

**Matrix of stakeholder comments received on June 25, 2013  
in response to the June 3, 2013 Issue Paper  
in the Interconnection Process Enhancements (“IPE”) initiative**

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<b>Topic 1 - Future downsizing policy</b>
Question 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?
<b>California Wind Energy Association (CalWEA)</b> – Supports a downsizing option that would allow projects to continuously reduce their size based on well-established eligibility criteria and reasonable evaluation protocols including financial consequences.
<b>CAISO Response</b>
The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects.
<b>IEP-</b> Supports a second downsizing opportunity. Also believes that there are benefits to additional downsizing windows for pre-Cluster 5 projects.
<b>CAISO Response</b>
The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects.
<b>LSA-</b> Believes a second downsizing opportunity should be provided, at a minimum, for Cluster 3-4 projects and those with CODs after 2016. Ideally this second opportunity should occur around the end of 2014. Supports annual downsizing opportunities open to all projects in coordination with the GIDAP Phase II pre-validation/reassessment studies. Downsizing should be subject to the “hold harmless” provisions of the one-time downsizing opportunity. Loss of project suspension rights should not be required for projects exercising this option.
<b>CAISO Response</b>
The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects.
<b>NRG-</b> Would like to see at least a second downsizing opportunity for all customers prior to Cluster 5. Supports regular ongoing downsizing opportunities, subject to restrictions such as a limited request window.
<b>CAISO Response</b>
The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects.
<b>Silver Ridge-</b> A second downsizing opportunity should be provided, at a minimum, for projects with a COD after 2016. Ideally this second opportunity would come around the end of 2014. Supports annual downsizing opportunities open to all projects in coordination with the GIDAP Phase II pre-validation/reassessment studies. Additional downsizing opportunities will help clear out the queue. Downsizing should be subject to the “hold harmless” provisions of the one-time downsizing opportunity. Loss of project suspension rights should not be required for projects exercising this option.
<b>CAISO Response</b>
The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects.
<b>SCE-</b> Does not see a benefit in providing unlimited downsizing opportunities to the same set of pre-Cluster 5 projects each year. Believes that there should be limits on the number of

downsizing requests that a generating facility can submit, perhaps limiting to one or two such requests during the lifecycle of a project.

**CAISO Response**

Based on a review of stakeholder comments received, it is clear that there continues to be demand for additional downsizing opportunities. As a result, the ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects. The downsizing study will be aligned with the GIDAP reassessment to ensure an efficient process. The ISO does not propose to limit the number of annual downsizing requests that a generating facility can submit. However, the limit on the number of years a project can remain in the interconnection queue will remain in effect (10 years in the queue from the interconnection request date to the in-service for serial projects and 7 years in the queue from the interconnection request date to the commercial operation date for cluster projects).

**SunEdison-** Strongly supports an annual downsizing opportunity without unnecessary prerequisites. Such downsizing should be allowed to the extent that later-queued projects are not adversely impacted.

**CAISO Response**

The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects with sufficient structure and rules to ensure an orderly and efficient process.

**Wellhead-** Until the queue is cleared of all pre-Cluster 5 projects, there will likely remain a desire for downsizing opportunities. The ISO should require a project that receives the benefits of downsizing to agree to the GIDAP requirements related to how long it can remain in the queue and for receiving deliverability.

**CAISO Response**

The limit on the number of years a project can remain in the interconnection queue will remain in effect (10 years in the queue from the interconnection request date to the in-service for serial projects and 7 years in the queue from the interconnection request date to the commercial operation date for cluster projects).

**Question 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?

**CalWEA –** Setting frequency/timing limitations on downsizing requests will reduce the usefulness of a downsizing policy.

**CAISO Response**

The ISO disagrees. To ensure an orderly and efficient process, downsizing requests will be accepted only once a year, between mid-October to mid-November beginning in 2014.

**IEP-** Supports using a time window to limit the period within which interconnection customers may submit a downsizing request.

**CAISO Response**

Under the proposal, downsizing will be limited to once a year, between mid-October to mid-November beginning in 2014.

