

Stakeholder Comments Template

Integration of Transmission Planning and Generation Interconnection Procedures (TPP-GIP Integration) Second Revised Straw Proposal, posted January 12, 2012

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on January 31, 2012.

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, which were discussed in the TPP-GIP Integration Second Revised Straw Proposal posted on January 12, 2012, and during the stakeholder meeting on January 19, 2012.

Please use the list of topics and questions below to structure most of your comments. At the end of the document you may offer comments on any aspect of this initiative not covered by the topics listed. When you state a preference for a particular approach on a topic or issue, your response will be most helpful if you clearly explain the reasoning and business case for your preference.

Section 1. High-level structure of the TPP-GIP Integration proposal. (Please use section 2 below to comment on the details of each element.)

1. The process as described in the January 12 paper and outlined below reflects the proposed process for projects in GIP cluster 5 and later. The process for existing queue projects (serial through cluster 4) will proceed according to the ISO's January 10, 2012 revised discussion paper.
2. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades.
3. The requirement for customer-funding of network upgrades (option (B)) would apply only to delivery network upgrades (DNU); posting and reimbursement for reliability network upgrades (RNU) for all projects would remain as today.

IEP's comments below address multiple items in the comment template related to this item. Those include items 8, 9, 12, and 13. IEP also recognizes a need to combine discussion

on this issue in the TPP-GIP Revised Straw Proposal with the same issue in the Cluster 1 & 2 Deliverability stakeholder process. IEP's comments here on the calculation of RNU cost estimates in germane to both initiatives, thus IEP's filed comment on the QC1/2 Deliverability stakeholder process are also provided here..

During the January 17, 2011 QC1/2 Deliverability stakeholder meeting the ISO indicated that some RNUs identified in previous studies may, in fact, become unnecessary after the re-study envisioned for this proposal, but that cost responsibility for those previously-identified RNUs will not be revisited. The ISO also stated in that stakeholder meeting that the deliverability initiative can't be fully applied to RNUs since that would require addressing specific generators, versus the process envisioned in the proposal which intends to focus on study area impacts.

IEP asks the ISO to reconsider this position and develop a process within its deliverability proposal, to also be applied within the TPP-GIP process for application to Clusters 5 and beyond, that won't overly burden interconnection customers for RNUs associated with generation projects that are not likely to be built. This can be accomplished by separating RNU into two categories: 1) RNU associated only with PTO interconnection facilities (i.e., facilities needed to physically interconnect to the grid), and 2) RNU triggered by MW injection levels (i.e., project output(s) > 0 MW) such as N-0 overloads and short circuit duty. Specifically, this RNU assessment should reflect the same MW level/ used for the deliverability assessment, not the entire queue capacity. This approach will also provide a more appropriate measure of generator upgrade cost for use in the utility Least-Cost-Best-Fit evaluation.

4. The allocation of TPP-based deliverability to generation projects would occur after GIP Phase 2, rather than after Phase 1 as in the previous proposal.
5. Allocation of TPP-based deliverability – and project's ability to retain allocation – will depend on the project's completion of significant development milestones that demonstrate high confidence in attaining COD. (Specification of appropriate milestones is covered in the next section.)
6. The allocation of TPP-based deliverability should achieve the following objectives as far as possible: (a) select projects with high probability of completion; (b) limit ability of non-viable projects to retain the allocation; (c) provide sufficient certainty to enable financing of viable projects; (d) objectivity and transparency.

Section 2. Details of individual elements of the proposal.

GIP Phase 1

7. For extremely large cluster groups compared to the amount of "TP deliverability" (the amount supported by existing grid plus all approved upgrades to date), GIP phase 1 will study deliverability in each area up to the amount of TP deliverability plus a reasonable margin. The intent is to avoid excessive DNU costs that can result from extremely large clusters, while providing useful information on needed DNU and associated costs if generation development exceeds grid capacity.
8. Phase 1 will study RNU for all projects in the cluster.

See comments to Item 3

9. As a result of Phase 1 each project will know its RNU and associated costs, and these results will establish cost caps for RNU as they do today.

See comment to Item 3

10. The DNU and associated costs resulting from phase 1 will be advisory. The only formal use of Phase 1 DNU costs in the TPP-GIP process will be to establish posting requirements for projects advancing to phase 2 under option (B), as described below.

