Stakeholder Comments Template

Subject: Small and Large Generator Interconnection Procedures Draft Final Proposal and Meeting

Submitted by	Company	Date Submitted
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This template was created to help stakeholders submit written comments on topics related to the July 20, 2010 Small and Large Generator Interconnection Procedures Draft Final Proposal and July 27, 2010 Small and Large Generator Interconnection Procedures Stakeholder Meeting. Please submit comments and thoughts (in MS Word) to dkirrene@caiso.com no later than 5:00 pm PDT August 4, 2010.

Please add your comments where indicated responding to the questions raised. Your comments will be most useful if you provide the business case or other reasons why you support particular aspects of the proposal. Any other comments on the proposal are also welcome. The comments received will assist the ISO with the development of the FERC filing of modified tariff language.

Overall Assessment of the ISO Proposal

As a follow-up to the discussions of the July 27, 2010 stakeholder meeting and CAISO's July 20, 2010 Draft Final Proposal[1] on Generator Interconnection Procedures, the CPUC staff appreciates the opportunity to submit the following comments. CPUC staff values CAISO staff efforts to incorporate small generator and large generator interconnection procedures into a single set of generator interconnection procedures (GIP). CPUC staff understands that the draft final proposal includes an annual cluster study process for projects of any size, an independent study process for qualifying projects, and a modified fast track process for projects 2 MW or less.

In September, the ISO Board of Governors will be asked to authorize a filing at FERC of tariff language to implement the elements of the Draft Final Proposal (with possible modifications in response to this round of comments).

[1] CAISO'sJuly 20, 2010 Draft Final Proposal on Generation Interconnection Procedures, prepared for Small Generator Interconnection Procedures Stakeholder Initiative http://www.caiso.com/27d9/27d91299c74670.pdf

In September, the ISO Board of Governors will be asked to authorize a filing at FERC of tariff language to implement the elements of the Draft Final Proposal (with possible modifications in response to this round of comments).

1. Do you support ISO Board approval of the proposal? Why or why not?

CPUC staff believes that the reformed GIP proposal may fall short of addressing some of the key issues since the GIP stakeholder process is tied to an extremely fast timeline. CAISO staff explained that its Transmission Planning Process (TPP) is linked to the GIP Phase II study process since the two processes need to be synchronized. In order to synchronize TPP and GIP Phase II, the CAISO GIP stakeholder process timeline was targeted to be finished before the September ISO Board meeting (there is no board meeting in October). CAISO staff explained that the GIP schedule was accelerated to allow the GIP proposal to go to the ISO Board in September and for subsequent FERC approval by early 2011. CAISO staff advised that since many of the current SGIP (Small Generator Interconnection Procedures) projects are not meeting the ISO tariff timelines and are being delayed, any significant delay in the schedule would cause these and more projects to fall further behind. Thus, while CPUC staff appreciates CAISO staff's efforts to proceed quickly to coordinate these different processes, we are concerned that the final proposal to the CAISO board may not sufficiently resolve all of the key issues due to lack of time.

2. Do you believe the proposal accomplishes the objectives this initiative was intended to address? If not, please explain.

CPUC staff is encouraged that the CAISO is resolving many issues with the assistance of a working group of interested stakeholders that includes the CPUC. CPUC staff especially appreciates that the CAISO is proposing a graduated study deposit fee that the CPUC suggested, and is willing to further examine and improve the Fast Track interconnection process. CPUC staff trusts that the ultimate purpose of revising the GIP rule is to accommodate more generators connecting to the grid faster, which will help the investor owned utilities (IOUs) meet the State's Renewables Portfolio Standard (RPS) goals. For reasons discussed below, the proposal should do more to help accommodate small generators that can come online quickly. First, the current proposal may disadvantage small generators interconnecting at the distribution level if they are studied in one cluster with large generators interconnecting at the transmission level. Second, the treatment of the Fast Track process for interconnection of small generating facilities still needs to be fleshed out as the current proposal does not offer substantial improvement to the existing process.

3. Do you believe the proposal reflects an appropriate balance of the various stakeholder interests and concerns raised in this process? If not, please explain.

