Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Draft Final Proposal posted on May 28, 2014 in the Interconnection Process Enhancements (IPE) initiative and as supplemented by the presentation and discussion during the stakeholder web conference held on June 4, 2014.
Submit comments to GIP@caiso.com
Comments are due June 11, 2014 by 5:00pm

The draft final proposal posted on May 28, 2014 may be found at:
http://www.caiso.com/Documents/DraftFinalProposal-Topics13-14-InterconnectionProcessEnhancements.pdf
The presentation discussed during the June 4, 2014 stakeholder web conference may be found at:
http://www.caiso.com/Documents/Agenda_Presentation-InterconnectionProcessEnhancementsJun4_2014.pdf
Please provide your comments as follows.

Timing of transmission cost reimbursement (IPE Topic 13)

Please select one of the following options to indicate your organization's overall level of support for the ISO's draft final proposal regarding the timing of transmission cost reimbursement:

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.

LSA/CalWEA comments

LSA and CalWEA fully support the CAISO's proposal as a reasonable compromise between LSA's initial position on this issue – that Network Upgrade (NU) reimbursement should begin at COD for all projects, and future payments should not be required beyond that point – and the position of some other stakeholders that NU reimbursement should not begin until all NUs are completed.

In particular, LSA and CalWEA support the annual commencement of reimbursements for NUs completed over the prior year, starting the year after COD is reached. This is a very important feature that avoids the fundamental unfairness of the current phased-project reimbursement structure, where refunds could be delayed for years after many or most of the upgrades funded by developers are in-service and "used and useful." Thus, whether the CAISO retains the current proposal or reverts to the former "Option B" structure, this annual reimbursement commencement should be retained.

LSA and CalWEA also fully support the modification in the Draft Final Proposal to clarify that PTOs may provide reimbursement earlier than the maximum fine-year period. This would clarify that, for example, the SDG&E policy of reimbursing pre-COD NU payments upon COD (with no further NU costs charged to the generation project beyond that point) would continue to be allowed.

However, LSA and CalWEA have two suggestions that would facilitate implementation of this proposal.

First, the CAISO should incorporate into its interconnection Studies an association of Network Upgrades (NUs) with individual project phases, for phased projects. As noted by LSA on the last stakeholder conference call, the lack of this information makes it difficult or impossible for Interconnection Customers (ICs) to estimate the timing of their NU reimbursement, and this timing is a key element in determining the ultimate financial carrying cost of NU funding.

Second, LSA and CalWEA recommend that the CAISO clarify the meaning of the applicability language, i.e., that the Proposal would take effect in the first cluster where none of the projects in the cluster had received a draft GIA, such that if even one project has received a draft GIA at that point, then the Proposal would be implemented in the next cluster. Better yet, the CAISO should be specific about just which cluster this would be – based on the discussion on the conference call, Cluster 6 – given the timing of the filing and the requested Effective Date.

Redistribution of forfeited funds (IPE Topic 14)

Please select one of the following options to indicate your organization's overall level of support for the ISO's draft final proposal regarding the timing of transmission cost reimbursement:

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.

LSA/CalWEA comments

LSA and CalWEA support the CAISO's proposal, but with reservations, and one clarification. The proposal moves in the right direction, but it does not go quite far enough in that direction.

The clarification relates to a detail that the CAISO has confirmed on two conference calls but has not yet incorporated into its written proposal. Specifically, the CAISO should clarify that it would first liquidate the posted security to cover any unpaid invoices when a generation project withdraws from the interconnection queue, and then apply its proposal in this stakeholder process to the remaining security.

This clarification reflects the principle that the purpose of posted security is to cover the outstanding costs assigned to the withdrawing project that it will no longer cover, and thus to protect other projects and the PTOs in that situation.

LSA and CalWEA are delighted to see the CAISO extend this concept, at least in part, to the disposition of the remaining forfeited funds in this version of the Proposal. The CAISO proposal would: (1) allocate the forfeited security proportionally to the Network Upgrade (NU) costs assigned to a withdrawing project, based on the last allocation before the withdrawal; and then (2) effectively subtract the costs apportioned to the NUs still needed before reallocating the remaining costs for those NUs to remaining generation projects sharing responsible for them.

This proposal is similar to LSA and CalWEA's proposal in their comments on the CAISO's Draft Final Proposal in the GIDAP Reassessment Initiative. However, LSA and CalWEA's reservation in supporting the Proposal relates to a crucial interim step that they advocated in their last comments but is not included in the Proposal.

To illustrate this point, consider an example – shown in the table below) of a withdrawing 150 MW project with a $5 million posting for five NUs in its last study or reassessment, with the cost percentages shown below under "All Upgrades Still Needed." If all of the upgrades are still needed, then the amounts subtracted from the costs reallocated to remaining projects for those NUs, under both the CAISO and LSA/CalWEA proposals are shown in the third column.

The difference between the CAISO and LSA/CalWEA proposals relates to the common situation where some NUs are no longer needed. For example, if one of the NUs (#3 here) is not needed:

- **The CAISO methodology would remove the $1M allocated to that upgrade and return it to ratepayers through the methodology it proposed before, and subtract the amounts for the other upgrades before allocating remaining costs for those NUs to other developers** (where the amounts subtracted per upgrade would be at least $100K). The CAISO calculated that, for 2013 forfeited amount of $15.5M for NUs, only about $1.2M would be used to reduce reallocated amounts, and $14.3M would be given to ratepayers.

- **The LSA/CalWEA proposal would adjust the NU percentages and allocated amounts to reflect the elimination of NU #3 before subtracting the results from the costs of remaining NUs before any reallocation.** While LSA and CalWEA do not have access to the CAISO's figures, it is probably safe to assume that more of the 2013 (and later) forfeited funds would go toward reducing reallocated amounts than under the CAISO's proposal.

NU#	***ALL UPGRADES STILL NEEDED (or CAISO METHOD)***		***NU#3 ELMINATED – LSA/CalWEA METHOD***	
	% of allocated NU costs – last study	***Reduction in reallocated cost***	***% of allocated NU costs - adjusted***	***Reduction in reallocated cost***
1	5%	**$250K**	6%	**$300K**
2	15%	**$750K**	18%	**$900K**
3	20%	$1M	NU no longer needed	
4	20%	**$1M**	24%	**$1.2M**
5	40%	**$2M**	48%	**$2.4M**

If the "Reduction in reallocated cost" exceeds the original allocation for an NU to the withdrawing project (e.g., because many NUs are no longer needed), the excess would be refunded to ratepayers as the CAISO proposes. (This would prevent any remaining project from "benefitting" from the project withdrawal, a previously stated CAISO concern.)

In comparing the relative merits of these two methodologies, there are two important factors to consider.

First, the best that ICs can do under LSA/CalWEA's proposal is to avoid a reallocation of costs that were assigned to other projects. There is little rationale for giving money intended to fund transmission upgrades for a study cluster to ratepayers, while allocating costs that were originally the responsibility of others to remaining developers in that same cluster.

Second, ratepayers will ultimately benefit from the forfeited funds under either method. Any forfeited funds subtracted from NU costs before reallocation to other projects under either method would reduce the NU costs paid by those developers, and thus also their later NU refunds (with interest).

LSA and CalWEA urge the CAISO to reconsider adding this simple step, so that the forfeited funds are used for their intended purpose – funding NUs for the study cluster of projects that are no longer responsible for costs that they were allocated.