

Stakeholder Comments Template

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

Submitted by	Company	Date
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Introduction

LSA appreciates the opportunity to file comments on the CAISO’s Second Revised Straw Proposal (Proposal) in the TPP-GIP Integration initiative. LSA also appreciates the CAISO’s diligent efforts to solve current problems with the planning, financing and construction of network transmission in California.

The Proposal addresses many of LSA’s concerns about the earlier initial straw proposal, including incorporation of commercial viability milestones in assignment of deliverability for TPP-approved transmission upgrades (TP Deliverability). However, LSA continues to have other significant concerns that are not addressed by this proposal. LSA provides comments below on the specific items requested by the CAISO but also offers this additional feedback.

First, LSA is concerned that the Proposal does not address, or even consider, alignment with utility procurement processes other than the Power-Purchase Agreement (PPA) milestone. There is no mention or consideration of current California Public Utilities Commission (CPUC) procurement rules or potential future changes to those rules, and that will greatly hamper its ability to accomplish the intended goals. For example, the schedule and milestones in this proposal should be consistent with the CPUC procurement process and resulting Load-Serving Entity (LSE) Request for Offers (RFO) and related timelines. However, this timing coordination is not reflected in the Proposal.

Second, LSA continues to urge the CAISO to give very serious consideration to the question of whether, if the Proposal provisions would apply starting with Cluster 5, the many complexities, disputes, and problems they will cause would really be worth the effort. Given the size of the queue and the advanced state of LSE contracting to reach 33% Renewables Portfolio Standards (RPS), it is reasonable to expect that the very large majority of generation that will be built between now and 2020 is already in the queue, so the new provisions would apply to only a relatively very small amount of capacity.

Similarly, LSA continues to believe that scarce CAISO and stakeholder resources would be better spent improving the current process to ensure that viable generation projects currently in the queue can get access to transmission in a timely manner. LSA appreciates the CAISO’s efforts to clear earlier-queued non-viable projects from the interconnection queue but believes that the CAISO should begin considering additional measures. The CAISO has stated that the current efforts have resulted in withdrawal of approximately 700 MW from the queue, but it seems implausible that the thousands of MWs in pre-Transition Cluster projects remaining in the queue are actually all viable.

These additional measures could include those that would further merge the existing queue with this new proposed process – for example, requiring additional proof of viability from projects that have been in the queue for many years without progressing, in return for incorporating their DNU into the TPP as policy-driven upgrades (since they are largely already in the TPP base cases) and removing the Interconnection Financial Security (IFS) posting requirement for those upgrades. This treatment could also be offered to such projects on a voluntary basis.

Third, LSA strongly believes that the Interconnection Customer (IC) selection between “Option A” and “Option B” after Phase I Studies is not useful and should be reconsidered. The choice of whether or not to fund non-reimbursable transmission upgrades, with no cost cap whatsoever, cannot be made before the cost of such upgrades is known.

Developers require as much certainty as possible, early in the process, to obtain financing and to price their contracts appropriately. Option B is rendered infeasible by the lack of any mechanism to provide earlier cost certainty to developers whose projects don’t receive fully funded TP Deliverability. The discriminatory assignment of all TP Deliverability to Option A projects before Option B projects receive any only exacerbates the problem. LSA believes that few or no developers will be able to commit to funding transmission, early in the process, without any cost limitation, and therefore there is no point in offering Option B under those terms.

Thus, LSA’s recommendations below assume elimination of the Option A/Option B distinction. They also defer IC commitment requirements for IC-funded transmission until after Phase II, when the costs and timing for such transmission are much better defined.

Finally, while this version of the new framework is a distinct improvement over the last, the CAISO is still not at the point where a Draft Final Proposal should be the next step. There were major changes in this version, and there are many unanswered questions about the new features, their viability (e.g., for Option B, as discussed), and their potential market impact (e.g., financing impacts). Moreover, LSA is not convinced that the CAISO has really identified nor adequately considered other alternatives.

Throughout the current process, generators have been faced with extremely high and unrealistic costs and constantly changing rules. It’s important for the CAISO to get the rules right here, to minimize the need for multiple corrections later.

Thus, the CAISO should reconsider its still-aggressive schedule for completion of this initiative. LSA appreciates that this is a very complex process – and we believe this proposal is a step in the right direction – but the CAISO should ensure that it gets the proposal right before implementing this major reform effort.

