Interconnection Process Enhancements

Draft Final Proposal for Topics 1 and 2

September 12, 2013

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for Topics 1 and 2

1 Executive summary

The Interconnection Process Enhancements ("IPE") initiative is the latest in a series of stakeholder processes that the ISO has conducted over the past several years to review and improve its generation interconnection procedures ("GIP") and associated generator interconnection agreements ("GIAs").[1]

The ISO launched the IPE initiative with the issuance of a scoping proposal on April 8. The scoping proposal accomplished two steps: first, it assembled a comprehensive list of potential GIP-related topics for consideration in the IPE initiative; and second, it selected twelve topics from the comprehensive list of topics for proposed inclusion in the scope of this initiative. Based on stakeholder feedback regarding the April 8 scoping proposal, the ISO added three topics to the scope of the IPE initiative and posted an issue paper on June 3 addressing the expanded scope comprising a total of fifteen topics.

While the June 3 issue paper was a conventional issue paper for some of the fifteen topics in scope, it served as a straw proposal paper for others. Specifically, for the seven topics addressing queue management issues (*i.e.*, topics 6-12), the ISO offered straw proposals in the June 3 paper. For the remaining eight topics (*i.e.*, topics 1-5 and 13-15), the ISO was not yet prepared to offer proposals in the June 3 issue paper and instead provided further analysis of the issues and suggested potential ideas and options for stakeholder consideration. Following publication of the June 3 issue paper and receipt of stakeholder comments, the ISO posted a draft final proposal for topics 6-12 on July 2. The ISO will take these proposals to the September meeting of the ISO Board of Governors and will make a subsequent filing of the associated tariff changes. As a result, topics 6-12 have not been addressed in subsequent papers in this initiative.

Based on written stakeholder comments received on the June 3 paper, the ISO posted a straw proposal for topics 1-5 and 13-15 on July 18. In that paper, the ISO offered straw proposals on

[1] Used in its narrow sense, the term "GIP" refers to Appendix Y of the ISO tariff, which governs the interconnection procedures for large generators submitted in the transition cluster up to and including Cluster 4. In the context of IPE, however, the ISO is using "GIP" as an umbrella term to refer more generally to the ISO's interconnection procedures for all generation projects in Cluster 4 and earlier that are connecting to the ISO grid, except where specified otherwise.

three topics (topics 1-3)[2] relating to the sizing and structuring of projects in the interconnection queue. The ISO also offered a straw proposal for topic 15 (inverter/transformer changes and the material modification process) in the July 18 paper; however, implementation of the proposal will be through the business practice manual change process rather than through tariff changes. Where needs for tariff changes have been identified under topic 15, the ISO has incorporated those into the proposals for topics 1 and 2. The July 18 paper also addressed the remaining four topics within the scope of this initiative (*i.e.*, topics 4, 5, 13, and 14)[3] but the ISO was not yet prepared to offer straw proposals for these four topics. Nevertheless, the paper provided additional analysis of these topics based on stakeholder comments received and, for some topics, offered options for stakeholder consideration.

At the time the July 18 straw proposal was published, the ISO had expected to resolve topics 1-3 this autumn and accordingly targeted the December meeting of the ISO Board for presentations of its final proposals on these three topics. However, this expectation has been modified somewhat. The ISO is now planning to present its proposals on topics 1 and 2 at the November 7-8 rather than the December meeting of the Board. For topic 3, the ISO has decided to take more time to develop a draft final proposal. Thus, the ISO is targeting an early 2014 Board meeting for presentation of its final proposals on topics 3, 4, 5, 13, and 14. In order to achieve the targeted November Board date, the present paper addresses only topics 1 and 2. The ISO will continue working with stakeholders to address the remaining topics and will issue a paper on these topics in the near future.

This paper offers draft final proposals for topics 1 and 2. Both of these topics have been of significant interest to generation developers in recent years. The reasons for this interest are clear. The state's renewable policy goals have resulted in significant development of new renewable solar and wind projects. The design of these projects is often scalable, and interconnection customers have indicated that they may find themselves in a situation where the project sizes listed their original interconnection requests may be too large, thereby impeding their ability to comply with the requirements of their GIAs. When the one-time generator project downsizing proposal was brought before the ISO Board in September 2012, stakeholders expressed both a need for future downsizing opportunities and concern regarding the risk of being in breach of their GIAs for failure to build their projects in their entirety. Stakeholders expressed concern that the ISO would seek to terminate the GIAs, resulting in disconnection of the completed portions of their projects. At that Board meeting, ISO management committed to address these two topics in the next interconnection process enhancement initiative.

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[2] These three topics are: (1) future downsizing policy; (2) disconnection of the completed phase(s) of a project due to failure to complete a subsequent phase; and (3) clarification of tariff and GIA provisions related to dividing up GIAs into multiple phases.

[3] These four topics are: (4) improvement of the Independent Study Process; (5) improvement of the Fast Track Process; (13) clarification of the timing of transmission cost reimbursement; and (14) distribution of forfeited funds.

For topic 1 (future downsizing policy), the ISO proposes an annual downsizing opportunity with no specified end point at which these opportunities would no longer be offered. Going forward, the ISO intends for this annual downsizing opportunity to be the primary means for a customer to reduce the MW size of its project. This annual downsizing opportunity will be open to all active projects – *i.e.*, not be limited to pre-Cluster 5 and thus open also to projects that apply under the ISO's generator interconnection and deliverability allocation procedures ("GIDAP")— and will not impose limits on either the number of annual downsizing requests or the MW amount of downsizing permitted. Downsizing customers will be obligated to (i) finance the costs of downsizing studies and amending their GIAs and (ii) finance the costs of upgrades that their projects at their full size trigger if projects in the same or a later queue are shown to need such upgrades. The design of the proposed annual downsizing opportunity follows closely the design of the one-time downsizing opportunity approved by FERC in 2012 for implementation this year.

For topic 2 (disconnection of completed phase(s) of a project due to failure to complete a subsequent phase), the ISO proposes that if a customer has failed to take advantage of the annual downsizing process or, if eligible, the partial termination option,[4] but has completed a partial amount of its project and decides to cancel the rest or the final MW capacity of the project or falls short of the 95 percent completion amount required to be considered substantial performance under the GIA, then the ISO will not seek to terminate the GIA *solely* for the customer's failure to complete the full MW required. However, the customer will still be responsible for all interconnection financial security postings and costs associated with the full MW size of the project as stated in the GIA, and will be required to pay for the ISO and PTO costs of amending its interconnection agreement the same as a customer utilizing the annual downsizing opportunity. Moreover, with regard to interconnection financial security postings and other costs for which the customer is normally reimbursed, the *pro rata* portion of such postings and costs associated with the unbuilt MW portion or phase(s) of the project will not be eligible for reimbursement, with limited exceptions as specified in section 4.2.3.

Following release of this draft final proposal on topics 1 and 2, the ISO will hold a stakeholder web conference on September 19 and is requesting that stakeholders submit their final written comments by October 3.

2 Introduction

California's ambitious renewable portfolio standards and environmental goals have resulted in significant development of new generation projects in recent years, especially new renewable solar and wind projects. For projects that entered an ISO queue cluster prior to 2012 (*i.e.*, up to and

[4] The eligibility requirements for the partial termination option are summarized in section 4.1.1 below.

including Cluster 4), interconnection to the ISO grid is governed by the GIP.[5] Successful completion of the interconnection process is a necessary step in the development of a new generation project and is a challenge faced by all generation developers.

The ISO is committed to continually reviewing potential enhancements to its GIP to reflect changes in the industry and to better accommodate the needs of interconnection customers. Consistent with this commitment, the ISO has conducted a series of stakeholder processes over the past several years to improve the GIP. These include Generation Interconnection Process Reform ("GIPR") held in 2008-09, Generation Interconnection Procedures Phase 1 ("GIP 1") held in 2010, Generation Interconnection Procedures Phase 2 ("GIP 2") held in 2011 and early 2012, and Generation Interconnection Procedures Phase 3 ("GIP 3") held in 2012.[6]

The ISO launched the latest in this series of stakeholder processes to review and improve the GIP when it published the scoping proposal for the IPE initiative on April 8.[7] Instead of adhering to the usual sequence of beginning an initiative with an issue paper, the ISO identified the development of a scoping proposal as a necessary first step. Its purpose was twofold. First, it assembled a comprehensive list of potential topics in one place from a number of sources that included the following:

- During the course of last year's GIP 3 stakeholder process, a list of twenty-seven potential topics (including generator project downsizing) were compiled for consideration.
- Outside of the GIP stakeholder process, individual stakeholders have suggested GIP-related topics to the ISO over the past year.
- At the September 2012 ISO Board of Governors meeting, ISO management committed to including two topics in the scope of this initiative in response to stakeholder interest: (1)

[5] For projects entering the ISO queue in 2012 or later (*i.e.*, starting with ISO Cluster 5), interconnection to the ISO grid is governed by the GIDAP approved by FERC in 2012. The present IPE initiative is intended to focus primarily on the rules governing projects in Cluster 4 and earlier, as the ISO is now only partway through the first implementation cycle of the GIDAP and is not yet ready to consider changes to the GIDAP. In the event that a proposed enhancement to the GIP under this initiative appears to be appropriate to extend to the GIDAP, the ISO will consider whether extension of the enhancement would have any unintended consequences for the GIDAP, and if not the ISO would support such extension. The present initiative is not intended, however, to entertain changes specifically targeted to the GIDAP.

[6] GIP 3 was started in early 2012 but later deferred while the generator project downsizing initiative was pursued. In GIP 3 the ISO solicited stakeholder comments on the relative priority of issues that should be considered as to generator project downsizing and a couple dozen other topics. The ISO explained that a limited number of topics would be included in the initial GIP 3 stakeholder effort to ensure timely resolution and implementation. Stakeholders expressed broad support for only one topic – the extent to which an interconnection customer could downsize the MW capacity of its proposed generating facility and retain its queue position (*i.e.*, generator project downsizing). As a result of this stakeholder feedback, the ISO deferred work on the other topics that did not receive such broad support and focused efforts on generator project downsizing through a separate stakeholder initiative that led to the development of the one-time downsizing opportunity approved by FERC in December 2012.

[7] http://www.caiso.com/Documents/ScopingProposal-InterconnectionProcessEnhancements.pdf.

future generator project downsizing policy, and (2) disconnection of completed phase(s) of a generation project for failure of the project to complete a subsequent phase.

- ISO internal review to improve the queue management process.

