so that stakeholders can assist the CAISO in identifying the most cost effective alternative to make the required interconnection. The CAISO should post both the Phase I Interconnection Study and the Phase II Interconnection Study on its secured website. We encourage the CAISO to post the Cluster Study 4 studies this summer.

The information that should be made available to stakeholders for meaningful participation include, PTO/CAISO/IC meeting minutes, Base Cases, contingency list, study criteria and findings. Maps should also be developed to assist developers to connect generation without new transmission.

**Work Group 3**

9. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Comments:

No comments at this time.

10. Reduction in project size for permitting or other extenuating circumstances

Comments:

No comments at this time.

11. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

12. Clarify site exclusivity requirements for projects located on federal lands.

Comments:

## Comments Template for April 14, 2011 Straw Proposal

13. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

No comments at this time.

- a. Fast Track application to facility repowerings

Comments:

- b. QF Conversion

Comments:

- c. Behind the meter expansion

Comments:

- d. Distribution level deliverability

Comments:

### Work Group 4

14. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

No comments at this time.

15. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Comments:

No comments at this time.

16. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Comments:

No comments at this time.

17. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

No comments at this time.

18. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

No comments at this time.

## Work Group 5

19. Partial deliverability as an interconnection deliverability status option.

Comments:

No comments at this time.

20. Conform technical requirements for small and large generators to a single standard

Comments:

No comments at this time.

21. Revisit tariff requirement for off-peak deliverability assessment.

Comments:

No comments at this time.

22. Annual updating of ISO's advisory course on partial deliverability assessment

Comments:

No comments at this time.

23. CPUC Renewable Auction Mechanism requirement for projects to be in an interconnection queue to qualify

Comments:

No comments at this time.

**Other Comments:**

1. Provide comments on proposals submitted by stakeholders.

No comments at this time.

2. If you have other comments, please provide them here.

No comments at this time.