**LSA-** Supports downsizing opportunities offered in coordination with regular study processes.

**CAISO Response**

The ISO proposes to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process.
<b>NRG-</b> Does not object to downsizing windows of limited duration if regular downsizing opportunities are provided.
<b>CAISO Response</b>
Downsizing opportunity will be offered yearly.
<b>PG&amp;E-</b> Agrees with ISO, and strongly recommends consolidating any future downsizing windows with the existing annual queue cluster windows.
<b>CAISO Response</b>
The ISO proposes to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process.
<b>SCE-</b> Downsizing request windows should coincide with annual queue cluster interconnection request submission window.
<b>CAISO Response</b>
The ISO proposes to offer an annual downsizing request window around completion of Phase II studies for Cluster (N-1) and Phase I studies for Cluster (N) and study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process.
<b>Silver Ridge-</b> Downsizing opportunities should be offered in the regular study process as this would allow consideration of the “collective impact” of all downsizing requests.
<b>CAISO Response</b>
The ISO proposes to study the combined impacts of the valid downsizing requests in the annual GIDAP reassessment process.
<b>Six Cities-</b> Agrees with ISO that any future downsizing opportunities should be submitted during a request window of limited time duration to assess the collective impacts of all downsizing requests at the same time. Agrees with the ISO that such request windows should coincide with existing study cycles.
<b>CAISO Response</b>
Under the proposal, the downsizing window will occur between mid-October to mid-November , and will coincide with the annual GIDAP reassessment process.
<b>Wellhead –</b> If more downsizing opportunities are to be provided to pre-Cluster 5 projects, it is entirely rational/reasonable for it to be done in “groups”.
<b>CAISO Response</b>
Under the ISO’s proposal, there will be one “group” opportunity each year for pre-Cluster 5 projects to request downsizing.
<b>Question 3</b>
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?

**CPUC-** Believes that future downsizing opportunities should be limited to one per year or every other year, and timed to synchronize with the ongoing interconnection process study cycle.

**CAISO Response**

Under the ISO’s proposal, downsizing will occur annually and will coincide with the annual GIDAP reassessment process.

**CalWEA –** Believes that any generator that needs to reduce its size should be allowed to make a downsizing request at the time when the need for such downsizing arises and there should be no request window. Believes that the ISO should study downsizing requests individually as soon as they are received unless it is determined that a cluster study is required. Suggests that a cluster study should be used if the individual studies of three or more downsizing requests that have a common impact on one or more reliability or delivery network upgrades in an approved GIA would overlap in time. In such a case, the study of these downsizing requests would be combined with the next annual cluster study process.

**CAISO Response**

The ISO supports continuation of downsizing opportunities for pre-Cluster 5 projects only under a structure that is orderly, efficient, and aligns well with existing processes. Allowing downsizing at any time does not achieve these objectives. Under the ISO’s proposal there will only be one annual downsizing opportunity each year.

**IEP-** Understands the concern about the frequency and unpredictable nature of downsizing requests that could conceivably arise from an expansion of material modification rules. Recommends an annual downsizing opportunity.

**CAISO Response**

The ISO agrees and is proposing an annual downsizing opportunity.

**LSA-** The ISO should allow downsizing without any study required where the customer agrees to pay for its allocated share of transmission costs for the original project. Otherwise, supports incorporating downsizing studies with the GIDAP Phase II pre-validation/reassessment studies.

**CAISO Response**

ISO also supports incorporating downsizing studies with the GIDAP reassessment.

**NRG –** Understands the reasons for considering downsizing requests in a “cluster” and does not object to this approach.

**CAISO Response**

ISO is proposing to study the combined impacts of each year’s downsizing requests in the annual GIDAP reassessment.