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.**

LSA submitted comments on the proposed Delivery Network Upgrade (DNU) study methodology for clusters 1-4 (C1-C4) and incorporates those comments herein.

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.

LSA believes that projects not receiving “TP Deliverability” should have an option to pay for transmission needed for their desired deliverability status. However, the proposed Option A/B construct is not workable as proposed and should be revised as follows.

First, the Option A-Option B dichotomy – either all TP Deliverability or potentially none – is not the most realistic framework to determine ratepayer- vs. IC-funded transmission. The new framework should allow for a more-likely mix of options, e.g.: (1) assignment of TP Deliverability for part of a project’s deliverability request; and (2) either reduction of requested deliverability or IC-funded transmission for the remainder.

This seems more realistic, since cluster projects typically require multiple DNUs – some of which have available TP Deliverability while others do not – and the available TP Deliverability for any given upgrade may or may not accommodate the expected flows of all projects in the cluster.

Second, the choice of whether to proceed with any IC-funded transmission should not be required before the cost of that transmission is known, i.e., until after Phase II Studies. No project can commit to paying for DNUs without first knowing the costs, and without a Phase I cost cap, that information will not be available until Phase II.

The Phase II Study results should reflect the amount of TP Deliverability from the TPP Plan and the allocation to each project. Projects receiving insufficient TPP Deliverability to cover their entire requested deliverability status should have the ability to indicate at that time whether they wish to:

- Withdraw from the queue; or
- Stay in the queue and either: (1) reduce their requested deliverability (and perhaps project size) to the amount that can be accommodated with the allocated TP Deliverability; and/or (2) fund the additional DNUs to reach a higher deliverability level. They should be able to make this election after accounting for additional deliverability allocations resulting from the above withdrawals.

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.

As noted above, LSA believes that the proposed Option A/B construct is not workable. While LSA agrees that ICs financing RNUs should be reimbursed by ratepayers, planning and funding for shared RNUs should be through the TPP, like DNUs. Shared RNUs are often substantial and costly, and their planning and development should be performed the same as DNUs.

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.

LSA believes that this element is only workable if ICs can control their DNU costs, e.g., through the provisions outlined in #2 above.

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.)

LSA supports this element. As noted above, LSA believes that these milestones should also be applied to earlier-queued projects that have been in the interconnection queue for many years.

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.

LSA supports these objectives but would add that the timing of the milestones should:

- (a) Be commercially reasonable and aligned with the normal project-development sequence; and
- (b) Consistent with the timeline for completion of transmission upgrades needed for commercial operation.

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.

LSA supports this element but believes that the formulae to determine the “reasonable margin” should be more clearly stated, particularly the treatment of the “largest single project” in a cluster. While this is the right approach, the CAISO must ensure that the methodology will result in sufficient transmission to reflect commercial reality and also consider the likelihood that some projects that receive TP Deliverability will still fail. LSA notes that the assumptions will become far more important if the CAISO is limiting deliverability in the studies because, by definition, they will determine “winners and losers.”

8. Phase 1 will study RNU for all projects in the cluster.

As noted above, LSA believes that the CAISO should study shared RNUs in the same manner as DNUs, i.e., study the amount needed to match the generation in the TPP portfolios plus a reasonable margin above that level. The intent here would be the same as stated above for DNUs – to avoid excessive costs that can result from extremely large clusters, while providing useful information on needed upgrades and associated costs if generation development exceeds grid capacity.

Additional shared RNUs needed to accommodate higher levels of development than expected in some areas should be addressed in the TPP, like DNUs in that situation.

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.

LSA supports this element.

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.

As noted above, LSA believes that Option B is not viable as proposed, because no project will be able to post IFS for DNU costs without a cost cap, especially this early in the process. Thus, LSA believes that no project should be required to post IFS for DNU costs at this point, unless the CAISO includes a cost cap for PTO-constructed upgrades in the proposal.

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.

See above. LSA does not support the current Option A/B construct.

12. A project choosing (A) will have to post for its RNU under today's rules, but not for DNU.

See above. LSA does not support the current Option A/B construct. After Phase I, all projects should have to post IFS only for Interconnection Facilities (IFs) and **project-specific** RNUs, with any DNU postings deferred unless a cost cap is included in the proposal for those facilities (if they are constructed by the PTO) or the posting is fully releasable (see #25 below).