Second, the scoping proposal selected a set of potential GIP-related topics from the comprehensive list of topics mentioned above for proposed inclusion in the scope of the IPE initiative. This was necessary because the comprehensive list of topics (nearly fifty total) represented a far larger set of topics than could be reasonably addressed within the scope of this initiative. To develop a subset of topics representing a more reasonable workload to include in the scope of this initiative, the ISO took into consideration the estimated level of effort and relative priority associated with each topic as well as its potential contribution to queue management efforts. This resulted in twelve topics that the ISO proposed in the April 8 scoping proposal for inclusion in the scope of the IPE initiative. Based on stakeholder feedback received following the release of the April 8 scoping proposal, the ISO expanded the scope of the IPE initiative by three topics and posted an issue paper on June 3 addressing the resulting scope of fifteen topics. [8]

Table 1 lists these fifteen topics in the scope of the IPE initiative.

Table 1 – Scope of topics in the IPE initiative

Topic No.	Topic Description
1	Future downsizing policy
2	Disconnection of completed phase(s) of project due to failure to complete subsequent phase
3	Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases
4	Improve the Independent Study Process
5	Improve the Fast Track Process
6	Provide for ability to charge customer for costs for processing a material modification request
7	COD modification provision for SGIP projects
8	Length of time in queue provision for SGIP projects
9	Clarify that PTO and not ISO tenders GIA
10	Timeline for tendering draft GIAs
11	LGIA negotiations timeline
12	Consistency of suspension definition between serial and cluster
13	Clarification of timing of transmission cost reimbursement
14	Distribution of forfeited funds
15	Inverter/transformer changes

[8] The remaining topics, which the ISO did not initially recommend be in scope, are described in section 4 of the April 8 scoping proposal.

As explained in the April 8 scoping proposal, the ISO anticipated from the beginning that the pace of development of proposals for each topic may differ – *i.e.*, proposals for some topics may be developed rather quickly whereas more time may be needed to work with stakeholders and develop proposals for other topics. While the June 3 issue paper was a conventional issue paper as to some of the fifteen topics in scope, it served as a straw proposal paper as to others. Specifically, for the seven topics addressing queue management issues (*i.e.*, topics 6-12), the ISO offered straw proposals in the June 3 paper. For the remaining eight topics (*i.e.*, topics 1-5 and 13-15) the ISO was not yet prepared to offer proposals in the June 3 issue paper and instead provided further analysis of the issues and suggested potential ideas and options for stakeholder consideration.

Following publication of the June 3 issue paper and receipt of stakeholder comments, the ISO posted a draft final proposal for topics 6-12 on July 2. The ISO will take these proposals to the September meeting of the ISO Board of Governors and will subsequently file the associated tariff changes. As a result, topics 6-12 have not been addressed in subsequent papers in this initiative.

Based on written stakeholder comments received on the June 3 paper, the ISO posted a straw proposal for topics 1-5 and 13-15 on July 18. In that paper, the ISO offered straw proposals on three topics (topics 1-3)[9] relating to the sizing and structuring of projects in the queue. The ISO also offered a straw proposal for topic 15 (inverter/transformer changes and the material modification process) in the July 18 paper; however, implementation of the proposal will be through the business practice manual change process rather than through tariff changes. Where needs for tariff changes have been identified under topic 15, the ISO incorporated those into the proposals for topics 1 and 2. The July 18 paper also addressed the remaining four topics within the scope of this initiative (*i.e.*, topics 4, 5, 13, and 14)[10] but the ISO was not yet prepared to offer straw proposals for these four topics. Nevertheless, the paper provided additional analysis of these topics based on stakeholder comments received and, for some topics, offered options for stakeholder consideration.

The subject of this paper is limited to topics 1 and 2 and the ISO offers its draft final proposal for both topics. The ISO intends to present its proposals on these two topics to the ISO Board at its November meeting.[11] With regard to the remaining topics – *i.e.*, topics 3, 4, 5, 13, 14, and 15 – the

[9] These three topics are: (1) future downsizing policy; (2) disconnection of the completed phase(s) of a project due to failure to complete a subsequent phase; and (3) clarification tariff and GIA provisions related to dividing up GIAs into multiple phases.

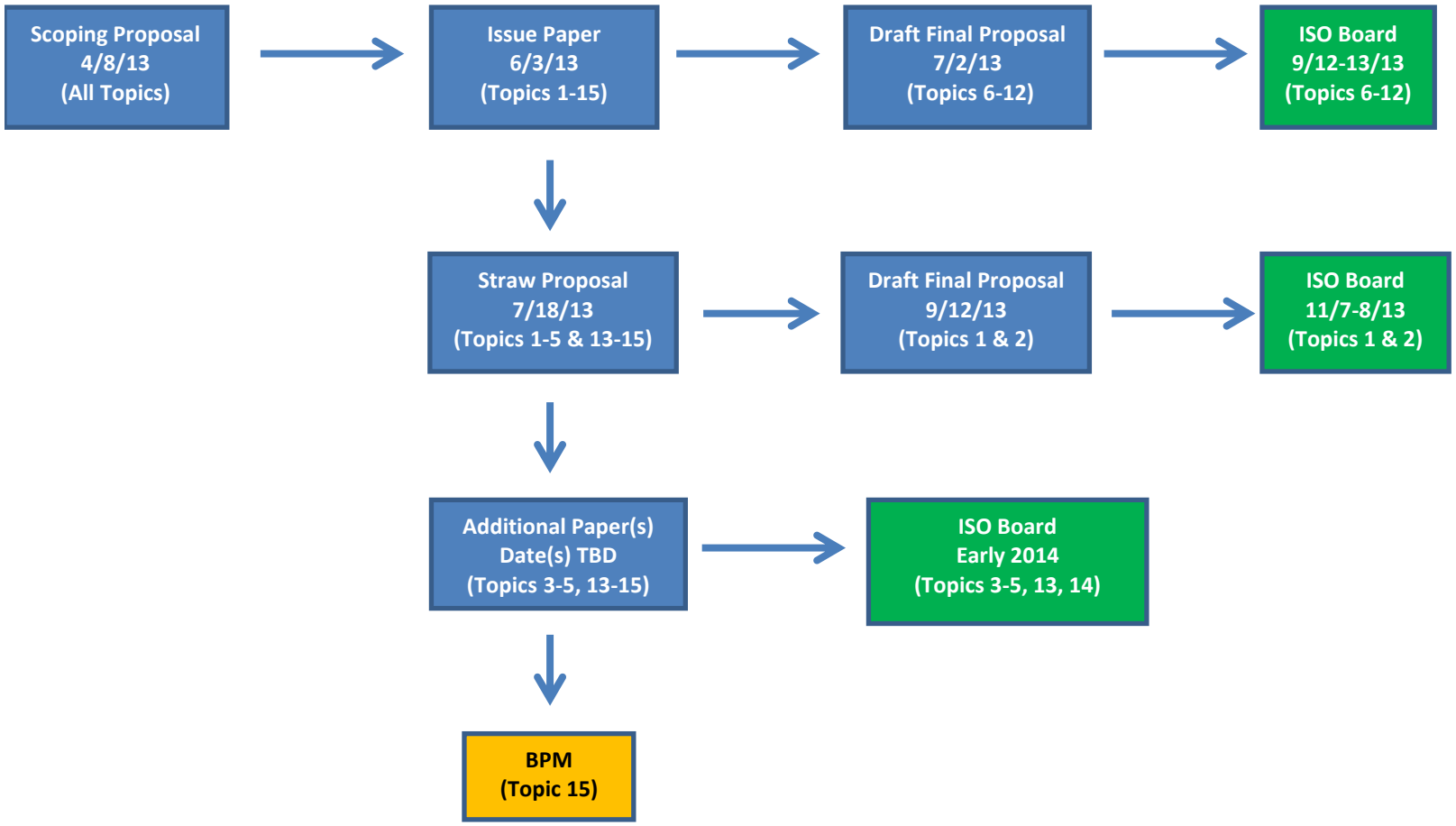
[10] These four topics are: (4) improvement of the Independent Study Process; (5) improvement of the Fast Track Process; (13) clarification of the timing of transmission cost reimbursement; and (14) distribution of forfeited funds.

[11] At the time the July 18 straw proposal was published, the ISO had expected to resolve topics 1-3 this autumn and targeted the December meeting of the ISO Board for presentations of its final proposals on these three topics. However, this expectation has been modified somewhat. The ISO is now planning to present its proposals for topics 1 and 2 at the November rather than the December meeting of the Board. For topic 3, the ISO has determined to take more time to develop a draft final proposal.

ISO intends to continue working with stakeholders and will address these topics in subsequent papers leading to a Board meeting in early 2014. Implementation of the proposal for topic 15 involves adding clarifications to the business practice manual for the GIP and similar language in the new business practice manual for the GIDAP and thus will not require Board approval; where needs for tariff changes have been identified under topic 15, the ISO has incorporated those needs into the proposals for topics 1 and 2.

The most efficient course is to take the topics in this initiative before the ISO Board as they are ready and not hold up their resolution until all 15 topics are resolved (*i.e.*, take the draft final proposals on the various topics to the Board in several tranches). The ISO believes that stakeholders both support and appreciate this multiple-tranche approach since it accelerates resolution of the topics that can be resolved more quickly and gives due consideration to the topics that require more deliberation. Figure 1 on the following page is intended to provide an overview of the progression of all 15 topics within the scope of this initiative by illustrating which topics are addressed in which papers, and which Board meeting is targeted for the specific topics.

Figure 1 – Progression of proposal development for the 15 topics in the IPE initiative



3 Stakeholder process next steps

Table 2 summarizes the anticipated stakeholder process schedule for the remainder of the IPE initiative. Although the ISO's naming conventions are used for the series of papers to be issued in this initiative, it is important to recognize that while each paper will likely contain proposals for some topics it may not contain proposals for others. For example, the June 3 issue paper included straw proposals on topics 6-12, and the July 18 straw proposal includes straw proposals for topics 1-3 and topic 15 but not for the remaining topics. Also, the September 12 draft final proposal contains the draft final proposals for topics 1 and 2 only. Subsequent papers will address the remaining topics (*i.e.*, 3, 4, 5, 13, 14, and 15) together.

Table 2 – Stakeholder process schedule

Step	Date	Milestone
Scoping proposal (all topics)	April 8	Post scoping proposal
	April 15	Stakeholder meeting (web conference)
	April 22	Stakeholder comments due
Issue paper (all 15 topics)	June 3	Post issue paper
	June 11	Stakeholder meeting (web conference)
	June 25	Stakeholder comments due
Draft final proposal (topics 6-12)	July 2	Post draft final proposal for topics 6-12
	July 10	Stakeholder web conference
	July 19	Stakeholder comments due
	Sept 12-13	**ISO Board meeting (topics 6-12)**
Straw proposal (topics 1-5 and 13-15)	July 18	Post straw proposal
	August 8	Stakeholder meeting (in person)
	August 22	Stakeholder comments due
Draft final proposal (topics 1 and 2)	September 12	Post draft final proposal for topics 1 and 2
	September 19	Stakeholder meeting (web conference)
	October 3	Stakeholder comments due
	November 7-8	**ISO Board meeting (topics 1 and 2)**
Additional papers as needed (topics 3-5 and 13-15)	Q4 2013	Post additional papers as needed for topics 3-5 and 13-15
	Q4 2013	Stakeholder meeting(s)
	Q4 2013	Stakeholder comments due
	February 6-7	**ISO Board meeting (topics 3-5 and 13, 14)**

4 Topics

This section discusses the issues associated with topics 1 and 2, summarizes stakeholder comments received in response to discussion of these two topics in the July 18 straw proposal, and offers a draft final proposal to address the issues identified. Any differences between the straw proposal and the draft final proposal are also identified.

