

Stakeholder Comments Template

Subject: Generator Interconnection Procedures Straw 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 May 26, 2010 Generator Interconnection Procedures Straw Proposal and June 3, 2010 Generator Interconnection Procedures Stakeholder Meeting. Please submit comments and thoughts (in MS Word) to dkirrene@caiso.com no later than the close of business on June 21, 2010.

Please add your comments where indicated responding to the questing raised. Your comments on any other aspect of the proposal are also welcome. The comments received will assist the ISO with the development of the Draft Final Proposal.

Opening statement: Before we comment on the particulars of the CAISO process, we want to offer our perspective on this process and the changes we propose to the Straw Proposal.

The SGIP is supposed to function as a relatively quick, streamlined, and inexpensive process. With a combination of the SGIP and LGIP into a single “GIP,” small projects will be giving that up for the “greater good,” in favor of a more expensive and technically longer process that offers some benefits as well – most notably, existing-project ability to qualify for Resource Adequacy (RA) credit, and new-project ability to get that designation through a quicker process than today.

We support the general concept of a combined GIP, but only with the changes recommend below – to the Independent Study criteria, Interconnection Financial Security (IFS) requirements, and other elements. These changes are critical for ensuring that the new process will be, on balance, fair and workable for small projects.

We hope that the CAISO will seriously consider these changes, and we believe that they will make the GIP more acceptable to FERC as a substitute for the loss of the SGIP as it was intended to operate. Failure to incorporate them is bound to draw opposition to the CAISO’s eventual tariff filing, from renewable-energy and other developers among others, and calls to retain the SGIP as a separate process.

Proposed Independent Study Process (ISP) (Note that we have reordered the questions (and answers) slightly for better logical flow.)

1. Do you think that the proposed independent study process criteria are appropriate?

No. The ISP criteria as proposed are too strict and will be difficult, if not impossible, for the target projects – those that are truly ready to proceed on a faster timetable without the CAISO process becoming the major obstacle to timely development – to meet.

2. How should the proposed independent study process be specifically modified to incorporate desired features that are in the current SGIP serial process?

A realistic ISP option is particularly important to smaller projects, because the GIP schedule will technically slow down the study process (at least compared to the SGIP tariff timelines), and the annual application process will be much less flexible than the SGIP. For this reason, changes are needed for the combined SGIP/LGIP process to be an acceptable replacement for the SGIP.

We understand and share CAISO and PTO concerns that ISP criteria that are too loose could allow a multitude of projects to qualify for this serial-study option, and thus fail to remedy the current situation or even make it worse. However, the criteria must also be achievable for the small number of projects for which it is intended.

Thus, we propose to help ensure the viability of this option through an additional limitation, some criteria modifications, and a “safety net,” as described below.

- **Additional limitation:** The CAISO should limit this option to smaller projects – those below 20 MW – for the first two years, when the limit would expire unless the CAISO convenes a stakeholder process to review the need for extending it. This will help address the CAISO and PTO concerns about a proliferation of IRs that would qualify. Larger projects would already be receiving a significant benefit from the proposed shorter timelines and could forego this option for now, in the interest of helping ensure its continued availability to smaller projects.
- **Criteria modifications:** The CAISO should change the proposed criteria to be more realistic for the targeted projects, in a couple of areas, so the small projects that need the independent-study option can realistically qualify for it.

We don’t mean to minimize the difficulties that the CAISO and PTOs now encounter in interweaving smaller serial-study projects with LGIP clusters. However, allowing that admittedly awkward process to continue for only a small number of small projects is effectively the price of streamlining the process for the overwhelming majority of IRs through the new process.

- **Electrical independence:** The CAISO should remove this condition entirely – it is too difficult to meet and does not relate to the readiness of the project to proceed.

CAISO ability to study serially policy-driven projects that are electrically related to other projects through the Accelerated Phase II Study (CAISO Tariff Appendix Y, Section 7.6) process shows that such studies are feasible with proper study assumptions and caveats. For example, the CAISO could consider information from past studies for the same area.

We would welcome the chance to work with the CAISO to develop this framework.

