



**California ISO**  
Shaping a Renewed Future

**Technical Bulletin: GIDAP  
Reassessment Process – Reallocation of  
Cost Shares for Network Upgrades and  
Posting (dated 10/29/13)**

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**Issue Paper**

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# Technical Bulletin: GIDAP Reassessment Process – Reallocation of Cost Shares for Network Upgrades and Posting (dated 10/29/13)

## Issue Paper

### 1 Introduction

In this issue paper the ISO (1) considers stakeholder feedback received in response to its October 29, 2013 technical bulletin relating to the Generation Interconnection and Deliverability Allocation Procedures (GIDAP) reassessment process, and (2) discusses possible options for addressing some concerns expressed by generation developers pertaining to revisions to cost share responsibility for network upgrades. Following a stakeholder conference call on November 14 and receipt of written stakeholder comments on November 18, the ISO will determine its next steps on this effort.

### 2 Background

In September 2013, the ISO issued the results of the first annual reassessment study performed under the GIDAP to develop the base case for the Cluster 5 Phase II study. The results of this first reassessment indicated that due to project withdrawals, a number of network upgrades were no longer needed for 86 projects that were originally studied in clusters prior to Cluster 5. Each affected project was given either an individual or a group reassessment study report documenting the elimination of network upgrades no longer needed.

Following the issuance of these results, an issue came to light that has become the focus of significant discussion among the ISO, the participating transmission owners (PTOs), and potentially affected interconnection customers. Specifically, the reassessment reports provided to customers identified the network upgrades that were eliminated because they were no longer needed, as noted above. In addition, some individual customer reassessment reports identified changes to the customer's total upgrade costs due to the elimination of network upgrades that are no longer needed. However, none of the reports indicated any reallocation of cost responsibility for the remaining network upgrades among the remaining customers in affected study groups. Absent such a reallocation, some of the costs associated with up-front funding these remaining upgrades would be shifted to the applicable PTO. After examining this issue, the ISO determined that it would be appropriate to modify the reassessment results reported in September by taking the next step and reallocating the costs of such upgrades to remaining customers in the study group. The ISO then issued a technical bulletin on October 29 explaining the need to perform the reallocation

and describing the methodology to be used.<sup>1</sup> Several stakeholders subsequently raised concerns about the reallocation of costs, and in response the ISO agreed to give the matter further consideration in consultation with stakeholders, as discussed in this issue paper.

### 3 Reallocation of cost share responsibility

Some of the individual customer reassessment study reports showed a reduction in a customer's cost for network upgrades, due to the removal of network upgrades from the customer's plan of service because of withdrawals of other customers from the study group. Other reassessment study reports listed the network upgrades that are no longer needed, but did not indicate any adjustments to the costs. The ISO later determined that the reports were incomplete as they did not take the next step and reallocate the costs of the remaining network upgrades among the remaining customers. Without such a reallocation, the cost of up-front funding the remaining network upgrades that were previously borne by withdrawn customers would be shifted to the applicable PTO. This is inconsistent with the principle of cost allocation for network upgrades among cluster projects.

After considering this issue more closely the ISO determined that the most appropriate treatment of the costs of network upgrades that are still needed is to reallocate these costs to remaining customers in a study group up to their maximum cost responsibility. The ISO's generator interconnection procedures define a customer's maximum cost responsibility (often referred to as the "cost cap") as the lesser of the costs assigned to that customer in the Phase I and Phase II interconnection studies.<sup>2</sup> The tariff does not prevent the ISO and/or applicable PTO from reallocating the costs of network upgrades among customers in a study group, so long as such reallocation does not result in a customer being assigned costs greater than its cost cap.<sup>3</sup> Moreover, such a reallocation is consistent with the general tariff requirement that customers upfront fund the cost of network upgrades and with the underlying purpose of the cost cap, which will not change as the result of any reassessment reallocation.<sup>4</sup>

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<sup>1</sup> The October 29 technical bulletin also addressed three other issues, but only the one identified above is being raised for further discussion at this time.

<sup>2</sup> See CAISO Tariff Appendix Y, Section 9.5 and CAISO Tariff Appendix DD, Section 10.

