2017 Expedited GIDAP Enhancements

Draft Final Proposal

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2017 Expedited GIDAP Enhancements

1. Introduction

The ISO plans to launch its next iteration of the Interconnection Process Enhancements ("IPE") initiative in 2018. The ISO anticipates that the 2018 IPE initiative will cover a broad array of interconnection-related topics proposed by the ISO and its stakeholders. However, the ISO believes that two issues merit immediate attention and expedited resolution in order to provide parties relief while possible. These issues are (1) how long an interconnection customer may "park" for purposes of receiving a Transmission Plan Deliverability ("TP Deliverability") allocation; and (2) how long interconnection customers have to submit, correct, and re-submit new interconnection requests within the ISO's validation timeframe.

Deliverability Parking

Interconnection customers generally must receive a TP Deliverability allocation as part of the ISO's study process in order to be eligible to provide Resource Adequacy ("RA") 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 ("PPA") or being shortlisted for a PPA. 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 RA) or withdraw from the queue.

Many Load-serving entities ("LSEs") now require a completed Phase II study report to be in a Request for Offer ("RFO") process, and as a result, there is a short window for projects to be considered in RFOs and get shortlisted so that they can receive a TP Deliverability allocation, which occurs four months after the Phase II study reports are delivered. Only having this short window and the single year to park and continue participating in RFOs means that many projects have only two years 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 of the shortlist requirement and one-year parking option, which worked well until the current slowdown in procurement led to a dramatic increase in projects being unable 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 a 2018 IPE 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 IPE 2018 initiative.

As explained below, 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 later-queued interconnection customers.

Validating Interconnection Requests

Second, in recent years interconnection requests have become increasingly varied and complex, and interconnection customers have increasingly sought to make more changes before the Phase I studies begin. The ISO and Participating Transmission Owners ("PTOs") seek to accommodate these complexities, but doing so has become challenging within the tariff-mandated validation window for new interconnection customers to make corrections to complete valid interconnection requests. 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 initial 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.

2. Stakeholder process

Timely resolution of this stakeholder process is important to have any potential tariff changes in place for the 2018 deliverability allocation process and the 2018 Cluster 11 application window. Therefore, the ISO has set out the following accelerated stakeholder process schedule and appreciates stakeholder participation in this effort.

Stakeholder process schedule		
Step	**Date**	**Activity**
Draft Issue Paper/Straw Proposal	July 25, 2017	Post Issue Paper/Straw Proposal
	August 4, 2017	Stakeholder web conference
	August 11, 2017	Stakeholder comments due
Revised Straw Proposal	August 30, 2017	Post Revised Straw Proposal
	September 6, 2017	Stakeholder web conference
	September 13, 2017	Stakeholder comments due
Draft Final Proposal	October 10, 2017	Post Draft Final Proposal
	October 16, 2017	Stakeholder web conference
	October 23, 2017	Stakeholder comments due
Board approval	Dec 13 or 14, 2017	ISO Board of Governors meeting

3. Extended Parking

3.1. Background

An interconnection request consists of dozens of components: the point of interconnection, sufficient transmission capacity to deliver power reliably, construction of necessary network upgrades by the PTO, etc. Among these components, interconnection customers request a deliverability designation: Full Capacity Deliverability Status ("FCDS"), Partial Capacity Deliverability Status[1] ("PCDS"), or Energy Only. Being designated FCDS represents that the generator can deliver its maximum capacity to the grid under peak load and contingency conditions.[2] An Energy

[1] Partial Capacity Deliverability Status entitles a generating facility to a Net Qualifying Capacity amount that cannot be larger than a specified fraction of its Qualifying Capacity, and may be less pursuant to the assessment of its Net Qualifying Capacity by the ISO. An Interconnection Customer requesting Partial Capacity Deliverability Status must specify the fraction of Full Capacity Deliverability Status it is seeking in its Interconnection Request.

[2] *California Independent System Operator Corp.*, 124 FERC ¶ 61,292 at PP 94-112 ("For generators selecting full capacity deliverability, the maximum output of each facility can be delivered under peak conditions. Deliverability assessment(s) will be performed to determine the need for delivery network upgrades. The costs for delivery network upgrades will be assigned based on the flow impact of each generating facility on the ISO controlled grid. In addition, an analysis for reliability impacts will be done to determine the need for reliability network upgrades"). Deliverability designations are slightly different for wind resources because their

Only designation represents that the generator's output can be delivered only subject to grid conditions.[3]

These designations play a key role in providing Resource Adequacy Capacity under the California Public Utilities Commission RA program. An FCDS designation entitles a generating facility to a Net Qualifying Capacity ("NQC") amount that qualifies the generator's output to count toward an LSE monthly RA requirement.

