



Memorandum

To: ISO Board of Governors

From: Keith Casey, Vice President, Market & Infrastructure Development

Date: December 6, 2017

Re: **Decision on 2017 expedited Generator Interconnection and Deliverability Allocation Procedure enhancements**

This memorandum requires Board action.

EXECUTIVE SUMMARY

Management seeks Board approval of two generation interconnection policy changes. The first change is to extend the time an interconnection customer may “park” for purposes of receiving transmission deliverability and is being proposed to align our interconnection process with the current slowdown in renewable energy procurement. The second change is to shorten the time frame interconnection customers have to submit, correct, and re-submit new interconnection requests within the ISO’s validation timeframe. This change will provide additional time to validate and correct interconnection request submittals which should further streamline the efficiency of the overall interconnection study process.

Management proposes the following motion:

Moved, that the ISO Board of Governors approves the proposal to modify the Generator Interconnection and Deliverability Allocation Procedures as described in this memorandum dated December 6, 2017; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the enhancements to the Generator Interconnection and Deliverability Allocation Procedures described in this memorandum, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Federal Energy Regulatory Commission guidance in any initial ruling on the proposed tariff amendment.

DISCUSSION AND ANALYSIS

Deliverability Parking

Interconnection customers generally must receive a transmission planning deliverability (TP deliverability) allocation as part of the ISO's study process in order to be eligible to provide resource adequacy capacity. Their ability to receive an allocation depends on, *inter alia*, the availability of TP deliverability to allocate and whether they qualify for an allocation by obtaining a power purchase agreement or being shortlisted for a power purchase agreement. If they do not qualify, they may "park" their project for one year and be re-reviewed in the next year's allocation process. If they do not receive an allocation after parking, they must convert to energy only (and be ineligible to provide resource adequacy) or withdraw from the queue.

Many load serving entities now require, within their request for offer procurement process, that an interconnection customer has completed the Phase II interconnection study process and received a Phase II study report. Since the TP deliverability allocation occurs approximately four months after the Phase II reports are provided to the interconnection customer, there is a relatively short window for projects to be considered in request for offers and get shortlisted so that they can qualify for a TP deliverability allocation. Even with the current ability to park for a year, the interconnection customer has less than a year and a half to obtain a power purchase agreement or be shortlisted before they are no longer eligible for an allocation of TP deliverability. Most projects withdraw from the queue at this point rather than proceed as energy only. This was the original intent, which worked well until the current slowdown in renewable procurement led to a dramatic increase in projects being unable to obtain a power purchase agreement or be shortlisted to receive a TP deliverability allocation.

As an initial remedy, the ISO proposes to extend the parking period for one additional year. As a longer-term remedy, the ISO commits to examine the TP deliverability qualification criteria comprehensively in the 2018 interconnection process enhancements initiative. This bifurcated approach will allow the ISO to provide immediate relief to the many projects currently parked, and it will allow the ISO and stakeholders to further vet issues in the interconnection process enhancements 2018 initiative.

The ISO proposes that interconnection customers be allowed to park for a second year where (1) there is TP deliverability capacity available in their area; and (2) where the interconnection customer has not been assigned a network upgrade needed by another interconnection customer. The ISO also proposes that parking a project excludes that project from the opportunity to negotiate a generator interconnection agreement. A project will have to come out of parking to be tendered an interconnection agreement.

Validating Interconnection Requests

In recent years, interconnection requests have become increasingly varied and complex, and interconnection customers have sought to make more changes before Phase I studies begin. The ISO and participating transmission owners seek to accommodate these complexities, but doing so has become challenging within the tariff-mandated validation window for interconnection customers to make corrections to their interconnection requests so the ISO can deem them valid. These challenges are exacerbated by the fact that nearly all interconnection requests are received during the final few days of the interconnection request window, meaning that the full-month interconnection request window is underutilized, and ISO and PTO staff must process everything at once at the end.