Both of these topics have been of significant interest to generation developers in recent years. The reasons for this interest are clear. The state's renewable policy goals have resulted in significant development of new renewable solar and wind projects. The design of these projects is often scalable, and interconnection customers have indicated that they may find themselves in a situation where the project sizes listed in their original interconnection requests may be too large, thereby impeding their ability to comply with the requirements of their GIAs.

When the one-time generator project downsizing proposal was brought before the ISO Board in September 2012, stakeholders expressed both a need for future downsizing opportunities and concern regarding the risk of being in breach of their GIAs for failure to build their projects in their entirety. Stakeholders expressed concern that the ISO would seek to terminate the GIAs, resulting in disconnection of the completed portions of their projects. At that Board meeting, ISO management committed to including these two topics in the scope of this initiative in response to stakeholder interest.

The ISO's draft final proposals for these two topics are offered below in sections 4.1 and 4.2.

4.1 Topic 1 – Future downsizing policy

When the one-time generator project downsizing proposal was brought before the ISO Board on September 13, 2012, the Board directed ISO management to consider whether it was appropriate to provide a future, second downsizing opportunity following the ISO's completion of the interconnection studies for Cluster 5.[12] Pursuant to the Board's direction, the ISO has given consideration to a second downsizing opportunity for pre-Cluster 5 projects in this initiative. However, the narrow question of whether a second downsizing window should be provided is more properly addressed within the broader context of what should be the ISO's ongoing downsizing policy for pre-Cluster 5 projects more generally. Thus, this topic addresses this broader question, in consultation with stakeholders, and with the objective of presenting a final proposal to the Board at its November meeting.

[12] As of the date this draft final proposal was issued, the interconnection study process for Cluster 5 is not complete. The phase I interconnection studies have been completed, but the phase II studies are in progress and the study reports will be issued in December 2013.

While interconnection customers in the ISO interconnection queue already have existing opportunities to downsize, they have continued to express an interest in an additional mechanism to downsize their projects. This interest resulted in development of the one-time downsizing opportunity approved by FERC in late 2012, which is currently being implemented by the ISO (see the discussion of this implementation in section 4.1.2 below).

4.1.1 *Existing options for reducing project size*

This section clarifies the existing options to reduce project size available to customers prior to the one-time downsizing opportunity approved by FERC in 2012 and discussed separately in section 4.1.2 below. These pre-existing opportunities continue to be available today.

Changes during interconnection studies when all parties agree. Both ISO tariff Appendix U and Appendix Y provide that, at any time during the course of the interconnection studies, the interconnection customer, the applicable PTO, or the ISO may identify changes to the interconnection request "that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request." If such changes are acceptable (with consent to such changes not to be unreasonably withheld), then the ISO modifies the interconnection configuration, in accordance with the agreed-upon changes.[13] Appendix Y also provides that during the period between the issuance of the phase I interconnection study and five days after a customer's phase I interconnection study results meeting, the customer may submit certain types of modifications to its project, including a reduction in capacity.[14]

Material modification review. An interconnection customer may also seek to downsize its project after the study process has concluded pursuant to the terms of the customer's GIA. The GIAs under the ISO tariff for both serial and cluster projects provide that an interconnection customer may undertake modifications to its facilities. Such modifications are subject to a material modification review in accordance with the relevant interconnection procedures and agreements.[15] The ISO, in coordination with the affected PTO(s), performs a material modification review for an interconnection customer's request. However, such modification requests are subject to a material modification review on a project-by-project basis in order to determine whether granting the requested modification would have a material impact on the cost or timing of later-queued interconnection requests. If the requested modification would not have such an impact, then the ISO will grant the request. If there is a material impact, or if a study would be required for cluster

[13] Appendix U Section 4.4; Appendix Y Section 6.9.2.1; Appendix DD 6.7.2.

[14] Appendix Y, Section 6.9.2.2.

[15] Appendix T Article 6.2; Appendix U Articles 4.4.3, 4.4.5; Appendix Z Article 5.19.1; Appendix BB Article 5.19.1; Appendix CC Article 5.19.1; Appendix EE Article 5.19.1; Appendix FF Article 6.2.

projects to determine if there is a material impact, then the modification request must be denied, and in such instances there are no provisions that allow the interconnection customer to mitigate the material impact. Given the number of interconnection customers and the interdependencies of the projects in the ISO queue, it is highly unlikely that many projects requesting to downsize this way would be able to pass the material modification review. For projects seeking other types of changes other than reducing the size of their projects, the ISO has approved many material modification review requests. The ISO has not expanded and will not expand the material modification review process to evaluate downsizing requests. For the same reasons the ISO moved to a cluster study process for generator interconnection requests and away from the serial study process, performing studies of individual downsizing requests is impractical. The ISO must be able to study downsizing MWs collectively and be able to incorporate the study results in the next cluster study. Therefore, as explained below, the ISO is proposing to clarify that the material modification review option will not be available as a means to obtain project downsizing.

Safe harbor and substantial performance provisions. A third option available to customers involves the "safe harbor" provisions set forth in the *pro forma* large generator interconnection agreement ("LGIA") in effect as of January 31, 2012. The safe harbor provisions permit an interconnection customer to reduce the MW capacity of its generating facility by up to 5 percent for any reason, up until its commercial operation date, and to request authorization from the ISO to reduce the MW capacity of its generating facility by more than 5 percent under limited conditions where the interconnection customer reasonably demonstrates that the more-than-5-percent reduction is warranted due to any of the following three specified reasons beyond the control of the interconnection customer:

1. The interconnection customer's failure to secure required permits and other governmental approvals to construct the generating facility at its total MW generating capacity specified in the interconnection request after making diligent efforts.
2. The interconnection customer's receipt of a written statement from the permitting or approval authority indicating that construction of the facility at the total MW size specified in the interconnection request will likely result in disapproval due to significant environmental or other impact that cannot be mitigated.
3. The interconnection customer's failure to obtain legal right to use the full site acreage necessary to construct/operate the total MW generating capacity size for the entire generating facility after making diligent efforts (this reason only applies where an interconnection customer had previously demonstrated and maintained its demonstration of site exclusivity for the full acreage required for the project).[16]

[16] Appendix CC Article 5.19.4. Article 5.19.4 of Appendix EE (the *pro forma* LGIA for the GIDAP) contains similar safe harbor provisions.

Use of non-conforming "partial termination" provision. A fourth option available to customers under certain circumstances is the non-conforming "partial termination" provision incorporated into the GIA. The ISO has filed and obtained FERC acceptance of four non-conforming GIAs that include partial termination provisions allowing customers that are building generating facilities with multiple phases to invoke partial termination of their GIAs with regard to later phases without breaching the GIAs and without adverse impacts on the earlier phases. The partial termination provisions were developed in 2010 to address the unique circumstances of these interconnection customers. In each case, the construction of the final segments of the network upgrades for their phased generating facilities required at least three years past the requested in-service date and in some instances an extremely long lead time – 84 months – resulting in significant commercial uncertainty as to whether the developer could find a counterparty for the generating capacity that could not be interconnected or would not be deliverable until the upgrades were built. The ISO continues to consider partial termination provision for cluster and serial projects that are similarly situated to the projects that were subject to the four earlier non-conforming agreements approved by FERC. Specifically, the ISO will consider the inclusion of partial termination provisions in the GIA of a cluster or serial project meeting the following criteria:

1. The total project size is at least 50 MW;
2. The project will be developed in phases;
3. The PTO will require three or more years, from the customer's requested in-service date of the first phase, to build the required transmission;
4. There is no material impact to later-queued customers; and
5. The customer agrees to post interconnection financial security for a partial termination charge and to pay that charge if the partial termination option is exercised, with the amount of the charge being the amount determined by the ISO to be proportional to the risk of stranded transmission infrastructure investment if the customer exercises the partial termination option by cancelling a later phase of the project.

The ISO does not view use of the partial termination provision as a generally applicable downsizing option. It was developed to address extreme uncertainty for later-phased projects dependent upon transmission upgrades with planned in-service dates significantly in the future. Although the ISO is willing to offer this option to similarly situated interconnection customers, the ISO does not support expansion of this limited option. Instead, the ISO is proposing an annual downsizing opportunity in this straw proposal to provide additional flexibility to generation developers.

Reducing project size under GIDAP. Lastly, for customers in Cluster 5 and later, several new provisions in the GIDAP allow them to reduce the MW generating capacity of their proposed

facilities.[17] If a project is allocated transmission plan ("TP") deliverability in an amount less than the amount requested, then the customer must choose among several options. The options relevant to reducing the MW generating capacity are discussed here. One option is for the customer to accept the allocated amount and reduce the MW capacity of the project such that the allocated amount of TP deliverability will provide full capacity deliverability status ("FCDS") to the reduced generating capacity. Under another option for "option (A)" projects, the customer would accept the allocated amount of TP deliverability and seek additional TP deliverability for the remainder in the next allocation cycle. Based on the final amount of TP deliverability allocated following the next allocation cycle, the project could accept the final amount and reduce its MW generating capacity such that the allocated amount will provide FCDS to the reduced generating capacity.

4.1.2 *Background on one-time downsizing opportunity*

This section describes the one-time downsizing opportunity approved by FERC in 2012, which ended in January 2013.

Generator project downsizing was a topic suggested by stakeholders in GIP 3 and it received the highest priority in the March 2012 stakeholder survey in that initiative. In response to this stakeholder demand, in 2012 the ISO deferred work on the other topics in GIP 3 and instead focused its efforts on a separate stakeholder initiative to explore the possible expansion of opportunities for interconnection customers prior to Cluster 5 (see the discussion of feature number 2 below) to downsize the MW capacities of their proposed generating facilities. The ISO worked with stakeholders over the course of 2012 and developed a one-time opportunity for all customers in the ISO's interconnection queue that entered the queue prior to Cluster 5 to downsize their projects. Tariff revisions to implement this one-time downsizing opportunity were filed with FERC on October 26, 2012. The FERC approved the ISO's proposal on December 20, 2012. The FERC found that the one-time downsizing opportunity:

- provides a balanced approach to eliminate non-viable requests from the ISO's interconnection queue, while protecting non-downsizing customers from harm;
- is responsive to requests from affected interconnection customers for an opportunity to downsize their projects in addition to the ISO's existing downsizing options;
- will help facilitate completion and commercial operation of projects that would be viable but for an inability to construct the full generating capacity stated in the customers' interconnection requests;
- will help ensure that more projects can achieve commercial operation, albeit on a smaller scale than originally planned; and

[17] Appendix DD Section 8.9. Appendix DD contains the GIDAP.

