

Stakeholder Comments Template

Integration of Transmission Planning and Generation Interconnection Procedures (TPP-GIP Integration) Revised Straw Proposal, September 12, 2011

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, covered in the TPP-GIP Integration Straw Proposal posted on September 12, 2011, and issues discussed during the stakeholder meeting on September 19, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on September 29, 2011.

- Section 4 of the paper laid out several objectives for this initiative, including four previously-identified GIP issues to be included in scope. Please indicate whether your organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.**

We agree with the basic concept of Goal 3, to provide incentives for developers of new resources to select the most cost effective grid locations for interconnection, but appropriate cost allocation is but one incentive. Planning of most upgrades in the TPP and having the Participating TOs (PTOs) finance those upgrades are more important incentives. Synchronizing resource procurement with the GIP and TPP so that LSEs can use the annual transmission plan as the Transmission Ranking Cost Report also would provide strong incentives for developers to select cost effective grid locations for interconnection.

Goal 5 includes utilizing the ISO's collaboration with the CPUC on portfolio development and the TPP study process to support the need for network upgrades needed by generators, and using multiple feasible resource scenarios for least regrets planning. Portfolio development and resource scenario identification are resource planning activities, which are the purview of the

LSEs. The scenarios are forecasts of LSE procurement decisions, and the portfolios are the LSEs' portfolios. LSEs should prepare the scenarios under regulatory oversight with CAISO collaboration and stakeholder review.

- 2. The revised straw proposal presents a timeline describing how the new TPP-GIP process would work. Please comment on the overall process design in terms of how well it meets the objectives of this initiative and how workable it is from a practical perspective. If you see ways it can be improved please offer concrete suggestions.**

The Revised Straw Proposal is a good first step toward achieving the stated goals, but it does not go far enough. First Solar advocates additional changes and enhancements, which are described in the attached First Solar Proposal, to better achieve those goals. The enhancements include synchronizing the LSEs resource planning and procurement processes with the integrated TPP-GIP. If First Solar's proposed enhancements are adopted, the timeline should be modified to show the dependencies and relationships of the LSE resource planning and procurement processes with the TPP and GIP.

- 3. Please comment on the following specific aspects of the design of the proposed new TPP-GIP process, and offer concrete suggestions for improvement where needed.**

- a. The study assumptions proposed for each of the two GIP study phases.**

LSE resource procurement should be synchronized with and inform the GIP and TPP, and vice versa. The resource scenarios that are the basis of the TPP least regrets approach are forecasts of LSE procurement decisions. Therefore, the LSEs should prepare the scenarios under regulatory oversight with CAISO collaboration and stakeholder review.

- b. The information available to interconnection customers at each decision point in the process.**

All phases of the TPP and GIP, including resource scenario development, should be open and transparent. Sufficient data should be made available so that stakeholders can verify the reasonableness of the assumptions and replicate the study results.

- c. The "soft" nature of the GIP cost caps, whereby interconnection customers and ratepayers will have shared responsibility for upgrade costs that exceed the cost cap. Comment on both (i) the appropriateness of sharing this cost responsibility, and (ii) the ISO's specific proposal for how the costs would be shared.**

Consistent with the goals stated in the Revised Straw Proposal, most of the network upgrades should be developed as policy driven upgrades in the TPP. Cost caps are not needed for those upgrades, which will be financed by the PTOs.

With the process changes described in the attached First Solar Proposal, the major cause of Phase 1 study cost inaccuracy—changes to the scope of the transmission upgrades in Phase 2—will be greatly reduced. If those process changes are implemented, we can support the proposed GIP soft caps, provided that the Phase 1 cost estimates represent a competent, good-faith effort. The proposed soft caps should not be considered appropriate relief for negligent cost estimates.

- 4. In the revised straw proposal, the ISO identifies four options by which allocation of ratepayer funded upgrades could be allocated.**
- a. Please rank the options, Option 3A, 3B, 3C, or 3F, from 1 (most appropriate) to 4 (least appropriate) your organization believes to be the most appropriate means for determining the allocation of ratepayer funded upgrades. Please explain the reasons for your preference? If there other options the ISO should consider, please describe them and explain why they could be superior to the other options.**

Option 3F--allocate the deliverability associated with TPP-identified transmission to LSEs and allow the LSEs to select the projects that fill the capacity created by the TPP identified network upgrades--is clearly the most appropriate option. Both the TPP and the LSE resource procurement process should be working to enable development of the least-cost, best-fit resources and the associated transmission to make them deliverable. The LSE procurement process under regulatory oversight considers the costs of the resources and the required transmission in screening the resource alternatives and selecting projects for PPAs. As a result, the LSEs are in the best position to allocate the transmission resources that are required to satisfy their Resource Adequacy Requirements to their PPA generators.

