

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 Issue Paper posted on June 3 and as supplemented by the presentation and discussion during the June 11 stakeholder web conference.

Submit comments to GIP@caiso.com

[Comments are due June 25, 2013 by 5:00pm](#)

The Issue Paper posted on June 3 may be found at:

<http://www.caiso.com/Documents/IssuePaper-InterconnectionProcessEnhancements.pdf>

The presentation discussed during the June 11 stakeholder web conference may be found at:

http://www.caiso.com/Documents/Agenda_Presentation-InterconnectionProcessEnhancementsJun11_2013.pdf

Following each of the 15 topics presented below, the ISO poses specific questions and requests that stakeholders respond to each.

Topic 1 – Future downsizing policy

1. What is the demand for a second downsizing opportunity? Would a second downsizing opportunity be sufficient, or do stakeholders believe that there will be further demand beyond a second downsizing opportunity?

A second downsizing opportunity should be provided, at a minimum, for Cluster 3-4 projects and those with CODs after 2016. As LSA has noted before, Cluster 3-4 projects received their Phase II Studies only shortly before the application deadline for the first downsizing window, and (along with projects with CODs far into the future) likely had not yet encountered many of the obstacles that could require project downsizing.

Ideally, this second opportunity would come around the end of 2014, to give these projects time to progress in permitting and PPA acquisition sufficiently for the developers to determine whether the current project sizes are viable.

However, LSA sees no reason why exercising of a one-time project downsizing opportunity should be limited to a special-purpose window, or only to the projects described above. As Load-Serving Entities come closer to meeting their contracting needs to meet the 33% Renewables Portfolio Standard, they are increasingly contracting for smaller amounts of capacity, and this practice may require to downsize projects if their entire capacity cannot be contracted.

Instead, LSA supports annual opportunities that would allow any generation projects to exercise this one-time option, in coordination with the GIDAP Phase II pre-validation/reassessment studies and subject to the “hold harmless” provisions in effect for the first window. Loss of project suspension rights should not be required for projects exercising this option.

2. What are stakeholders’ views on the ISO’s position that a downsizing request window of limited time duration should be utilized in any future downsizing opportunity?

See above. LSA does not see any reason why such opportunities should not be offered in the regular study process, as this would not add any burden to the CAISO or PTOs performing the studies and would allow consideration of the “collective impact” of all downsizing requests.

3. The ISO believes that funneling downsizing requests through such a window permits ISO and PTO transmission planning engineers to evaluate the collective impacts of all downsizing requests in the most efficient manner possible (in contrast to the inefficiency and associated chaos of having to review the impacts of downsizing requests sequentially, at any time that an interconnection customer chooses to submit such a request). Similarly, expansion of the ability to downsize through a “material modification” review would essentially allow downsizing requests to be submitted at any time and would thus present the same problems. What are stakeholders’ views on this?

The CAISO should allow downsizing without any study required (including an MMA study) where the Interconnection Customer (IC) agrees to pay for its allocated share of transmission costs for the original project – see LSA’s proposal in Topic 2 below regarding reimbursement. Otherwise, LSA supports incorporating downsizing opportunities with the GIDAP study process, as described above.

4. To the extent there were a need for additional downsizing opportunities,

- a. what would be the optimal frequency of downsizing request windows? For example, one per year or one every two years?**
- b. how many downsizing request windows do stakeholders believe should be considered?**
- c. what should be the timing of a downsizing request window? The ISO suggests that the timing of a downsizing request window should be such that there is sufficient time to validate the requests received and study their combined impacts at the same time the re-assessment study is conducted in accordance with the GIDAP timeline. What are stakeholders’ views on that?**

See above – LSA believes that annual consideration of downsizing requests should take place in the GIDAP pre-validation/reassessment process.

5. Please comment on the ISO’s position that future downsizing options should be limited to pre-Cluster 5 customers because the GIDAP already provides certain opportunities to downsize projects that were not available under the GIP.

There is insufficient information available at this early point in the GIDAP process to determine whether that process requires additional downsizing flexibility beyond that already available. However, in concept, LSA sees no reason why GIDAP projects should be excluded from the annual downsizing opportunities described above. If the CAISO does not make pre-C5 options available to those projects at this time, that position should be re-evaluated after the first GIDAP study cycle is complete.

