

## Stakeholder Comments Template

### Subject: 2017 Draft Stakeholder Initiative Catalog

Submitted by	Company	Date Submitted
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First Solar appreciates the opportunity to comment on the 2017 Draft Stakeholder Initiative Catalog. First Solar believes that the CAISO should add to its 2017 catalog an initiative designed to address issues related to the misalignment of deliverability allocation rules and the procurement process in order to make their interconnection process feasible.

First Solar recognizes that FERC has taken comments from stakeholders about a potential rulemaking to examine revisions to generator interconnection agreements and procedures. However, the CAISO is ahead of others nationally in its innovative framework that integrates its transmission planning and generator interconnection processes. Because this issue of misalignment has arisen and is materially affecting projects now, First Solar suggests that a focused initiative designed to address the concerns articulated here is appropriate for early 2017.

#### Proposed Initiative

The current Generator Interconnection Rules that designate deliverability status to generation projects do not provide sufficient time for the projects to compete in procurement cycles before depriving them of deliverability, which strips the projects of their commercial viability under current procurement frameworks. First Solar fully supports the structure the CAISO has designed to manage the transmission planning process in tandem with the interconnection process. However, the rules need to accommodate realistic timeframes for projects to compete in procurement solicitations. Losing the opportunity to compete for deliverability on an equal footing with other post-Phase II studied projects after one year removes viable, cost-effective projects from competition.

The CAISO's established interconnection process provides the avenue to remove non-viable projects from the queue, and First Solar is supportive of these rules which serve to limit the amount of time a project may persist in the queue without showing significant commercial progress. However, the misalignment between transmission plan deliverability and the

procurement process, and requirement to show very early success in procurement cycles to retain eligibility for transmission deliverability, has the effect of stripping projects of commercial viability early or forcing withdrawal from the queue far before the seven-year time-in-queue limitation. This is not just and reasonable given the loss of investment dollars and deposit forfeiture that results.

The interconnection rules should allow highly-viable projects to receive and retain eligibility for deliverability status as long as the project continues to show progress towards commercial success, and the interconnection customer funds the reasonable cost of updating the annual studies. This can be achieved by allowing a project to “park” longer while it competes for a long-term contract in utility and other consumers’ solicitations (like commercial and industrial customers and community choice aggregators).

Particularly in California, where state policies are driving ever-higher levels of renewable procurement, and where the procurement rules are being modified to optimize for reliability, reduction of greenhouse gas emissions and cost, allowing serious developers capable of bringing cost-effective, grid-scale solar projects to market to remain in the interconnection queue should be a top priority of interconnection rule design. The system needs to be designed with a realistic appreciation for the timelines required to bring a project to the point that it can compete, and a realistic opportunity to compete in successive solicitations for a reasonable period of time. First Solar suggests that the transmission deliverability timelines should be aligned with the time-in-queue limitations, which require a showing of commercial viability to remain in the interconnection queue beyond seven years.

### **Timing**

The CAISO recognized early the need to marry the transmission planning process with the interconnection process. It proposed tariff changes to integrate these processes in 2012, resulting in new Generator Interconnection and Deliverability Allocation Procedures that were approved by the Commission in 2012. Under these rules, CAISO determines transmission availability based on its most recent transmission plan and allocates this availability to projects seeking deliverability, if those projects meet certain criteria.

For generating facilities that entered CAISO’s queue in 2012 or later (and where the generator does not wish to assume the cost for delivery network upgrades), the criteria for the first cut at eligibility includes 1) that the generating facility has, at a minimum, applied for certain permits, **and** 2) is either on an active short list in a procurement cycle for a load serving entity or is willing to balance-sheet finance the project.

CAISO’s Business Practice Manual for Generator Interconnection and Deliverability Allocation Procedures assigns points to these and other criteria that CAISO uses to measure a project’s eligibility for deliverability, and when there are fewer megawatts of transmission available to allocate than are being requested, CAISO allocates in order of the projects who score the highest under its point system.

For projects that are short-listed one year but do not advance to securing a power purchase agreement, they lose deliverability the following year under the rules. For developers who “park” their projects because they do not receive the deliverability allocation needed to cover the output of the facility, they lose the ability to compete for deliverability on an equal footing with other post-Phase II projects after a year if they can’t demonstrate success in a procurement solicitation.

Now that one cycle of the new deliverability allocation process has been completed, it has become clear that moving projects into energy-only status as the only alternative to withdrawing from the queue, forfeiting deposits and having to re-enter a later queue prematurely curtails that project’s ability to compete in procurement processes. While there has been discussion and initial analysis of pursuing energy-only as part of the procurement and planning framework, the fact is that today a project is harmed by this designation and stripped of its commercial potential. The CAISO must address these issues swiftly to maintain a viable interconnection process.

### **Benefits to the Market**

Losing deliverability or the ability to compete for deliverability takes a project out of the running for competitive solicitations under current procurement practices in California. Even though the time-in-queue rules are designed to allow a project a full seven years to develop before having to demonstrate commercial viability to remain in the queue, the deliverability rules have the effect of cutting a project’s meaningful life short after just three years. This is the case because the rules require a project to convert to energy-only deliverability status. Once this happens, the project must get back in line for transmission plan deliverability, where the process for the annual allocation takes two years, and does not even hold the same ranking order for the deliverability the project is requesting. During those two years, it is highly unlikely that the project would be competitive to bid into solicitations. A project must have deliverability to count towards resource adequacy in California; under the CAISO rules, an energy-only project is automatically assigned a net qualifying capacity of zero. Because of the limitations on deliverability and the lack of value for resource adequacy, financing an energy-only project is widely seen as not feasible. Meanwhile, the clock is running on the time-in-queue limitation, and added investment is needed to ready the project for commercial operation.

The benefits of allowing project to retain its opportunity of obtaining its deliverability status while continuing to remain parked are significant. With more projects parked, more projects will qualify to compete in solicitations. Load serving entities will have more choice, and the more robust competition will serve to keep procurement costs down.

### **Conclusion**

First Solar urges the CAISO to prioritize this issue for its 2017 stakeholder initiatives to address what will be a growing and urgent problem for many generation developers.