With this option, PPAs should no longer require that resource developers be responsible for achieving Full Capacity Deliverability Status (FCDS), other than to satisfy the requirements of the GIP to qualify for designation by an LSE to use an available share of ratepayer funded upgrades.

All of the other options would produce outcomes that are less consistent with the goal of allocating deliverability to the LSEs' least-cost, best-fit resources. We see no reason to settle for any of the other options, which will produce sub-optimal allocation outcomes.

Please see the attached First Solar Proposal for further details.

- b. Based on stakeholder feedback during the September 19 stakeholder meeting, many parties stated the ISO would likely need to utilize more than one of the identified options. Please provide comment regarding what combination of these options will best facilitate the efficient allocation of ratepayer funded transmission capacity. Please provide as much detail as possible.**

Option 3F is the best option for TPP-identified transmission.

- c. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?” In particular, some stakeholders have suggested that only projects with signed PPA should be allowed to qualify. Please comment on the appropriateness of this criterion and any others that might be needed.**

If achievement of FCDS is made the responsibility of the LSE, by designating certain of the resources in its portfolio to use an available share of ratepayer funded upgrades, the optimal allocation will be achieved using Option 3F. While it may be possible to implement Option 3A in a fashion that attempts to allocate FCDS about the same as LSEs would want, the result undoubtedly would be different in some respects. We believe such differences would be suboptimal and for no good reason.

- d. If Option 3B is selected, what is the appropriate metric and methodology upon which pro rata shares should be determined?**

Option 3B would make all projects in the area partly deliverable and liable for extra-cost upgrades on a pro rata basis. The least-cost, best-fit projects with PPAs and their LSEs would be deprived FCDS. Non-competitive projects that do not and should not get PPAs will get a share of deliverability, which they ultimately will not be able to use. This will result in inefficient allocation and use of the scarce transmission resources and extra costs for electric consumers.

- e. If Option 3C is selected, then how should such an auction be conducted? Specifically, the ISO seeks comments regarding whether an auction should be an open bid or closed bid and held in a single round or an iterative bidding process? Please provide as much detail as possible.**

- 1. Should the ISO conduct separate auctions for large projects and small projects? If so, how should the ISO determine how much transmission capacity should be available in each auction?**

First Solar opposes this option.

- f. If Option 3F is selected, how shall transmission capacity be allocated to the LSEs? In particular, is the existing methodology for allocating import capacity to LSEs for RA (tariff section 40.4.6.2) applicable in the present context? If not, how should it be adapted?**

With the synchronization of the GIP, TPP and LSE resource procurement processes, as discussed in the attached First Solar Proposal, the allocation should be a multi-step process. The first step would be in development of the resource scenarios for the TPP. Each LSE would specify a floor amount and a ceiling amount of its interest in each resource area (e.g. CREZ). For each resource area, the amount of generation to be studied should range between the sum of the LSEs' floor amounts and the sum of the LSEs' ceiling amounts. Considering the LSEs' needs in the TPP should result in identification of sufficient upgrades to satisfy those needs and avoid the need for difficult allocation decisions down the road.

To achieve reasonable results, there may need to be some rules for how high the sum of each LSE's ceiling amounts can be compared to their RPS obligation. For example, the sum of an individual LSE's ceiling amounts could be limited to an amount that would result in a 50% RPS for that LSE.

The transmission plan developed in the TPP would identify Category 2 upgrades sufficient to satisfy the LSEs' previously expressed interest. The LSEs would use the transmission plan for resource bid evaluation and report the results of their procurement efforts, at which time the transmission plan would be updated and the amounts of the delivery allocations to each LSE would be confirmed.

- g. All of the options provided could create opportunities to buy/sell allocations of capacity created by ratepayer funded projects. Is there a need for the ISO to set up rules to prohibit or manage such sales?**

With Option 3F, the only need for sale or swap of allocations would be between LSEs. We have no comment at this time on whether there is a need for ISO rules to manage such transactions.