**PG&E-** Agrees with the ISO position. However, PG&E would be open to very narrow use of out-of-cycle downsizing requests provided it met certain conditions: (a) no changes are made to scope of work for any network upgrades in the downsizing generator’s GIA; (b) the GIA’s Exhibit A is in no otherwise way changed; (c) no restudy required; (d) in order to hold harmless ratepayers, the downsizing generator agrees to forgo reimbursement for a pro-rata share of network upgrades (e.g., if a project is downsized by 25 percent then the customer can only seek reimbursement for 75 percent of network upgrades);

and, (e) other generators, ratepayers, and PTOs are not financially or otherwise affected.
<b>CAISO Response</b>
The ISO is proposing that all reductions in MW size for pre-Cluster 5 projects go through the ISO’s proposed annual downsizing opportunity.
<b>Silver Ridge-</b> The ISO should allow downsizing without any study required where the customer agrees to pay for its allocated share of transmission costs for the original project. Otherwise, supports incorporating downsizing studies with the GIDAP Phase II pre-validation/reassessment studies.
<b>CAISO Response</b>
ISO also supports incorporating downsizing studies with the GIDAP reassessment.
<b>SCE-</b> Any possible future downsizing opportunity should be open for a limited and defined duration only and should be scheduled concurrently with the queue cluster interconnection window. A limit to the number of downsizing requests should be implemented.
<b>CAISO Response</b>
Under the ISO’s proposal, there will be one downsizing opportunity from mid-October to mid-November each year that will coincide with the annual GIDAP reassessment process. However, the ISO is proposing that there be no limit to the number of downsizing requests.
<b>Wellhead-</b> Projects eligible for any additional proposed downsizing opportunities would seemingly have no need to use a material modification request to downsize. The ISO should not eliminate the material modification request, but have higher hurdles for a project to demonstrate why it cannot wait for the next group downsizing opportunity.
<b>CAISO Response</b>
In light of the ISO’s downsizing proposal, the ISO is proposing to no longer review requests to downsize a project’s capacity through the material modification review process.
<b>Question 4</b>
<b>CalWEA –</b> There should be no limit on the frequency of downsizing requests.
<b>CAISO Response</b>
The ISO is proposing one opportunity to downsize each year with no limit on the number of downsizing requests.
<b>IEP-</b> Recommends an annual downsizing process consistent with the timing of the ISO’s cluster study schedule. Does not believe it necessary to set any limits on the number of downsizing request windows (the number of future downsizing request windows needed is likely to be self-limiting).
<b>CAISO Response</b>
The ISO agrees and is proposing an annual downsizing process consistent with the timing of the ISO’s annual GIDAP reassessment; and proposes that this annual opportunity be provided until there is no further demand.
<b>LSA-</b> Believes that annual consideration of downsizing requests should take place in the GIDAP pre-validation/reassessment process.
<b>CAISO Response</b>
The ISO agrees and proposes that the combined impacts of each year’s downsizing requests be studied in the annual GIDAP reassessment.
<b>NRG-</b> There should only be one downsizing window per year. Supports regular windows for some

period of time (if and when the number of downsizing requests cease, the continued need for regular request windows can be re-examined). Supports the ISO's suggested timing for downsizing request windows.

**CAISO Response**

The ISO is proposing one downsizing window per year.

**PG&E-** Believes downsizing windows should occur at a maximum annually; less frequently would be preferred. If limited to pre-Cluster 5, then the process should have a defined end date where no additional downsizing request windows would be provided (perhaps 2016 to correlate to a timeframe when most legitimate pre-Cluster 5 projects should have advanced towards commercial operation). Agrees with the ISO's position on the timing of a downsizing request window; moreover, urges that downsizing results are released in conjunction with GIDAP study results.

**CAISO Response**

Under the proposal, a downsizing window will only occur once each year.

**Silver Ridge-** Annual consideration of downsizing requests should take place in the GIDAP pre-validation/reassessment process.

**CAISO Response**

The ISO agrees and is proposing that all valid downsizing requests be studied in the annual GIDAP reassessment.

**Six Cities-** The timing of a downsizing request window should allow for adequate time to validate and study the requests in conjunction with the study timelines provided for under the GIDAP.

**CAISO Response**

The ISO agrees and is proposing that all valid downsizing requests be studied in the annual GIDAP reassessment.

**SCE-** The frequency should not be greater than one per year, and the timing of a downsizing request window should coincide with annual queue cluster interconnection request window and should not interfere with the timelines of the annual transmission planning process.

**CAISO Response**

The ISO is proposing only one downsizing opportunity per year and the studies will align with the annual GIDAP reassessment process.