<sup>3</sup> See, e.g., CAISO Tariff Appendix Y, Section 6.7 ("the Interconnection Customer's Interconnection Financial Security obligations and maximum cost responsibility for Network Upgrades will be based on the lesser of the cost estimates set forth in the Phase I and Phase II Interconnection Studies."); Section 9.5 ("For Interconnection Customers in a Queue Cluster, after the CAISO issues the Phase II Interconnection Study report to the Interconnection Customer, the maximum value for the Financial Security required of each Interconnection Customer and the maximum cost responsibility of each Interconnection Customer for Network Upgrades shall be established by the lesser of the costs for Network Upgrades assigned to the Interconnection Customer in the final Phase I Interconnection Study report or the final Phase II Interconnection Study report."); Appendix DD, Section 10.

<sup>4</sup> See Generator Interconnection Process Reform Initiative Tariff Amendment, Docket No. ER08-1317 (July 28, 2008), Transmittal Letter at 14, 25 (noting that a cost cap establishing a customer's maximum cost responsibility was adopted

Consistent with this conclusion, the October 29 technical bulletin indicated that for study groups in which some network upgrades have been removed due to customer withdrawals, the costs of still-needed network upgrades in such study groups will be reallocated among the remaining projects in a study group, based on their pro rata shares of the original allocation, up to their cost caps. To the extent that such reallocation does not account for the entire costs of the remaining network upgrades for a study group, then the remaining costs will be up-front funded by the applicable PTO consistent with the principle of the cost cap. The technical bulletin provided a detailed numerical example to illustrate the methodology the ISO would use for the reallocation.

## 4 Stakeholder comments and ISO Management Response

On November 6, 2013 the ISO held a web conference to discuss the technical bulletin with stakeholders. Stakeholder feedback received during the web conference indicated that representatives on behalf of generation developers were generally opposed to the reallocation described in the technical bulletin while PTOs were generally supportive. During the web conference, the ISO offered to work with stakeholders to develop a process for addressing the concerns expressed by generation developers and present that to the ISO Board in December.

That same day, the ISO received a letter from the Large-scale Solar Association (LSA) expressing concerns related to the recent reassessment study results and the related technical bulletin and requesting “[ISO] Management to implement the Network Upgrade cost estimates in the [Reassessment] Study, both in Generator Interconnection Agreements and Interconnection Financial Security postings.” In the letter LSA expresses appreciation for ISO Management’s offer to work with stakeholders to develop a proposal to present to the ISO Board in December “but respectfully suggests that the problems with the [Reassessment] Study cannot wait that long to be fixed.” LSA asserts in its letter that based on the September reassessment results, generation developers have made commercial commitments by entering into negotiations for long-term power purchase agreements and have moved to finalize their power purchase agreements and generator interconnection agreements. LSA expressed concern that the developers’ progress will be adversely impacted by the additional time they must wait for the revised results and suggests that “the ISO should keep the [Reassessment] Study results already issued for this cycle, and revise both the IFS postings and cost allocations accordingly.” In the letter LSA also indicated concern with the technical bulletin’s explanation that only projects with second postings exceeding 100 percent of their revised total share of network upgrade costs will be permitted to modify their interconnection financial security postings, and then only to 100 percent rather than 30 percent of their total cost responsibility. Finally, LSA took issue with the technical bulletin’s clarification that

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in order to address the cost uncertainty that resulted from restudies under the serial process); *California Independent System Operator Corp.*, 124 FERC¶ 61,292 (2008) at P 178.

the reassessment study report is not an amendment to the Phase I or Phase II interconnection study and does not adjust a customer's maximum cost responsibility or cost cap.

LSA expressed these same concerns and made the same request during public comment at the November 7, 2013 meeting of the ISO Board. Recurrent Energy made similar comments. PG&E and SCE provided comments supporting the technical bulletin and emphasized that the reallocation of costs as provided in the technical bulletin is critical to prevent inappropriate cost shifts to the PTOs. Further, PG&E asserted that the reallocation process would provide the actual cost for network upgrades that projects should be using in power purchase agreement processes to ensure that the most cost effective projects are chosen.

