

## Stakeholder Comments Template

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

Submitted by	Company	Date
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Before addressing CalWEA’s positions on the remaining issues in GIP-2, we have some general comments on the process the CAISO has said it would use to incorporate these elements into the upcoming GIP Business Practice Manual (BPM).

The CAISO said at the June 3<sup>rd</sup> stakeholder meeting that it is in the process of preparing this BPM, to be issued by the end of this summer. That version would cover the current process before the GIP-2 revisions; the CAISO would then propose GIP2-related changes to that document, with the “stakeholder process” for those changes essentially being the regular BPM Change Management Process.

Instead, the CAISO should work through the already-established working groups to develop the proposed GIP-2 changes, and then channel those revisions through the BPM Change Management Process. This will ultimately save time and effort by all involved by using the cooperative efforts of the parties to develop the BPM language before it is released into the process, and our members would appreciate the opportunity to continue working with the CAISO to help in this important GIP-2 implementation effort.

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

**Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline.**

**Work Group 2****1. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates**

The CAISO proposals for consistent formats and additional explanation should enhance understanding of the PTO estimation methodologies. The costs should be posted in the same formats except where there are different facilities between PTOs (e.g., 138 kV for SDG&E).

However, the Proposal continues to ignore the specific stakeholder concerns with the current process that unreasonably increase the Phase I Study cost estimates to the extent that they do not function as an effective cost cap, as intended by the earlier GIPR reform. Moreover, CalWEA fears that the CAISO's apparent intent to craft the specific changes in this area with the PTOs separately, and not work through the existing GIP-2 work group, may not address the most serious problems stakeholders have with the current process. (See our concerns generally with the BPM development process that are stated above.)

The final Proposal should provide for development of specific format and content changes through Work Group 2. In addition, the CAISO should clearly state that this process will address these specific significant problems:

- **Significant cost differences:** Where the posted costs differ significantly between PTOs for the same equipment, installed under similar conditions, those differences should be clearly explained or resolved.
- **Cost-estimation methodology:** The CAISO tariff requires estimation of “anticipated” costs. The CAISO should clarify that this means realistic, expected costs, not the maximum that can conceivably be justified.

To ensure that this tariff requirement is followed, the CAISO must address specifically the use of contingency and “contractor” adders – particularly the huge adders applied by some of the PTOs. CalWEA believes that such adders are a violation of this provision and inflate the posted costs to the point that the Phase I cost cap is virtually meaningless. The CAISO should clarify whether it believes that the use of such adders is in compliance with its tariff and: (1) if so, explain why; and (2) if not, require that the PTOs change their estimation methodology accordingly. (See our related comments under Abandoned Plant Recovery (Issue 20) below.)

- **500 kV cost estimates:** The posted per-unit costs should include 500 kV facilities. These facilities have comprised a major cost component for many interconnection studies, and their omission from the posted costs list significantly limits the usefulness of the information. All three utilities have 500 kV projects that are either approved or under development, and there is no reason why they cannot use the information from those projects to provide the required information.

## **2. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA)**

CalWEA supports the Straw Proposal generally. However, the final Proposal should clearly state the CAISO's intent to work with non-PTOs to establish the enabling agreements and other arrangements needed to facilitate the same coordinated treatment currently afforded under the PTO WDAT framework. Otherwise, it will not be clear, for example, how this proposal would address disagreements between the CAISO and the non-PTO, e.g., if the CAISO studies identify the need for upgrades to the non-PTO facilities that the non-PTO's studies do not.

## **3. Triggers that establish the deadlines for IC financial security postings.**

CalWEA agrees with the Proposal generally, except for these provisions related to finalization of interconnection studies:

- **Deadline for comments on draft reports:** As noted, there have been situations where the Results Meetings were scheduled very soon after the report is issued, providing the IC with little time to meet the proposed comment deadline of BDs before the meeting. Moreover, more generally, the IC is not usually informed of the meeting date when the report is issued and thus would have no idea of how long it has to prepare comments.

The final Proposal should provide that the IC will have a minimum of 10 BDs to provide comments or that, otherwise, comments may be provided closer to the meeting date, at the meeting, and/or through a follow-up communication. It would also be helpful if the Scoping Meeting date could be provided at the time that the report is issued, so ICs know how much time they have to prepare their written comments.