6. Stakeholders are asked to comment on other important features of the current one-time downsizing opportunity. For example, customers who are affected by but are not downsizing should be protected. As an additional example, downsizing projects should bear the costs of the downsizing study and any resulting interconnection agreement amendments.

LSA supports the “hold-harmless” protection for non-downsizing customers but opposes charges for CAISO/PTO costs to amend the agreements for such customers. GIAs require amendments for many reasons but no charges are assessed; moreover, annual GIDAP pre-validation/reassessment studies are likely to result in multiple GIA amendments anyway, and it will be difficult or impossible to separate out the amendments resulting from downsizing vs. the other changes in assumptions in those studies.

7. What are stakeholders’ views on the continued use of the non-conforming partial termination provisions as a future downsizing option? Although the ISO does not view this as a generally applicable downsizing option, do stakeholders view its continued availability as critical?

LSA believes that this option should continue to be available for those meeting the specified conditions that desire advance cost certainty. In addition, the CAISO should re-visit the GIP-2 proposal to make this option more widely available to see if the objections to that proposal can be reasonably addressed. The CAISO’s last-minute decision to remove that proposal from the GIP-2 package that was presented to the CAISO Board in that initiative did not allow stakeholders to understand or ameliorate those concerns.

Topic 2 – Disconnection of first phase of project for failure of second phase

General comments

- The concerns with this problem are not limited to phased projects. The same concerns exist with non-phased projects, where the CAISO could terminate the GIA for the entire project if all of the capacity is not built. However, the concerns seem to be more acute with phased projects.
- LSA appreciate the additional details of the termination process provided in the Scoping Paper but believes that the CAISO should be more explicit about grounds for termination.

1. Please expand on the explanation of how current risk of disconnection affects project financeability and viability.

There are many reasons why developers seek to phase projects (especially large projects). Development of projects in phases allows developers to more easily manage financing and construction, and PPAs may be more easily obtainable for smaller pieces of a large project than for the hundreds of MWs that comprise the entire project. Revenues from earlier project phases can also support financial commitments for later phases.

However, investors and lenders for earlier phases are very concerned that failure of the developer to build later phases, for any reason, would result in disconnection of earlier phases that are already operational. These concerns have introduced much uncertainty that has made financing and investment much more difficult to obtain, and raised costs to developers to obtain such financial support.

2. Stakeholders are asked to suggest potential ways to reduce risk for developers, short of blanket elimination of ISO termination rights.

Developers should be allowed to terminate later phases, or otherwise reduce project size, either unilaterally if they are willing to pay their original allocated share of transmission costs or through the annual GIDAP study process as described above and subject to “hold harmless” provisions.

Those downsizing using the first option should be entitled to reimbursement for transmission to the extent that the facilities will be used for later-queued projects. Some guidance for this approach can be found in LGIA Article 11.4.1.4 (Failure to Achieve Commercial Operation), which states as follows:

If the Large Generating Facility fails to achieve Commercial Operation, but it or another Generating Facility is later constructed and makes use of the Network Upgrades, the Participating TO shall at that time reimburse Interconnection Customer for the amounts advanced for the Network Upgrades...

The CAISO could use the same methodology that it would apply to determine whether another project later “makes use” of transmission associated with a failed generation project to assess whether another project later “makes use” of transmission associated with cancelled/downsized project capacity or phases.

LSA understands that MISO has addressed this issue in a satisfactory manner and recommends that the CAISO investigate MISO’s policies in this area.

3. Please suggest what alternative, equitable non-termination remedies to GIA default might look like.

See response to #2 above.

4. Please comment on the proposed modification to the safe harbor to “greater of 5% or 10 MW.

LSA supports this proposal. It makes logical sense, since any impact of project downsizing on the grid or on other projects would probably be based on the number of MWs reduced and not the percentage reduction.