An Energy Only designation, on the other hand, means that the interconnection customer will not be responsible for the costs of Delivery Network Upgrades, but "will be deemed to have a NQC of zero, and, therefore, cannot be considered to be a Resource Adequacy Resource."[4]

Importantly, an FCDS designation does not entitle a generator to "firm capacity." All generators are subject to congestion management, the ISO's security-constrained economic dispatch, and potential curtailment conditions.

Receiving Capacity Designations

An interconnection customer's ability to receive an FCDS designation depends on the ISO's TP Deliverability studies. TP Deliverability is "the capability, measured in MW, of the ISO Controlled Grid as modified by transmission upgrades and additions modeled or identified in the annual Transmission Plan to support the interconnection with Full Capacity Deliverability Status or Partial Capacity Deliverability Status of additional Generating Facilities in a specified geographic or electrical area of the ISO Controlled Grid."[5]

The ISO transmission planning process identifies large-scale network upgrades based on the location and amount of new resources that will ultimately be developed in discrete geographic areas. These network upgrades will add a certain amount of transmission capacity to the grid, which will then be available to meet the major network

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"maximum capacity" is not necessarily commensurate with their nameplate capacity (minus auxiliary load), like it is for most generators.

[3] *Id*. at P 95.

[4] Appendix A to the ISO tariff. A Resource Adequacy Resource is "A resource that is designated in a Supply Plan to provide Resource Adequacy Capacity. The criteria for determining the types of resources that are eligible to provide Qualifying Capacity may be established by the CPUC or other applicable Local Regulatory Authority and provided to the ISO."

[5] Appendix A to the ISO tariff.

upgrade requirements of proposed new generating facilities in those geographic areas.[6] The ISO then determines the volume of new generation in each area whose deliverability can be met by the additional grid capacity that the network upgrades will provide. The ISO then allocates the resulting MW volumes of TP Deliverability to those proposed generating facilities in each area that are determined to be most viable based on a set of specified project development milestones.[7]

Under current tariff provisions, an interconnection customer requesting TP Deliverability must meet certain minimum milestones:

- Must have applied for the necessary government permits for construction; and either
- Has secured financing or represents to the ISO that either it has a regulator-approved power purchase agreement; or
- Is included on an active short list or other commercially recognized method of preferential ranking of power providers by a prospective purchasing LSE.[8]

If there is sufficient TP Deliverability, the ISO will allocate it to the interconnection customers in the current queue cluster that meet the minimum criteria. If there are more qualifying interconnection customers than TP Deliverability available, the ISO will allocate the TP Deliverability by ranking interconnection customers based upon which TP Deliverability milestones they have met. Interconnection customers that receive TP Deliverability must submit an annual affidavit stating that they continue to meet TP Deliverability milestones.[9] Interconnection customers that do not receive an allocation of TP Deliverability and do not chose to finance their Delivery Network Upgrades on a merchant basis have the option to "park" the project, convert their projects to Energy Only, or withdraw their interconnection requests.

Parking

"Option (A)" customers have the opportunity to "park" their interconnection requests, regardless of the allocation result for their project, for one year to participate in a second TP Deliverability allocation.[10] Interconnection customers who park are then included in the next year's TP Deliverability allocation process on the same footing as those

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[6] *See California Independent System Operator Corp.*, Tariff Amendment to Integrate Transmission Planning and Generator Interconnection Procedures, Docket No. ER12-1855-000 (May 25, 2012) at p. 4.

[7] *Id*.

[8] Section 8.9.2 of Appendix DD.

[9] Section 8.9.3 of Appendix DD.

[10] Section 8.9.4 of Appendix DD.

participating for the first time, based on their project's eligibility and criteria scoring at the time.[11] The ISO developed the parking option in 2012 in response to many stakeholders who were concerned that the length of the allocation window following the completion of the Phase II study may not be sufficient for some viable projects to achieve the project development milestones needed to obtain a TP Deliverability allocation.[12] The ISO believed that allowing Option (A) projects to park for one additional year was a reasonable accommodation because these projects have declared that they would not be viable absent a TP Deliverability allocation and would otherwise be required to withdraw from the queue or, at a minimum, downgrade their project to Energy Only status.

The ISO also considered some stakeholder requests to park for more than one cycle, but determined that a longer parking period could render the Phase II study results for the parked projects obsolete.[13] Moreover, refreshing the study results every year would maintain a potentially large volume of projects in the study process and would exacerbate the problems caused by excessive queue size. The ISO thus concluded that the ability to park for one allocation cycle struck an appropriate balance between allowing potentially viable Option (A) projects a second chance in the process for allocating TP Deliverability and preventing less viable projects from lingering in the queue and complicating the study process.

