

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Interconnection Process Enhancements Draft Final Proposal for Topics 1 and 2 posted on September 12 and as supplemented by the presentations and discussion during the September 19 stakeholder web conference, and subsequent amendments.

Submit comments to GIP@caiso.com

[Comments are due Monday, October 7, 2013 by 5:00pm](#)

Stakeholders are asked to base their comments on all of the following documents:

1. The Draft Final Proposal posted on September 12 which may be found at:

http://www.caiso.com/Documents/DraftFinalProposal_Topics_1-2_InterconnectionProcessEnhancements.pdf

2. The presentation discussed during the September 19 stakeholder web conference which may be found at:

http://www.caiso.com/Documents/Agenda_Presentation-InterconnectionProcessEnhancements-DraftFinalProposal_Topics1-2.pdf

3. Supplemental presentation slides amending the September 12 draft final proposal's approach to downsizing study costs and discussed during the September 19 stakeholder web conference which may be found at:

http://www.caiso.com/Documents/SupplementalPresentation-InterconnectionProcessEnhancements-DraftFinalProposal_Topics1-2.pdf

4. The September 24 amendment to the September 12 draft final proposal which may be found at:

http://www.caiso.com/Documents/Addendum-DraftFinalProposal_Topics_1-2_InterconnectionProcessEnhancements.pdf

Based on all the documents referenced above, please provide your comments on each of the topics listed below.

Topic 1 – Future downsizing policy

Please select one of the following options to indicate your organization's overall level of support for the proposal on Topic 1:

1. Fully support;
2. Support with qualification; or,
3. Oppose.

If you choose (1) please provide reasons for your support. If you choose (2) please describe your qualifications or specific modifications that would allow you to fully support the proposal. If you choose (3) please explain why you oppose the proposal.

Comments:

Frontier Renewables LLC (Frontier) supports the general concept of an annual downsizing opportunity but does not have an opinion about most of the specific details in the Topic 1 proposal. However, Frontier objects strongly to several elements in the Addendum to the proposal, as they would apply to the recent reassessment study – specifically, the provisions for adjusting financial security and setting the cost cap. These objections are discussed below.

Addendum to Draft Final Proposal – Financial Security Postings

As noted above, Frontier has significant concerns about the application of the new Topic 1 Interconnection Financial Security (IFS) provisions to the recent reassessment study results.

The earlier Proposal versions – including the Draft Final Proposal just issued recently – provided for revised IFS postings once study results were released. However, in the Addendum released shortly afterward (very late in the stakeholder process), the CAISO reversed itself; it now not only proposes that IFS reductions would be delayed until the next posting, but it added a retroactive application of this “practice” to the results of the recent reassessment study.

Frontier has several projects in the Cluster 3-4 Fresno/Kern area, for which the company has posted significant second IFS amounts. We believe that application of this policy to these projects would be unjust and unreasonable.

The CAISO position on this issue was not clearly stated before. Moreover, Frontier had strong and reasonable expectations that its second postings would be reduced right after the reassessment study, given:

- **Provisions in all of the GIAs currently under negotiation for these projects** that specifically require prompt IFS reductions if the PTO’s cost estimates are reduced. These GIAs have gone through numerous revisions and are far advanced in the negotiation process, and this language has been reviewed by the CAISO project manager many times without comment;
- **The most recent public example**, i.e., (as noted above) the provisions of the recent downsizing study; and
- **The CAISO’s Topic 1 position on this issue up to now**, which strongly refuted the same PG&E proposal for the IFS revision delay provision that it has now embraced very late in the process.

This issue is of more than academic interest. The new proposal could unnecessarily increase Frontier’s carrying costs for IFS, which would effectively secure Network Upgrades (NU) that are no longer needed for a long period of time.

Financial security is very costly – about 1-2% annually – and the new policy would require Frontier to carry this excess, unneeded security for a year or more. For example, the NU cost responsibility for one of our projects before the reassessment was about \$36 million but was reduced to about \$7 million by the reassessment. Thirty percent of the former cost estimate is about \$11 million, while 30% of the new estimate is about \$2 million.

So, the more accurate recent numbers would reduce the posting by over 80%. Requiring Frontier to carry the excess security for a year to secure NUs that are no longer needed would cost over \$160K in additional interest payments – a very significant cost at this pre-construction stage of development.

The reasons CAISO cites for changing its position are not strong enough to justify imposing these costs and risks on developers, making the process onerously less transparent. Neither the “cumbersomeness” (i.e., inefficiency) of the CAISO/PTO process for reducing security nor the need for “consistency” with rules applicable to GIDAP projects warrant applying this proposal to recipients of the recent reassessment-study.

If the CAISO decides to apply it in the future, it should, at a minimum, exempt posting reductions from the recent reassessment study and/or exempt projects with cost-responsibility reductions that exceed a reasonable level, e.g., 20-30%. In order to reduce PTO transaction costs further, reviews and adjustments to the IFS can be made on a regular quarterly basis.

Addendum to Draft Final Proposal – Cost Caps

The Addendum says that the current tariff provisions related to NU cost responsibility would continue to apply, i.e., that the maximum NU cost responsibility (“cost cap”) for a project would remain the lower of the Phase I or Phase II Study estimates (including Addenda to those studies).

The reassessment study is not counted as an “addendum” to the Phase II Study, but instead is a separate “advisory” study. Thus, although the executed and in-progress GIAs will be revised to reflect the reassessment-study results, those revisions will not change the level of the cost caps.

Frontier does not understand the logic behind the CAISO’s position on this issue.

First, Frontier sees no reason why the CAISO cannot simply call the latest study results a Phase II Study Addendum – there have been several such adjustments since the original study results were issued. The performance of the analyses as part of another study seems more a matter of convenience and does not justify the use of different terminology. The terminology used by the CAISO for this study – “advisory” – is much less appropriate, since the CAISO is actually adjusting GIAs to reflect the results, not just “advising” the parties about them.

Second, the “reassessment” process did not exist when the cluster-study rules were established. Obviously, the Phase I and Phase II Study results were inflated by projects no longer in the queue – there were 7.8 GW in the queue before the Phase II Study, but only just over 2.2 GW remain. Now that the total MWs in the queue and associated Network Upgrades are significantly reduced, the caps should reflect the current status. If this requires a tariff change, then the CAISO should file that tariff change, and not maintain cost caps above GIA cost amounts.

Finally, if maintaining a cost cap above the GIA costs means future reassessments could increase costs back up to the cap, this would create significant risk and uncertainty for developers. For example, in their PPA bidding and contracting, they would have to either: (1) continue to rely on the inflated and out of date Phase I/II Study numbers despite the more recent reasonable figures, which prevents them from offering ratepayers the most competitive price; or (2) use the reassessment numbers for these activities but then risk potentially large cost increases later that would make the PPAs (and the project) uneconomic.

Thus, the CAISO should revise the cost cap, as well as the cost responsibility, to reflect reassessment results (for both downsizing and other projects).

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

Please select one of the following options to indicate your organization's overall level of support for the proposal on Topic 2:

1. Fully support;
2. Support with qualification; or,
3. Oppose.

If you choose (1) please provide reasons for your support. If you choose (2) please describe your qualifications or specific modifications that would allow you to fully support the proposal. If you choose (3) please explain why you oppose the proposal.

Comments:

Frontier has no comments on this issue.