13. A project choosing (B) must 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 (\$ per MW of deliverability) = (cost of incremental DNU)/(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.

To the extent that posting is required for DNUs (see above), LSA supports the \$/MW determination of the amount, as well as this new proposal to base the MW multiplier on the amount of deliverability assumed for the project in the studies (i.e., typically less than nameplate for Variable Energy Resources (VERs). However, the divisor for the \$/MW calculation should be the capability of the DNUs in the study, not the amount of MWs in the cluster that it would accommodate.

For example, where a \$10 million DNU is triggered by a 500 MW overload in the studies but can accommodate 1000 MW, the cost should be divided by 1000 MW, not 500 MW. LSA understands that additional study might be needed to determine the capability of the DNUs but believes that this is the most reasonable way to estimate an incremental-cost benchmark for the Phase I Study, since these estimates are preliminary anyway.

Projects should have the ability at this time to reduce both their deliverability and project size, consistent with the current rules, and to have those elections reflected in any required postings. In addition, LSA believes that projects should have the option to make changes at any time to reduce their IFs and project-specific RNUs, because those changes should not impact any other project, by definition.

- 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.**

See above. LSA does not support the current Option A/B construct but believes that all projects should be treated the same until funding elections are made after the Phase II Studies.

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.**

LSA supports re-studies, and then GIA changes favorable to developers, e.g., to remove unnecessary upgrades, reduce cost or timing, and/or award additional deliverability.

However, if the CAISO is implying that prior studies and GIAs could be revised after the fact in a manner that is adverse to developers – adding upgrades, increasing cost or timing, and/or reducing prior deliverability awards – these changes would greatly impede both PPA contracting and project financing, and LSA would oppose this element. The only adverse adjustments that might be justified would be to address situations where PTOs cannot obtain necessary regulatory approvals for previously identified upgrades and/or where other factors make construction of such upgrades infeasible.

- 16. Phase 2 will study RNU for all projects in phase 2.**

As noted above for Phase I Studies, LSA believes that the CAISO should study shared RNUs for Phase II Studies in the same manner as DNUs, i.e., study the amount needed to match the generation in the TPP portfolios plus a reasonable margin above that level, in order to avoid excessive costs that can result from extremely large clusters, while providing useful information on needed upgrades and associated costs if generation development exceeds grid capacity.

Additional shared RNUs needed to accommodate higher levels of development than expected should be addressed in the TPP, the same as DNUs in that situation.

- 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.**

As noted above, LSA believes that the Option A/B construct is not workable, and that all projects in a study cluster should be treated the same with respect to deliverability awards.

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 complete 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 noted above, LSA believes that the Option A/B construct is not workable, and that all projects in a study cluster should be treated the same with respect to deliverability awards.

LSA notes that the 120-day GIA negotiation/execution period is the same as under the proposed GIP-2 tariff amendments, and that is already a challenge to meet even without these additional complications. Moreover, we are not sure how this would work with the proposed 120-day timeframe for meeting milestones to receive TP Deliverability.

For example, does the CAISO expect PTOs and ICs to expend the considerable effort required to negotiate a GIA when the IC has not met the delivery-assignment milestones, only to put all that work aside if the IC does not meet the milestones in the 120-day period? (Moreover, if the CAISO maintains the Option A/B construct, how could Option B GIAs be finalized before the Option A compliance period expires?)

To avoid unnecessary effort, it would make more sense to base the GIA timing on the date when the IC meets the delivery-assignment milestones, with the Phase II Study process the following year as the “hard” deadline. IC satisfaction of those milestones would initiate the 30-day PTO preparation period for the draft GIA, and the 120-day negotiation/execution period would follow issuance of the draft GIA. If the delivery-assignment milestones are not met by the issuance of the Phase II Studies in the next cycle, the project would have to withdraw from the queue or proceed with an Energy-Only GIA.

This schedule would also ease CAISO and PTO workload by spreading out issuance of draft LGIA and negotiation/filing of executed GIAs.

- 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.**

As discussed at the Stakeholder meeting, the proposed criteria are not appropriate as the initial milestones for TP Deliverability, because they would require a project to be too far along in the permitting process than would be commercially reasonable prior to executing a GIA. Because of the long lead time for the interconnection and transmission process, projects generally must enter the interconnection queue long before they are ready to proceed with major permitting activities. It is highly likely that no developer would be able to meet those milestones under the proposed timeline, and therefore the milestones would be meaningless.

