

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal paper posted on September 4, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due September 24, 2018 by 5:00pm

The Draft Final Proposal posted on September 4, 2018 and the presentation to be discussed during the September 17, 2018 stakeholder meeting can be found on the CAISO webpage at the following link:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx>

Please use this template to provide your written comments on the Draft Final Proposal topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Draft Final Proposal paper for convenience.

6. Generator Interconnection Agreements

6.2 Affected Participating Transmission Owner

EDF-R strongly supports CalWEA's proposal for a single, multiparty agreement that covers the CAISO, Interconnection Customer, interconnecting PTO, and any Affected PTOs. Based on the discussion at the recent Track 3 stakeholder meeting, it appears that, even though the CAISO has decided not to approve a multi-party GIA that would include both the interconnecting PTO and Affected PTOs in this initiative, it is nevertheless planning to: (1) Initiate work drafting such an agreement for possible use on a voluntary basis if all parties agree; (2) test the agreement with different new-generation situations; and then (3) file it at FERC as a new pro forma agreement.

EDF-R has two comments on this CAISO position.

First, EDF-R urges the CAISO to re-state its position and conclusion on this topic. The CAISO should state that it approves such an agreement and include its planned testing and filing process as a formal follow-up effort. The determination of whether the new multi-party agreement would be in addition to (voluntary) or replace (mandatory) the current two-agreement framework can be made as part of the follow-up effort. Formalizing development of the agreement as a follow-up effort for this initiative will help ensure that it will not receive lower priority compared to the CAISO's other work.

Second, EDF-R is concerned that the need to file interconnection arrangements using the draft agreement at FERC as non-conforming would likely discourage generation developers from using the draft agreement.

Instead, the CAISO should do its best to develop the new agreement in final, working with the PTOs (especially SCE, which anecdotally seems to be an Affected PTO most frequently and opposed a single agreement most verbally) and other stakeholders to develop an acceptable agreement and file it at FERC first, so the initial generation projects can use it as a pro forma agreement. The CAISO can then file changes as desired afterwards.

EDF-R supports the other parts of the Affected PTO proposal, e.g., those regarding establishment of a single Maximum Cost Responsibility for all Network Upgrades and proportional Reliability Network Upgrade refunds from each PTO where the RNU costs exceed the reimbursement limit.

6.4 Ride-through Requirements for Inverter based Generation

The CAISO's revisions in response to stakeholder comments seem reasonable.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

Generally speaking, EDF-R believes that the CAISO's proposals would impose additional risk on generation developers, in most cases without adequate explanation. The foundation of the GIP framework was additional "skin in the game" in the form of financial-security postings and forfeits in return for increased cost certainty. However, the CAISO's proposals would greatly increase cost uncertainty for developers; large "potential" increases in cost responsibility greatly increase such uncertainty, even if known in advance.

In effect, off-takers and lenders often consider the higher "maximum" figure, and high contingent obligations will jeopardize otherwise-viable generation projects even where the probability of incurring the contingent obligations may be very low. The proposed retention of contingent costs even where the contingent obligations themselves are eliminated is conceptually flawed, and legally unjust and unreasonable.

EDF-R strongly encourages the CAISO to reconsider several aspects of the Draft Final Proposal and to modify them as recommended below.

The CAISO’s formal definition in the Draft Final Proposal of the different upgrade types and cost-assignment categories are mostly helpful, and the CAISO’s overall framework is much more coherent and reasonable overall than that for this topic in the Revised Straw Proposal. However, EDF-R has two specific concerns:

- **Proposed treatment of Potential Network Upgrades (PNUs) in the Maximum Cost Responsibility (MCR):** EDF-R objects to retention of PNU costs in the MCR even after execution of a Generator Interconnection Agreement (GIA) covering those upgrades, and use of that amount to then allocate additional Directly Assigned Network Upgrade (DANU) costs.
- **Proposed treatment of Interconnection Service Upgrades (ISUs):** EDF-R disagrees with the definition and proposed treatment of shared Interconnection Service Upgrades (ISUs) and proposes an alternative treatment. Specifically, the difference between allocated and full ISU costs: (1) should not be included in the MCR; (2) if included, should be removed once another project executes a GIA; and (3) should be excluded from posting and payment obligations.

These positions are explained further below.