- **Financial viability:** In most circumstances, the CAISO has been careful not to preclude the option of merchant-plant construction (though that may not be as feasible in the current market); moreover, interconnection arrangements are often finalized before PPA negotiations and contract execution are complete, especially for smaller projects where the plant construction timeline can be much shorter.

Consistent with these factors, the CAISO should accept other demonstrations of ability to fund plant construction besides a PPA – e.g.: (1) loan commitments from financial institutions; (2) past self-financing of similar- or larger-sized projects; (3) credit ratings or balance-sheet information; or (4) other financial-viability measures.

- **Safety net:** We share CAISO/PTO concerns that the new process not be undermined by large numbers of ISPs. The CAISO should have the ability to suspend acceptance of new ISP IRs for a PTO's service area if the number of such IRs exceeds the PTO's capability, despite the PTO's best efforts. The CAISO must then commence an immediate stakeholder process to consider prompt changes to keep the process available to a reasonable number of qualified projects.
3. **How can the independent study criteria be modified to allow PTOs to utilize this process if they do not have a backlog and waiting for the cluster window does not make sense?**
 4. **How much "ISO and PTO judgment" should be allowed in qualifying projects and how should it be delineated?**
 5. **What would be sufficient transparency into the ISO and PTO judgment process in qualifying projects and how would that be provided?**

(combined response to all three questions)

The CAISO should have the ability to approve study of additional projects on the Independent Study track, where the additional studies would not impact adversely the study of either current or future GIP clusters or the Independent Study Projects that meet the specified criteria above. However, that process should be transparent.

Specifically, the CAISO should issue a Market Notice announcing and explaining (in as much detail as possible, without revealing confidential information) the Queue Position of each project granted an exception (and related information from the queue listing) and the reason for each exception, and it must post on its Web site a list of these exceptions and reasons. If a large number of projects are granted exceptions for the same or similar reasons, the CAISO should consider modifying the ISP criteria to allow all projects in those circumstances to qualify.

6. **What pre-application information and guidance is needed to prequalify projects so that the process is not overwhelmed with applications?**

As we note above, restricting the ISP to only smaller projects initially is a good way to help ensure that the ISP process is not overwhelmed with applications.

Removing the "electrical independence" criterion is another way, since demonstrating independence could itself require a study.

With respect to the remaining criteria, the best way to ensure that the process is not overwhelmed is to clearly specify the methods that can be used to establish compliance.

7. **If the proposed independent study process is included in the final proposal, is there still a need for the current LGIP Phase II accelerated study process? (CAISO Tariff Appendix Y Section 7.6)**

Yes, for two reasons:

- The recommended initial limitation of the ISP option to small projects; and
- The proposed ISP criteria are more stringent than those for the Accelerated Phase II Study.

If the ISP is opened later to larger projects, that newer option may or may not be a replacement for the current option at that time, depending on the ISP criteria.

Proposed Study Deposit Amounts

Are the proposed study deposit amounts appropriate, if not please explain?

No. We support the lower study deposit for smaller projects. However, we see these problems with the specific proposed study-deposit amounts:

- ***They do not incent “right-sizing” of projects.*** There seemed to be consensus within the SGIP Working Group that the current flat-fee SGIP structure encouraged developers to propose the largest projects allowed – 20 MW for the SGIP – instead of an optimal size given the site and other factors, especially because projects can reduce their size after the IR is submitted (and they see their study results) but cannot increase it.
- ***The transition between fees for large and small projects is too abrupt.*** A 20 MW project would pay \$50-\$100K, but a 30 MW project (50% larger) would pay \$250K (100-500% larger).
- ***The Full Capacity-Energy Only deposit difference should apply for all projects.*** The CAISO said at the stakeholder meeting that study costs don’t differ “much” between the two deliverability levels, but: (1) that does not seem intuitively correct; and (2) if there is a distinction between study types for smaller projects, there should be a similar difference for larger projects (which would also help with the fee-transition issue noted above).

Instead, we recommend the following study-deposit structure:

INTERCONNECTION REQUEST TYPE	DEPOSIT REQUIRED	
	STUDY	“IN-LIEU” of site exclusivity, if applicable
Fast Track IR (2MW max)		
Energy-Only IR (regular process)	\$1,500	N/A (site exclusivity required)
Deliverability Only IR*	\$1,500	
Cluster Study		
Deliverability Only IR*	\$10K + \$1K per MW; \$100K maximum	Same as Study Deposit
Energy Only IR	\$20K + \$1K per MW; \$150K maximum	
Full Capacity IR	\$30K + \$1,500 per MW; \$250K max.	