- **Final Report amendment:** PG&E expressed concern at the June 3<sup>rd</sup> stakeholder meeting about the \$1K dollar criterion for report amendment. CalWEA has no problem with raising this threshold, e.g., to \$10K for <20MW projects and \$100K for larger projects.
- **IFS Posting deadline:** If the report is updated, regardless of the impact, the deadline for posting should be extended to the later of the two allowed dates.

Also, the CAISO should clarify what happens if an IC disputes the study results, posts the required IFS, and then later prevails in the dispute. The IC should have the right to then drop out of the queue, without forfeiting any posted IFS. The CAISO should also clarify how that might impact the study assumptions and results.

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

CalWEA concurs generally with the Proposal but are concerned that the more general language included in the Proposal – allowing posting requirements for the Third IFS Posting to be negotiated in the GIA but providing no other specifics – would leave too much uncertainty for this substantial financial commitment. The Proposal should be revised to provide for the following:

- **Posting for different discrete upgrades:** The different Network Upgrades are listed clearly in the study reports. The IC should be entitled to stage the postings based on the estimated start dates for each of these upgrades, with that ability not dependent on further CAISO or PTO agreement.

- **Discrete components of each upgrade:** This concept would require separation of a particular upgrade into discrete parts, and that may or may not be feasible. However, if it is feasible, then the PTO should be required to do that, and the IFS postings should be timed accordingly.

## **5. Improve process for interconnection customers to be notified of their required amounts for IFS posting**

CalWEA supports the Final Proposal, with the clarification that the BPM should be effective, and Initial IFS Posting notices should be issued, by December 1<sup>st</sup>, 2011. However, additional details of the proposal should be addressed in the working group.

## **6. Information provided by the ISO (Internet Postings)**

The CAISO should provide the following, with details determined in the GIP-2 Work Group process:

- A complete set of maps;
- Cluster group studies, within one week of issuance if possible; and
- Other information that will allow the ICs to replicate CAISO study results, including (but not limited to) TPP Study Plans, contingency files, transmission upgrade alternatives studied, and other data used in Reliability, Deliverability, and Short Circuit Duty studies.

The CAISO should also strive to post most of the cluster study results, after proper redacting, on the public portion of its website.

## **Work Group 3**

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

As a general matter, the CAISO should stop implying that it would actually move to terminate a GIA where the entire project is not built. CalWEA supports reasonable penalties for that situation to discourage project over-sizing, and efforts to eventually remove the ability of the project to use the non-built capacity, but realistically it is highly unrealistic and undesirable to consider a scenario that the CAISO would terminate a GIA completely and disconnect part of a project that is actually completed and operating.

Specifically with respect to this proposal, the CAISO still needs to clarify that:

- Payment of the proposed termination charge would relieve the IC of further cost responsibility (and result in release of the associated IFS), i.e., that the IC would not have to pay both the termination charges and the upgrade costs; and
- The charge would apply only for the MW capacity that is canceled.

CalWEA appreciates the additional explanation provided by the CAISO in the Proposal, but we continue to believe that the CAISO should provide some examples illustrating the actual application of this concept.

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In addition, the CAISO should add a cap to the Partial Termination Charge, equal to \$30K times the canceled MW capacity. This will ensure that the charge is set at a reasonable level but still act as a considerable deterrent.

### **8. Reduction in project size for permitting or other extenuating circumstances**

CalWEA continues to be troubled by the widely disparate treatment of phased projects compared to non-phased projects that are otherwise similar with respect to Partial Termination provisions. The impact on the CAISO/PTO of the potentially stranded transmission upgrades, and on later-queued generation projects, would be the same, for example, for: (1) a 600 MW project with three 200-MW phases that cancels the last phase; and (2) a 600 MW project without construction phases that cancels the last 200 MW because it did not receive a permit for the full project.

(The foregoing is an example only and is not intended to suggest any minimum increment for any of these provisions.)

With respect to this specific proposal, the 5% figure is arbitrary and too low. Instead, CalWEA supports a safe harbor threshold size reduction up to the lower of 20% of the generating facility size or 50 MW. We propose this figure based on permitting activities to date.

Moreover, the CAISO should specify in advance the criteria it would use to assess size reductions larger than the “safe harbor” amounts, instead of leaving ICs to guess. In addition, the CAISO should clarify that such size reductions would be permitted at any time after they are known, before or after GIA execution.

Before GIA execution, the CAISO should reflect the change in the Phase II Study if possible. After GIA execution, the CAISO should expressly provide that failure to build the project for permitting reasons would not trigger a GIA default, and make a good-faith effort to examine whether the required Network Upgrades change as a result the size reduction.