3.2. Historical Use of Parking and Current Issues

(Note that data in this section has been revised)

The annual deliverability allocation and post-allocation parking process began with cluster 5. Cluster 8 is the latest cluster able to participate with the parking option. Figure 1, which has been revised, is a graphical representation of the elections that cluster 5-8 projects have made following the allocation process, as a percentage of projects that participated in Phase II studies. The revision resulted from a miscalculation of the number of Cluster 8 projects that had parked. A total of 30 Cluster 8 projects parked (instead of the 21 that was shown previously). With this revision the trend of the number of projects that choose to park is greater than what was previously shown, further illustrating the trend of projects that believe they are viable but for not receiving an allocation of TP Deliverability.

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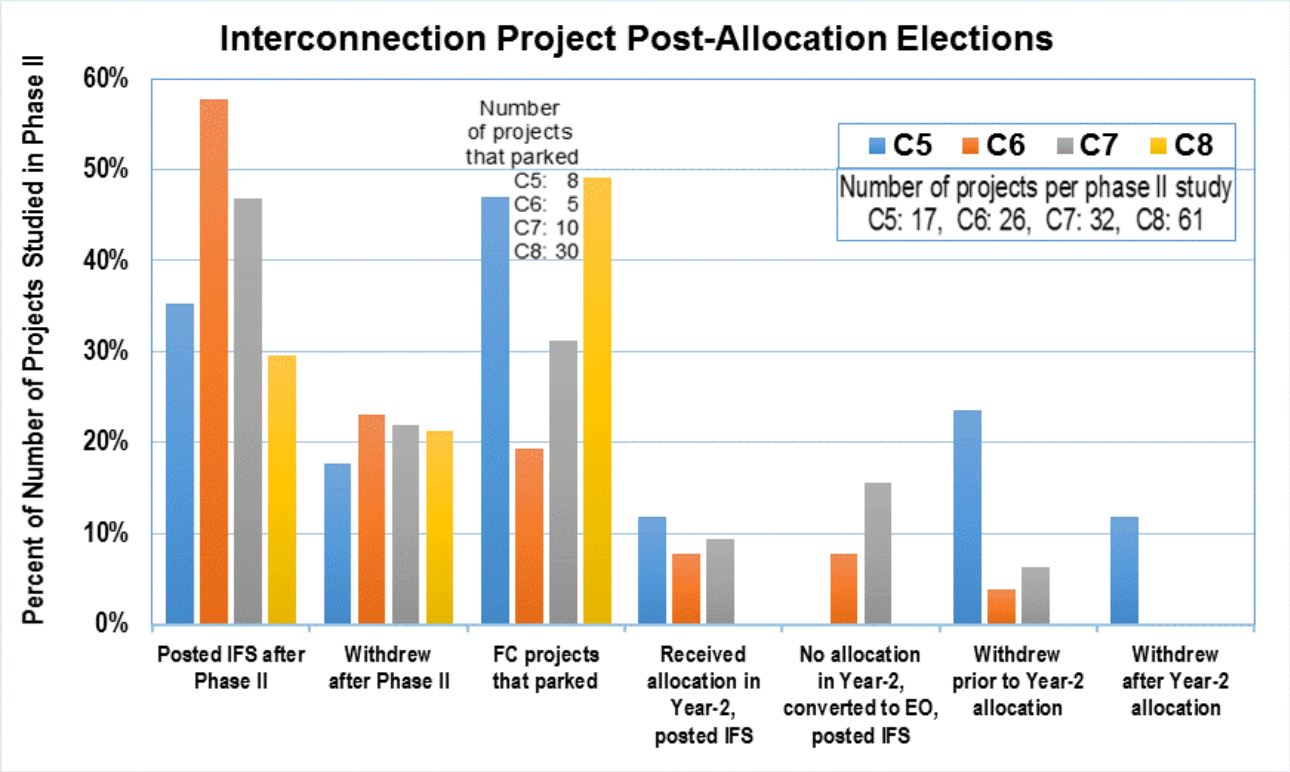
[11] Section 6.2.9.4 of GIDAP BPM.

[12] *See California Independent System Operator Corp.*, Tariff Amendment to Integrate Transmission Planning and Generator Interconnection Procedures, Docket No. ER12-1855-000 (May 25, 2012) at p. 35.

[13] *Id*.

Figure 1



The California investor-owned utilities' ("IOUs") recent appraisals of their procurement plans indicate that essentially all of the renewable capacity needed to meet California's 33% Renewables Portfolio Standard ("RPS") 2020 mandate has been procured. Most if not all of the incremental capacity needed is in the ISO queue, has completed the study process, and is expected to reach commercial operation by 2020. California Senate Bill 350 (de León, Chapter 547, 2015) increases the RPS to 50% by 2030, with incremental targets between 2020 and 2030. SB 350 also requires the California Public Utilities Commission to focus energy procurement decisions on reducing greenhouse gas ("GHG") emissions by 40 percent by 2030, doubling of energy efficiency, and promoting transportation electrification; and SB 350 requirements related to integrated resource planning[14] require the implementation of an integrated resource planning process that will ensure that LSEs meet targets that allow the electricity sector to contribute to California's GHG reduction goals. It remains to be determined whether additional transmission capacity should be built to make the additional renewable capacity needed to make 50% deliverable, which impacts whether incremental renewable capacity should be procured as FCDS or Energy Only. As such, California LSEs' incremental procurement has stalled while they await a clear regulatory signal on these issues.