Moreover, any requirement for receipt of “all” permits needed for construction is too broad, as some permits for construction aren’t secured until just before construction begins.

Thus, it is unreasonable to require a developer to receive **all** permits in order to obtain deliverability.

Developers also have no control over the timing of CPUC approval of a PPA, which in some cases has taken well over a year. Therefore, even if a project had a PPA, it may not have an approved PPA in the 120-day timeframe the CAISO has set forth.

LSA understands, however, that the CAISO must have some objective criteria. LSA suggests that initial deliverability be offered (and a GIA signed) after a developer has an **executed** PPA and has **applied** for its major state permit (i.e., AFC). While neither of these factors ensures commercial success, they are strong indicators that a project is viable and that the developer is expending significant sums to move the project forward.

The CAISO could require subsequent milestones in executed GIAs, consistent with commercially reasonable timing, in order for a project to retain its TP Deliverability status. The CAISO should ensure, however, that TP Deliverability is not driving commercial decisions on the generation-project timing (see #22).

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

LSA recommends that the CAISO simply offer a financial posting alternative a proof of financial viability, rather than evidence of committed project financing per se. Specifically, if a project cannot meet the two other recommended milestones – application for a major permit and an executed PPA – the IC could meet the deliverability-assignment milestone by increasing its IFS to cover 75% of required upgrades, on a non-refundable basis. This posting requirement would be temporary, i.e., the posting would be released when the project meets the delivery-assignment milestones.

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.

Under the framework supported by LSA, which does not include the Option A/B construct, this element would allow all generation projects that meet milestones (or IFS alternative) to execute GIAs by approximately 150 days later. If more capacity meets the milestones by the time that the TPP Unified Planning Assumptions are developed for the next TPP cycle (whether or not they have executed their GIAs), then the CAISO 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.

LSA supports the CAISO's proposal to include standard milestones in GIAs (akin to those in LGIAs that include upfront funding) that projects must continue to meet in order to retain their deliverability, to ensure that projects are continuing to progress. Like the initial milestones, the timing of these additional must be commercially reasonable, align with a normal development sequence, and consistent with the timeline for the transmission upgrades that are needed for commercial operation.

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.

As noted above, under the framework supported by LSA (which does not include the Option A/B construct), projects would have until the issuance of the Phase II Studies in the next year's cycle to meet the milestones and initiate the GIA process. If the milestones are not met by this time, the project would have to withdraw from the queue or proceed with an Energy-Only GIA.

24. An option (B) project that does not obtain TPP-based deliverability in the current cluster cycle (120 days from phase 2 to GIA execution) will no longer be eligible for TPP-based deliverability and must proceed to GIA with full self-funding of its DNU.

As noted above, LSA does not believe that the proposed Option A/B construct is workable. Instead, once Phase II Studies are completed, and TP Deliverability is initially allocated to all projects, those receiving insufficient TP Deliverability to cover their entire requested deliverability status should have the ability to indicate at that time whether they wish to:

- Withdraw from the queue; or
- Stay in the queue and either: (1) reduce their requested deliverability (and perhaps project size) to the amount that can be accommodated with the allocated TP Deliverability; and/or (2) fund the additional DNUs to reach a higher deliverability level. They should be able to make this election after accounting for additional deliverability allocations resulting from the above withdrawals. Provisions for any IC-funded DNUs would be made at that time.

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.

As noted above, LSA does not believe that the proposed Option A/B construct is workable.

LSA believes that posting for IFs and project-specific RNUs should be fully releasable (less money expended), because project withdrawals would not impact any other project. Moreover, as noted above, any postings for IC-funded DNUs should be releasable if the IC has not committed, through GIA execution, to assume cost responsibility for those upgrades.

Other Proposal Elements

26. DNU paid for by an interconnection customer would fall under the merchant transmission provisions of the ISO tariff and 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.

There are many problems and unanswered questions about the proposed rules for IC-funded transmission, some of which are listed below.

- The CRR mechanism is not compensatory and, in fact, makes little sense. (This is why there has been virtually no Merchant Transmission development in the CAISO system.) For example:
 - These upgrades would be constructed specifically to relieve congestion, thus lowering the congestion costs that fund the CRR payments.