If there is no change, there should be no change to the Network Upgrade costs or timing of any reimbursement. If Network Upgrades are no longer needed, the IC should be responsible for irrevocable costs under a framework similar to that proposed for cancellation of phased projects, with the Partial Termination Charge determined at the time that the size reduction is known.

Finally, if an IC remains responsible for a Network Upgrade cost, it should remain eligible for any reimbursement to the extent that the upgrades are used by a subsequent project or load.

### **9. Repayment of IC funding of network upgrades associated with a phased generation facility.**

Generally, we support the Proposal, but we are confused somewhat about the nature of the CAISO proposal. The Proposal document appears to continue the current policy of providing reimbursement based on completion of the generating facility, without requiring that all the NUs be in service for reimbursement to begin. The Proposal would modify the current policy commencing reimbursement once the entire generating facility is complete, allowing reimbursement to begin for as discrete generation phases defined in the GIA are completed, proportional to the project capacity in each phase.

CalWEA supports this proposal. However, the example and discussion at the June 3<sup>rd</sup> stakeholder meeting seemed to imply that transmission upgrades would also have to be in-service for reimbursement to begin for the costs of those upgrades. This has never been a condition of reimbursement before, and the CAISO has not provided sufficient justification for this significant policy change. Particularly if the PTOs are granted abandoned-plant treatment for most of these upgrades, there is no risk of upgrades not being “used and useful” once a generating facility (or a proportional portion of it) is on-line, so the need to delay reimbursement to cover that risk would no longer exist.

Many cluster studies include Delivery Network Upgrades that can take many years to complete; In addition, like the GIA partial termination provisions discussed above, non-phased generation projects should also be eligible for proportional repayments on the same basis as phased generation projects.

#### **10. Clarify site exclusivity requirements for projects located on federal lands.**

CalWEA supports confirming CAISO requirements to conform to BLM rules. However, we have reviewed the BLM materials referenced in the issue paper, and they do not seem to indicate any change in the site exclusivity requirements for projects on federal lands. Further, we prefer to resolve any issues in the GIP-2 process, to avoid the need for a separate effort later this year.

#### **11. CPUC Renewable Auction Mechanism**

There do not appear to be any proposal details to comment on in the Proposal. Of course, the CAISO should work with the CPUC to make sure that their respective requirements are compatible.

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

- a. Application of Path 1-5 processes**
- b. QF Conversion and deliverability**
- c. Distribution level deliverability**

CalWEA found the CAISO path framework to be helpful and support these elements in the Proposal. However, with respect to “behind-the-meter” (BTM) changes under Path 3:

- The capacity restriction is unnecessarily restrictive – no limit is needed as long as the other criteria are met.
- The capacity triggered by the expansion breaker can be any generating capacity in the facility, as long as it is the right amount of capacity, and is not required to be the specific capacity added; and
- The deliverability level studied in the interconnection studies should be clearly stated, in both the studies and the GIA, to prevent later confusion.

**Work Group 4****13. Financial security posting requirements where the PTO elects to upfront fund network upgrades.**

CalWEA supports the Proposal. However, consistent with the discussion at the June 3<sup>rd</sup> meeting, the CAISO should clarify that the amount of the Initial IFS Posting would be reduced to reflect any lower costs in the Phase II Study results below the Phase I costs used to set that posting.

**14. 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.**

CalWEA does not object to the Proposal.

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

CalWEA does not object to the Proposal.

**16. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility**

CalWEA supports the Proposal.

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

CalWEA supports the Proposal provisions that would set the Interconnection Facilities posting caps at the same level as the Network Upgrade caps, assuming that the current IF definition is maintained. However, we still support consideration in the upcoming work group meetings re-defining Interconnection Facilities such that:

- The scope of PTO IFs should only include the transmission span between the breaker bay position and the first structure outside the substation, with no deposit requirements assigned to facilities beyond this first structure.
- The IC can build the rest or contract separately with the PTO or any other qualified entity to build the remaining facilities.

Under these circumstances no deposit cap will be needed.

**18. Consider using generating project viability assessment in lieu of financial security postings**

CalWEA still believes that their prior proposals would be helpful to consider in this GIP-2 process. If the CAISO decides nevertheless to exclude them from this process, they should be explicitly be included in the upcoming Work Group 1 effort to revamp the study process.