Project's Decision to Enter Phase 2 and Implications of Decision

11. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades. Once a project chooses and the deadline for phase 2 is passed, the project cannot switch to the other option.
12. A project choosing (A) will have to post for its RNU under today's rules, but not for DNU.

See comment to Item 3

13. A project choosing (B) will have to post for both RNU and DNU. Its DNU posting amount will use phase 1 results for the project's study area, converted to a DNU rate ($\text{\$ per MW of deliverability} = (\text{cost of incremental DNU})/(\text{deliverability MW studied above TP deliverability amount})$). The posting amount will = rate x (project MW), where project MW reflects how the project is modeled in the deliverability study depending on the resource type, would typically be less than nameplate for renewables.

See comments to Item 3 regarding RNU cost estimates and posting requirements

14. A project choosing (B) will be eligible for TPP-based deliverability if available, but should expect very low probability of obtaining it and should plan to fully fund its needed DNU.

GIP Phase 2

15. ISO will perform a baseline re-study at the start of each phase 2 study process. The re-study will assess impacts of status changes – project drop-outs or revised COD, new transmission expansion approvals, etc. As a result, the RNU or DNU for some projects may be modified and their GIAs revised.
16. Phase 2 will study RNU for all projects in phase 2.
17. Phase 2 study will assume that all TP deliverability is used up by (A) projects and existing queue, and then will model (B) projects at requested deliverability status to assess their incremental DNU needs.

Allocation of TPP-based Deliverability

18. Once phase 2 results are completed and provided to the projects, the 120-day period for negotiating and executing the GIA begins. Option (A) projects that demonstrate completion of certain milestones within this period will be able to execute GIAs at their requested deliverability status, with no cost responsibility for DNU. Option (B) projects that complete the same milestones would be eligible for TPP-based deliverability, but would receive an allocation only if capacity is available.

As indicated by stakeholders during the January 19, 2012, 120 days may be insufficient to provide the required “proof” of meeting milestones primarily due to the fact that specific milestones – and how they would be measured to insure applicability to a given interconnection situation – are yet to be fully articulated by the ISO. For that reason, IEP asks the ISO to postpone assigning a fixed time period until the milestones are more fully defined, after which point IEP believes stakeholder comments will be more informed on the issue. Absent a clear understanding of a) the specific milestones, and b) what will constitute acceptable “progress” [versus completion of identified “steps” or other indicators as may result from the ISO’s current work on this issue] IEP recommends that the ISO proceed by setting a 120 day period as an interim time period, to be revisited and evaluated during the initial period in order to determine its functionality.

19. The proposed milestones required are (a) completion of all permitting required to begin project construction, and (b) either a PPA approved by buyer’s regulatory authority or demonstration of committed project financing. PLEASE COMMENT on whether these milestones are appropriate, or if not, what milestones would be preferable and explain why. Please keep in mind the objective that milestones must provide a high confidence that the project will meet its planned COD.

Whether or not a generation project obtains the ratepayer-funded deliverability required by its contract with the procuring LSE is highly significant. Thus, the process that ultimately determines deliverability allocations must be highly trusted, repeatable and, as much as practicable, transparent and devoid of interpretative error.

IEP asks the ISO to recognize that in the process of defining milestones, that any “one size fits all” approach will be problematic. The determination of appropriate milestones is pivotal given that projects have different contracting histories, financing arrangements, development timelines, etc. In recognition that project characteristics are highly variable, IEP suggests the following means by which the ISO may develop applicable project milestones useful for gauging the forward progress of a generation project for purposes of that project maintaining its designation as a type (A) eligible interconnection.

Regarding the proposed criteria of “Completion of all permitting” as a test of a project’s likelihood of reaching commercial operation, IEP is concerned that a standard to have “all” permits completed may create an administrative burden. IEP recommends limiting the permit requirement to the permit granted by the lead agency under CEQA and/or NEPA. In this context, the CEC, the local agency, and/or the appropriate federal agency (e.g. BLM, USFW). Furthermore, we recommend that the CAISO provide a listing of the permit(s) required so as to remove uncertainties and ambiguity in this critical standard of review. In addition, recognizing that permitting delays often arise for reasons beyond the control of the IC, the CAISO should

provide the IC a reasonable opportunity to explain the permitting status and request reconsideration based on evidence presented to the CAISO.

