

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.

CMUA members are commenting on several of these issues contained in the Revised Straw Proposal. In these comments, CMUA is focusing on the issues related to cost allocation for network upgrades necessary because of the interconnection of a generator (Interconnection Customer, or "IC").

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.

CMUA generally supports the objectives set forth in Section 4 of the Revised Straw Proposal. Notable among the objectives are: (4) limiting exposure of transmission ratepayers to costs of transmission that are inefficient or underutilized; (3) provide appropriate cost allocation so that cost effective grid locations are pursued by developers. CMUA notes that, in order to practically achieve these objectives, the CAISO must put the new proposal in place at the

earliest practicable time. As discussed below, CMUA cannot see how the above objectives are accomplished by waiting until Cluster 5 to implement a new cost responsibility proposal, by which time thousands of MW and billions of dollars may have already been spent.

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.
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.
 - 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.
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.
 - 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.

CMUA strongly opposes this proposal. It is difficult to ascertain how the CAISO can achieve key objectives set forth in the Revised Straw Proposal, namely to reduce transmission customer risk and provide appropriate cost allocation signals to influence generator siting location, if it allows tens of thousands of MW in clusters 3 and 4, to proceed under the current cost allocation methodology.

The CAISO is faced with an unprecedented problem anticipated by few. Its generator interconnection queue, populated largely by renewable resources, is many times what is required to either serve load or meet current renewable requirements of 33% of retail sales by 2020. Rational policy changes are required to ensure that viable and cost effective renewable resources move forward, and that consumers do not pay for overbuilding the transmission system while the generation queue sorts itself out. Therefore, an early effective date of the new cost allocation methodology is not “anti-renewables,” as some may claim, but only reflects the essential fact that new policies are necessary to help solve a problem that is unprecedented in magnitude and scope. It is likely that not even a significant percentage of the generation in the later clusters will move forward. It is simply not just and reasonable to continue to place the risk of transmission development on transmission customers for projects that are likely never to materialize and will not be necessary to achieve state policies.

CMUA believes it is fully supportable to apply the new cost allocation methodology to Clusters 3 and 4. First, there is ample evidence that the generation in clusters one and two will enable California to meet renewable resource requirements. This is coupled with the CAISO’s own pronouncements that sufficient transmission has been approved through the TPP to deliver those resources.

Second, ICs in Clusters 3 and 4 have not yet signed LGIAs. Cluster 4, in particular, has not yet completed the Phase I study process. CMUA is sensitive to concerns that ICs have relied on the current allocation methodology. However, the plain fact is that CAISO Tariff rules change continuously, with significant economic impact on market participants.

Regulatory risk is a factor recognized by all parties to commercial transactions, and such transactions often provide specifically for how regulatory changes will affect contract obligations. Given the early stages of development of many of the ICs, and the size of the generation queue problem and its potential impact on transmission customers, something needs to be done now.

Despite the fact that even cluster 3 & 4 projects are early in the study and development process, and the fact making the change to the cost allocation methodology will not hinder achievement of renewable goals, the CAISO still proposes effectiveness no earlier than Cluster 5. Yet, the CAISO has cited no legal precedent or made any fact-specific argument to support why it believes earlier effectiveness of the new cost allocation methodology faces obstacles that cannot be overcome. Clearly, the CAISO is concerned that ICs will file objections at FERC that will mire the proposal and controversy and potential litigation. The CAISO can rest assured that similar litigation will also ensue to challenge the current proposal that waits until cluster 5 to apply the new methodology.

Equally as troubling as the lack of any specified argument against an earlier effective date, the CAISO's proposal seems counter to the regulatory direction of its own initiatives and major regulatory directives, including Order No. 1000. FERC has made clear that it expects *more* comprehensive transmission planning, not a continuation of bifurcated processes. By postponing the real impact of the GIP/TPP integration, namely the cost allocation for network upgrades, the CAISO is moving counter to clear regulatory direction stemming from FERC.

Transmission customers have borne enormous increases in transmission rates over the last several years. It is unreasonable to add to that potential burden the obligation to build network upgrades that will be studied outside of an integrated transmission plan and will likely not be needed to meet the 33% renewable requirement. Early effectiveness of the new cost allocation methodology will not inhibit achievement of renewable goals. The CAISO has not clearly articulated any compelling rationale that provides support to wait until cluster 5.

- 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.

The very nature of this question underlies that need for application of the new cost allocation methodology for clusters 3 and 4. However, if the CAISO ignores the recommendations of CMUA and its members on this matter, CMUA urges the CAISO to take other steps, such as modifications to the deliverability assessment of ICs in clusters 3 and 4, to limit transmission customer exposure to overbuilding transmission not needed to meet renewable requirements. See Question 7, below.

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?

CMUA agrees with comments from other parties, including San Diego Gas & Electric Company, that the study of network upgrades for deliverability purposes should be part of the comprehensive cost/benefit analysis in the TPP, not in the GIP. Clearly, application of the new cost allocation methodology to clusters 3 & 4 in total is the preferred outcome. However, if the CAISO determines not to pursue this recommendation, shifting the deliverability analysis to the TPP has the potential to assist resolution of the problem of transmission customer exposure to unneeded network upgrade costs. In this scenario, the CAISO would study as part of the TPP the network upgrades needed to meet resource adequacy requirements. If the network upgrades were selected in the TPP, the costs of those lines would be collected through the TAC. If the network upgrades were not selected in the TPP, then the full cost responsibility of the facilities would fall on the IC. As an alternative, the IC could continue as an energy only project. This would appear to be a rational economic decision that the IC must face, in order to provide the proper incentives for the expansion of the transmission grid.

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.