[14] Calif. Public Utilities Code §§ 454.51 and 454.52.

There is no doubt that additional renewable capacity will be procured in the not too distant future and this is driving the desire to see the parking provision relaxed.

Small amounts of renewable and energy storage procurement have occurred recently. These RFOs generally have required projects to have received their Phase II studies. In an effort to be in the best position to respond to any near-term procurement processes (including for when SB 350 related procurement does materialize), developers continue to submit projects for study in the ISO's ongoing Generator Interconnection and Deliverability Allocation Procedures ("GIDAP") study processes. The GIDAP was designed to allocate TP Deliverability to projects that were at a minimum included on a procurement process short list or willing and able to move forward with self-financing. Short of these, a project would not qualify for a TP Deliverability allocation and could park. However, with the current uncertainty affecting current procurement, developers have raised two issues: (1) a one-year parking process is too short; and (2) the minimum eligible criteria to receive a TP Deliverability allocation are too high (perhaps because projects can only park for one year).

3.3. Issues Related to an Extending Parking Process

An extended parking period will result in more projects in the ISO interconnection queue that complete the Phase II studies and are eligible for a TP Deliverability allocation. This will be advantageous to the LSE procurement process by presenting more projects ready to provide offers when the procurement process ramps up as anticipated. More projects participating in a procurement request for offers process increases competition, which is good for the procurement process.

There are nevertheless concerns related to an extended parking period. One of the benefits of a one-year parking period is that projects that are not moving forward are more likely to withdraw. This limits uncertainty in the cluster study process by limiting the number of upgrades that are assigned to projects that are not moving forward, which increases the certainty of the study results and mitigates the risk of changes coming from the reassessment process.

Projects that are parked typically do not execute generator interconnection agreements, which can have a significant financial effect on later-queued interconnection customers. Section 14.2.2 of the GIDAP requires that if an interconnection customer with an executed GIA is responsible for financing a network upgrade to be built by a PTO (other than ADNUs for option (B) interconnection customers), then if that interconnection

customer later terminates its GIA and withdraws, the financing obligation[15] reverts to the PTO. This prevents financing responsibility from falling to later-queued customers that also require the upgrade. If none of the earlier-queued interconnection customers assigned to finance a particular upgrade execute a GIA, their financing responsibility would fall to later-queued interconnection customers (rather than reverting to the PTO).

For example, if a cluster 9 project triggered an upgrade and was assigned cost responsibility for the upgrade in its Phase II study report, and a project in cluster 10 requires that upgrade as well, once the cluster 9 project executes its GIA, there is no risk of cluster 10 "inheriting" any cost responsibility for that upgrade. If the project terminates its GIA and withdraws, the PTO inherits the cost responsibility.

However, if the cluster 9 project withdraws *without* ever executing a GIA and the cluster 10 project's Phase II study report lists that upgrade as a required upgrade, then the cluster 10 project inherits the cost responsibility for that upgrade (instead of the PTO). The concern is thus that projects parking for a longer interval will increase the number of interconnection customer in queue that have not executed GIAs, which increases the risk for clusters that require the upgrades originally triggered by an earlier cluster.

3.4. Extended Parking Revised Straw Proposal

Due to the procurement issues discussed above, as an initial remedy the ISO proposed to extend the parking period for one additional year. The ISO also committed to examining the TP Deliverability qualification criteria comprehensively in its 2018 IPE 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 raise other issues with a longer timeframe in IPE 2018. IPE 2018 will examine a variety of generation interconnection issues raised by stakeholders and the ISO, not TP Deliverability alone.

The ISO also proposed two new criteria on any project requesting to park for a second year:

Criterion 1:

A project will only be allowed to park for a second year when there is TP Deliverability still available in the project's area. This criterion is sensible because there is no need to remain parked if all TP Deliverability is allocated. The ISO recognizes that there is the possibility of projects in the current allocation cycle not being able to retain their

[15] The financing obligation is the obligation to fund the cost of construction of network upgrades. For a complete explanation of the refund of costs for completed network upgrades, refer to GIDAP Tariff Appendix DD, Section 14.3.2 Repayment of Amounts Advanced for Network Upgrades and Refund of Interconnection Financial Security.

allocation or withdrawing, which would release TP Deliverability to become available in next cycle. However, this result has occurred so infrequently in the past that the ISO does not believe that it is prudent to allow projects to remain parked on the hope that it could happen.

