



April 26th, 2012

Submitted by email to the CAISO at regionaltransmission@caiso.com

RE: Comments of the Large-scale Solar Association on Second Draft Tariff Language for TPP-GIP Integration Initiative

The Large-scale Solar Association (LSA) submits these comments on the April 19th second draft tariff language changes intended to reflect the new TPP-GIP Integration Initiative framework. These comments cover previously identified issues from the first draft tariff language, new issues identified in the second draft, and (since this is the first opportunity for stakeholders to see changes proposed for Generator Interconnection Agreements) the Large Generator Interconnection Agreement (LGIA).

Previously identified issues from the First Draft

Removal of PTO ability to up-front fund Network Upgrades (10.3 and elsewhere): The CAISO proposed, in an early TPP-GIP proposal, to remove PTO ability to voluntarily up-front fund Network Upgrades. After LSA and others protested, this element was deleted from all later proposals (including the Final Proposal) and the package presented to the Board. When LSA objected to the removal of PTO funding from the tariff language on the stakeholder conference call, the CAISO said that it “intended” to keep this element in the Proposal.

LSA comment: “Intending” to include such a critical element is not the same as actually including it, and this language seems to exceed Board authorization. There was little discussion about the implications of this feature – LSA, among others, did not comment further once it was removed from the written proposals, since the CAISO appeared to have adopted the LSA position. The CAISO has offered no justification under the currently proposed framework for this part of the proposal, and it is extremely unfair to re-insert it at this late point in the process.

Reassessment Study results (base-case update before Phase II) (7.4.2): The Proposal states that the results would “serve as a basis” for GIA amendments. LSA requested on the stakeholder conference call that the CAISO clarify that changes should not be adverse to ICs, except that additional costs could be assessed to Option B customers for ADNUs.

LSA comment: This section should explicitly clarify that, with the exceptions set forth below, the terms and conditions in the executed GIA should be the “worst case” for the Interconnection Customer (IC), i.e., that there would be no adverse impact on IC cost allocation, TP Deliverability, or Commercial Operation Date (COD). It will be impossible to finance projects if the costs cannot be relied upon as the maximum, the deliverability can be impaired or withdrawn, and/or the schedule can be extended (potentially jeopardizing deadlines in project PPAs).

The only exceptions should be:

- Additional costs assessed to Option B customers for ADNUs, e.g., due to drop-outs where transmission projects could not be downsized and other options were not feasible; and
- Unavoidable PTO permitting or construction delays, with respect to COD delays. The CAISO should be obligated to consider other temporary or permanent alternatives that would mitigate these impacts.

Consistent with this position, LSA fully endorses the wording changes proposed by BrightSource Energy on this section with respect to costs and TP Deliverability.

Operational Deliverability Assessment (8.1.4) vs. Annual Full Capacity Deliverability Option study (9.2): LSA commented on the stakeholder conference call that the CAISO should clarify that these are two separate studies, and that the first one will be conducted before the second.

LSA comment: This clarification has not been provided. LSA understands that these provisions are not part of the changes required for TPP-GIP Integration but urges the CAISO to take this opportunity to provide this easy but important clarification.

First-Mover, Late Comer proposal: These elements were not included in the Final Proposal, i.e., they were new in the tariff-language phase.

- **The timing of compensation payments to First Movers and security release afterward:** LSA pointed out on the stakeholder conference call that this should be specified in the proposed tariff language (Section 8.4.2) and GIAs.

LSA comments: This clarification has not been provided. It makes sense for:

- The payments to occur either soon after GIA execution (consistent with the general practice to bill construction costs as they occur, and these costs would have been incurred already) or on some levelized schedule between GIA execution and the project COD (consistent with what might have been the approximate timing had the upgrade been built for the project under the regular GIA process).
 - The Interconnection Financial Security (IFS) posted for the cost of these upgrades to be releasable as payments are made, as with any other upgrade under the GIA.
 - Any forfeited IFS for these upgrades to go to First Movers, and not mixed with forfeited funds for PTO-financed projects. It is likely that, due to the dropout, one or more later-queued projects would now get the use of the First Mover upgrade, but due to the timing of the study and GIA execution process, the cost cannot be allocated to those later projects. Receipt of the forfeited funds would help mitigate this impact on First Movers.
- **Revise proposed financial security requirements:** The current language (Section 10.3.2.1):
 - Requires Second IFS Posting where a non-PTO is building the upgrade, without any release until the IC demonstrates that it has paid that much in project costs to the non-PTO. . The CAISO provided no justification for CAISO/PTOs holding security for a project that a PTO is not building.