Topic 3 – Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects

1. Are there additional scenarios beyond the three scenarios described on page 29 of the issue paper?

Yes. The CAISO should also let projects combine (e.g., to facilitate Stand-Along NUs), if all obligations to the CAISO and PTO are covered. (This possibility was mentioned in the earlier Scoping Proposal but was dropped without explanation in the Scoping Paper.)

In addition, LSA supports consideration of the third option listed in the paper – potential splitting of a project into multiple GIAs, and without “joint and several liability” provisions as long as all obligations to the CAISO and PTO are covered. In fact, this approach could be simpler than the current multiple-LLC structure and could also address the problems associated with cancellation of later project phases above (since an entire LGIA for that project/phase could be canceled). LSA was disappointed that the CAISO seemed to distance itself from this option and believes that it is worth considering in this initiative.

2. What thresholds should be used in allowing projects to be broken into multiple phases?

LSA has no objection to a 20-50MW or smaller minimum phase size, given commercial considerations (e.g., RFO participation limits).

3. Should there be a minimum total MW size threshold to be eligible to divide a project into phases? For example, would it make sense to allow a 5 MW project to be split into smaller phases?

LSA has no opinion on this question.

4. Should there be a maximum number of phases into which a project can be divided?

LSA does not see any reason to limit the number of project phases.

5. Should there be a minimum MW size for each phase?

See response to #2 above.

6. Should criteria be imposed that include both a minimum total MW threshold and a minimum phase size in MW or a percentage of the total project?

See responses above.

7. When during the interconnection process should an IC be allowed to request to implement a phased structure for its project?

LSA does not see any reason to limit the timing for dividing a project into phases. Phased projects are studied as entire projects in interconnection studies, so a later division into phases would not require any re-studies. In fact, this is one of the changes recommended below for a modification that should be allowed outside the MMA process.

Topic 4 – Improve Independent Study Process

1. Are you interested in participating in the ISP working group and able to devote significant time outside of the standard Interconnection Process Enhancement stakeholder process?

No.

2. If yes, are you interested in the policy aspects, technical aspects or both?

N/A

3. Do you have an interest in the behind the meter expansion component of the ISP and if so, please summarize your thinking on revisions to the behind the meter expansion component?

LSA members might have some interest in BTM storage additions and would like the CAISO to clarify how those additions might work, including potential acquisition of RA deliverability through the annual study process.

Topic 5 – Improve Fast Track

LSA is not interested in participating in the working group for this item and has no opinion at this time about the RT screens.

Topic 6 – Provide for ability to charge customer for costs to process a material modification request

General comment: The questions below seem to treat this issue as a foregone conclusion, i.e., they assume that charges will be assessed and based on the current charge processes, with the only questions being how the charges are assessed and collected.

LSA does not object to reasonable charges for MMA studies. However, LSA has long objected to the lack of certainty and transparency in the current processes and objects strongly to extending those processes to MMA studies without changing them. Charges for current studies are a complete “black box,” and those funding them should reasonably expect more information than an after-the-fact bill.

Specifically, LSA seeks no more from the CAISO and PTOs than one would expect from a reasonable consultant study, e.g.:

- **Binding study cost estimates** (or at least a range), known in advance, and/or cost information for similar past studies; and
- **Explicit hourly charges** (and after-the-fact total costs) for different functions or labor types, including overhead charges.

In addition, LSA would only support MMA charges in conjunction with identification of project changes that would not be subject to MMAs, including project phasing (see above) and other items identified in Issue #15 below. Moreover, LSA believes that, if charges are assessed for MMA studies, those studies should be conducted in an orderly and transparent process; thus, LSA also supports development of standard MMA study and GIA modification timelines – similar to (but shorter than, of course) those applicable to the regular interconnection-study process – to ensure prompt study results and contract modifications.

1. Should the cost for modification requests be a fixed fee or deposit and actual costs incurred be charged against deposit?

LSA does not have an opinion on this question per se. However, LSA believes (as stated above) that cost estimates (whether fixed or geared to recovery of actual costs) should be binding, or at least +/- estimates with a reasonable range.

2. Should existing study funds be used for modification assessments?

This seems reasonable where a project has not already reconciled with the CAISO/PTO for its original study costs, but this should be an option at the IC's discretion. LSA does not believe that it must be one policy applicable to all.