**Wellhead-** An annual downsizing opportunity at most seems sufficient. Coordinating any downsizing opportunities with existing study efforts is definitely reasonable. Questions whether a project should be able to downsize more than once.

**CAISO Response**

The ISO is proposing an annual downsizing opportunity correlated with the GIDAP reassessment process.

**Question 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.

<p><b>CPUC-</b> Believes that until we have full experience and assessment regarding the GIDAP process, downsizing options should not be offered to Cluster 5 and later interconnection customers. When we do have that experience and assessment, extending additional downsizing opportunities to Cluster 5 and later customers could be considered if needed.</p>
<p><b>CAISO Response</b></p>
<p>The ISO agrees.</p>
<p><b>CalWEA –</b> Even with the additional opportunities that projects will have under GIDAP to downsize, there will always be a need for additional opportunities to reduce project size.</p>
<p><b>CAISO Response</b></p>
<p>The ISO’s proposed annual downsizing opportunity will be limited to pre-Cluster 5 projects. The ISO is now only partway through the first implementation cycle of the GIDAP and is not yet ready to consider changes to the GIDAP (e.g., the GIDAP provisions for reducing project size).</p>
<p><b>IEP-</b> Considers the GIDAP provision for reducing project generating capacity in the event that a project’s deliverability allocation is less than the project’s full size a valuable tool to protect commercial interests of generators. Suggests that annual project downsizing windows may be beneficial in Cluster 5 and later and should be carried forward by the ISO for future review, however, the issue is not ripe for consideration in the IPE initiative given GIDAP’s immature status.</p>
<p><b>CAISO Response</b></p>
<p>The ISO agrees that considering changes to the GIDAP provisions for reducing project size are outside the scope of the IPE initiative.</p>
<p><b>LSA-</b> Believes that there is insufficient information available at this early point in the implementation of GIDAP to determine whether that process requires additional downsizing flexibility beyond that already available. If the ISO limits its proposal for additional downsizing opportunities to pre-Cluster 5, then that element of the proposal should be re-evaluated after the first GIDAP study cycle is complete.</p>
<p><b>CAISO Response</b></p>
<p>The ISO’s proposed annual downsizing opportunity is limited to pre- Cluster 5 projects. Until the ISO and stakeholders have the benefit of lessons learned from the first implementation cycle of GIDAP, it would be premature to re-evaluate its provisions for reducing project size.</p>
<p><b>NRG-</b> Especially interested in ensuring downsizing opportunities for pre-Cluster 5 projects and does not object to the ISO’s position on this issue.</p>
<p><b>CAISO Response</b></p>
<p>The ISO is proposing an annual downsizing opportunity for pre-Cluster 5 projects.</p>
<p><b>SCE-</b> Agrees that any future downsizing options should be limited to pre-Cluster 5 customers. Not only does GIDAP provide certain opportunities to downsize projects that did not exist for pre-Cluster 5 customers but the GIDAP is undergoing initial implementation and it would be difficult to gauge its effectiveness in accomplishing its intended objectives if new concepts or issues are superimposed prior to the benefit of having completed at least one cycle of GIDAP implementation.</p>
<p><b>CAISO Response</b></p>
<p>The ISO agrees and has limited its proposed annual downsizing opportunity to pre-cluster 5 projects.</p>



**Wellhead-** Depending on how future downsizing opportunities are implemented, there will be significantly more flexibility than is available to Cluster 5 and later projects (there’s no reason to discriminate against Cluster 5 and later projects).

**CAISO Response**

Pre-Cluster 5 projects do not have the flexibility to reduce project size that projects subject to GIDAP provisions have; but, the proposed annual downsizing opportunity will provide pre-Cluster 5 projects with flexibility beyond that which they have today. Even with the proposed annual downsizing opportunity for pre-Cluster 5 projects, the limit on the number of years a pre-Cluster 5 project can remain in the interconnection queue will remain in effect.

**Question 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.

**CPUC-** Downsizing customers should bear all of the costs and non-downsizing customers should not be negatively impacted. Downsizing customers should be permanently (without refund) responsible for transmission costs that were originally the responsibility of that customer prior to downsizing if those costs cannot be avoided.