The proposal needs to better articulate the rules that will truly accommodate small renewable generators' interconnection to the grid. CPUC staff appreciates the reasoning behind CAISO's timeline. Given the pressure to move the GIP proposal forward under a fast schedule, CPUC staff suggests that CAISO release the latest GIP proposal as an interim measure and consider filing it at FERC as an interim amendment. CPUC staff suggests that CAISO study all distribution-level interconnections (regardless of size) in their own cluster study, at least as an interim solution, and reassess this issue at the end of one year. At that time, CAISO could make changes to SGIP based on the experience gained over the previous year (see comments under Annual Cluster Study Track).

Proposed Annual Cluster Study Track

1. In general, do you support the ISO's proposal to study projects of any size in a single, unified cluster?

CPUC staff supports the CAISO's proposal to study projects regardless of size through a cluster study, but does not support the proposal to study all distribution and transmission level interconnections in one cluster.

2. If not, what modifications are needed and why?

CPUC staff is concerned that studying small distribution-level generators with large generators may unnecessarily delay the interconnection of small generators. Small generators are an important and growing contributor to the RPS program precisely because they can come online quickly. While the utilities have raised the issue that all generator interconnections are interrelated, it is unclear how a generator 5 MW or smaller connected to the distribution system will affect the transmission system. As a result, we suggest studying all distribution-level interconnections (regardless of size) in their own cluster study, at least as an interim solution. This approach will help relieve the interconnection request backlog since all distribution projects will be studied in one cluster instead of studied serially. While this suggestion does not address the potential interrelatedness of distribution and transmission level generators, the effect of distribution-level generators on the transmission system is not currently well defined. We suggest that CAISO reassess this issue at the end of one year and make changes to SGIP if appropriate at that time.

3. If you do not support a single cluster approach in any form, what would be your preferred alternative and why?

We suggest having two clusters based on where the project requests interconnection. There should be one cluster for distribution level interconnections, and another cluster for transmission level interconnections. Thus, there is no distinction between project size, but rather by where a project requests interconnection. Due to the nature of the distribution system, most projects interconnecting at the distribution level will likely be small. See response to question 2 above for more discussion.

Second Application Window – Scoping Meeting

1. In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of receiving a scoping meeting?
2. If not, what modifications are needed and why?

Second Application window – Enter Cluster at Phase II

1. In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of waiving the Phase I study and entering the cluster for study at the Phase II study?
2. If not, what modifications are needed and why?

Second Application Window – Enter Cluster at Phase II Criteria

1. In general, do you support the ISO's proposed criteria to qualify a project to waive the Phase I study and enter the cluster at the Phase II study?
2. If not, what modifications are needed and why?

Coordination with the Transmission Planning Process

1. In general, do you support the ISO's proposal to reevaluate certain network upgrades in the Transmission Planning Process?
2. If not, what modifications are needed and why?
3. If a network upgrade is selected for reevaluation by the Transmission Planning Process should the associated generation project proceed with a Large Generator Interconnection Agreement that contains a provision to allow for later amendment of the Large Generator Interconnection Agreement if warranted by the Transmission Planning Process reevaluation results? Why or why not?

Independent Study Processing Track

1. In general, do you support the ISO's Independent Study Processing Track proposal?

CPUC staff views the Independent Study Process (ISP) as an exemption to the cluster study process for very specific types of projects. Thus, staff agrees that the criteria should be set high for this process.

2. What modifications are needed and why?

CPUC staff would like CAISO staff to clarify in more detail what it means to "demonstrate the ability to obtain" permits and purchase orders, as well as "provide reasonable evidence of adequate financing/financial resources" since the threshold for compliance is unclear. For example, in the case of permits, is it sufficient to hire a consultant to file all the paperwork or does the permit application need to be filed and deemed complete?

3. What specific aspects of a developer's project development process make it impossible for a developer to demonstrate eligibility for the Independent Study Processing Track at the time of the Interconnection Request?

Given our experience reviewing renewable power purchase agreements, we believe the project viability screens in the first ISP criterion are achievable for a project that is ready to go.