**19. Consider limiting interconnection agreement suspension rights**

Somehow this topic refuses to die, despite statements by SCE (the party that raised it) that the applicable GIA restrictions on these rights already address its concerns. Further action is not needed in this area, and the CAISO should eliminate this item from the GIP-2 scope.

**20. Consider incorporating PTO abandoned plant recovery into GIP**

CalWEA supports inclusion of abandoned-plant treatment in the CAISO Tariff for upgrades that the PTO is compelled to finance and construct. We believe that such blanket approval obviates the need for the PTOs to apply any contingency adders to their PU costs estimation.

We agree with SCE that this item should be included in the current GIP-2 effort and not deferred to the upcoming separate Work Group 1 effort.

**Work Group 5****21. Partial deliverability as an interconnection deliverability status option.**

CalWEA supports the Proposal.

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

CalWEA generally supports the Proposal. However, the work group should address situations where generators connected to the distribution system have different requirements from those connected to the transmission system. For example, the generators connected to the distribution system generally operate with fixed power control rather than voltage control. Furthermore, CAISO should allow generation projects to modify the technical requirements if providing the technical capability at the POI is not technically feasible or cost effective.

**23. Revisit tariff requirement for off-peak deliverability assessment.**

CalWEA supports the Proposal.

**24. Operational partial and interim deliverability assessment**

CalWEA appreciates the CAISO's willingness to address this issue and incorporate its earlier recommendations, and we support the Proposal. However, we ask that the CAISO clarify that use of existing deliverability by Full Capacity interconnection customers be given priority over assignment of such capability to those seeking deliverability through the separate annual CAISO assessment. FC customers, who have made substantial contractual and financial commitments to fund Delivery Network Upgrades, should have superior rights to use availability deliverability over those that have not made such commitments.

**25. Post Phase II re-evaluation of the plan of service**

CalWEA supports SCE's proposal for more formal provisions in this area, and their inclusion in the current GIP-2 effort, except that:

- ICs (in addition to PTOs) should be entitled to request re-evaluation of GIP-driven upgrades at any time;
- Removal of decision to remove upgrades from the GIA should be subject to approval of the IC also, not just the CAISO and the PTO, since the GIA is a three-way agreement; and
- Any associated IFS should be released when upgrades are canceled.



**New Topics since straw proposal****26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.**

This appears to be a reference to LS Power’s statement that Article 11.4 of CAISO’s pro forma GIA, which allows ICs to make a one-time election to request CRRs in lieu of transmission-cost reimbursement, is not in compliance with the latest version of Standard FERC LGIA (Order 2003-C). LS Power believes that CAISO’s current Article 11.4 language may be based on an old version of FERC’s Standard LGIA (Order 2003-B) and recommends that the CAISO conform this language to the latest version of Standard FERC LGIA – specifically, to delete the “Transmission Credits” section and add the word “cash” before repayment in second line of Article 11.4.1 – in order to comply with IRS Rev. Proc. 2005-35.

CalWEA have not had time to assess this proposal and recommend that it be further discussed in the upcoming working group meeting.

**27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.**

CalWEA has no objection to correcting this reference.

**Other Comments:****1. If you have other comments, please provide them here.**

**Examination of study data, assumptions, and methodology (Work Group 5):** CalWEA continues to object to the omission of issues related to interconnection study data, assumptions, and methodology in the Straw Proposal scope, especially for the Deliverability Assessment. The CAISO has repeatedly promised that it would include this issue in the GIP-2 scope, to give stakeholders a chance to better understand (“look under the hood”) and, where appropriate, suggest changes to the study process. For example, we would like to explore the following concepts with the CAISO:

- Study assumptions, including the determination of generation output profiles (which can be different for the projects using the same technology in different study clusters);
- Cost allocation, including allocation:
  - Within a cluster, e.g., allocating to each project only the portion of an upgrade that it will actually use, instead of the entire upgrade cost pro rata; and
  - Between clusters, e.g., if the present pro rata allocation is retained, allocating some upgrade costs from one cluster that triggers an upgrade to later clusters in the same area that would also benefit from it. the current process functions similarly to the old serial-study process, where one project would trigger an upgrade that exceeds its direct needs and later projects in the same area would get a “free ride,” except now the inequity is between higher-queued and lower-queued study clusters in the same area.

These issues are critical to the integrity and accuracy of the entire interconnection-study framework. We request that, if they are not addressed in GIP-2 effort, the CAISO keep its commitment by establishing a separate effort to examine these significant issues and/or include them in the upcoming separate Work Group 1 effort.