

|   |   |                          |                 |
|---|---|--------------------------|-----------------|
|  <b>California ISO</b> | <b>Market and Infrastructure Policy</b> | <b>Template Version:</b> | <b>1</b>        |
|   |   | <b>Document Version:</b> | <b>0</b>        |
| <b>Policy Initiatives Catalog Submission Form</b>   |   | <b>Date Created:</b>     | <b>6/1/2017</b> |

## California ISO Policy Initiatives Catalog Submission Form

This purpose of this form is to propose potential policy initiatives that require a stakeholder process and typically require tariff changes. Do not use this form to request or propose process improvements or administrative changes. Such requests should be made through your Customer Service Representative or Account Manager

**Date:** 7/31/2020

### Submitter Information

| Organization      | Contact Name    | E-mail                         | Phone        |
|-------------------|-----------------|--------------------------------|--------------|
| First Solar, Inc. | Patricia Englin | Patricia.Englin@firstsolar.com | 480-408-0123 |

**Please provide a title for the issue.**

Interconnection Financial Security Reform

**Please provide a summary description of the issue (i.e. 500 words)**

First Solar submitted a proposal for revisions to its interconnection processes last July,<sup>1</sup> which CAISO included as section 7.4.1 in its 2020 Revised Draft Policy Initiatives Catalog.<sup>2</sup> Although this was initially added as a discretionary initiative, CAISO later deleted it in its Draft 2021 Policy Initiatives Catalog issued in February of this year. CAISO noted at the time that “. . . interconnection process-related enhancements are being tracked in a separate forum by the interconnection team.” However, since we are not yet aware of a separate process for proposing and tracking interconnection process enhancements and since an interconnection process enhancement initiative remains in the current catalog (Section 6.4), First Solar submits these suggestions for the next catalog update.

### 1) Reimbursement and Cost Recovery

Increasingly, renewable generation projects needed to support California’s RPS and GHG reduction goals are triggering and paying for large transmission facility upgrades that leave room for later interconnection customers to take advantage of the new facilities. First Solar suggests that the CAISO start an initiative to evaluate changes to the reimbursement and cost recovery mechanisms where an interconnection customer has funded a significant upgrade, such as paying for a new switchyard, and later queued customers are able to take advantage of the value. Where the reimbursement cap would currently limit cost recovery, we believe the

<sup>1</sup> <http://www.aiso.com/Documents/FirstSolarSubmission-2020DraftPolicyInitiativesCatalog.pdf>

<sup>2</sup> <http://www.aiso.com/Documents/2020RevisedDraftPolicyInitiativesCatalog.pdf>

|   |   |                          |                 |
|---|---|--------------------------|-----------------|
|  <b>California ISO</b> | <b>Market and Infrastructure Policy</b> | <b>Template Version:</b> | <b>1</b>        |
|   |   | <b>Document Version:</b> | <b>0</b>        |
| <b>Policy Initiatives Catalog Submission Form</b>   |   | <b>Date Created:</b>     | <b>6/1/2017</b> |

policy favors a revision to reflect the value towards furthering California policy goals and the benefit conferred on later interconnection customers. The revision should allow for cost recovery beyond the current cost cap for RNUs that are “oversized” and leave room for later interconnection customers to benefit from the paying interconnection customer’s investment.

Related to this, First Solar has observed that elements previously categorized as delivery network upgrades are now being shifted over to reliability network upgrades and creating cost pressure on the cap. How different elements are categorized have a material effect on the calculation of costs between fully reimbursable costs and capped reimbursements and should be included in the scope of the RNU reimbursement initiative.

**2) Security Posting and Forfeiture Reform**

Forfeiture or posting cap: The initiative should also examine how posting requirements may increase through the reassessment process, the issues that arise when cost responsibility increases significantly from the Phase II posting, and the forfeiture consequences if a project later withdraws. We suggest that the CAISO examine whether there should be a limit on increasing the posting requirement as a result of reassessment studies following the Phase II study results, capping the forfeiture amounts, or both. The forfeiture amounts need to be examined for whether they are aligned with the incentives to keep serious projects in the queue without resulting in excessive penalties when projects withdraw.

Applying forfeited funds to needed Network Upgrades: Finally, the initiative should also be scoped to cover the use of funds forfeited when interconnection customers withdraw. While the CAISO rules provide that the funds can be used to offset the cost of Network Upgrades that are still needed, the process for making this determination and allowing it to offset the cost (and therefore the posting and cost responsibility of remaining interconnection customers) can take a year or more. In addition, we understand that not all of the forfeited funds are used to offset the Network Upgrade costs but instead go to tax payments. These issues should be examined to increase the transparency of the process and allow credit the offset in costs of Network Upgrades right away for remaining projects relying on those facilities.

**Please provide any data/information available that would characterize the importance or magnitude of the issue.**

|   |   |                          |                 |
|---|---|--------------------------|-----------------|
|  <b>California ISO</b> | <b>Market and Infrastructure Policy</b> | <b>Template Version:</b> | <b>1</b>        |
|   |   | <b>Document Version:</b> | <b>0</b>        |
| <b>Policy Initiatives Catalog Submission Form</b>   |   | <b>Date Created:</b>     | <b>6/1/2017</b> |