Regarding the proposed criteria of holding an approved PPA or demonstration of completed financing, the reality of project development is that “one size does not fit all.” As a result, we are concerned that the lack of an approved PPA or lack of completed financing should be the sole standard of review. At least three conditions arise in this context, each of which may warrant slightly different standards of review and, thus, require the IC to submit different types of information to retain its deliverability status:

1. Projects without Signed PPAs

ICs whose projects do not have signed PPAs would provide the following information to the ISO:

- Status report regarding preliminary agreements prior to definitive documents (e.g. Memorandums of Understanding, draft contract terms, draft joint development agreements);
- Estimated schedule for closing commercial terms with the counterparty or counterparties;
- Estimated schedule for submittal of PPA for regulatory approval; and
- Monthly status reports on progress toward all identified milestones

In addition to the items identified above, the IC would provide the ISO with the following information regarding project financing:

- Background information that explains in sufficient, non-confidential detail how the project will be developed, funded, and operated
- Proof of financing through commercial operations by submitting a tailored affidavit that:
 - Indicates status of and timeline for execution of operating partner agreements (if applicable)
 - Lists non-confidential funding mechanisms to be used in the project, including all pre-development, design, construction, and other forms of financing, grants, and tax credits
 - Indicates status of and timeline for execution of tax equity partnership agreements (if applicable)
 - Estimates the schedule of the applicable financing milestones/closes (including revolvers, capital market products, tax credits, grants, other)
 - Attests that all required financing sources will be contracted for and/or approved by a date to be determined in collaboration with based on the unique status and characteristics of the project.

In return, the CAISO would review filings and notify IC that their submittal was or was not data adequate within 5 business days.

2. Projects with Signed PPAs *awaiting* Regulatory Approval

ICs whose projects' PPAs' lack regulatory approval would provide the following information to the ISO:

- Proof of PPA submission to regulatory authority, including date of filing and docket number (if applicable);

- Status report regarding regulatory approval, including identification of potential delays;
- Estimation of approval timeline; and
- Monthly status reports on progress toward all identified milestones

In addition to the items identified above, the IC would provide the ISO with the following information regarding project financing:

- Background information that explains in sufficient, non-confidential detail how the project will be developed, funded, and operated;
- Proof of financing through commercial operations by submitting a tailored affidavit that:
 - Indicates status of and timeline for execution of operating partner agreements (if applicable)
 - Lists non-confidential funding mechanisms to be used in the project, including all pre-development, design, construction, and other forms of financing, grants, and tax credits
 - Indicates status of and timeline for execution of tax equity partnership agreements (if applicable)
 - Estimates the schedule of the applicable financing milestones/closes (including revolvers, capital market products, tax credits, grants, other)
 - Attests that all required financing sources will be contracted for and/or approved by a date to be determined in collaboration with based on the unique status and characteristics of the project.

In return, the ISO would review filings and notify IC that their submittal was or was not data adequate within 5 business days.

3. Projects with Signed and Approved PPAs

IC with a signed and approved PPA would provide the following information:

- Background information that explains in sufficient, non-confidential detail how the project will be developed, funded, and operated
- Status reports as required on progress toward all identified deliverability milestones and LGIA requirements

Treatment of Projects Partially Permitted, Financed and Contracted

The possibility exists that an IC's entire project capacity listed in the queue may be partially permitted, financed and/or contracted at the end of the period defined by the ISO in this proposal. This could occur, for example, if an IC customer builds out its project to match an approved PPA obligation which is less than the MW amount indicated in the queue. Given the potential for these scenarios, the CAISO should define what protocol would apply to the portion which does meet the criteria for full deliverability versus what protocol would apply to the portion that does not.

Second, for the portion of the project which meets the criteria, the CAISO should address what protocol will ultimately apply if only a subset of the capacity proceeds to substantial completion and remainder fails to meet its milestones (as might be the case if the capacity is sold under several PPAs, but only a subset of the PPAs support a viable project)?