LSA comments: The Final Proposal states (at p.13) that the developer would be required to provide the Second IFS Posting in this situation, and that the security would be released “once the network upgrade construction has achieved milestones specified in the GIA.”

However, the IFS release provision was not addressed in the Final Proposal and is new in the tariff-language phase, and LSA maintains that it would discriminate against Option B ICs that are financing their own upgrades. IFS is releasable for most Network Upgrades as the IC is billed and pays for the cost of the upgrades, while this proposed provision would delay that IFS release until the entire sum is paid to the third-party transmission developer.

Instead, the tariff should provide for IFS is release beginning at the start of construction, as payments are made to the third-party transmission developer (as it is for PTO-constructed upgrades), and not require that the entire posted sum to must be paid before release occurs.

- Does not provide for any use of the IFS posting to facilitate IC-funded upgrades, as LSA suggested on the stakeholder conference call

LSA comments: Requiring security posting for upgrades that PTOs are not even building, without allowing use of the posting by the relevant ICs, would be inequitable and discriminatory. The tariff should allow (in Section 10.4.2.2 or 10.4.2.4) ICs funding these upgrades to do the following:

- **Assign the posting to the third-party transmission developer**, to avoid double posting requirements. It is likely that ICs funding such projects would have to provide security to the entity building the project, and allowing assignment of the posting would avoid the need for duplicate postings.
- **Receive the proceeds from IFS forfeits from project dropouts** (or assign that right to the transmission developer), to help mitigate the costs that the remaining ICs would incur from cost reassignments due to the dropouts.

TP Deliverability allocation criteria (8.9.2.2): The tariff language states that the highest-level Project Financing Status criterion would be: (1) demonstration of “balance-sheet financing” or “a commitment of project financing;” and (2) an approved PPA or “representation” that the project intends to proceed without a PPA.

LSA comments

- The language should describe how the demonstrations required in (1) would be made; and
- How the CAISO would ensure that the non-PPA alternative in (2) would be met. For example, what if an IC made such a representation and was awarded TP Deliverability on that basis, and then the project proceeded to get a PPA later? That could mean that the project intended to get a PPA all along but just didn’t have one when the deliverability was awarded.

Parking provisions: Section 8.9.6 was added to state that the project can refuse a TP Deliverability Allocation for the entire project capacity and park for a year, so it does not have to move to a GIA until after the next cycle.

LSA comment: The CAISO should further clarify that a developer could decline an allocation for part of its capacity and do the same thing.

Later re-acquisition of TP Deliverability (9.2): The CAISO has clarified that an Option A project that proceeds to a GIA as Energy Only would qualify to apply for the Annual Full Capacity Deliverability Option.

LSA comments: The CAISO should further clarify (consistent with its statements on the stakeholder conference call) that an Option A project that executed a GIA with TP Deliverability that later lost that deliverability would also qualify.

Posting requirements for Distribution Upgrades (10.2, etc): The tariff language does not mention Distribution Upgrade posting requirements

LSA comments: The posting language should include all posting requirements, including those for Distribution Upgrades.

Stand-Alone Network Upgrades (13.3): The proposed language is intended to detail when Option A and B customers may construct such upgrades.

LSA comments: The proposed language does not appear to be consistent with current policies with respect to the Option to Build Network Upgrades in the LGIA.

- The CAISO should clarify that both Option A and Option B customers should retain the rights they now have (e.g., under LGIA Section 5.1.3) to build Stand-Alone Network Upgrades that are RNUs, or LDNUs/ADNUs not included in the TPP.
- The CAISO should clarify that Option B customers would have the same rights that they now have to build Stand-Alone Network Upgrades (RNUs, LDNUs, and ADNUs) for which they were not awarded TP Deliverability, in addition to any rights they are being given to build merchant facilities under the new framework.