Proposed treatment of Potential Network Upgrades (PNUs) in the MCR

The CAISO’s proposal is partly a formalization of the current provisions of GIDAP Section 14.2.2 holding later-queued clusters potentially responsible for the cost of upgrades they need that are assigned to earlier clusters and are not covered in an executed Generator Interconnection Agreement (GIA). EDF-R supports the CAISO’s revised proposal to include only the “allocated” PNU cost (the amount a project would have been allocated had the upgrade been assigned to their cluster) and not the full PNU amount for each project in the current cluster.

However, this proposal itself has conceptual flaws and is more punitive than Section 14.2.2.

First, Section 14.2.2 only holds a project responsible for such upgrade costs until and unless the upgrades are included in at least one GIA executed by an earlier-queued project. The CAISO proposal here would retain the cost in the MCR even after GIAs are executed making the upgrade the responsibility of others.

The Proposal contains no justification for increasing project risks and costs in this manner, compared to current tariff provisions. This provision is especially unfair given widespread “parking” (for up to two years now) and other submission of GIAs later in the process than before, per earlier IPE reforms. These changes are causing upgrades to be contingent for multiple later-queued clusters.

If GIAs that are later executed for contingent upgrades were executed earlier, the upgrades would not be contingent for later-queued projects and would not be included in the MCR at all. Generation developers have no control over GIA tender and execution timing for earlier-queued projects in their areas, and it is unfair to penalize them simply because those GIAs are executed later.

Second, Section 14.2.2 allows assignment of costs to later-queued projects only in the amount of the contingent upgrade, i.e., the presence of the contingent obligation does not allow additional assignment of upgrade costs for the current cluster. Again, the Proposal provides no justification for assigning this increased risk to developers.

Projects assigned PNU costs are already at risk for bearing those additional costs under the current tariff, and they are penalized as appropriate by lenders and off-takers for that risk. They should not be placed further at risk for bearing additional costs assigned to their own cluster just because they need an upgrade assigned to an earlier cluster.

In summary, if the CAISO includes allocated PNU costs in project MCRs: (1) The use of that inclusion should be limited to allowing for those costs to fall to the project's cluster as DANUs; (2) those costs should be removed from the MCR if and when GIAs are executed for those PNUs and they become Precursor NUs; and (3) they should not be used for re-allocating additional DANU costs.

EDF-R also notes that, once they become DANUs, they would be treated like other DANUs, e.g., if they are not needed due to dropouts in the cluster, they would allow for reallocation of other DANU costs. EDF-R's objection is only to use of the PNU/Precursor Upgrade cost amount to reallocate DANU costs.

Proposed treatment of Interconnection Service Upgrades (ISUs)

The Proposal defines these DANUs as “Reliability Network Upgrades at the Point of Interconnection to accomplish the physical interconnection of the generator project to the CAISO controlled grid.” Though the Draft Final Proposal says these are the same as “Plan of Service” upgrades, that term is only used by SCE currently and is not defined in the CAISO tariff. ISUs are not well-defined here either, but at a minimum appears to include switching stations.

This term is only defined separately from other DANUs so that more onerous MCR, Current Cost Responsibility (CCR), and payment requirements can be imposed. EDF-R objects to several features of this proposal.

- **ISU cost in MCRs:** The Proposal would include 100% of ISU costs in project MCRs. When ISUs are assigned to only one project in a cluster (typical for SCE Plan of Service upgrades), then 100% of the cost naturally would be included in the MCR.

However, the Proposal would also include 100% of ISU costs in the MCR when the ISUs are shared with other projects in the cluster. This element is not justified in the Proposal.

Arguments have been made in the past that these upgrades are “different,” because they must be built if even one of the projects needing it is built. However, the same can be true for other RNUs, i.e., they may also be needed if only one project in the cluster is built; the fact that ISUs can be more easily identified as such does not justify such disparate treatment.

Moreover, if other projects sharing an ISU assigned that upgrade are actually built, then inclusion of the full INU cost in the MCR serves no purpose other than to allow other DANU costs to be imposed on the project in question. The greater the number of projects sharing the INU, the less the likelihood that any one project will be the only one using the upgrade, and the more unfair an assignment of 100% cost inclusion in the MCR for each of those projects would be.