* *Would apply to existing projects participating only in the Deliverability Assessment, i.e., projects that went through the interconnection-study process on an Energy-Only basis, including those already operating (see below). This deposit would be lower than a new IR (Energy-Only or Full Capacity), because they would have paid study deposits already in their initial IRs and demonstrated their viability. See details below on Fast-Track RA process.*

Proposed Cluster Study Process

Do the proposed timelines for the cluster study process seem reasonable? Please add explanations for both yes or no responses?

Yes, the proposed timelines seem reasonable, except with respect to adding deliverability to a Fast-Track project. The stringent qualification screens that these projects must pass should also allow the CAISO/PTO to perform a stand-alone Deliverability Assessment for these projects, on roughly the same basis and timeline as the original Energy-Only assessment.

We propose that Fast Track projects go through the quick Energy-Only interconnection process and, once on-line, be able to apply for a similarly quick Fast-Track Deliverability Assessment.

Coordinating generator interconnections with the transmission planning process**Do you support the concept of coordinating the proposed generator interconnection process with the transmission planning process, why or why not?**

We support the general coordination concept. In fact, CalWEA initially advocated complete integration of the LGIP Phase II Study with the current TPP, back when the cluster-study concept was first introduced for the LGIP.

However, the CAISO has been unclear about the details of this new interaction between the RTPP and the LGIP for months, and this subject has come up repeatedly in several different forums. For example, the potential LGIP/LGIA delays imposed by considering some LGIP-identified transmission upgrades in the RTPP has been characterized as “a couple of months,” “three months” and, in the timeline provided in the GIP proposal, it looks more like 6 months or more.

It is time to get this straight. It is simply not acceptable, particularly with small projects also subject to these delays, to shorten the (L)GIP significantly to 420 days and then lengthen it by another 180+ days through the RTPP “back door.” The CAISO should devote some focused attention to this matter, preferably with the help of a stakeholder subgroup, and stop making stakeholders guess what will happen to their IRs, particularly those already submitted.

This is a particularly critical issue for smaller projects. As noted above, the 420-day schedule is already much longer than the intended 275-day SGIP schedule, and further delays through RTPP interaction will severely impair the acceptability of the GIP to these projects.

Deliverability Assessments

- 1. What are your thoughts on the proposed alternatives for deliverability assessments?**
- 2. What adjustments should be made to each alternative?**

(combined response to both questions)

The CAISO should do both types of studies; both studies should be open also to projects on distribution-level systems, including those in municipal utilities in the CAISO area.

The Alternative 1 Study should be conducted annually, to allow suppliers and LSEs to benefit from any “excess” deliverability in the system. The study should include only those applying, so projects with no use for the RA designation don’t impair deliverability awards to those that do want them. Either the supplier or the buyer should have the right to submit the project for inclusion in the study.

There should be no cost to suppliers to participate; because the “deliverability” award would only be for one year at a time, it would likely benefit mainly the buyers and not the sellers (which would probably be paid under existing PPAs, at prices that would likely not change regardless of any annual RA deliverability).

Alternative 2 is the cleanest and best way to process applications for deliverability by projects that went through the interconnection process earlier on an Energy Only basis, including Independent Study and already-operating projects. There is no reason to treat transmission upgrades for project deliverability at this point any different than such upgrades when projects are under development initially; the transmission network upgrades for deliverability benefit the system (for RA/reliability of supply) regardless of when and where they were first identified.

Proposed Transition Plan

1. Do you think that the proposed transition plan is reasonable for LGIP projects?

Generally, yes. However, given the accelerated completion timing of the Transition Cluster Phase II Studies and the proposed accelerated Phase II Study completion timing for Clusters 3 and 4, we see no reason why the Phase II Studies for Clusters 1 and 2 (which would be conducted in coordination with the SGIP “transitional clusters”) should not also be doable on an accelerated timeline.