- will help spur energy development and advance the ISO's efforts to reduce the number of non-viable interconnection requests in its queue.

The FERC also found:

- the cost cap on downsizing generators' study deposits to be reasonable; and
- that downsizing generators should finance the costs of their downsizing on all impacted generators, regardless of whether the impacted generators are connected to the ISO controlled grid or to the distribution system of one of the PTOs.

The ISO's one-time downsizing opportunity included the following important features:

1. One-time opportunity. The new downsizing opportunity was only offered as a one-time option that ended in January 2013. It established a one-time window for developers to submit a downsizing request to permit transmission planning engineers to evaluate the collective impacts of all requests.
2. Limited to pre-Cluster 5 customers. The one-time downsizing opportunity was limited to pre-Cluster 5 customers, for several reasons. First, at the time of the ISO's filing, customers in Cluster 5 had not yet received their phase I interconnection study reports, and so they still had an opportunity to downsize before entering phase II. Second, customers in Cluster 5 would possibly have the opportunity to downsize again after receiving results of the transmission plan deliverability allocation pursuant to the GIDAP.[18] Even after these downsizing opportunities, Cluster 5 customers will be able to avail themselves of the safe harbor provisions described above. Finally, it was premature to consider substantive changes to the GIDAP rules, which had just been approved by FERC and were in the early stage of their first implementation.
3. Obligation of downsizing generators for costs to process the requests. A $200,000 downsizing deposit was required to help defray costs incurred by the ISO and the PTOs to process the downsizing requests. This deposit was applied as a pool of funds to pay for prudent costs incurred by the ISO, the PTOs, or third parties at the direction of the ISO or PTOs, as applicable, to perform and administer the generator downsizing process and to communicate with downsizing generators with respect to their generator downsizing requests. These include (1) costs associated with the generator downsizing study and associated reports and (2) costs associated with amending the GIAs of downsizing generators and any generators affected by the downsizing requests. If the amount required to pay for those costs was determined to be more than $200,000, then the downsizing generator would be obligated to provide the additional amount, subject to the applicable

[18] The ISO's GIDAP tariff amendment, which was approved by FERC on July 24, 2012, includes several new provisions to allow customers in Cluster 5 and beyond to downsize their projects. These are briefly described in section 4.1.1 above.

cost caps.[19] Conversely, if the amount required to pay for those costs was determined to be less than $200,000, then the downsizing generator would be refunded the unused balance of its deposit, with interest.

4. Downsizing study utilized to assess impacts of downsizing requests. The ISO conducted a special downsizing study to determine the impacts of the downsizing requests on the current customer interconnection plans of service developed through their earlier interconnection studies. The study process was substantially the same as the ISO's existing cluster study process. The costs of the downsizing study, and the costs of any resulting GIA amendments, were borne by customers requesting downsizing.
5. Withdrawal opportunities provided. Downsizing generators were given two "off-ramp" opportunities to withdraw from the downsizing effort. First, each downsizing generator had an opportunity to withdraw its downsizing request after being given a preliminary estimate of its obligation for downsizing study costs. There was a second opportunity to withdraw for each downsizing generator notified by the ISO that the generator's preliminary study results showed that its estimated responsibility for network upgrade costs could significantly increase. None of the downsizing generators exercised the first off-ramp opportunity and none met the requirements to withdraw under the second opportunity.
6. Original cost allocations determined the cost assignment for refreshed configurations. If the downsizing required the upgrades to be modified or substituted, the resulting costs would be assigned in proportion to downsizing customers' responsibility for the costs of the original upgrades, thus preserving the original allocation of costs among interconnection customers in the queue.
7. Protection for customers who are affected but not downsizing. To avoid making non-downsizing interconnection customers worse off with regard to upgrade costs as a result of the decision of other customers to utilize this one-time opportunity to downsize, downsizing-related cost increases or cost shifts to non-downsizing customers were assigned to the downsizing customers.

   Obligation to meet milestones. Each downsizing generator was required to relinquish its suspension rights in return for its opportunity to downsize.

[19] Each downsizing generator was responsible for an equal share of all actual costs of the generator downsizing study and the generator downsizing study report. The downsizing generator's share was determined by dividing the total amount of actual study costs by the number of valid generator downsizing requests, with that resulting amount being capped at an amount no higher than 150 percent of the downsizing generator's equal share of the preliminary cost estimate. The preliminary cost estimate was determined to be $103,231 per downsizing project; thus, the cap was $154,846 per downsizing generator. Each downsizing generator's responsibility for the costs to amend GIAs was $10,000 for its own such agreement and $10,000 for each such agreement of an affected generator that was amended, in whole or in part, due to the downsizing generator's generator downsizing request, subject to a cost cap of $100,000.

In January 2013 the ISO began implementation of the one-time downsizing opportunity approved by FERC the previous month. Thirteen valid downsizing requests were received representing a downsizing reduction of nearly 4,000 MW. The ISO posted a list of the valid downsizing requests identified by queue position, along with a preliminary estimate of study costs, in February 2013.[20] As mentioned above, none of these projects exercised the first opportunity to withdraw their generator downsizing requests under the rules of the one-time downsizing opportunity after being given the preliminary estimate of their obligations for downsizing study costs. None of these downsizing generators met the requirements to exercise the second opportunity to withdraw under the one-time downsizing provisions.[21]

The generator downsizing study for the one-time downsizing opportunity has now been completed and study reports were sent to the downsizing projects, as well as to the projects affected by the downsizing process, in early July 2013. A total of twelve projects remain in the downsizing process[22] and an additional 17 projects were impacted by the resulting decrease in generating capacity. The final reduction in project capacity requested by the twelve projects totals 3,698 MW.

Appendix A provides a detailed summary of the steps and timeframes associated with this one-time generator downsizing process.

4.1.3 *Summary of July 18 straw proposal*

The ISO's July 18 straw proposal on this topic included the following elements:

[20] The ISO, in consultation with the PTOs, developed a preliminary estimate of the cost to perform the downsizing study for the thirteen valid downsizing requests. This study cost was estimated to be $1,342,000 or $103,231 per downsizing project. In accordance with ISO Tariff Appendix GG, a downsizing generator is responsible for all actual costs incurred in connection with preparing the generator downsizing study and the generator downsizing study reports. A downsizing generator's share of actual study costs is determined by dividing the total amount of actual study costs by the number of valid generator downsizing requests, but is no higher than an amount equal to 150 percent of the downsizing generator's share of the preliminary estimate posted. If the generator downsizing deposit ($200,000) is insufficient to cover the costs for which the downsizing generator is responsible, the ISO will invoice the downsizing generator and such amount will be paid within 30 calendar days of the date of the invoice.

[21] In April 2013, the ISO notified the downsizing generators that it had completed the preliminary analysis for the generator downsizing study and determined that no project participating in the downsizing study would have its cost responsibility increase; therefore, no downsizing project had a second opportunity to withdraw. Pursuant to Appendix GG Section 5.1 (ii), the downsizing generator would have a second opportunity to withdraw when the preliminary results of the generator downsizing study indicated that the downsizing generator's cost responsibility for network upgrades increased by more than 5 percent or $5 million, whichever was lower, from its cost responsibility identified in its interconnection facilities study or phase II interconnection study report.

[22] One downsizing project withdrew its interconnection request prior to the deadline for the second interconnection financial security posting. In accordance with the requirements of the one-time downsizing opportunity, the project forfeited its downsizing deposit, which helped defray the downsizing costs of the remaining twelve projects.

- Annual downsizing opportunity. The ISO proposed that there be one downsizing opportunity each year. The ISO did not propose to limit the number of annual downsizing opportunities but allow them to continue until there is no further demand.
- Eligibility to submit a downsizing request. The ISO proposed that the annual downsizing opportunity be open to any active project in Cluster 4 or earlier that wants to downsize for any reason.
- Downsizing request window. The ISO proposed that there be a one-month "request window" for submitting downsizing requests. The downsizing request window would open in mid-October of each year and all downsizing requests must be submitted by mid-November in order to be studied in the subsequent annual GIDAP reassessment process. The first submission deadline would be mid-November 2014.
- Downsizing study. The ISO proposed to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process. Downsizing requests received by mid-November would be validated by the ISO by mid-December. A validation process equivalent to that in existing tariff Appendix GG would be used. Knowing the set of valid downsizing requests by mid-December would make it possible to incorporate this information into the annual GIDAP reassessment process which begins in January of each year.
- Number of downsizing requests. The ISO did not propose to limit the number of annual downsizing requests that a generating facility can submit. However, the limit on the number of years a project can remain in the interconnection queue would remain in effect (10 years in the queue from the interconnection request date to the in-service date for serial projects and 7 years in the queue from the interconnection request date to the commercial operation date for cluster projects).
- Size of downsizing request. The ISO did not propose a limit on the MW amount of downsizing permitted.
- Protection for customers who are affected but not downsizing. The ISO proposed that downsizing customers would be obligated to finance the network upgrades that the projects at their full size triggered if later-queued projects were shown to need such upgrades.
- Generator downsizing deposit. The ISO proposed that downsizing generators be required to provide a generator downsizing deposit to be applied as a pool of funds to pay for prudent costs incurred by the ISO, the PTOs, or third parties at the direction of the ISO or PTO(s), as applicable, to perform and administer the generator downsizing process.
- Withdrawal of a downsizing request. The ISO proposed to provide a downsizing generator an opportunity to withdraw if the ISO determines that its estimated responsibility for

network upgrade costs may significantly increase.[23] If a downsizing generator were to withdrawal under this withdrawal opportunity, it would not receive a refund of the generator downsizing deposit.

- Clarification of relationship between downsizing and modification requests. The ISO proposed to clarify in the tariff that the ISO will not review requests to downsize a project's capacity pursuant to the general "material modification" review provisions.

4.1.4 *Stakeholder comments*

Stakeholder comments received on this topic following publication of the July 18 straw proposal are summarized below.

California Public Utilities Commission ("CPUC") staff – CPUC staff agrees with making an annual downsizing window the main option for generator project downsizing. The ISO should consider allowing Cluster 5 and later interconnection customers to downsize the parked portion of a project. In order to distinguish between a formal downsizing request and simple failure to complete a later phase of a project, interconnection customers should be able to recover at least a portion of their interconnection financial security deposits for the un-built portion of projects if the remaining portion after downsizing comes on line in a timely manner.