A compromise position would be inclusion of 100% of allocated ISU costs in the MCR, but with the additional “headroom” treated the same as EDF-R's recommendation above for PNUs, i.e., the cost above the allocated cost to a project should be:

- **Available only for the cost of that upgrade**, and not assignment of other DANU costs; and
- **Removed from the MCR once at least one other project assigned the upgrade executes a GIA**, or at least reduced by the amount assigned to the project executing the GIA.

- **ISU costs in CCRs – security postings:** The Proposal would also include 100% of ISU costs in CCRs, which would be used to set security postings.

Thus, multiple projects sharing an ISU would be forced to post 100% of the entire cost of the ISU. This is directly contrary to the CAISO’s earlier statements in the Straw Proposal regarding Stand Alone Network Upgrades (SANUs), the most obvious and expensive ISU. For example, the CAISO stated, at p.45 of that document, that, “The CAISO’s proposal is to only require a project’s posting to be based on a 100% cost allocation when the project is truly the only project needing the SANU.”

The Proposal contains no rationale for the CAISO’s apparent change in position for this important element; EDF-R maintains that the CAISO’s earlier statement made sense and should still apply.

- **ISUs in CCRs – Actual payments:** A project’s DANUs typically determine project payments; under no circumstances should multiple projects sharing an ISU be required to each pay the full cost of the ISU. EDF-R believes that this is the CAISO’s intent, but the proposed inclusion of ISUs in CCRs makes such a statement necessary.

7.7 Reliability Network Upgrade Reimbursement Cap

EDF-R supports the CAISO’s decision to refrain from modifying the RNU reimbursement provisions to address potential gaming behavior that has not been observed. The CAISO’s earlier attempts to address this issue would have resulted in complex and punitive measures that are not justified if no problems have occurred.

As with other potential gaming behaviors, EDF-R believes that the CAISO’s statement that it will be watching for such gaming will itself discourage it. EDF-R also notes that the CAISO can refer suspected gaming behavior to FERC under current rules, should any Market Participant engage in it.

EDF-R also supports the CAISO’s proposal to index the RNU reimbursement cap, starting in 2012, as a matter of basic fairness. As PTO costs increase, the “reasonable” reimbursement amount should increase as well. In addition, the index mechanism that the CAISO selects should be shared with stakeholders and open to comment, and the index should be monitored (e.g., compared against PTO Per Unit Cost changes) to ensure that it continues to be representative of PTO costs.

However, EDF-R believes that one addition to the RNU reimbursement provisions is warranted. Often a project will finance an RNU (e.g., a switching station) that is later used by other projects. (This possibility is increased by PTO requirements to over-build such facilities beyond the need of the funding generator, e.g., requirements for Breaker And A Half (BAAH) configuration.) Reimbursement of RNU costs above the limit (e.g., for a switching station) should be made to the extent that this occurs.

For example, using the \$60K/MW 2012 limit, if 100 MW Project A funded a \$10 million switching station, it suffered a \$4 million forfeit ($\$10M - (100MW * \$60K/MW)$). However:

- If later-queued 50 MW Project B later interconnects using the switching station, the cost per MW of projects connecting there would fall to \$66,700 ($\$10M/150MW$). If Projects A and B had been built at the same time, the forfeit amount would only be \$1M ($\$10M - (150MW * \$60K/MW)$), and Project A should be allowed to recover the additional \$3M.

- If later-queued 150 MW Project C later interconnects using the switching station, the cost per MW of projects connecting there would fall to \$33,300 (\$10M/300MW). If Projects A, B, and C had been built at the same time, there would thus have been no forfeit, and Project A should be allowed to recover the additional \$1M.

In other words, if the Project A had a 300 MW capacity, it would have fully recovered the switching-station cost. There is no rationale for limiting reimbursement simply because the capacity using it comes in three projects instead of one, or because the RNU is used by two or three clusters instead of one. Project A should thus be able to recover some or all of the forfeited amounts to the extent that additional projects later make use of the RNU, lowering the cost per MW.

This proposal is consistent with current LGIA provisions allowing a project that withdraws from the queue without reaching COD to nevertheless be reimbursed if upgrades it funds are later used by other projects. If projects that do not even reach COD can be reimbursed for upgrades used by others, surely it would be fair for projects that do reach COD funding such upgrades to be similarly reimbursed.

10. Additional Comments