**CAISO Response**

Under the proposal, downsizing customers are obligated to finance (and be eligible for reimbursement) the network upgrades that the project at its full size triggered if later-queued projects are shown to need such upgrades.

**CalWEA –** Does not object to requiring downsizing generators to bear the cost of their downsizing studies and any resulting GIA amendments, or to bear the costs of compensating affected customers.

**CAISO Response**

The ISO’s proposal is aligned with this perspective.

**IEP-** Believes that the interconnection customer requesting downsizing should bear the cost responsibility for that request and that a non-downsizing customer should be held harmless with respect to the costs created by the study and costs due to modification of network facilities and, as much as possible, timing of network upgrades.

**CAISO Response**

The ISO agrees.

**LSA-** Supports the “hold harmless” protection for non-downsizing customers but opposes charges for ISO/PTO costs to amend the agreements for such customers. Annual GIDAP pre-validation/reassessment studies are likely to result in multiple GIA amendments and it will be difficult if not impossible to separate out the amendments due to downsizing from the amendments due to other causes.

**CAISO Response**

The ISO is proposing that a downsizing generator be responsible for the costs to amend its own GIA. However, the ISO is not proposing that a downsizing generator be responsible for the costs to amend GIAs other than their own because it will not be possible to separate out those GIA amendments attributable to a downsizing project from amendments attributable to other causes (as LSA points out). The ISO believes that this is a reasonable compromise.

**PG&E-** Affected non-downsizing customers should be protected. Ratepayers must be protected against having to fund upgrades that are underutilized due to downsizing. PTOs must be protected against having to self-fund upgrades that are only partially funded by customers due to a downsizing.

**CAISO Response**

If, as a result of a generator’s request to downsize, the network upgrades that the project at full size triggered are no longer needed, then those network upgrades would either be eliminated or reduced in scope to avoid upgrades that are underutilized.

**Silver Ridge-** Supports the “hold harmless” protection for non-downsizing customers but opposes charges for ISO/PTO costs to amend the agreements for such customers. Annual GIDAP pre-validation/reassessment studies are likely to result in multiple GIA amendments and it will be difficult if not impossible to separate out the amendments due to downsizing from the amendments due to other causes.

**CAISO Response**

The ISO is proposing that a downsizing generator be responsible for the costs to amend its own GIA. However, the ISO is not proposing that a downsizing generator be responsible for the costs to amend GIAs other than their own because it will not be possible to separate out those GIA amendments attributable to a downsizing project from amendments attributable to other causes (as LSA points out). The ISO believes that this is a reasonable compromise.

**Six Cities-** Customers that are availing themselves of downsizing opportunities should bear all costs associated with their downsized projects.

**CAISO Response**

The ISO agrees.

**SCE-** Any future downsizing opportunity should be structured to minimize, if not fully mitigate, any adverse impacts on other ICs as well as the PTOs. Downsizing customers should bear the costs of downsizing studies and amending GIAs. ISO needs to close a loophole of the one-time downsizing opportunity: that is, customers should not be allowed to downsize to some *de minimus* amount (such as 0.5 MW) to avoid or lower its interconnection financial security postings.

**CAISO Response**

The ISO does not propose a limit on the MW amount of downsizing permitted. The one-time downsizing process approved by FERC imposed no such limit and the ISO received some downsizing requests representing a substantial decrease in project capacity. Although some stakeholders view this as a means to avoid or lower interconnection financial security postings, the ISO suggests that this should be balanced against the benefits this may provide relative to the ISO’s efforts to reduce non-viable interconnection requests from its queue.

**Wellhead-** As a minimum, downsizing projects should be required to accept the deliverability allocation and time in the queue provisions applicable under GIDAP.

**CAISO Response**

Under the proposal, the limit on the number of years a project can remain in the interconnection queue will remain in effect (10 years in the queue from the interconnection request date to the in-service date for serial projects and 7 years in the queue from interconnection request date to the commercial operation date for cluster projects).

Question 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?

**CPUC-** Under any kind of future partial termination provisions, the cost of any transmission upgrade initially the responsibility of the "partially terminated" project should be borne, both initially and ultimately, by the project developer, to the extent that this cost cannot be avoided.