In addressing these scenarios, the CAISO should consider whether previous LGIAs would be amended, and whether the applicable capacity would have the opportunity to opt for Energy-Only service, or could be parked to the next TPP-GIP cycle.

20. PLEASE COMMENT on what could constitute evidence of committed project financing as an alternative to regulator-approved PPA for item (b) above.

IEPs comments in item #19 above address this item.

21. All option (A) projects that meet the milestones by the time required would be able to execute FC GIAs at this time, even if the total amount exceeds the TP deliverability available. In that case, the ISO would expand the TPP planning portfolio in that area for the next TPP cycle, to provide sufficient deliverability.
22. Any project that obtains TPP-based deliverability would have additional milestones in its GIA which track progress toward COD. Failure to meet one of these milestones would cause the project to lose its deliverability allocation, but would not necessarily terminate its GIA if the project wishes to continue as EO.
23. An option (A) project that does not meet the milestones by the time required would have an opportunity again in the next GIP phase 2 cycle, one year later. If it does not qualify by the end of the next year's 120-day GIA period, it must either withdraw from the queue or continue under an Energy Only (EO) GIA.
24. An option (B) project that does not obtain TPP-based deliverability in the current cluster cycle (120 days from phase 2 results to GIA execution) will no longer be eligible for TPP-based deliverability and must proceed to GIA that includes full self-funding of its DNU.
25. If a (B) project drops out after phase 2 instead of executing a GIA that includes self-funding of its DNU, it loses a portion of its posting. PLEASE COMMENT on how much of the posting should be forfeited, and explain your logic.

Other Proposal Elements

26. DNU paid for by an interconnection customer would fall under the merchant transmission provisions of the ISO tariff and would be eligible for allocation of congestion revenue rights commensurate with the capacity added to the ISO grid. The customer would be able to select a non-incumbent PTO to build the project, provided it is a "green field" project and the builder meets qualifications specified in the ISO tariff.
27. If a (B) project funds DNU that provide more capacity for deliverability than the project needs, the funding party or parties would need to fully pay for the DNU, but would receive reimbursement for the excess deliverability from later projects that are able to use it.

28. Some projects that go forward under these new provisions could be subject to reduction in annual net qualifying capacity (NQC) for one or more years. This could occur if transmission capacity in an area must be expanded through the TPP to accommodate the amount of deliverable capacity that achieves COD in that area. Consistent with the ISO's January 10 discussion paper on cluster 1-2 approach, "existing" projects would not be subject to the reduction, but "new" projects would be. "New" would include all cluster 5 and later projects that elect option (A).
29. It was suggested by some stakeholders at the January 19 meeting that as an alternative to applying NQC reductions if the need arises, the ISO should allow the new projects to count fully for resource adequacy without any NQC reduction so that the projects and the LSE buyers are insulated from any direct impacts, and then make up for any resulting shortfall in resource adequacy capacity via ISO backstop capacity purchases. PLEASE COMMENT on this proposal.
30. Please use the space below to offer comments on any other aspect of the proposal not covered above.

Alternative Options for Category B Projects

An additional concern is whether Category B projects have the option to specify a maximum they are willing to spend or, alternatively, a reduced level of deliverability with which they are willing to live.

Deposit Refunds:

An important objective of the TPP-GIP initiative has been to create a process that results in better planning information as it would reveal itself in a generation interconnection queue that reflects the reality of those projects most likely to move through development into commercial operation. Vital to reaching that goal is the use of existing and new tools at the ISO's disposal to improve the usefulness of the queue by getting projects that should exit to do so expeditiously.

IEP believes that the risk of losing one's deposit acts as a disincentive for developers to make a "no go" decision and exit the queue sooner rather than later. Granted, many other decision criteria weigh upon a developer's decision to stay or exit the queue, but some projects will to postpone their exit from the queue, while they attempt to contract for their capacity, longer than they should if there is a chance to avoid losing the capital they already have tied up in deposits. While these projects remain in the queue, studies are likely to continue including the project's characteristics further delaying the achievement of improved study results.

IEP understands that some projects that exit the queue can and do impact other projects in the queue negatively. However, IEP believes that when no other project is impacted due to pulling out of the queue, an interconnection customer who withdraws from the queue should get 100% refunding or at the very least avoid a punitive loss of their deposit.