3. If a separate deposit is made, should it be refunded at the end of that modification assessment or once the project achieves COD?

LSA sees no justification for the CAISO/PTO to retain any IC funds past the end of the study.

Topic 7 – COD modification provision for small generator projects

LSA believes generally that small projects should be subject to the same rules, and afforded the same options, as large projects.

Topic 8 – Length of time in queue provision for small generator projects

1. Should small generator have the same time to develop their project as a large generator (i.e. 7 years)? If no, what should the length of time be for the developer of a small generator?

As noted above, LSA believes generally that small projects should be subject to the same rules, and afforded the same options, as large projects. However, the 7-year development timeframe for projects going through the current expedited development processes (Independent Study and Fast Track) should be shortened to reflect their shorter study duration – otherwise, these projects would actually have longer development time limits than other projects. In other words, smaller projects should have the same post-study development timelines as larger projects.

Topic 9 – Clarify that PTO and not ISO tenders GIA

LSA does not object to this change.

Topic 10 – Timeline for tendering draft GIAs

1. Do stakeholders have an issue with changing the trigger for tendering of GIAs?

The suggestion to key issuance of the draft GIA to the Phase II Study Results Meeting seems reasonable in most cases. However, developers should have the option to self-prioritize their GIAs, in part, by electing to receive the draft within 30 days after the Phase II Studies. This election could be made after the Phase I Study, at the time when other elections are also made, to: (1) incorporate it into the current procedures; and (2) give the PTOs plenty of notice for which GIA drafts should be issued first.

Topic 11 – LGIA negotiations timeline

1. Do Stakeholders agree with the best effort language?

No. LSA believes that the current more stringent language helps motivate the parties to move the negotiation process forward and opposes relaxing the requirement. In fact, LSA would support further definition of the steps within the 90-day negotiation period, e.g., time limits on turning around drafts.

2. If Stakeholders agree with triggering the tendering of agreements off of the Results Meeting, do you agree with triggering the negotiation off of the same event?

Yes, subject to the same caveat as in Topic #10 above, i.e., if the developer elects to have its GIA issued within 30 days of the Phase II Study instead, the negotiation timeline should be keyed to this same trigger.

3. Do Stakeholders want to change the 15 BD to 10 BD for providing a final GIA for execution? If yes, do Stakeholders agree that the information request sheet must be provided in advance of finalizing the negotiation?

Yes, this seems like a reasonable suggestion. The CAISO's incorporation of information request sheet submission into the New Resource Implementation Checklist and process should facilitate the earlier submission required to implement this change.

4. Are Stakeholders concerned with the process of required written agreement from all three parties on extending the tendering and negotiation timeline as a proxy for prioritization? If yes, then what prioritization process would you propose given the questions discussed above?

LSA is very concerned that the new process described by the CAISO has not resulted in any prioritization on the part of the PTOs.

While LSA appreciates the CAISO's recognition of the problem, there is no sign that the measures described by the CAISO for its own process – redeploying resources (including management attention and effort) to expedite negotiation of agreements where developers do not agree to time extensions – have been implemented at all by the PTOs. In fact, in LSA members' experience, the single biggest obstacle in concluding GIAs on a timely basis (aside from unrealistic studies with unreasonable results (e.g., 12-year DNU timelines) or attempted policy reversals (e.g., regarding DTT classification) has been decision-making and turnaround time for drafts by the PTOs.

LSA requests that the CAISO: (1) Allow developers to request their GIA drafts sooner (see response to Issue #10); (2) set time limits for key steps within the 90-day negotiation period (see response to #1 above); and (3) work with the PTOs to help them incorporate the same kinds of prioritization actions that the CAISO has implemented itself.

Topic 12 – Consistency of suspension definition between serial and cluster

LSA supports the CAISO proposal with the clarifications provided on the June 11th conference call – i.e., that: (1) the 3-year limit would apply to COD delays resulting from suspension, and not invocation of the suspension rights based on the Interconnection Request submission date; and (2) the change would not apply to those with executed LGIAs or draft LGIAs in advanced stages of negotiation.