- The assumptions used to determine DNUs are so conservative – e.g., 1-in-10 year loads – that the likelihood of significant congestion under most operating conditions would be extremely low.
- The “lumpiness” of transmission additions lowers the likelihood of significant congestion when the upgrade is operational (and possibly for many years thereafter).
- The cost estimation should not include the various PTO cost adders (e.g., SCE 35% contingency) that inflate costs under the current methodology. Where the ICs select third parties to construct DNUs, the posting should reflect the cost developed by the third party, not the PTO’s cost estimates.
- ICs jointly funding transmission projects (and/or a third party sponsor) should have the right to liquidate the IFS for the upgrade to cover any dropouts or payment defaults
- It’s not clear whether: (1) the contracting entity would be the ICs or the CAISO; (2) ICs would have the rights to negotiate provisions they want in the construction contracts, especially if the CAISO is the contracting entity; and/or (3) the CAISO would have any contract approval rights, if the ICs are the contracting entities.

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.

LSA supports this provision. In addition, ratepayer reimbursement should be required to the extent that an upgrade is shown to provide other system benefits (e.g., reliability).

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).

LSA reiterates its strong concerns about this proposed methodology, which we believe would violate the tariff provisions related to interconnection queue position and priority. These concerns were explained in detail in its earlier submittal on the proposed C1-C2 Phase II restudy and are summarized below.

First, the CAISO should also clarify that pre-C1 projects, which have committed under their GIAs to build the Network Upgrades required for full deliverability, will not potentially face an “NQC haircut.”

Second, if NQC reductions are needed at any point in the process, for any reason, the CAISO should award available deliverability to operating projects based on queue position, not the proposed “new” vs. “existing” classifications. Those classifications:

- Could award deliverability to later-queued projects before earlier-queued projects based on construction-start or on-line dates, when the rights associated with queue position are entirely unrelated to those dates; and

- Would be inconsistent with the CAISO's interconnection study methodology. Earlier-queued projects with later construction start or on-line dates have priority over later-queued project with earlier dates in the allocation of available capacity in those studies, and it makes no sense to allocate deliverability in a different manner once those projects are operational.

Thus, the CAISO should respect queue positions when awarding deliverability in the annual NQC determination, with earlier-queued projects receiving available deliverability first. Serial and Transition Cluster projects should receive deliverability before projects in later clusters, and the awards to projects in later clusters should also be in order of queue position. However, the CAISO could use the flow-factor methodology proposed for the C1/C1 Phase II restudy to award deliverability to projects in the same cluster.

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.

LSA believes that this proposal is promising and urges the CAISO to develop it further.

30. Please use the space below to offer comments on any other aspect of the proposal not covered above.

TPP portfolio development: In CAISO Transmission Planning Process, the renewable-generation portfolios being should not be limited to only the information provided by CPUC. The CAISO is an independent entity, and it should do an independent analysis considering input from all stakeholders in the CAISO process.

This will help ensure that portfolios and transmission plan align with commercial interests and reflect the reality of development. For example, if generation projects are being developed in an area but CPUC portfolios do not model any generation in that area, the CAISO, through its transmission planning process, should modify its portfolio to reflect this commercial activity. Inclusion of additional generation in areas where commercial development is likely to exceed prior portfolio assumptions, as proposed in this initiative, is a good start.

Moreover, in order for the plan to work, the CAISO must allow some "head room" in each resource planning area to account for differences between the generation that actually materializes and the level that was planned. This will allow for increased competition and will ultimately result in lower energy prices.

Project re-submission: A project seeking TP Deliverability that has not met the required deliverability-assignment milestones by the Phase II Study issuance in the next cycle should be allowed to resubmit its IR, immediately post IFS, and save a year by proceeding directly to the Phase II Study without having to repeat the Phase II Study. The IFS posting amount would be based on the results of its previous phase II Study, which would provide a more accurate estimate of the required upgrades (in fact, accurate enough to be the basis of a GIA, had TPP-based deliverability been achieved on time) than a Phase I Study.

The pre-Phase II Study re-study could be used to ensure that the assumptions and IF/RNU findings from the prior study were updated. The project should then be eligible to seek TP Deliverability for another two Phase II Study cycles, the same as a project entering Phase II for the first time.