California Wind Energy Association ("CalWEA") – CalWEA finds the July 18 straw proposal to be generally reasonable. However, projects whose downsizing would not impact projects being studied in the relevant reassessment study should be allowed to request downsizing at any time and should be individually studied.

Independent Energy Producers ("IEP") – IEP supports the downsizing proposal made in the July 18 straw proposal. However, IEP would have desired that the downsizing proposal be enacted in 2013 rather than 2014 for projects with CODs prior to when the proposed annual downsizing process would first go into effect. IEP suggests that the ISO revise its proposal to maintain the availability of material modification as a means for interconnection customers to downsize their projects until such time as the proposed annual downsizing process is fully functional. IEP believes that large downsizing requests (*e.g.*, a 400 MW project requesting to downsize by 399.5 MW) should be embraced not discouraged because such a request could result in a project that no longer drives transmission studies and potential stranded upgrades. IEP recommends that the ISO place no limit on the number of times an interconnection customer can request downsizing on its project. IEP does not agree with PG&E's position that a project requesting downsizing should be required to amend its GIA to conform with current tariff provisions. IEP appreciates the ISO's continued consideration of the applicability of downsizing to Clusters 5 and later.

[23] A significant increase is defined as a downsizing generator's responsibility for network upgrade costs increasing by more than 5 percent or $5 million, whichever is lower, from its cost responsibility identified in its interconnection facilities study, Phase II interconnection study report, or GIA (if it has executed one).

Large-scale Solar Association ("LSA") – LSA supports the ISO's annual downsizing proposal. LSA has no objection to the ISO's proposal to remove the ability to downsize through the material modification request process but believes that this proposed change should not be implemented until the first downsizing window opens in late 2014. LSA further recommends that the ISO should still consider downsizing requests through the material modification request process if a developer can demonstrate a valid reason why it cannot wait until the next window. LSA sees no reason why Cluster 5 and later project should be excluded from the annual downsizing opportunity; while Cluster 5 and later projects can reduce the MW size of their projects if they are not allocated deliverability, these projects may nonetheless need to reduce their MW size for other reasons such as loss of a power purchase agreement.

NRG Energy ("NRG") – NRG supports the ISO's annual downsizing proposal. However, NRG encourages the ISO to consider how it could begin offering downsizing opportunities sooner than the end of 2014.

Pacific Gas and Electric Company ("PG&E") – PG&E does not support the downsizing policy in the July 18 straw proposal. However, PG&E would support the proposal with modification. PG&E supports provision of a permanent, annual downsizing process that is fully integrated into the existing GIDAP study process and provides the flexibility for generators to make "commercially reasonable" downsizing requests. PG&E proposes that each downsizing request be limited to a 75-percent capacity reduction from the original nameplate capacity of the project (*i.e.*, a project should not be able to downsize to anything smaller than 25 percent of its original interconnection request). PG&E proposes that downsizing requests should not result in a reduction of postings already made; but rather any reduction in posting requirements should be trued up at the next posting (*e.g.*, if a project has completed its second posting and the downsizing resulted in a reduction of its posting obligation, then the reduction would occur as a true-up at the time of the third interconnection financial security posting. PG&E proposes that projects with existing GIAs that request to downsize be required to amend their GIA to conform with current tariff provisions relating to time in the queue and project suspension. PG&E believes that a downsizing customer should be obligated to finance network upgrades that its project at its full size triggered if projects in the same queue or a later queue are shown to need such upgrades rather than just later-queued projects being shown to need the upgrades.

San Diego Gas & Electric Company ("SDG&E") – SDG&E generally supports the ISO's proposal and agrees with the idea of combining the GIDAP reassessment and downsizing studies into a single study. SDG&E believes that downsizing is also likely to be valuable to customers in Clusters 5 and later. SDG&E recommends that a customer's eligibility to submit a downsizing request be limited by the customer's specified COD—*i.e.*, a downsizing request should only be considered valid if the customer's specified COD is at least 12 months after the close of the downsizing request window in which the customer submits a downsizing request. SDG&E recommends that the cumulative

amount of downsizing that a customer can request through all downsizing windows be limited to 75 percent of the original project size.

Silverado Power ("Silverado") – Silverado supports the ISO's annual downsizing proposal. Silverado states that the ability to downsize through the material modification request process should remain in place until the first downsizing window opens in late 2014. After the annual downsizing opportunity is implemented, Silverado believes that the ISO should still consider downsizing requests through the material modification request process if a developer can demonstrate a valid reason why it cannot wait until the next window. Silverado believes that Cluster 5 and later project should be eligible for the annual downsizing opportunity; while Cluster 5 and later projects can reduce the MW size of their projects if they are not allocated deliverability, these projects may nonetheless need to reduce their MW size for other reasons such as loss of a power purchase agreement. Silverado does not agree with PG&E's concerns about project downsizing to reduce their interconnection financial security postings before dropping out of the interconnection queue; Silverado believes that the benefits of removing non-viable capacity from the interconnection queue makes up for any downsides of allowing this.

Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside ("Six Cities") – The Six Cities generally support the ISO's proposal. Additionally, the Six Cities support the ISO's proposal to require that downsizing customers finance the network upgrades for the project at its initially-proposed size if later-queued projects rely on such upgrades. The Six Cities recommend that the final proposal make clear that, in each instance, the downsizing customer must pay the actual costs of downsizing studies (*i.e.*, an allocated share) and the actual costs to amend their GIA.

Southern California Edison Company ("SCE") – SCE agrees with evaluating the impacts of all valid downsizing requests during the annual GIDAP reassessment to occur in January following each annual downsizing request window. SCE objects to providing customers with unlimited downsizing opportunities and believes that one or two downsizing requests per customer would be feasible and reasonable. SCE is concerned that providing unlimited downsizing opportunities will increase queue clogging as this would provide customers with options to prolong the "study" of infeasible projects instead of withdrawing them earlier or executing a GIA. SCE believes it is premature to dispense with reviewing potential downsizing of a project under a material modification request as such requests may be easier and less time consuming to implement. SCE believes that downsizing customers should be responsible for costs resulting from downsizing. SCE proposes that downsizing requests should be accompanied by some form of reasonable and verifiable justification and should not be used as a vehicle to continually carve away at a project that ultimately will have not technical semblance to the project that was originally described and studied. SCE believes that a requested reduction in the size of a project should be reasonable to allow customers to respond to market conditions and permitting challenges rather than an opportunity for customers to avoid or lower interconnection financial security postings. SCE

believes that there should be limits on the number of downsizing requests that a customer can submit, that such requests should be accompanied by reasonable and verifiable reasons for the request, and that such requests should be applicable to only active projects with executed GIAs irrespective of which cluster a project is in. SCE believes that the conditions that drive a need for a project to downsize do not cease beginning with Cluster 5.

4.1.5 *Modifications adopted to the July 18 straw proposal*

Based on a review of the stakeholder comments received, it is clear that there is broad support for the ISO's annual downsizing proposal. However, a number of stakeholders suggested modifications. After further consideration, the ISO has made some modifications to its proposal. These are discussed in this section.

Almost all stakeholders point out that the need to downsize will not end with Cluster 4 and that customers in Cluster 5 and later may find themselves in a situation where their project sizes may be too large despite the new provisions in the GIDAP allowing customers to reduce the sizes of their projects. The ISO agrees and has modified its proposal so that the annual downsizing opportunity will be open to all active projects (*i.e.*, no longer limited to pre-Cluster 5). For Cluster 5 and later projects, the annual downsizing opportunity will be open to projects that apply under the GIDAP after all opportunities for allocation of transmission plan deliverability have been exercised. In addition, as discussed below, the ISO is proposing to offer three additional downsizing decision points within the GIDAP tariff itself to address scenarios that were not explicitly considered when the GIDAP was developed.

IEP, LSA, and Silverado do not object to the ISO's proposal to remove the ability to downsize through the material modification process going forward. However, they requested that the ISO allow this ability to remain in place until the first annual downsizing window opens in October 2014. The ISO views this as reasonable and has modified this aspect of its proposal accordingly. SCE believes it premature to dispense with this ability as such requests may be easier and less time-consuming to implement. The ISO disagrees. A critical component of its proposal is that going forward the ISO intends for the annual downsizing opportunity to be the primary means for customers to reduce the MW size of their projects. The ISO believes that doing this will be more efficient and will simplify the variety of downsizing options available today.

IEP and NRG express a desire for a downsizing opportunity sooner than the first annual downsizing window proposed for October 2014. However, this is infeasible for two reasons. First, assuming the ISO Board approves the annual downsizing proposal at its November meeting, the subsequent tariff filing would most likely not be made at FERC until early 2014. Thus, the earliest the proposal would become effective is the second quarter of 2014. Second, a critical element of the ISO's proposal is to study the combined impacts of each year's downsizing requests in the annual GIDAP

reassessment process, which does not begin until January 2014. Therefore, the earliest an annual downsizing window could occur is late 2014 as the ISO has proposed.

PG&E, SCE, and SDG&E recommend various limitations or requirements that they believe should be applied to downsizing requests. PG&E and SDG&E propose that downsizing requests be limited to a 75-percent capacity reduction (*i.e.*, a project should not be able to downsize to anything smaller than 25 percent of the original interconnection request). SDG&E recommends that a customer's eligibility to submit a downsizing request be limited by the customer's specified commercial operation date. SDG&E proposes that a downsizing request should only be considered valid if the customer's specified commercial operation date is at least 12 months after the close of the downsizing request window. SCE objects to providing customers with unlimited downsizing opportunities and believes that one or two downsizing requests per customer would be feasible and reasonable. SCE further proposes that downsizing requests should be accompanied by some form of reasonable and verifiable justification and should not be used as a vehicle to continually reduce a project's size. The ISO is generally opposed to imposing limits on either the number of annual downsizing requests or the MW amount of downsizing permitted. The ISO believes it would be arbitrary to do so and that there is an insufficient basis to justify such a limitation. In its FERC-approved one-time downsizing process, the ISO did not propose stringent eligibility requirements that a customer must meet in order to submit a downsizing request (other than to be an active project). The ISO does not depart from that approach in this draft final proposal. Accordingly, the proposed annual downsizing opportunity will be open to any active project that wants to downsize for any reason.

PG&E proposes that projects with existing GIAs that request to downsize be required to amend their GIAs to conform with current tariff provisions relating to time in the queue and project suspension. The ISO supports this idea and has added this feature to its draft final proposal.

PG&E proposes that downsizing requests should not result in a reduction in postings already made; but rather, any reduction in posting requirements will be trued up at the next posting. For example, if a project has completed its second posting and the downsizing resulted in a reduction of its posting obligation, then the reduction would occur as a true-up at the time of the third posting. The ISO does not support this proposal because of the possibility that such a true-up may not occur for several years in the future, especially if network upgrade construction is delayed.