For the other options that would allocate deliverability to ICs, we think that the concerns regarding problems with resale of allocations are but another symptom of dysfunction of the present GIP that makes deliverability the responsibility of the IC rather than the LSE who ultimately needs it.

- 5. In cases where an IC pays for a network upgrade and later ICs benefit from these network upgrades, the ISO has proposed two options, Options 3E and 3G to resolve the "first mover-late comer" problem.**

- a. Does the ISO need to select one of these options or should both be implemented? If both, please explain or give an example of how the two could work together.**

Both of these options presume that there are not and never will be general system benefits that result from the network upgrades. To the extent that there are general system benefits, whether now or in the future, the upgrades should be paid for by the PTOs. Rules and procedures for that potentiality need to be put in place.

Option 3G might make sense if there is a critical mass of ICs to participate in the upgrades immediately and there are reasonable prospects that additional ICs would sign on in the future. Otherwise, Option 3E would be more appropriate.

- b. If only one option is to be chosen, which option does your organization favor and why?**

Option 3E is more consistent with the principle of cost causation.

- c. In option 3G, should the “late comer” be responsible for paying back ratepayers for the portion of the network upgrades already covered by ratepayers or simply take over paying for the portion of the network upgrades covered by ratepayers moving forward?**

Ratepayers should be made whole, to the extent there are no general system benefits.

- 6. In order to transition from the current framework to the new framework, the ISO proposes that the entire existing queue including Clusters 3 and 4 proceed under the original structure, and that Cluster 5 would proceed using the new rules.**

- a. Does your organization support this transition approach? If not, please indicate how it should be modified and provide the justification for your proposal.**

We support this approach with the addition of incentives for prior queued projects to volunteer to transition to the new framework. We think an appropriate incentive would be to make previously posted Interconnection Financial Security refundable for network upgrades that qualify to become part of the consolidated transmission plan developed in the TPP.

- b. Given the potential size of clusters 3 and 4, if these clusters proceed under the existing rules is there a need to create new rules that would strengthen the incentives for less viable projects to drop out of the**

queue rather than proceed into the GIP phase 2 study process? If so, please offer concrete suggestions and explain why your suggestions would be effective and reasonable.

A rule that requires ICs to actively market their queued projects, such as by submitting bids in LSE procurement processes, would create an appropriate incentive. LSEs could create additional incentives outside the GIP by requiring bidders to volunteer to transition to the new framework.

- 7. Some stakeholders expressed interest in determining only the reliability upgrades and costs in the GIP studies and to consider the need for delivery upgrades in the TPP. The ISO seeks comment regarding the feasibility/desirability of separating the assessment of reliability and delivery upgrades in this manner. In particular, how would this approach improve the process of identifying delivery upgrades that ICs would be required to pay for?**

As explained in the attached First Solar Proposal, we support the TPP planning all the network upgrades that are necessary to integrate the resource scenarios, including not only the delivery upgrades but also the reliability upgrades that would be allocated to multiple projects. Planning transmission to handle a range of credible resource scenarios will identify more upgrades than ultimately need to be approved, and some of these may satisfy the needs of those few ICs for network upgrades beyond those approved in the TPP.

Other than that, it may make little difference if the additional delivery upgrades are planned in “in the TPP” or in the GIP with the benefit of the upgrades identified in the TPP.

- 8. Stakeholders have expressed concerns about the appropriate time to restudy the needs for and costs of network upgrades when projects drop out of the queue. Therefore the ISO seeks concrete suggestions for when and how restudies should be conducted.**

With most of the upgrades for resource deliverability planned in the TPP and approved as policy driven upgrades, and allocation of delivery by LSEs to projects with PPAs (as discussed in the attached First Solar Proposal), the transmission plan would not need to be revised due to individual projects dropping out of the queue. However, the transmission plan should be reviewed and updated, if warranted, when PPAs are signed and approved.

- 9. Please offer any other comments on the revised straw proposal, including any suggestions for improvement of the proposal or other issues your organization believes the ISO must address in this initiative.**

Please see the attached First Solar Proposal. In addition, First Solar supports the comments submitted by the Large-Scale Solar Association.