**CAISO Response**

The ISO does not view use of the partial termination provision as a generally applicable downsizing option. Although the ISO is willing to offer this option to interconnection customers for projects similarly situated to those that were subject to the four earlier non-conforming agreements approved by FERC, the ISO does not support expansion of this limited option. The ISO will consider inclusion of partial termination provisions in the GIAs of cluster or serial projects meeting five criteria specified in the straw proposal. The ISO's proposed annual downsizing opportunity is intended to be the primary means for pre-Cluster 5 projects to reduce their MW generating capacity.

**CalWEA –** Finds these partial termination provisions to be very excessive and that, instead, the material modification mitigation criteria should be used to address the consequences of generator downsizing requests. Believes that a downsizing project should be obligated to finance the network upgrades that the project at its full size triggered if later-queued projects are shown to need such upgrades. Further believes that the network upgrade refund to the project should be limited to only the completed portion of the project (perhaps using a pro-rata algorithm to determine the level of refund).

**CAISO Response**

The ISO's proposed annual downsizing opportunity is intended to be the primary means for pre-Cluster 5 projects to reduce their MW generating capacity. The ISO is also proposing to clarify in its tariff that the ISO will not review requests for capacity reductions as part of the material modification review process.

**IEP-** Believes the non-conforming partial termination provisions should continue in the event that the non-typical situations for which that provision was intended arise in the future for an interconnecting customer.

**CAISO Response**

The ISO intends to allow the use of the partial termination provision to continue for cluster or serial projects meeting the five criteria specified in the straw proposal.

**LSA-** Believes that this option should continue to be available for those meeting the specified conditions that desire advance cost certainty. In addition, the ISO should re-visit the GIP 2 proposal to make this option more widely available.

**CAISO Response**

The ISO intends to allow the use of the partial termination provision to continue for cluster or serial projects meeting the five criteria specified in the straw proposal. The ISO is opposed to expansion of this limited option. The ISO's proposed annual downsizing opportunity is intended to be the primary means for pre-Cluster 5 projects to reduce their MW generating capacity.

**PG&E-** Believes all downsizing, including partial termination, should occur through the same process. If partial terminations were to be requested, they should either have to apply during the study window or meet the criteria for an out-of-cycle request (suggested by PG&E above).

**CAISO Response**

The ISO's proposed annual downsizing opportunity is intended to be the primary means for pre-Cluster 5 projects to reduce their MW generating capacity. For projects meeting the five criteria, the ISO is willing to consider the inclusion of partial termination provisions in their GIA.

**Silver Ridge-** Believes that this option should continue to be available for those meeting the specified conditions that desire advance cost certainty. In addition, the ISO should re-visit the GIP 2 proposal to make this option more widely available.

**CAISO Response**

The ISO intends to allow the use of the partial termination provision to continue for cluster or serial projects meeting the five criteria specified in the straw proposal. The ISO is opposed to expansion of this limited option.

**Six Cities-** Do not oppose its continued use as long as ratepayers are held harmless from stranded investment costs as a result of partial termination. To the extent that other downsizing opportunities are available, the ISO's continued use of partial termination provisions only on a limited, case-by-case basis appears to be reasonable.

**CAISO Response**

The ISO's proposed annual downsizing opportunity is intended to be the primary means for pre-Cluster 5 projects to reduce their MW generating capacity. For projects meeting the five criteria, the ISO is willing to consider the inclusion of partial termination provisions in their GIA.

**SCE –** Agrees that the non-conforming partial termination provisions should generally not be considered as a future downsizing option.

**CAISO Response**

The ISO's proposed annual downsizing opportunity is intended to be the primary means for pre-Cluster 5 projects to reduce their MW generating capacity. For projects meeting the five criteria, the ISO is willing to consider the inclusion of partial termination provisions in their GIA.

**SunEdison -** Believes that this option should continue to be available for those meeting the specified conditions that desire advance cost certainty. In addition, the ISO should re-visit the GIP 2 proposal to make this option more widely available.