2. Do you think that the proposed transition plan is reasonable for SGIP projects?

Generally, yes. However, the proposed timing will lengthen the process considerably for the SGIP “transitional clusters” submitting applications early in the group, e.g., in the April-June 2010 timeframe, and they will have to increase their study deposits considerably beyond the level in effect when they submitted their Interconnection Requests.

In return for this long wait and unanticipated deposit increase, projects already in the SGIP queue as of the effective date that the new GIP is approved by FERC should be allowed to elect an upgrade of their applications to Full Capacity (with the further deposit increase required for that status under the GIP) and be studied for that deliverability status in the study next year.

3. Do you have any comments on the proposed dates for grandfathering projects in queue and migration of new projects and in queue projects into the proposed cluster process?

The grandfathering dates and cluster-study proposals seem generally reasonable.

Do you have any additional comments that you would like to provide? Yes – see below.

- **Interconnection Financial Security (IFS) posting requirements**

- **Network Upgrade caps:** The proposed per-project limits for the Initial IFS Posting and minimum posting amounts are far too high for smaller projects. For example, the \$500K minimum posting amount exceeds the \$20K/MW cap even for a 20 MW project (upper range of “small” projects).

We recommend instead that the Network Upgrade per-project limits for the Initial IFS Posting for projects below 20 MW be no higher than \$250K, and the minimum posting amounts for such projects for all postings be no higher than \$50K. The CAISO should also consider establishing graduated levels for these amounts, as we propose above for study deposits.

- **Third posting timing:** The CAISO should clarify that, for all projects, the “100%” coverage for the third financial security posting applies to discrete upgrades listed in the LGIA, i.e., construction commencement of the first such upgrade does not require 100% cost coverage for all upgrades.

This issue has been outstanding for some time; the CAISO admitted on the recent conference call about its proposed Transition Cluster financial-security waiver that this is its interpretation of the current tariff language, and there is no reason not to clarify it along with the other changes in the filing for this process.

- **SGIP Feasibility Study:** The SGIP Working Group discussed the possibility of establishing a “stand-alone” Feasibility Study process, separate from the queue cluster studies, to give developers a quick, “back of the envelope” assessment of a site under consideration. While the CAISO will be improving its posting of base-case data that could be used for pre-IR studies, smaller projects generally do not have the same resources and knowledge as larger projects to conduct these studies or engage consultants to do that.

However, the CAISO claims that it does not have time in this process to address all the details of a stand-alone study process. Thus, is simply proposing to eliminate the SGIP Feasibility Study in the combined GIP process and address a possible stand-alone process later.

We believe that the CAISO should do one of the following:

- **Retain the Feasibility Study until there is a viable substitute; or**
 - **Establish a quick Advisory Study to replace it.** This study would use a simple DC analysis (similar to the MISO’s current interconnection feasibility analysis) to identify transmission elements and other generation projects the applicant’s project might impact.
- **Other “deferred” issues:** There were several issues raised in the last round of LGIP reforms but postponed because they were not as urgent as the issues that were addressed there. The CAISO plans to start another stakeholder process, later this year or early in 2011, to address those issues.

However, if smaller developers no longer have the option of the existing SGIP, the CAISO must address, in this round of reforms, the specific “deferred” issues below (along with the Feasibility Study – see above), to avoid unacceptable cost-allocation impacts to small generation projects.

- **Study assumptions and methodology:** The CAISO should work with stakeholders to clarify the assumptions and methodology used in the interconnection studies, including the assumed level of operating generation and consistency of methodology across PTOs.
- **Network Upgrade cost allocation:** Where transmission upgrades in a cluster are “lumpy,” the cost allocation should be only for the MW impact of each project on the need for an upgrade, and not a pro rata allocation of the total cost based on shift factors. This should be done at least for the Phase I Study, and possibly the Phase II Study as well.
- **PTO per-unit costs:** To expedite Phase I Study cost estimates, those estimates are constructed using standard per-unit costs posted annually for each PTO. However, PTO cost estimates vary considerably for the same equipment, and the CAISO did not try to reconcile differences when the costs were posted, despite complaints from CalWEA and others. The CAISO should perform that reconciliation and ensure that the estimates reflect reasonable and likely costs, not inflated “not-to-exceed” costs.