CalWEA suggests that some downsizing be allowed at any time and be individually studied. The ISO does not support this. As has been emphasize repeatedly, a critical element of the ISO's draft final proposal is to process all downsizing requests through the annual downsizing request window and study the combined impacts of each year's downsizing requests in the annual GIDAP reassessment process. This is the most efficient approach and avoids the complications of special studies. It should also be noted that under the draft final proposal a downsizing opportunity will occur

frequently (every 12 months) and thus will provide several opportunities for a project to downsize during its time in the queue.

Lastly, after further consideration, the ISO is proposing to eliminate the opportunity for the customer to withdraw its downsizing request, which was an element of the straw proposal. In the straw proposal the ISO had proposed to provide a downsizing generator an opportunity to withdraw if the ISO determines that its estimated responsibility for network upgrade costs were to significantly increase. However, after giving this further thought, the ISO no longer believes that this withdrawal opportunity is necessary. Under the ISO's proposed annual downsizing process the downsizing study will be integrated into the GIDAP reassessment rather than being a stand-alone study. As a result there will not be any reallocation of costs that results in a cost increase to the customer, though there may be a cost reduction if the required network upgrades are reduced or if the network upgrades are removed due to no longer being needed. The ISO proposes to allow a customer to withdraw its downsizing request up to the close of the downsizing window, but not after that. Thus, with this modification it is important to recognize that downsizing generators will be committed to downsizing if their generator downsizing request is deemed to be complete, valid and ready to be studied.

4.1.6 *Draft final proposal*

Based on this stakeholder feedback and further consideration, the ISO's draft final proposal on future downsizing policy is as follows:

- Annual downsizing opportunity. The ISO proposes an annual downsizing opportunity, with no specified end point at which these opportunities would no longer be offered.
- Eligibility to submit a downsizing request. The ISO proposes that the annual downsizing opportunity will be open to any active[24] project that wants to downsize for any reason. This opportunity will not be limited to pre-Cluster 5 (as the ISO had previously proposed in the July 18 straw proposal) and is thus open to projects in Cluster 5 and later that apply under the GIDAP. As explained below, as part of this proposal the ISO will modify certain provisions of the GIDAP tariff (Appendix DD) to allow additional options for customers to downsize their projects prior to the conclusion of the last opportunity for each project to be allocated TP deliverability. After all opportunities for a project to be allocated TP deliverability under GIDAP have been concluded, the project will then be eligible to participate in the next available downsizing window.

[24] For purposes of this proposal, the term "active" is used to refer to a project that satisfies the following requirements: (1) the interconnection request has not been previously withdrawn or deemed withdrawn by the ISO; (2) the customer is in compliance with all applicable ISO tariff requirements; and (3) the customer is in compliance with the terms of the GIA, meaning that any notice of breach or default has been cured.

- Downsizing request window. The ISO proposes a one-month request window for submitting downsizing requests. The downsizing request window will open in mid-October of each year and all downsizing requests must be received by mid-November in order to be studied in the subsequent annual GIDAP reassessment process.[25] The first downsizing request window will open mid-October 2014 and close mid-November 2014 and will be announced via a market notice.
- Commitment to downsizing. As noted in the previous section, the opportunity for a customer to withdraw a downsizing request based on a significant cost increase is no longer needed in the current proposal due to the integration of the downsizing study into the GIDAP reassessment study process. The ISO proposes to allow a customer to withdraw its downsizing request up to the close of the downsizing window, but not after that. Thus downsizing generators will be committed to downsizing if their generator downsizing request is deemed to be complete, valid and ready to be studied. If the downsizing request is deemed deficient, a process similar to that in Appendix GG will be used for the downsizing generator to timely cure the deficiency. If the deficiency is not timely cured, the downsizing generator request will be rejected and will not be included in the generator downsizing study performed as part of the GIDAP reassessment.
- Downsizing study. The ISO proposes to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process. Downsizing requests submitted by mid-November will be validated by the ISO by mid-December. A validation process equivalent to that in existing tariff Appendix GG will be used. Knowing the set of valid downsizing requests by mid-December will make it possible to incorporate this information into the annual GIDAP reassessment process which begins in January of each year.
- Number of downsizing requests. The ISO does not propose to limit the number of annual downsizing requests that a generating facility can submit. However, the limit on the number of years a project can remain in the interconnection queue will remain in effect (10 years in the queue from the interconnection request date to the in-service date for serial projects and 7 years in the queue from the interconnection request date to the commercial operation date for cluster projects). Projects with existing GIAs that request to downsize will be required to amend their GIAs to conform with current tariff provisions relating to time in the queue and project suspension.

[25] Under Appendix DD Section 7.4, the ISO will perform a reassessment of the phase I interconnection study base case prior to the beginning of the GIDAP phase II interconnection studies. For example, this reassessment will include information concerning interconnection request withdrawals that occurred after the completion of the phase II interconnection studies for the immediately preceding queue cluster. Under this straw proposal, the ISO is proposing to also include information concerning the downsizing requests received by mid-November. The reassessment is used to develop the base case for the phase II interconnection study.

- Size of downsizing request. The ISO does not propose to limit the MW amount of downsizing permitted. The FERC-approved one-time downsizing process imposed no such limit. The ISO believes that to impose such a limit would be arbitrary and that there is insufficient basis to meet any burden for justifying such a limitation.
- Protection for customers who are affected but not downsizing. The ISO proposes that each downsizing customer will be obligated to finance the costs of the network upgrades that its project at its full size previously triggered and to finance the costs of network upgrades that are alternatives to the previously triggered upgrades if projects in the same or a later queue are shown to need such upgrades.
- Generator downsizing deposit. The ISO proposes that downsizing customers will be obligated to finance the costs of downsizing studies and amending their GIAs. To accomplish this, the ISO proposes that each downsizing generator be required to provide a generator downsizing deposit of $60,000 to be applied toward a pool of funds to pay for actual costs incurred by the ISO, the PTOs, or third parties at the direction of the ISO or PTO(s), as applicable, to perform and administer the generator downsizing process. These include (1) costs associated with the generator downsizing study and production of the downsizing generator's study report, and (2) costs associated with amending the GIA of the downsizing generator. Thus the generator downsizing deposit will consist of two portions. With regard to study costs associated with each downsizing request, the ISO proposes that the generator downsizing study portion of the generator downsizing deposit be equal to $50,000.[26] The downsizing generator's share of the actual study costs will be equal to the actual costs of that particular annual GIDAP reassessment multiplied by a ratio with the quantity of one in the numerator and the sum of three quantities in the denominator. The three quantities in the denominator would be: (i) the number of new downsizing requests; (ii) the number of interconnection request withdrawals since the last GIDAP reassessment; and (iii) the number of projects that have reduced the MW generating capacity or changed deliverability status of their proposed facilities under the GIDAP requirements. Quantities (ii) and (iii) are the drivers that the GIDAP reassessment was originally designed to account for. With regard to the costs associated with amending the GIA of a downsizing generator, the ISO proposes that the downsizing generator be responsible for the costs to amend its own GIA but not the costs to amend GIAs other than its own. The reasons for this are that under the ISO's proposal the effects of downsizing will be assessed along with other factors unrelated to downsizing (*e.g.*, withdrawals of interconnection requests) in the annual

[26] The interconnection study deposit applied under the GIP (Appendix Y) and GIDAP (Appendix DD) is equal to $50,000 plus $1,000 per MW of electrical output of the generating facility, up to a maximum of $250,000. The ISO is proposing to omit the variable term for purposes of the downsizing deposit. As the ISO previously stated during the development of the one-time downsizing opportunity, the ISO reviewed historical cost data from past queue cluster studies and found that, on average, queue cluster study costs have not exceeded $50,000 per interconnection customer.

GIDAP reassessment process and it will not be possible to separate out those GIA amendments attributable to a downsizing project from amendments attributable to other causes. Therefore, the ISO proposes to charge each downsizing project to cover the actual cost for the ISO and PTO to amend only the downsizing generator's GIA. The ISO proposes that the GIA amendment portion of the generator downsizing deposit be equal to $10,000. This is based on the amount of $10,000 per amended GIA used in the FERC-approved one-time downsizing process.[27]

- Material modification requests. The ISO proposes that those aspects of the material modification request process that relate to being able to change the size of a project will remain in place until the first annual downsizing request window opens in October 2014. Once this first downsizing request window opens, however, the ISO will no longer review requests to downsize a project's capacity pursuant to the general "material modification" review provisions. This will ensure that all downsizing requests are processed and analyzed in a manner that operates in harmony with the ISO's ongoing cluster study process. This will not, however, affect customers' rights to downsize during the interconnection studies, insofar as those rights are explicitly provided in the applicable interconnection procedures, or the ability of customers to utilize the 5 percent safe harbor provisions.[28]
- GIDAP modifications. The ISO proposes to offer three additional downsizing decision points within the GIDAP tariff itself to address scenarios that were not explicitly considered when GIDAP was developed. These are as follows:
    - Under Appendix DD Section 8.9.4, if an option (A) project is either allocated less transmission plan deliverability than requested or declines the amount allocated, then it must select one of three options: (i) withdraw its interconnection request; (ii) enter into a GIA and convert to energy-only deliverability status; or (iii) park until the next allocation of transmission plan deliverability in the next interconnection study cycle. The ISO proposes that a customer selecting either option (ii) or (iii) would be allowed to reduce the MW generating capacity of its project.
    - Under Appendix DD Section 8.9.5, if an option (A) or (B) project is allocated less transmission plan deliverability than requested, then it must choose one of four options: (i) accept the allocated amount and reduce the size of its project to match the allocated amount; (ii) accept the allocated amount and adjust the deliverability status of the project to achieve partial capacity deliverability corresponding to the allocated amount; (iii) for option (A) projects accept the allocated amount and seek

[27] The ISO and PTOs are currently negotiating the one-time downsizing GIAs and will have a better idea of actual costs going forward and may need to adjust the deposit amount at a later date.

[28] In addition, this clarification will not prevent customers with partial termination provisions in their GIAs from exercising those rights consistent with the terms thereof.

additional transmission plan deliverability for the remainder in the next allocation cycle; or (iv) decline the allocated amount and either withdraw its interconnection request or convert to energy-only deliverability status or, for an option (A) project that has not previously parked, it may decline the allocation and park until the next allocation of transmission plan deliverability in the next interconnection study cycle. The ISO proposes that a customer selecting either option (iii) or (iv) would be allowed to reduce the MW generating capacity of its project.

