

Comments of IEP Regarding the CAISO Transmission Planning & Generator Interconnection Integration Revised Straw Proposal

The Independent Energy Producers Association (IEP) appreciates the opportunity to comment on the CAISO Transmission Planning and Generation Interconnection Procedures (TPP-GIP Integration) Revised Straw Proposal dated September 12, 2011, also discussed during the stakeholder meeting conducted by the CAISO on September 19, 2011. IEP represents over 26,000 MWs of installed, non-utility, independently owned generation resources in California. Accordingly, the CAISO's TPP-GIP straw proposal has serious implications for the generation community going forward and IEP is concerned that the schedule that the CAISO is proposing is moving too quickly to address the significance of all the issues that are being considered.

IEP offers the following comments with respect to schedule and process in this proceeding, with more detailed comments included in the attached comment template.

IEP supports meaningful reform of the GIP, and believes that real value can come from a well-crafted integration of the TPP and GIP. From the point in time of the initial TPP-GIP straw proposal in mid-July 2011, this initiative has been moving very rapidly. By November 1, 2011 when the last stakeholder comments are due, only 72 business days will have elapsed. In that time, the ISO will have held 3 stakeholder meetings and attempted to address an ever expanding number of concerns. The issues involved are challenging and have many implications for those in the generation community. They are worthy of thoughtful interactions between the stakeholders and the ISO and warrant carefully reasoned comments.

IEP has been concerned by the impact of this "fast track", especially in light of how expansive the dialog has become. These sentiments are apparently not IEP's alone based on public comments received during the stakeholder meetings. IEP's concern is that the complexity of the issues involved and their far-reaching implications for generation developers, when coupled with the short turnaround time for review and comment, adds yet another layer of risk to this CAISO process.

IEP would like to see two things happen going forward relative to this process. First, just over 3 months is not sufficient given the implications of these reforms. More time is needed for stakeholders to appropriately evaluate the options that are being presented. Second, because we have the "time to do it right and no time to do it over" we recommend that the ISO move expeditiously (i.e. this year) on proposals that have broad support and whose impacts are universally appealing (e.g. queue reform, like that proposed by IEP in GIP 2.5).

Thank you for your consideration of the following comments.

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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.

1. 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.

For the most part, except as noted below, IEP is supportive of the CAISO's objectives.

- *Regarding Objective #2, "Rely more on the TPP and less on the GIP..." IEP has concerns that the TPP may not be sufficiently transparent, particularly if the TPP continues to rely on the CTPG process as a primary input into the TPP. Accordingly, IEP recommends adding language/concepts that would acknowledge the need to make the CTPG more transparent and open to stakeholder participation, particularly if the CTPG is to continue to serve the role in CAISO planning that it has historically served.*

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- *Regarding Objective #3, “Provide incentives through appropriate cost allocation for developers of new resources to select the most cost effective grid locations for interconnections.” IEP agrees with this goal. However, we have the following caveats and concerns. New resources are typically developed and financed in California based on a long-term power purchase agreement (“PPA”). Little, if any, pure “merchant” development is occurring. On the other hand, the most cost effective grid locations for interconnections are dependent on knowing the critical characteristics of the types of resources, including locational attributes, sought by the Buyers (e.g. utilities.). This information is not presently transparent to the marketplace.*

IEP recommends adding two additional aspects to the general objective of “Provide Incentives through appropriate cost allocation...” We recommend adding a new criteria, or expanding Objective #3, to clarify that cost allocation will be (a) fair and non-discriminatory, (b) not create unreasonable barriers to project development, and (c) seek to identify and eliminate non-viable projects from the interconnection queue in a timely manner.

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 timeline specifies a number of discrete steps. Currently, the timeline sets hard dates (e.g. 3/31 “cluster projects must decide to continue into phase 2 ...”). Recognizing that slippage could occur in the development of any critical path item (e.g. TPP Plans), the phasing of the specific steps in the timeline should be characterized not as hard dates (e.g. 3/31) but rather Calendar Days from one point in the timeline to the next. For example, currently the timeline specifies that the TPP plan is supposed to be final in March, and Cluster Projects have until 3/31 to decide to continue into Phase 2. IEP recommends that the timeline be redrafted such that Cluster Projects have “31 calendar” days after finalization of the TPP plan to make a decision to continue into Phase 2. This approach, used throughout the timeline, will provide parties in all cases sufficient time to react/act, even when other items slip in the timeline.

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.

It is imperative that the most relevant base case be developed for Cluster’s 3 & 4 Phase 2 studies (due to start in early 2012) by ensuring that the PTOs finalize all

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pending and upcoming LGIA negotiations (i.e., Serial/Transition/Clusters 1 & 2). Uncertainty regarding these projects, if carried through to the next cluster's study process, adds to the growing uncertainty regarding projects being studied in Clusters 3 & 4, and whether the study process generally will produce meaningful results.

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

IEP is reviewing the CAISO's GIP cost caps in light of the objectives listed above: (a) fair and non-discriminatory, (b) not create unreasonable barriers to project development, and (c) seek to identify and eliminate non-viable projects from the interconnection queue in a timely manner. We have concerns that the proposed GIP cost caps fall short of these objectives. For example, the concern that the Interconnection Customers ("IC") may be required to fund "potentially all" of the additional network upgrade may create an unnecessary and unreasonable barrier to development.

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.

IEP is continuing to evaluate the pros and cons of these important cost allocation issues. We would like to have more time to assess the short and long term implications of these proposals. At this point, we do not have a particular recommendation on the above mentioned proposals, but we would like to have the opportunity to address these topics as this stakeholder process continues.

- 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

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options will best facilitate the efficient allocation of ratepayer funded transmission capacity. Please provide as much detail as possible.

- 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.
 - d. If Option 3B is selected, what is the appropriate metric and methodology upon which pro rata shares should be determined?
 - 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?
 - 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?
 - 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?
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.
 - b. If only one option is to be chosen, which option does your organization favor and why?
 - 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?

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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.
 - 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.

IEP offers the following comments, emphasizing similar comments previously submitted in response to the July 21 and July 28 Straw Proposal and Stakeholder Meeting respectively:

Stakeholder's generally agree that a reduced interconnection queue would result in a more efficient interconnection process and reduce stranded cost. Previously, when the proposal of the 'economic test' was to start with Clusters 3 & 4, a "one-time option" was proposed to allow projects to voluntarily downsize after the results of the 'economic test' became available.

Although the current proposal now plans to begin application of the economic test with Cluster 5, there are still significant efficiency and cost benefits to implementing the one-time downsizing option prior to development of Cluster's 3 & 4 Phase 2 base case (i.e., in early 2012). This one time downsizing option, in tandem with finalizing all pending LGIAs from previous clusters (see comments in 3a above), would result in the optimum reference point for conducting Cluster's 3 & 4 Phase 2 studies, and will produce the most efficient network upgrades in a managed and efficient process. Implementing this option prior to development of Cluster's 3 & 4 Phase 2 base case would cause the least amount of disruption and delay of the study results, a concern expressed by stakeholders in the past.

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?
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.

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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.