**CAISO Response**

The ISO intends to allow the use of the partial termination provision to continue for cluster or serial projects meeting the five criteria specified in the straw proposal. The ISO is opposed to expansion of this limited option.

**Wellhead-** The procedures currently allow for partial termination for certain events and this should not be eliminated.

**CAISO Response**

The ISO is not proposing to eliminate use of this limited option.

<b>Topic 2 – Disconnection of first phase of project for failure to build later phase</b>
<b>Question 1</b> Please expand on the explanation of how current risk of disconnection affects project finance-ability and viability.
<b>CalWEA-</b> Financial institutions take the potential of disconnection of future phases into account and add a substantial risk premium to cover the potential loss.
<b>CAISO Response</b>
The ISO understands the concern parties have described about the risk for investors, and has offered a straw proposal that should mitigate that risk without compromising the ISO’s ability to pursue GIA termination in instances where appropriate in other situations.
<b>IEP-</b> Many lenders would find termination of an existing operational project phase as completely unacceptable. The potential for real losses as a result of this GIA provision makes phased projects appear far riskier than non-phased projects, when the concept of phasing in general is expected to reduce risk.
<b>CAISO Response</b>
The ISO understands the concern parties have described about the risk for investors, and has offered a straw proposal that should mitigate that risk without compromising the ISO’s ability to pursue GIA termination in instances where appropriate in other situations.
<b>LSA-</b> The potential of failure of later phases make investors less willing to put money into projects, and makes finding financial support much more difficult.
<b>CAISO Response</b>
The ISO understands the concern parties have described about the risk for investors, and has offered a straw proposal that should mitigate that risk without compromising the ISO’s ability to pursue GIA termination in instances where appropriate in other situations.
<b>Silver Ridge-</b> Investors are worried that disconnection of later phases will impact projects in the earlier phases making them less willing to invest, and now making it difficult to finance these projects.
<b>CAISO Response</b>
The ISO understands the concern parties have described about the risk for investors, and has offered a straw proposal that should mitigate that risk without compromising the ISO’s ability to pursue GIA termination in instances where appropriate in other situations.
<b>SunEdison-</b> CAISO should allow projects cancel phases if the IC pays the cost of NUs needed by later projects. SunEdison also supports the expansion of the “safe harbor” expansion to the greater of 5% or 10MW.
<b>CAISO Response</b>
The ISO understands the concern parties have described about the risk for investors, and has offered a straw proposal that should mitigate that risk without compromising the ISO’s ability to pursue GIA termination in instances where appropriate in other situations.
<b>Question 2</b> Stakeholders are asked to suggest potential ways to reduce risk for developers, short of blanket elimination of ISO termination rights.
<b>CPUC-</b> There should be a “safe harbor” size reduction, and the party or parties responsible for the phased project should have nonrefundable cost responsibility for transmission upgrades planned for but not used by the failed phase

<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>CalWEA-</b> Asking that the CAISO eliminate the GIA termination right only for those phases of a phased project that are completed (or being completed) if the later phases of that project do not materialize.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>IEP-</b> Believes that in allowing customers to utilize topic #1 (downsizing) and #3 (splitting GIAs) there may be a means of avoiding the scenario where a generator would be in breach and reducing risk for developers and their investors.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>LSA-</b> Developers should be able to terminate later phases or reduce project size. The CAISO should also have a way to determine if the terminated transmission is used in a later project.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>PG&amp;E-</b> Suggests that termination could be avoided if developers agree to otherwise full performance under the IA.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>Silver Ridge-</b> Developers should be able to terminate later phases or reduce project size. The CAISO should also have a way to determine if the terminated transmission is used in a later project.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>Question 3</b>
Please suggest what alternative, equitable non-termination remedies to GIA default might look like.
<b>CalWEA-</b> the network upgrade refund to the project should be limited to only the completed portion of the project on a pro-rata basis.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>IEP-</b> Suggests that the ISO would impact the fewest stakeholders least by offering an alternative to termination, such as calculating the negative impact to the breach and offer the customer a means to mitigate those negative impacts.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the