Fast Track less than 2 MW

1. Should the ISO remove the 10th screen from the Fast Track? Why or why not?

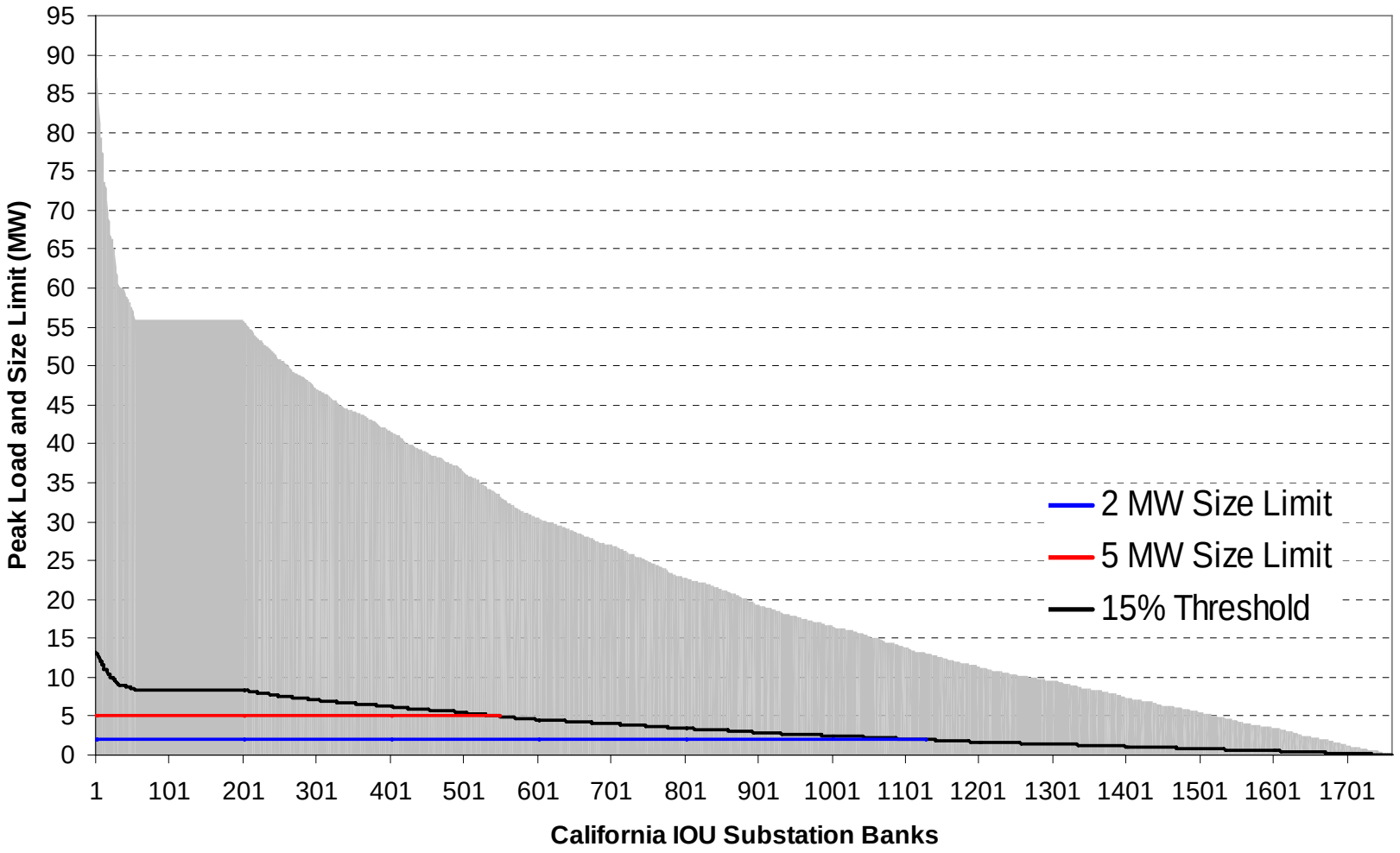
CPUC staff believes that the 10th screen should be modified because it disqualifies many renewable distributed generation (DG) projects. Staff recognizes that there are instances where a facilities study is needed to determine what specific types of upgrades are needed. However, the need for minor upgrades should not disqualify projects that pass the Fast Track's first nine screens. Instead, projects that pass the first nine screens but fail the 10th screen should still be eligible for Fast Track if the project developer agrees to a facilities study that will determine a cost estimate for the needed upgrades.