Criterion 2:

If a project has a network upgrade assigned to it,[16] which is needed by a later clustered project(s), parking for a second year will not be allowed. The ISO does not believe that it is prudent for the second-year parking option to prolong the uncertainty associated with the very real risk that either later clustered projects or the PTO become required to finance an upgrade as a result of the parked project's delay.

The ISO also proposed that parking a project excludes that project from the opportunity to negotiate a GIA. A project will have to come out of parking to be tendered a GIA.

3.5. Stakeholder Comments to Revised Straw Proposal

First Solar, Westlands Solar Park (WSP), SunPower Corporation, Terra Gen, the Large Scale Solar Association (LSA), the Modesto Irrigation District (MID), the Office of Ratepayer Advocates (ORA), Southern California Edison (SCE), and Pacific Gas & Electric (PGE) submitted comments on the revised straw proposal.

LSA, First Solar, WSP, and SunPower all support the extended parking concept but believe that criteria 1 and 2 should be removed or significantly modified (as described below).

3.5.1 Comments Beyond the Scope of this Initiative

Several stakeholders express concern that the existing TP Deliverability criteria, which allows balance-sheet financing in lieu of a PPA, allows non-viable projects to remain in the queue, which reduces the apparent deliverability available. The ISO understands this concern and believes that it should be included in the IPE 2018 process.

First Solar believes that the RA Deliverability condition fails to capture unresolved questions about the amount of available deliverability. They believe further that there is a lack of transparency in sharing information required to make business decisions.

LSA also raises the issue that the Electric Load Carrying Capacity (ELCC) methodology reduces solar deliverability. LSA submitted suggestions for the IPE 2018 process on whether these reduced values under the ELCC could result in freeing up already utilized or allocated deliverability so that more is available for future allocations, providing

[16] Excepting Area Deliverability Network Upgrades.

opportunity for projects to receive deliverability with already approved network upgrades. This is a valid topic for IPE 2018 as well.

SunPower agrees with LSA and notes that there is a large disconnect in most CAISO transmission planning areas between the amount of Full Capacity projects planned for in the TPP and the demand for Full Capacity by projects today or as projected under a 50%+ RPS. SunPower believes there is a gap in the transmission planning process and there is not enough time to market a project following the Phase II Study results. Thus, SunPower suggests projects should be allowed to stay in the queue and simultaneously be required to continue to demonstrate viability (PPAs, permits, etc.) and obtain Full Capacity Deliverability (a TPD allocation) when such capacity becomes available.

The ISO transmission planning process is the mechanism for determining the need for new Area Deliverability Network Upgrades (ADNUs) that would increase the level of deliverability on CAISO controlled grid. This process is largely driven by the California Public Utility Commission's (CPUC) renewable portfolios that designate the amount and location for renewable development that should be made deliverable through policy driven transmission upgrades. The renewable portfolios are developed and approved by the CPUC and determine the levels of deliverability on the ISO controlled grid. The decision by the CPUC to make the 50 percent renewable requirement deliverable has not yet been made.

3.5.2 Comments Opposing Proposal

ORA does not support the extended parking proposal. ORA believes the interconnection customers have other options that would result in lower costs to ratepayers, the current queue capacity exceeds the demand for current RPS targets, and the IPE 2018 process can provide a more comprehensive review of the issue. Further, ORA suggests the ISO establish two additional requirements to protect ratepayers: 1) require that parked projects are prohibited from entering into a GIA, and 2) require customers to post additional security towards their RNUs if they are shared with other generators in the same cluster. As part of this initiative, the ISO is proposing that developers would be prohibited from being tendered a GIA while parked. On the other hand, this expedited initiative is intended to provide a straightforward opportunity for projects to remain parked if they meet the additional criteria the ISO believes are prudent. The ISO thus believes that imposing additional security postings here is both beyond the scope of this initiative and may not mitigate the issues where ORA believes

there is a concern. In any case, if ORA believes that the ISO should investigate RNU postings in IPE 2018, ORA should submit that proposal for ISO consideration.[17]

SCE does not support the extended parking proposal. SCE does not believe there is a valid, urgent concern regarding the duration an interconnection customer is able to park. SCE reiterates its previous concerns regarding non-viable projects remaining in the interconnection queue while increasing uncertainty with respect to network upgrades and costs responsibility. SCE believes that Criterion 2 and the proposed requirement that a project will have to come out of parking to be tendered a GIA will mitigate some of the PTO upfront financing risk, extending parking another year still increases upfront funding risk for PTOs relative to the current parking rules.