In response to these public comments, ISO Management conveyed three points during the November 7 ISO Board meeting:

1. The reassessment process never contemplated an adjustment in cost caps, and making such adjustments could have broad policy implications. Thus, any consideration of adjusting cost caps in subsequent reassessment cycles would need to be examined in a comprehensive manner and the ISO is committed to doing so in a stakeholder process to begin later this year.
2. Making an immediate adjustment in interconnection financial security postings beyond that provided in the technical bulletin may have broad policy implications and would therefore need to be examined in a comprehensive manner. The ISO is committed to engage with stakeholders in the same stakeholder process mentioned in (1) above to examine the question of allowing adjustments to financial security postings pursuant to the results of the reassessment study and, if the result of the stakeholder process determines that such adjustments are appropriate, to make such adjustments available to the projects impacted by the current reassessment.
3. With regard to the technical bulletin's intent to revise the reassessment study results issued in September by reallocating the costs of still-needed network upgrades, potentially up to the remaining customers' cost caps, the ISO acknowledged the concerns expressed by generators. Because generation developers have asserted that they have made commercial commitments based on the original reassessment study results issued in September and the ISO's determination, a month later, to reallocate the costs on a timeframe that does not comport with their deadlines for finalizing their power purchase agreements would put these projects in jeopardy, the ISO committed to seek to address this issue on a more expedited basis than the timeline of the comprehensive stakeholder process mentioned in (1) and (2) above would provide. Thus, the ISO committed to conduct an expedited stakeholder process over the next few weeks to consider whether it would be appropriate to forego performing the re-allocation for the reassessment study results reported in September, as described in the October 29 technical bulletin.

## 5 Options for stakeholder consideration

After assessing the stakeholder feedback received, the ISO is considering a possible addendum to the technical bulletin with respect to the planned re-allocation of certain network upgrade costs. Specifically, with respect to the results of the 2013 reassessment process, the ISO is considering whether it would be appropriate to forego the reallocation of the costs of still-needed network upgrades among the remaining projects in a study group, based on their pro rata share of the original allocation, up to their cost cap.

The ISO presents two options for stakeholder consideration:

**Option A. Apply the 10-29-13 technical bulletin re-allocation to the recent reassessment results.**

Under this option, the ISO would revise the 2013 reassessment study results by reallocating the costs of still-needed network upgrades among the remaining projects in a study group based on their pro rata share of the original allocation, up to their cost cap, as described and illustrated in the technical bulletin. With regard to the application of this approach in subsequent reassessment cycles, the ISO would include consideration of this issue in the comprehensive stakeholder process mentioned above.

**Option B. Forego the reallocation of network upgrade costs for the 2013 reassessment, while maintaining all other provisions of the 10-29-13 technical bulletin.**

Under this option, the ISO would not revise the 2013 reassessment study results released in September by reallocating the costs of still-needed network upgrades among the remaining projects in a study group. Instead, the ISO would let stand the current total cost responsibility for the network upgrades that continue to be needed as provided in the September reassessment reports. Depending on the outcome of the comprehensive stakeholder process described above, this approach would apply only to the 2013 reassessment results, which means that a customer's total cost responsibility could be adjusted upwards – but no higher than their cost cap – based on the results of a subsequent reassessment. Similarly, any remaining costs to be up-front funded by the applicable PTO that result from foregoing the reallocation of costs for the 2013 reassessment study could be adjusted downwards as a result of a subsequent reassessment study. As noted under option A, the ISO will include consideration of reallocation of network upgrade costs for future reassessments in the upcoming comprehensive stakeholder process.<sup>5</sup>

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<sup>5</sup> In evaluating this option, the ISO will also have to consider whether, and to what extent, regulatory filings and approvals might be necessary in order to implement this option.

## 6 Next steps

The ISO has scheduled a stakeholder conference call for November 14 from 8:30 a.m. to 10:00 a.m. (Pacific) to discuss these two options with stakeholders.

The ISO is requesting that stakeholders submit written comments on these two options to [GIP@caiso.com](mailto:GIP@caiso.com) by 5:00 p.m. (Pacific) on November 18. Stakeholders are asked to indicate their organization's overall level of support for either option and to clearly explain the reasoning and business case for their preference. In particular, the ISO wants to better understand the timing of load serving entity (LSE) requests for offers (RFOs) and the conclusion of power purchase agreements or similar contracts that result from such RFOs, the extent to which network upgrade costs and a generator's share of these costs are elements of consideration in power purchase agreement negotiations between LSEs and generation developers, and how a developer's progress would be adversely impacted if the ISO were to issue revised reassessment results.

The ISO will make a decision to move forward with either option A or B after a consideration of stakeholder comments received.