- Under Appendix DD Section 8.9.6, an option (A) project that has not previously parked and is allocated the entire amount of requested transmission plan deliverability may decline all or a portion of the allocation and park until the next allocation of transmission plan deliverability in the next interconnection study cycle. The ISO now proposes that a customer making the decision to decline the allocation and park in accordance with this tariff section would be allowed to reduce the MW generating capacity of its project at the same time.

Stakeholders are invited to comment on the ISO's draft final proposal on this topic.

4.2 Topic 2 – Disconnection of completed phase(s) of project due to failure to complete a subsequent phase

4.2.1 *Scope of topic*

This topic relates to the rights of one or more of the contracting parties under the *pro forma* GIA (*i.e.*, the interconnection customer, the PTO, and the ISO) to declare another contracting party who fails to perform or observe any material term or condition of the GIA to be in breach of and to default on the GIA. The *pro forma* GIA provides that termination of the GIA is a potential remedy for default, and further provides for disconnection of the generating facility if the GIA is terminated. The question of whether and how a contracting party actually exercises these rights is entirely fact-specific and can only be determined on a case-by-case basis. Section 4.2.4 below outlines the steps of the process that must be followed before a GIA breach can result in termination of the GIA, which requires a ruling by FERC that termination is just and reasonable.

The specific scenario initially identified to be addressed in this topic concerns a situation in which a portion or phase, or multiple portions or phases, of the interconnection customer's project have been completed and have commenced commercial operation, and where the customer has determined not to complete all phases or the full MW size of the project as required under the executed GIA (*i.e.*, the stated nominal MW size less the 5 percent safe harbor amount). In such a scenario, termination of the GIA would mean that an operating generator that represents a portion or phase of a project could be disconnected from the ISO grid if the customer fails to complete the entire project.

This topic was originally suggested by LSA, CalWEA, and Tenaska in the March 2012 stakeholder survey, and was proposed again for consideration in the current initiative by LSA.[29] Stakeholders raising this issue assert that the possibility of the ISO fully terminating a GIA, in the situation where one or more phases of a project are already operating but a later phase of the project is cancelled, causes severe project financing problems. In the comments submitted on June 25, several stakeholders reiterated this concern, stating that the potential for disconnection would cause a financial institution to add a substantial risk premium or perhaps even decline to finance the project at all. Although the ISO has acknowledged this concern on the part of project developers, the ISO has also expressed its own concern about any blanket elimination of its right to terminate a GIA.

In the July 18 straw proposal the ISO proposed to resolve this matter by agreeing not to seek GIA termination based solely on the interconnection customer's cancellation of a later project phase, so long as there are no other adverse impacts that the interconnection customer cannot mitigate. As described below, the current draft final proposal clarifies and slightly modifies the straw proposal.

With this draft final proposal, the ISO also includes within this topic an issue that was identified as part of topic 15 in the July 18 straw proposal. The situation described in that paper is where a project fails to complete and place into commercial operation the full MW capacity required for "substantial performance" with the executed GIA, (*i.e.*, the nominal MW size stated in the GIA less the 5 percent safe harbor amount). The ISO tariff currently states that when the completed project falls more than 5 percent short of the MW capacity stated in the GIA (*i.e.*, outside the 5 percent safe harbor) and the project satisfies at least one of three conditions that reflect causes for the inability to develop the full capacity that are beyond the control of the interconnection customer, the ISO would consider on a case-by-case basis whether or not to deem the project to be in "substantial performance" of its GIA.[30] The question raised for stakeholder comment in the July 18 straw proposal regarding this situation concerns the interconnection customer's responsibility for the *pro rata* cost share of its needed transmission facilities associated with the project MW that were not completed. In considering how to resolve this question, the ISO observed that this situation is for all practical purposes equivalent to the original topic 2 situation, and therefore is addressing both in a consistent manner in this draft final proposal for topic 2.

Another issue within the scope of this topic is a further aspect of the provision for "substantial performance" by an interconnection customer of its obligations under the GIA. In the GIP 2 initiative in 2011, the ISO clarified that a customer will have a safe harbor of 5 percent of its project's MW capacity as specified in the GIA.

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[29] This issue was also raised in a complaint filed at FERC by CSOLAR earlier this year in FERC Docket No. EL13-37-000. FERC denied the complaint.

[30] Appendix CC Article 5.19.4.

Recent experience with projects in the interconnection process has suggested that the 5 percent safe harbor could be revised to allow size reductions up to "the greater of 5 percent of the project capacity or 10 MW" for any reason, and that this would be helpful to project developers without having adverse unintended consequences. Several stakeholders commented on this issue in their June 25 comments, and in response the ISO's July 18 straw proposal contemplated modifying the safe harbor language to read "the greater of 5 percent of the project capacity or 10 MW, but not greater than 25 percent of the project capacity." This draft final proposal retains the straw proposal approach.

4.2.2 *Summary of stakeholder comments*

CalWEA – CalWEA commends the ISO for proposing a logical and commonsense approach to address the failure of projects to develop later phases of their projects. However, CalWEA believes that a generator should retain the GIA for phases that have started construction as well as project phases that are already operational at the time the failure of future phases are identified. For the purpose of determining whether a project phase has entered construction, the ISO could use the same definition that it currently uses for start of construction for transmission upgrades.

ISO response – The draft final proposal resolves this issue.

CPUC staff – CPUC staff supports the straw proposal.

IEP – IEP recommends that the ISO allow the interconnection customer the option to "submit the incomplete portion of the interconnection request to downsizing in the next downsizing cycle and become responsible for all costs associated with that process."

ISO response – The draft final proposal resolves this issue.

LSA and **Silverado** – LSA and Silverado recommend the following revisions to the straw proposal: (1) define "adverse consequences," such as cost increases or delay in the commercial operation date for other projects; (2) the interconnection customer should not be responsible for costs for upgrades no longer needed, if this can be determined without further study; (3) the interconnection customer should be reimbursed for network upgrade costs it funded if later projects use the capacity; and (4) eliminate 25 percent size limit on the safe harbor.

ISO response – The draft final proposal does not define (1) "adverse consequences." Instead, the ISO will agree not to terminate solely for the failure to build all the capacity. The draft final proposal does not adopt either (2) or (3) because it would weaken the incentives for an interconnection customer that wants to be eligible for reduced postings and reimbursement of all network upgrade costs to utilize the downsizing window. The draft final proposal does not adopt (4) because it would weaken the incentives for smaller projects seeking major size reductions to utilize the downsizing window.

PG&E – PG&E suggests adding the following language: "In addition, should the subsequent pre-validation/reassessment window determine that any other fully or partially completed network upgrade is no longer needed by any project in the then-current queue, the stranded costs for such upgrade will not be eligible for reimbursement to the interconnection customer."

ISO response – The provision making the interconnection customer ineligible for reimbursement for any excess transmission capacity renders this issue moot.

SCE – SCE suggests adding that the interconnection customer must pay for GIA amendment costs, and must request material modification review or enter an annual downsizing window and pay all associated costs.

ISO response – The ISO agrees that it is appropriate that the interconnection customer be obligated to pay the cost to the ISO and applicable PTO of amending its GIA, consistent with the discussion of this cost under topic 1 above. The draft final proposal is also consistent with SCE's proposed requirement to utilize the annual downsizing window, as described below. The suggestion that the customer request material modification review, however, is moot under the ISO's proposal to no longer review requests to downsize pursuant to the general "material modification" review provisions once the annual downsizing process has been implemented.

SDG&E – SDG&E agrees with ISO proposal, and proposes to allow the interconnection customer to substitute a later phase for an earlier phase if the technology and size are equivalent.

ISO response – Nothing in the draft final proposal for topic 2 precludes this possibility.

Six Cities – The Six Cities supports the ISO proposal.

4.2.3 *Draft final proposal*

Upon further consideration of the first two issues described above – the issue that was the initial scope of this topic, and the issue that was mentioned under topic 15 in the July 18 straw proposal – the ISO believes that there is no practical difference between the following two situations:

1) The interconnection customer completes a phase or a partial amount of the full MW capacity of the project and decides to cancel the rest of the project; and
2) The final MW capacity of the interconnection customer's project falls short of the 95-percent requirement to be considered to have substantially performed under the GIA in accordance with the 5 percent safe harbor provisions.

In either situation, the interconnection customer should be aware of the need to reduce the project size well before the commercial operation date specified in its GIA and should, given the proposal now offered under topic 1, participate in an annual downsizing window prior to its commercial operation date. Thus the situations described here should rarely if ever arise; by utilizing one of the annual downsizing windows the interconnection customer can fully prevent the

triggering of a GIA default due to reduced MW build-out of its project. In addition, some projects will be eligible to incorporate partial termination provisions in their GIAs, which gives them the ability to reduce their project sizes by exercising partial termination and thus avoid both the downsizing window process and GIA default due to size reduction.

The ISO therefore proposes that if an interconnection customer is in situation (1) or (2) above and has not reduced its project size through either the annual downsizing process or the exercise of partial termination provisions in its GIA, and if the project's commercial operation date as specified in its GIA occurs before the next downsizing window opens, then:

a) The ISO will not seek to terminate the GIA solely due to the interconnection customer's failure to complete the full MW required under the GIA, subject to the following rules.

b) The interconnection customer will still be responsible for all interconnection financial security postings and costs associated with the full MW size of the project as stated in the GIA.

c) With regard to interconnection financial security postings and other costs for which the interconnection customer would normally have been reimbursed, the *pro rata* portion of such postings and costs associated with the cancelled MW portion or phase(s) of the project will not be eligible for reimbursement, unless the interconnection customer can demonstrate that the MW size reduction is due to one of the three factors listed below which are beyond the interconnection customer's control, and that the interconnection customer only learned of the relevant factor(s) after the last opportunity to enter a downsizing window had passed. The three factors are the same ones that are identified in the current ISO tariff as conditions for the ISO to consider allowing an interconnection customer whose final project size falls short of meeting the requirements of the 5 percent safe harbor provisions to avoid being found in breach of the GIA. These three factors are:

    i. The interconnection customer's failure to secure required permits and other governmental approvals to construct the generating facility at its total MW generating capacity specified in the interconnection request after making diligent efforts.

    ii. The interconnection customer's receipt of a written statement from the permitting or approval authority indicating that construction of the facility at the total MW size specified in interconnection request will likely result in disapproval due to significant environmental or other impact that cannot be mitigated.

    iii. The interconnection customer's failure to obtain legal right to use of the full site acreage necessary to construct/operate the total MW generating capacity size for the entire generating facility after making diligent efforts (only applies where an interconnection customer had previously demonstrated and maintained its demonstration of site exclusivity).

d) If the interconnection customer informs the ISO that it needs to reduce its project size due to situation (1) or (2) above and there is an opportunity to enter an annual downsizing window prior to the project's commercial operation date, then the interconnection customer will be required to either utilize the downsizing window or forfeit any eligibility for reimbursement of costs as discussed in item (c) above.

e) The interconnection customer will be obligated to pay for GIA amendment costs.