To remedy this issue before the next cluster application window, the ISO proposes simply to shorten the actual interconnection request window, and lengthen the time for correction and validation. Specifically, instead of having the entire month of April to submit an interconnection request, the ISO proposes to open the interconnection request window on April 1 and then close the window on April 15 (or the next business day if the 15th is not a business day). In turn, the ISO, PTOs, and interconnection customers will have an additional 15 days for validation and correction. The ISO believes that these minor changes will help all parties and prevent potential delays to the Phase I study process.

POSITIONS OF THE PARTIES

Deliverability Parking

All but two stakeholders support the proposal to allow extending the parking opportunity for a second year. Southern California Edison does not support the proposal and Terra Gen's support is conditional.

Southern California Edison does not believe there is a valid or urgent concern regarding the duration an interconnection customer is able to park that would require resolution of any parking-related issue on an expedited basis. Southern California Edison is concerned that non-viable projects remaining in the interconnection queue increases uncertainty with respect to network upgrades and costs responsibility. The extended parking proposal would allow non-viable projects to linger in (rather than withdraw from) the interconnection queue for one additional year, compounding the uncertainty in the cluster study process.

The ISO shares the concern that having non-viable projects remaining in the interconnection queue has the potential to create uncertainty. However, the ISO believes that with the addition of the criteria related to requiring TP deliverability capacity to be available and the limitations related to shared network upgrades significantly mitigates the concern with projects remaining in the queue. Moreover, the

eligibility to remain in the queue to seek TP deliverability is only extended for one year, and if renewable procurement does occur within that timeframe, the projects that are allowed to park for an additional year would be considered viable.

Terra Gen supports the proposal, subject to providing, under limited circumstances, a project the opportunity to enter into an interconnection agreement while electing to park the project. Terra Gen notes that wind developers face the phase out of the production tax credit commencing in 2020. Given the minimum timeline for construction of the PTO's interconnection facilities is typically no less than 24 months, Terra Gen states that wind projects cannot afford to delay the interconnection agreement execution and expect to meet the production tax credit phase out date. Terra Gen believes that the ISO should distinguish between projects with network upgrades required by future interconnection requests and those network upgrades that will be eliminated upon withdrawal of the projects.

The ISO believes that an extended parking provision should not increase the risk to other projects or the PTOs, hence the prohibition on tendering an interconnection agreement to a parked project. Without this prohibition, the risk to a PTO of having to backstop the cost of constructing a network upgrade increases significantly, as all PTOs noted in their comments. While Terra Gen states that the process should distinguish between projects with network upgrades required by future interconnection requests and those network upgrades that will be eliminated upon withdrawal of the projects, this does not always work in practice. New or expanded substations are often seen as opportunities for later clusters and are not always eliminated upon withdrawal of the first project that triggered the network upgrade. Moreover, the suggestion of including this distinction to allow for tendering an interconnection agreement was submitted after the draft final proposal, and as such was not vetted with stakeholders. Doing so would likely face warranted opposition from the PTOs, and would certainly delay the policy process and risk not obtaining a FERC order prior to the 2018 TP deliverability allocation opportunity next March.

Parties that are interested in procuring wind generation prior to the production tax credit expiration still have time to move forward with procurement and shortlist projects, which will make those projects eligible to obtain TP deliverability within the remaining window for the production tax credit. Projects can also accelerate the construction of network upgrades by entering into an engineering & procurement agreement with the PTO prior to being tendered an interconnection agreement, which mitigates the risk to the PTO if a project ultimately withdraws.

Validating Interconnection Requests

All stakeholders support the proposal to shorten the actual interconnection request window, and lengthen the time for correction and validation.

CONCLUSION

Management recommends that the Board approve the proposal described in this memorandum so that these improvements to the Generator Interconnection and Deliverability Allocation Procedures may be implemented by March 2018. This proposal is broadly supported by stakeholders and was refined where possible to address stakeholder comments and concerns. Management believes that its proposal will provide interconnection customers with the improved opportunity for receiving TP deliverability and will improve the effectiveness of the interconnection request window.