3.5.3 Comments on Criteria

WSP suggests that a case-by-case analysis may show limited or no impact to later queued projects relying on the same network upgrades, such as the timing of commercial operation dates that could allow for a delay of the network upgrades if others have longer timelines. In an effort to make more informed business decisions, WSP requests clearer direction or revised affidavits in advance of the deadline. The ISO understand this concern and has completed a review of the Cluster 8 projects in Section 3.5.4 below. Based on this review and as explained below, the ISO believes any further evaluation would become cumbersome and subjective. Moreover, the issue related to timing impacts does not address the risk for a PTO or later queued cluster project having to assume the cost of a network upgrade if a parked project withdraws after a second year of parking, two years after the 2nd IFS posting due date for non-parked projects.

MID raises concern that while affected systems and projects can work to reduce the risks to all parties contractually, the extended parking proposal does not simplify the interconnection process, but instead may create more challenges for developers seeking certainty in order to obtain financing, and for affected systems seeking to ensure that their ratepayers are made whole for required mitigation activities. MID requests the ISO incorporate a coordination with affected systems clause into the Criterion 2 scope. Included in MID's comments are a number of suggestions on how to handle project upgrades from those parked for a second year. The ISO understands that affected systems seek to holistically manage the impacts that projects interconnecting to the ISO system have on theirs. However, each affected system has unique issues and processes that the ISO impacts at different times, making it

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17 http://www.caiso.com/Documents/UpcomingInitiativeInterconnectionProcessEnhancements2018Request-InitiativeScopeTopicSuggestions.html.

challenging to completely mitigate their risk through the ISO tariff. The ISO does not have visibility into affected system issues—many of which are addressed only after the interconnection customer signs a GIA with the ISO. Because affected system issues are resolved between interconnection customers and the impacted affected system, the ISO does not believe it is prudent to factor potential affected system mitigations into the parking process. The ISO further believes that prohibiting parked projects from executing GIAs should mitigate uncertainty and risk for the affected system.

SCE states that although criterion 2 mitigates some of the PTO upfront financing risk, extending parking another year increases upfront funding risk for PTOs relative to the current parking rules. The ISO believes that while this proposal does extend the uncertainty whether a project continues to move forward or withdraws, the risk of a PTO having to fund network upgrades is mitigated by criterion 2, and provides a balanced approach between the interests of project developers and PTOs.

PG&E is concerned that criterion 2 does not address the risk to non-parking projects where network upgrades are shared between two or more interconnection projects within the same cluster, that is, where one of the interconnection projects seeks to park for a second year and the other does not. PG&E also requests that the CAISO clarify the interaction of the parking proposal and Section 13 of Appendix DD of the CAISO Tariff, where Sections 13.1.1 and 13.2.1 make it clear that if a project delays the interconnection of other projects, they can be withdrawn by the CAISO. PG&E suggests precluding such a possibility by excluding interconnection projects with shared network upgrades (in a single given interconnection queue cluster) from being eligible to park for a second year. The ISO does not agree that Section 13 of Appendix DD is in conflict with the proposal to allow a second year of parking. However, the ISO agrees that there is a potential impact to projects that share network upgrades within the same cluster. The ISO has evaluated this risk for Cluster 8, discussed in the following section.

3.5.4 Assessment of Parking Criteria on Currently Parked Projects

The ISO performed an assessment of the 30 Cluster 8 projects currently parked to determine the impacts of the proposed parking criteria on those projects. The assessment is intended to serve as an example of what the results of the proposed parking criteria would be if the criteria were performed based on the conditions that exist as of the date of this Draft Final Proposal. The example results are prior to the 2018 TP Deliverability allocation process, which may impact the results related to Criterion 1 and do not include the yet to be completed Cluster 10 Phase I study results, which may impact the results related to Criterion 2. While the example results provide some insight into the impacts the parking criteria have on the Cluster 8 parked projects, it is important to understand that the actual results that the proposed parking criteria will have on

Cluster 8 parked projects will change if and when the criteria are put into practice based on the conditions that exist at that time.

The result of the assessment concluded that only two of the 30 Cluster 8 parked projects would not qualify for parking a second year under criterion 1 (for lack of deliverability), and only three would not qualify for parking a second year under criterion 2 (reliance on network upgrades). The aggregated result is that of the 30 Cluster 8 parked projects only five projects (17%) would not qualify for parking a second year. With 83% of the Cluster 8 projects being able to park for a second year the ISO believes the criteria, as clarified below, is appropriate and not overly restrictive.

The issue related to impacts that extending parking would have on projects sharing network upgrades within the same cluster group that was raised by PG&E was assessed as well. Only three of the 30 Cluster 8 parked projects share a network upgrade with another project within the project's cluster study group. The ISO agrees that the risk that criterion 2 is intended to mitigate for later queued projects is just as substantial for non-parking projects within a cluster study group. By extending the criterion 2 protection to the non-parking projects with a cluster group, the total number of Cluster 8 parked projects that would not qualify for parking a second year would increase to eight. In light of the similar risk to projects within a cluster to those across clusters, and the relatively low number of projects this issue relates to, the ISO proposes to include this issue within criterion 2.