Finally, consistent with the July 18 straw proposal, the ISO proposes to modify the safe harbor language to read "the greater of 5 percent of the project capacity or 10 MW, but not greater than 25 percent of the project capacity." The implications of this provision are summarized in the following table:

If the project MW size as specified in the GIA is:	**Then the safe harbor is:**
Greater than 200 MW	5 percent
Between 40 MW and 200 MW	10 MW
Less than 40 MW	25 percent

Stakeholders are invited to comment on the ISO's draft final proposal on this topic.

4.2.4 *The process required to disconnect an operating project for GIA breach*

In summary, before a large or small generating facility can be disconnected from the ISO controlled grid due to the interconnection customer's default on a GIA, the customer must be notified of and fail to cure a default of the agreement, and FERC must accept a notice of termination filed by the ISO and/or PTO. The specific steps are described in more detail as follows.

- A breach of the GIA occurs if a party fails to perform or observe any *material* term or condition of the GIA.[31]
- A default occurs if a party fails to cure a breach of the GIA.[32]
- The ISO and/or PTO is required to provide a written notice of breach to the interconnection customer, providing an opportunity to timely cure the breach within a specified number of days:
    - Five (5) business days to timely cure a failure to post interconnection financial security required by the GIA.[33]

[31] Article 1 of ISO tariff Appendices V, Z, BB, CC, and EE (definition of breach).

[32] Attachment 1 of ISO tariff Appendices T and FF (definition of default); Article 1 of ISO tariff Appendices V, Z, BB, CC, and EE (definition of default).

- For a large generating facility only: Thirty (30) calendar days to timely cure any other breach of the GIA; provided, however, that if the cure cannot be completed within 30 calendar days, the defaulting party must commence the cure within 30 calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the notice.[34]
- For a small generating facility only: Sixty (60) calendar days to timely cure any other breach of the GIA; provided, however, that if the cure cannot be completed within 60 calendar days, the defaulting party must commence the cure within twenty (20) calendar days after notice and continuously and diligently complete such cure within six (6) months from receipt of the notice.[35]
- If a breach is not timely cured, or if a breach is not capable of being timely cured within the applicable period described above, the non-breaching parties may declare a default and terminate the GIA by written notice at any time until cure occurs.[36] The tariff does not, however, require the ISO or PTO to seek termination of the GIA upon declaring a default. The tariff states that the non-breaching party can "recover from the breaching party all amounts due hereunder, plus all other damages and remedies to which it is entitled at law or equity" regardless of whether or not the non-breaching party terminates the GIA. Thus, it is possible at this point for the contracting parties to try to identify and seek FERC approval of an alternative, equitable, non-termination remedy that is appropriate to the situation.

- A party that disputes a written notice of default can initiate dispute resolution procedures pursuant to the GIA.[37] Termination of the GIA would not occur while the dispute resolution procedures are in progress.
- Absent the parties identifying a mutually acceptable non-termination alternative, the ISO and/or PTO will file any notice of termination of the agreement with FERC. The termination can become effective only after FERC determines that termination of the GIA – and the consequences, in this case disconnection of the operational phase of the generating facility – are just and reasonable, and accepts the notice.[38]

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[33] Article 6.4.2 of ISO tariff Appendices T and FF; Article 11.5.1 of ISO tariff Appendices Z, BB, CC, and EE.

[34] Article 17.1.1 of ISO tariff Appendices V, Z, BB, CC, and EE.

[35] Article 7.6.1 of ISO tariff Appendices T and FF.

[36] Article 7.6.2 of ISO tariff Appendices T and FF; Article 17.1.2 of ISO tariff Appendices V, Z, BB, CC, and EE.

[37] Article 10 of ISO tariff Appendices T and FF; Article 27 of ISO tariff Appendices V, Z, BB, CC, and EE.

[38] Article 3 of ISO tariff Appendices T and FF; Article 2.3.4 of ISO tariff Appendices V, Z, BB, CC, and EE.

- Upon approval by FERC to terminate the agreement, the parties will "take all appropriate steps" to disconnect the generating facility from the ISO controlled grid.[39]

[39] Article 3.3.3 of ISO tariff Appendices T and FF; Article 2.5 of ISO tariff Appendices V, Z, BB, CC, and EE.

Appendix A

Steps and timeframes associated with the one-time downsizing opportunity		
Step no.	**Sequential steps in the generator downsizing process (Including citations to relevant ISO tariff sections)**	**Timeframe**
1	Each downsizing generator submits its generator downsizing request to the ISO. (Appendix GG Sections 2.3, 2.5.1) Each downsizing generator must meet all requirements of good standing of its interconnection request. (Appendix GG Section 2.4(2))	No later than the generator downsizing request due date, *i.e.*, 5:00 p.m. Pacific time on January 4, 2013
2	The ISO notifies each downsizing generator whether its generator downsizing request is deemed complete, valid, and ready to be studied. (Appendix GG Section 2.5.2.1) If the generator downsizing request is not deemed complete, valid, and ready to be studied, the process starts for requesting and providing additional information to address the deficiencies in the generator downsizing request. (Appendix GG Section 2.5.2.2)	No later than 10 business days after the generator downsizing request due date
3	The ISO issues a market notice when it has posted on its website (1) a listing of valid generator downsizing requests and (2) a preliminary estimate of the aggregate study costs for conducting the generator downsizing study. Issuance of this market notice opens the opportunity for each downsizing generator to withdraw its generator downsizing request pursuant to the information provided in the market notice, *i.e.*, opens the first withdrawal opportunity. (Appendix GG Sections 3, 5.1(i))	Following the generator downsizing request due date, in late January 2013
4	The ISO tenders a downsizing generator payment obligation agreement to each downsizing generator that has not thus far chosen to exercise the first withdrawal opportunity. (Appendix GG Section 6.1)	No later than 5 calendar days prior to the close of the first withdrawal opportunity as described in step 5
5	Close of the first withdrawal opportunity. (Appendix GG Section 5.1(i))	8:00 a.m. Pacific time on the sixth business day following issuance of the market notice described in step 3
6	Each downsizing generator that chooses not to exercise the first withdrawal opportunity must execute and return its tendered downsizing generator payment obligation agreement to the ISO. (Appendix GG Section 6.1)	Within 5 calendar days after tender of the downsizing generator payment obligation agreement as described in step 4
7	The ISO issues a market notice of the anticipated commencement and completion dates of the generator downsizing study. (Appendix GG Section 6.4)	January/February 2013
8	The ISO and participating transmission owners perform the generator downsizing technical assessment for the generator downsizing study. (Appendix GG Section 6; Attachment A to Appendix 4 of Appendix GG)	February - April 2013
9	The ISO provides written notice to each downsizing generator whose cost responsibility for network upgrades is expected to increase by more than five percent or five million dollars, whichever is lower, from the cost responsibility identified in its interconnection facilities study, Phase II interconnection study report, or generator interconnection agreement. Provision of this written notice opens the opportunity for each downsizing generator that receives such notice to withdraw its generator	April 2013

Steps and timeframes associated with the one-time downsizing opportunity		
Step no.	**Sequential steps in the generator downsizing process (Including citations to relevant ISO tariff sections)**	**Timeframe**
	downsizing request pursuant to the information provided in the notice, *i.e.*, opens the second withdrawal opportunity. (Appendix GG Section 5.1(ii))	
10	Close of the second withdrawal opportunity. (Appendix GG Section 5.1(ii))	8:00 a.m. Pacific Time on the eighth business day following provision of the written notice described in step 9
11	The ISO and participating transmission owners complete the generator downsizing study. The ISO provides a generator downsizing study report to each downsizing generator that has not exercised the first or second withdrawal opportunity and to each affected generator. (Appendix GG Section 6; Attachment A to Appendix 4 of Appendix GG)	Late June 2013
12	Each downsizing generator may request a generator downsizing study results meeting with the ISO and the applicable participating transmission owner(s). (Appendix GG Section 10)	Within 10 calendar days of receipt of the generator downsizing study report
13	Each affected generator may request a generator downsizing study results meeting with the ISO and the applicable participating transmission owner(s). (Appendix GG Section 10)	Within 14 calendar days of receipt of the generator downsizing study report
14	The ISO provides notice of updated posting amounts of interconnection financial security, if necessary, to each downsizing generator and affected generator whose cost responsibility for network upgrades and/or participating transmission owner's interconnection facilities changes between its earlier interconnection studies and the generator downsizing study. (Appendix GG Section 12(2))	Within 15 business days of the issuance of the generator downsizing study report
15	The applicable participating transmission owner(s) and the ISO tenders to each downsizing generator or affected generator a draft amendment to its executed generator interconnection agreement, if necessary, together with draft amended appendices. (Appendix GG Section 13) If the downsizing generator or affected generator has not yet executed a generator interconnection agreement, then the applicable participating transmission owner(s) and the ISO will, if necessary, tender a revised draft generator interconnection agreement with draft appendices. (Appendix GG Section 13) Also, the process subsequent to such tender for providing comments, negotiation, and execution and filing of a revised generator interconnection agreement, or an amendment to an executed generator interconnection agreement, including all timeframes, will be identical to the process set forth in Appendix Y Section 11, or as agreed to by the downsizing generator or affected generator, ISO, and participating transmission owner(s). (Appendix GG Section 13)	Within 30 calendar days after the ISO provides the generator downsizing study report
16	To the extent that a downsizing generator's cost responsibility for network upgrades or participating transmission owner's interconnection facilities increases or decreases, or an affected generator's cost responsibility for network upgrades or participating transmission owner's interconnection facilities decreases, adjustments to the interconnection financial security to conform to the updated amounts specified in the notice described in step 14 must be made. (Appendix GG Section	Within 30 calendar days after the issuance of the notice described in step 14

Steps and timeframes associated with the one-time downsizing opportunity		
Step no.	**Sequential steps in the generator downsizing process (Including citations to relevant ISO tariff sections)**	**Timeframe**
	12(2))	
17	The participating transmission owner and any third parties performing work related to the generator downsizing study on the downsizing generator's behalf must invoice the ISO for such work. (Appendix GG Section 2.12)	Within 75 calendar days of completion of the generator downsizing study
18	The ISO issues invoices to the downsizing generator based upon the invoices provided to the ISO as described in step 17 and the ISO's own costs for the generator downsizing study. (Appendix GG Section 2.12)	Within 30 calendar days after the invoices are provided to the ISO as described in step 17
19	Each downsizing generator that receives an invoice as described in step 18 must pay any invoiced amount not covered by the downsizing generator's generator downsizing deposit. (Appendix GG Sections 2.7, 2.12)	Within 30 calendar days of the date of the invoice