In addition, LSA believes that the concept proposed by Wellhead – that a cluster project be allowed to suspend obligations for a shared upgrade under certain limited circumstances – should be included in the scope of this topic. Further discussion should address ways to ensure that the other projects sharing the upgrade are not harmed by the suspension and that the suspending project bears any consequences (e.g., cost and/or deliverability) of the suspension.

Topic 13 – Clarity regarding timing of transmission cost reimbursement

1. What are stakeholders' views on going forward whether cost reimbursement should require both commercial operation and network upgrades in service?

LSA adamantly opposes this proposal, on the same grounds that it opposed such reimbursement conditions for phased projects. The reason why reimbursement is not provided until COD is to ensure that the upgrades are used and useful, and not to provide PTOs with low-cost financing. There is no justification for retention of IC funds for years after COD (as much as 8-12 years, if recent interconnection-study timelines are to be believed), especially when the IC has no control over the timing of transmission-upgrade construction.

Moreover, this issue was only recently decided by FERC. Though LSA does not agree with the decision with respect to phased projects, LSA does not see any purpose in raising it again so soon.

Contrary to the characterization of LSA's position in the Issue Paper as classifying this issue as "high priority," LSA's request for reimbursement clarification had nothing to do with the issue as defined. Instead, LSA simply seeks clarification that a phased project with all phases completed be treated the same as a completed non-phased projects, i.e., the latter should be eligible to begin reimbursement upon the COD of the last phase, without waiting for Network Upgrade completion. These two kinds of projects would be similarly situated at this point, and there is no reason to treat the completed phased project in a discriminatory manner by delaying its reimbursement commencement.

Topic 14 – Distribution of forfeited funds

1. If some stakeholders believe that the scheduling coordinator approach should be abandoned, then do stakeholders have any specific ideas for alternative approaches to the distribution of forfeited funds?

Forfeited Study Deposit funds should be used to offset study costs for the projects remaining in the same cluster, since those ICs will likely pay more for the remaining studies in the interconnection process.

Forfeited Interconnection Financial Security should be used to reimburse ICs that exceed the new limits on RNU reimbursement under the new GIDAP process.

2. Please comment on the possible use of forfeited IFS funds to offset resulting cost increases for projects remaining in queue as a way to mitigate impacts of withdrawals on other interconnection customers.

LSA supports this concept – see #1 above.

3. Please comment on the stakeholder-suggested idea of applying forfeited IFS funds to a PTO's transmission revenue requirement to reduce the transmission access charge and thereby benefit ratepayers who ultimately bear the costs of the transmission upgrades.

Ratepayers bear the costs of Network Upgrades ultimately because FERC has ruled that they benefit from these system enhancements. Therefore, LSA believes that its proposal is more equitable than this one.

4. Please comment on the possible use of forfeited funds by the ISO and PTO for study costs previously incurred that an interconnection customer defaults on.

LSA has no objection to using Study Deposit funds for this purpose prior to implementation of its suggestion above for those funds.

Topic 15 – Inverter/transformer changes

1. The ISO believes that it should be more transparent with respect to its material modification review including which modifications are allowed without a review. What modifications do stakeholders believe should be made without a material modification review?

As noted above, LSA believes that changes in project phasing (dividing into phases, adding phases, splitting projects into multiple projects/GIAs, or combining projects) should be allowed without an MMA study, assuming that no applicable CODs are moved forward.

COD delays of up to three years should not require a MMA study.

Minor changes to inverters and transformers (e.g., vendor changes), and perhaps other equipment, should be allowed without an MMA study, if the electrical properties assumed in the interconnection studies are not impacted. LSA suggests a small working group (which LSA would volunteer for) to develop a list of applicable equipment changes, with "checklists" for each, that would be exempted from MMA studies.

As noted under Issue #6 above, LSA also supports development of standard MMA timelines, and timelines for resulting GIA revisions, to ensure prompt study results and contract modifications.

2. If a formal material modification review is not made, what type of notification process would stakeholders envision should be implemented so that the ISO and PTO are aware of the changes?

Standard notifications and timelines could be developed by the working group – LSA has no specific suggestions at this time.