

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.

SWP Response:

- SWP supports the CAISO's straw proposal in containing transmission costs by having resources pay the costs of transmission network upgrade that are underutilized and inefficient.
- In addition SWP supports the following objectives and urges the ISO to take additional steps to ensure that these objectives are met:
 - Provide incentives through appropriate cost allocation for developers of new resources to select the most cost effective grid locations for interconnection.

- Limit the potential exposure of transmission ratepayers to the costs of building transmission additions and upgrades that are inefficient or under-utilized.
- Unless these objectives are attained, a viable market based on competing generation resources may be jeopardized. Among the most fundamental market prerequisites is accountability for cost choices and performance. Transmission additions and upgrades that are inefficient or under-utilized due to poor generation choices should have no place in the ISO markets. Further, competing generation resources should succeed or fail on their own merits, including but not limited to cost effective grid locations for interconnections. The policies and procedures under consideration here should reward, and not punish through unnecessary subsidies, cost-effective resource choices, including but not limited to distributed generation and energy efficiency. Transmission planning and cost allocation that subsidizes one form of generation can skew markets, result in undue discrimination, and create inefficiencies.

Allocating generator interconnection costs to the resource developers in a position to “select the most cost effective grid locations for interconnection” is essential in order to align incentives and consequences. Such cost allocation supports ISO markets, avoids discrimination in resource selection and protects ISO ratepayers.

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.
 - b. Please identify any other unresolved GIP issues not on this list that should be in scope, and explain why.
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?
 - b. What, if any, modifications to the GIP study process might be needed?
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.

SWP Response:

- Costs should be identified and estimated, and used to evaluate competing proposals. As discussed above, this information should be developed and used to allocate resource interconnection costs to the resource responsible for the cost's incurrence.
5. Stage 3 of the straw proposal identifies three options for allocating ratepayer funded upgrades to interconnection customers in over-subscribed areas.

SWP Response:

- At this time SWP does not have a strong preference of one option over the others so long as additional upgrade costs are paid for by those resources that need the upgrade and directly benefit from its construction.
 - Option 3C may provide greater confidence that resources evaluated in the TPP process will not drop out.
- a. Please identify which option, Option 3A, 3B, or 3C, your organization prefers and why. Are there other options the ISO should consider?
 - 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?
 - 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?
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.
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?

- b. Should the ISO include provisions for later ICs that benefit from network upgrades to compensate the earlier ICs that paid for the upgrades?
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.
 - 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.
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 restudies should be conducted, in the context of the proposed new TPP-GIP framework.
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?
11. Please comment below on any other aspects of this initiative that were not covered in the questions above.

SWP Response:

- As discussed above, allocating generator interconnection costs to the resource developers in a position to “select the most cost effective grid locations for interconnection” is essential in order to align incentives and consequences. Such cost allocation supports ISO markets, avoids discrimination in resource selection and protects ISO ratepayers.
- SWP reserves the right to make additional comments as warranted to address changes to the straws proposal that may occur.