To illustrate the proposed concept, assume there were three projects within the same cluster that share a network upgrade (and this upgrade is not identified as needed by later queued projects). If any of the three projects wanted to park for a second year then all three would have to park for the parking option to be allowed. If only one of the three wanting to park or if two of the three wanting to park then none of the three would qualify for a second year of parking. Only in the case where all three opt to remain parked would any of them be allowed to remain parked.

3.5.5 Comments Specific to Tendering an Interconnection Agreement

SCE commented that along with Criterion 2, the proposed requirement that a project will have to come out of parking to be tendered a GIA (or suspend negotiations if a GIA has already been tendered) mitigates some of the PTO's upfront financing risk.

ORA commented that to ensure that parked projects do not have financial impacts on later-queued interconnection customers or PTOs and their ratepayers, the ISO should prohibit projects from negotiating or entering into generator interconnection agreements while parked.

Terra Gen supports the ISO's proposal but is concerned with the prohibition on tendering GIAs to parked customers. Terra Gen believes there may be timing issues

with the ability to execute a GIA and proceed to construction before the imminent phase out of the Production Tax Credit (PTC) commencing in 2020. The ISO understands the importance of the PTC and Investment Tax Credits (ITC) to the renewable development community and the LSEs. Ultimately, it is up to the LSEs to procure additional renewable energy prior to end the PTC/ITC programs.

LSA commented that the ISO may be trying to use this current initiative to implement the Interconnection Financial Security (IFS) posting requirements proposed in the BPM Change Management process for Proposed Revision Request (PRR) 981. The ISO disagrees. The ISO is not proposing to implement the same proposal as PRR 981, which proposed to allow for tendering a GIA to a parked project once a parked project complete its second IFS posting. However, the ISO does have concerns with tendering a GIA to a project that is not expected to make its second IFS posting for another year and does not believe GIAs should be tendered for projects that have a significant likelihood of changing or withdrawing in the imminent future. Moreover, doing so would present significant cost shifting risks to the PTOs and later queued customers. While the ISO proposes to maintain the restriction in this Draft Final Proposal, the ISO believes the discussion of criteria that would allow for projects that request a GIA while parked is a topic that could be reviewed as part of the IPE 2018 process.

3.5.6 Additional Comments

WSP requested clarification on the options a project has that had previously been provided an allocation based on being shortlisted and ultimately was unable to secure a PPA. The ISO did consider allowing a project that previously receives an allocation and subsequently loses its shortlist or PPA position to participate in additional allocation processes and potentially park. However, as part of the above analysis, the complexities that were encountered related to performance issues within an executed GIA and how the second year's parking criteria would be applied made the issue too complicated to introduce at the draft final proposal stage of this process. This issue could possibly be considered within IPE 2018.

3.6. Draft Final Proposal for Extended Parking

As part of the latest review of stakeholder comments and assessment of parking criteria and currently parked projects, the ISO considered the impacts to all stakeholders related to the two criteria and tendering a GIA to parked projects. The ISO continues to believe that the previous proposal strikes the right balance between developer interests and risk to the PTOs and other projects that would be affected by projects parking for a second year. This proposal will allow for the vast majority of the currently-parked Cluster 8 projects an opportunity to park for a second year, which increases competition within LSE procurement processes as they procure additional resources to meet their RPS goals.

The timely resolution of this stakeholder process is important to have any potential tariff changes in place for the 2018 deliverability allocation process and the 2018 Cluster 11 application window. The ISO believes this is a prudent first step within the limited time available for this expedited initiative.

As discussed above, the ISO has only made slight variations to the revised straw proposal:

Criterion 1 – There is TP Deliverability still available in the project's area as identified in the TP Deliverability study results following a project's first year of parking.

Criterion 2 – A project cannot have a network upgrade assigned that is needed by or impacts a later cluster project(s).

Clarification:

As discussed in section 3.5.4, the ISO proposes to extend the criterion 2 protection to the non-parking projects with a cluster group. A project cannot park if it shares a network upgrade with another project within its cluster study group. However, if all projects that share a network upgrade opt to park then all of those projects may park for a second year.

Tendering an Interconnection Agreement

To mitigate the risk that a PTO that would become responsible for building a network upgrade due to a parked project that executed a GIA subsequently withdraws, parking a project excludes that project from the opportunity to be tendered a GIA. A project will have to come out of parking to be tendered a GIA, including the first year and second year of parking. Moreover, if a project has already been tendered a GIA, all negotiations will be suspended when it enters parking status.