New issues in the Second Draft

Full Capacity Deliverability Status (FCDS) definition: The CAISO has modified the FCDS definition in this process as follows:

First Draft proposed definition:

The condition whereby a Large Generating Facility interconnected with the CAISO Controlled Grid, under coincident CAISO Balancing Authority Area peak Demand and a variety of severely stressed system conditions, can deliver the Large Generating Facility's full output to the aggregate of Load on the CAISO Controlled Grid, consistent with the CAISO's Reliability Criteria and procedures and the CAISO On-Peak Deliverability Assessment.

Second Draft proposed definition:

Full Capacity Deliverability Status entitles a generating facility to a Net Qualifying Capacity amount that could be as large as its PMax in the CAISO Master File, and may be less pursuant to the assessment of its Qualifying Capacity by its appropriate regulatory authority and the assessment of its Net Qualifying Capacity by the CAISO.

LSA comments: The new proposed definition is very imprecise and removes the criteria that actually define FCDS. LSA recommends the following changes:

Full Capacity Deliverability Status (FCDS) means that either: (1) all Delivery Network Upgrades identified in the Generator Interconnection Agreement for a Generating Facility have been completed and placed into service; or (2) the CAISO has determined through the provisions of Sections 8.1.4 or 9.2 that the Generating Facility's full output can be delivered to the aggregate of Load on the CAISO Controlled Grid, consistent with the CAISO's Reliability Criteria and procedures and the CAISO On-Peak Deliverability Assessment. FCDS entitles a generating facility to a Net Qualifying Capacity amount that could be as large as its PMax in the CAISO Master File, and may be less pursuant to the assessment of its Qualifying Capacity by its appropriate regulatory authority and the assessment of its Net Qualifying Capacity by the CAISO.

Definition of "Substantial Error or Omission" (per a revised interconnection-study report): The proposed language reads as follows, which was the CAISO's GIP-2 proposal:

6.8.1 Substantial Error or Omissions; Revised Study Report

Should the CAISO discover, through written comments submitted by an Interconnection Customer or otherwise, that a final Phase I or Phase II Interconnection Study Report (which can mean a final Phase I or Phase II Interconnection Study Report for cluster studies or a final System Impact or Facilities report for the Independent Study Process) contains a substantial error or omission, the CAISO will cause a revised final report to be issued to the Interconnection Customer. A substantial error or omission shall mean an error or omission that results in one or more of the following:

- (i) understatement of the Interconnection Customer's cost responsibility for either Network Upgrades or Participating TO Interconnection Facilities by more than five (5) percent or one million dollars (\$1,000,000), whichever is greater; or
- (ii) overstatement of the Interconnection Customer's cost responsibility for either Network Upgrades or Participating TO Interconnection Facilities of more than twenty (20) percent; or
- (iii) results in a delay to the schedule by which the Interconnection Customer can achieve Commercial Operation, based on the results of the final Interconnection Study, by more than one year.

LSA comments: The language should be revised to reflect the subsequent FERC order, which set the conditions in (i) as applicable to both understatements and overstatements of costs.

Study timelines in Attachment A: The new timelines are as shown below.

- **Phase I and Phase II Studies**

	<u>Current Timeline</u>	<u>Proposed Timeline</u>
Phase I Study	134 CDs	170 CDs
Phase II Study	196 CDs	205 CDs

- Reassessment Process Study (update before Phase II): Not included in the tariff timelines

LSA comments: These timelines were not discussed in detail during the stakeholder process, so the reasons for them are not clear.

- The CAISO should inform stakeholders of the reasons why the Phase 1 Study (especially) and Phase II Study are extended from the current timelines.
- The CAISO should add (after explaining) the Reassessment Process Study to the timeline.

DRAFT LGIA

The relevant LGIA provisions are reprinted below, followed by LSA's comments.