2. Should the ISO increase the size limit for Fast Track qualification? If so, would you support a 5MW size limit or a different value? Explain your reasons.

CPUC staff believes that a robust Fast Track process can facilitate interconnection of small renewable generators that require no to minimal upgrades. The Fast Track process should be designed to quickly process these types of projects.

CPUC staff recommends increasing the project size limit from 2 MW to 5 MW. In addition to the policy reasons staff provided in previous comments, staff analyzed confidential distribution substation bank data across the three IOUs. Staff collected this data in 2008 and aggregated it across the three IOUs to conceal any confidential information. Figure 1 shows the number of distribution substation banks and capacity that meet the15% of peak load threshold, as defined by Fast Track screen #2. While this data is nearly two years old and the number of distributed-level interconnection requests in SCE and PG&E service territories have increased exponentially since 2008, the data shows that over 500 substations could accommodate a 5 MW generator under the 15% of peak load threshold. If the Fast Track limit was expanded, larger projects would be able to qualify for Fast Track interconnection.

Figure 1. Distribution Substation Banks and Capacity that Meet 15% of Peak Load Threshold for CA IOUs (Data from 2008)



Other comments on the Fast Track:

FERC used NARUC Small Generation Resource Interconnection Procedures (2003) as a basis for SGIP. The NARUC Procedures were largely based on Rule 21, and as a result, SGIP's Fast Track screens closely resemble the technical screens for Rule 21's initial review process.[2] These Rule 21 screens have not been revised since their adoption in 2000 and do not accurately reflect the changes in today's DG market, particularly for solar PV, whose generation is close to the peak load of California's electricity demand.

Since the Fast Track process is an important tool for identifying projects that can easily interconnect to the existing distribution and transmission infrastructure, CPUC staff recommends that the all of the Fast Track screens be studied and updated. Specifically, we recommend an updated engineering analysis of screen 2, which limits the total capacity of projects interconnecting to that substation to 15% or less of the substation's peak load. In the CPUC's 33% RPS Implementation Analysis Preliminary Results report,[3] we used a 30% of peak load limit for solar PV instead of the 15% of peak load limit. While the 30% number was only an assumption, we believe the 15% limit should be reevaluated and possibly raised based on the attributes of the technology seeking interconnection. To the extent the IOUs are going to request FERC to approve an updated wholesale distribution action tariff (WDAT) based on the changes decided through this process, it is especially important to address this issue now and not after this process is complete.

Method to Determine Generator Independence

1. In general, do you support the ISO's proposed method to determine generator independence?
2. If not, what approach would you propose for determining generator independence? Explain why your proposed approach is superior to the ISO's proposal.
3. If you prefer completely eliminating the independence criterion to qualify for the Independent Study Processing Track, how would you address the concern about impacts of Independent Study Processing Track projects on other interconnection customers (including cluster projects) in higher queue positions?

Deliverability Proposal

One-Time – Enter Cluster 4

1. In general, do you support the ISO's proposal to allow a one-time deliverability assessment to obtain Full Capacity during cluster 4?
2. If not, what modifications would you support and why?

[2] Solar ABC's Comparison of the Four Leading Small Generator Interconnection Procedures, 2008: http://www.solarabcs.org/interconnection/ABCS-07_studyreport.pdf

[3] http://www.cpuc.ca.gov/NR/rdonlyres/1865C207-FEB5-43CF-99EB-A212B78467F6/0/33PercentRPSImplementationAnalysisInterimReport.pdf

Annual – Available Transmission

1. In general, do you support the ISO's proposal to provide an annual opportunity for qualified projects to request and obtain Full Capacity using available transmission?
2. If not, what modifications would you support and why?

Financial Security Postings

1. In general, do you support the ISO's financial security postings proposal?
2. What modifications are needed and why?

Transition Plan

1. In general do you support the ISO's proposed transition plan?
2. What modifications are needed to all you to support the ISO's transition plan?

What aspect of the ISO's Draft Final Proposal do you find most favorable?

What aspect of the ISO's Draft Final Proposal do you find least favorable? Please provide the business case or other rationale for your answer.

Do you have any additional comments that you would like to provide?
See comments under Fast Track.