4. Interconnection Request Window & Validation Timelines

4.1. Background and Issue

Each year the ISO accepts new generator cluster interconnection requests from April 1 to April 30 (or the next business day if the 30th is not a business day).[18] Although the

[18] Section 3.3.1 of Appendix DD.

interconnection request window is open for the entire month of April, in 2017 the ISO receives 94% of interconnection requests during the last week of the window.

For an interconnection request to be considered valid under Section 3.5.2 of the GIDAP, the interconnection customer must submit an interconnection study deposit; documents demonstrating site exclusivity or a site exclusivity deposit; and a completed interconnection application in the form of Appendix 1 to the GIDAP. The interconnection application includes proposed one-line diagrams and technical data including PSLF files (dynamic model, epc power flow data file).[19] An interconnection request will not be validated by the ISO until the ISO and the PTO determine that the information is complete and sound.

If an interconnection request does not meet the requirements to be validated, the ISO will notify the interconnection customer and explain the basis for its determination. The interconnection customer must then provide additional information needed for a valid request. Once the requested information is provided by the interconnection customer, the ISO must notify the interconnection customer within five business days whether the interconnection request is now valid. If not, the process repeats itself until the interconnection request can be validated. Generally, this can take numerous cycles. If an interconnection request has not met the validation requirements within 20 business days after the close of the application window or 10 business days after the ISO first provided notice that the interconnection request was not valid, whichever is later, the interconnection request will be deemed invalid and cannot be included in interconnection study cycle.[20]

Recently the ISO has been receiving more technically diverse and increasingly complex interconnection requests. This makes analysis and validation more challenging for the ISO and PTOs, and it makes correcting data more challenging for the interconnection customers themselves. Further exacerbating the challenge, more interconnection customers attempt to make last-minute changes that can be difficult to accommodate within the current validation and scoping meeting timelines. If these challenges continue, they could jeopardize the ISO and PTOs' responsibility to keep the Phase I studies on schedule. Moreover, they threaten ISO and PTOs' goal to work with interconnection customers as much as possible to assure their projects are given every opportunity to be validated and ready for the Phase I studies.

Given these circumstances, it has become apparent to the ISO, the PTOs, and many interconnection customers that additional time is needed for the validation process.

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[19] Section 3.5.1 of Appendix DD.

[20] Section 3.5.2.2 of Appendix DD.

Failure to provide this extra time could result in an increase in the number of projects deemed invalid or delays to the study process.

4.2. Stakeholder Comments to Revised Straw Proposal

First Solar, Westlands Solar Park, SunPower, Terra Gen, Large Scale Solar Association (LSA), Modesto Irrigation District (MID), Office of Ratepayer Advocates (ORA), and Southern California Edison (SCE) filed initial comments to the straw proposal.

In summary, all stakeholders are supportive of the Shortened Window proposal above, have no concerns, or did not comment to the topic.

Additionally, Terra Gen provided similar supporting documentation to different PTOs as part of the Cluster 10 Interconnection Request application process and had various experiences among the different parties. Terra Gen suggests a uniform process across the three major PTOs. The ISO and PTOs are aware of this concern and are in communication regarding coordination and consistency in our processes and customer experiences. Each PTO has unique system topology, procedures, and concerns. The ISO will nevertheless strive to provide a consistent process.

In summary, all stakeholders are supportive of the Shortened Window proposal below.

4.3. Draft Final Proposal for Shortened Interconnection Request Window

The ISO proposes to shorten the interconnection request window and lengthen the time for validation and correction. Instead of the entire month of April, the ISO proposes to open the interconnection request window on April 1 of and then close the window on April 15 (or the next business day if the 15th is not a business day). The following table identifies the proposed, date-certain timeline for the Interconnection Request/Application Window. It also identifies the GIDAP (Appendix DD) Tariff sections affected by the change.

	Current Timeline	Proposed Timeline	GIDAP Tariff Section
IR/Application Window Opens	April 1	April 1	3.3.1
IR/Application Window Closes	April 30	April 15	3.3.1
IR Validation	Within 20 BDs after close of application window	No later than May 31	3.5.2.2
Pro-forma Study Agreement to Interconnection Customer	Within 30 CDs after close of application window	No later than May 31	6.1.1

Scoping Meeting held	Within 60 CDs after close of application window	No later than June 30	6.1.2

*BD = Business Days. CD = Calendar Days. Deadlines falling on non-BDs move to next BD.

5. Next steps

As a next step, the ISO will conduct a second conference call to discuss stakeholder comments submitted and this revised issue paper and straw proposal on September 6th. The ISO then invites stakeholders to submit comments on the ISO's revised draft issue paper/straw proposal. Comments are due October 23rd and should be submitted to InitiativeComments@caiso.com.