Merchant Network Upgrades – Network Upgrades constructed and owned by an Interconnection Customer pursuant to Section 5.1.5 of this LGIA, Section 13.3 of the GIDAP, and Sections 24.4.6.1 and 36.11 of the CAISO Tariff.

LSA comments: The upgrade should not have to be owned by an IC. For example, there's no reason that it couldn't be owned by multiple ICs, a third-party transmission developer that built the upgrade, or another party engaged by the applicable ICs.

Stand Alone Network Upgrades shall mean Network Upgrades, which can be either RNU or LDNU that the Interconnection Customer selecting Option (A) may construct without affecting day-to-day operations of the CAISO Controlled Grid or Affected Systems during their construction. The Participating TO, the CAISO, and the Interconnection Customer must agree as to what constitutes Stand Alone Network Upgrades and identify them in Appendix A to this LGIA.

LSA comments

- It's not clear why this would apply only to Option A projects – Option B customers should have the option to build Stand-Alone RNUs or LDNUs.
- ADNUs could also be Stand-Alone NUs, and Option B customers should have the right to build them. This is described in Section 5.1.5, and that section should at least be referenced here.

5.1.3 Option to Build. If the dates designated by an Interconnection Customer selecting Option (A) with respect to RNUs and LDNUs, or an Interconnection Customer selecting Option (B) with respect to RNUs, the Interconnection Customer are not acceptable to the Participating TO...

LSA comments: It's not clear why Option B projects couldn't have the Option to Build LDNUs, or why Option B projects wouldn't have an Option to Build ADNUs.

5.1.5 Merchant Option. An Option (B) Interconnection Customer may elect to have a party other than the applicable Participating TO construct some or all of the LDNU and ADNU for which the Interconnection Customer has the obligation to fund and which are not subject to reimbursement. Such LDNU and ADNU will be constructed and incorporated into the CAISO Controlled Grid pursuant to the provisions for Merchant Transmission Facilities in CAISO Tariff Sections 24.4.6.1 and 36.11.

LSA comments: This provision should allow multiple Option B projects to collectively take this action, and for another party to own the upgrade (see above).

5.20 Annual Reassessment Process. In accordance with Section 7.4 of the GIDAP, the CAISO will perform an annual reassessment in which it will update certain base case data prior to beginning the GIDAP Phase II Interconnection Studies. As set forth in Section 7.4, the CAISO may determine through this assessment that Delivery Network Upgrades already identified and included in executed Generator Interconnection Agreements should be modified in order to reflect the current circumstances of Interconnection Customers in the queue, including any withdrawals therefrom, and any additions and upgrades approved in the CAISO's most recent TPP cycle. To the extent that this determination modifies the scope or characteristics of, or the financial responsibility for, any Delivery Network Upgrades set forth in Appendix A to this LGIA, such modification(s) will be reflected through an amendment to this LGIA.

LSA comments: Similar to this issue with the draft tariff language, this provision should clarify that any GIA amendments should not delay the COD, impair awarded TP Deliverability, or impose any additional costs except for LDNU/ADNU costs for Option B projects. Consistent with this position, LSA fully endorses the wording changes proposed by BrightSource Energy on this section with respect to costs and TP Deliverability.

11.4.1.1

(a) For Reliability Network Upgrades, the Interconnection Customer shall be entitled to a repayment of the Interconnection Customer's assigned cost responsibility for Reliability Network Upgrades as set forth in Appendix G, up to a maximum of \$60,000 per MW of generating capacity. For purposes of this determination, generating capacity will be based on the capacity of the Interconnection Customer's Generating Facility at the time it achieves Commercial Operation. To the extent that such repayment does not cover all of the costs of Interconnection Customer's Reliability Network Upgrades, the Interconnection Customer shall receive CRRs for that portion of its Reliability Network Upgrades that are not covered by cash repayment.

LSA comments: The generating capacity should be the entire project capacity, not just the capacity at Commercial Operation, since the RNUs were determined for the entire project.

Provisions regarding payment to prior customers for use of facilities

LSA comments: Similar to this issue in the tariff language, there should be a provision for payment to other ICs for "first mover, late comer" reimbursement, including the timing for such reimbursement.