straw proposal posted on July 18.
<b>PG&amp;E-</b> Suggests that equitable non-termination remedies should be limited to full performance, including financial performance, of all other requirements in the interconnection agreement.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>Six Cities-</b> One alternative would be for the interconnection customer to bear the full costs associated with its decision not to complete the second or subsequent project phase(s). An interconnection customer's reimbursement for network upgrade costs should be limited to the proportionate share of the project that is operational.
<b>CAISO Response</b>
The ISO's straw proposal mainly follows the suggestions offered by stakeholders here. Please see the straw proposal posted on July 18.
<b>Question 4</b>
Please comment on the proposed modification to the safe harbor to "greater of 5% or 10 MW.
<b>CalWEA-</b> The provision would be more useful if it were a 10/10 rule: "greater of 10% or 10 MW."
<b>CAISO Response</b>
The ISO's straw proposal largely follows the suggestion that was stated in the previous Issue Paper, but adds a maximum percentage reduction of project size at 25%. The ISO does not think it is appropriate to extend the safe harbor to 10%, particularly given the other downsizing opportunities offered under this initiative. The ability for the ISO to approve a larger MW reduction than 5% or 10 MW on a case by case basis is proposed to remain in the tariff, with certain additional provisions described under Topic 14.
<b>IEP-</b> Agrees with ISO, however, the applicability and value of the "greater of 5% of project capacity or 10 MW" safe harbor is unknown, and may prove ineffectual and instead should be evaluated on the MW or percentage change
<b>CAISO Response</b>
The ISO's straw proposal largely follows the suggestion that was stated in the previous Issue Paper, but adds a maximum percentage reduction of project size at 25%. The ISO does not think it is appropriate to extend the safe harbor to 10%, particularly given the other downsizing opportunities offered under this initiative. The ability for the ISO to approve a larger MW reduction than 5% or 10 MW on a case by case basis is proposed to remain in the tariff, with certain additional provisions described under Topic 14.
<b>SCE-</b> opposes a modification to the safe harbor to "greater of 5% of the project capacity or 10 MW" if the 10 MW would represent a significant percent of the overall project size and would allow an interconnection customer to basically not be in breach of its GIA
<b>CAISO Response</b>
The ISO's straw proposal largely follows the suggestion that was stated in the previous Issue Paper, but adds a maximum percentage reduction of project size at 25%. The ISO does not think it is appropriate to extend the safe harbor to 10%, particularly given the other downsizing opportunities offered under this initiative. The ability for the ISO to approve a larger MW reduction than 5% or 10 MW on a case by case basis is proposed to remain in the tariff, with certain additional provisions described under Topic 14.

**Wellhead-** This is a step in the right direction but must continue to be accompanied with the ability to a larger downsizing safe harbor if it is the result of events not reasonably under the control of the project.

**CAISO Response**

The ISO’s straw proposal largely follows the suggestion that was stated in the previous Issue Paper, but adds a maximum percentage reduction of project size at 25%. The ISO does not think it is appropriate to extend the safe harbor to 10%, particularly given the other downsizing opportunities offered under this initiative. The ability for the ISO to approve a larger MW reduction than 5% or 10 MW on a case by case basis is proposed to remain in the tariff, with certain additional provisions described under Topic 14.

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

**Question 1**

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

**LSA-** 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. Disappointed that the CAISO seemed to distance itself from option 3 and believes that it is worth considering in this initiative.

**CAISO Response**

The ISO does allow projects to combine. The ISO has allowed up to a maximum of three interconnection requests to be combined into one interconnection agreement, but only under the conditions that the interconnection requests must be at the same point of interconnection, be the same location/site/facility and have the same interconnection customer (legal name; LLC as an example).

With respect to the issue of splitting projects into multiple interconnection agreements, there appears to be a misunderstanding regarding a sentence that was included in the June 3 issue paper regarding “scenario 3” that stated, “The interconnection customer wishes to assign ownership of each phase to a different owner, with a separate GIA for each phase.” The June 3 issue paper discussion was meant to provide a list of the various things that stakeholders have requested over the years. It was not intended as a list of possible options that the ISO is exploring in the IPE initiative. The June 3 issue paper is correct in noting that interconnection customers have requested an interconnection arrangement as described in scenario 3. However, in hindsight the paper also should have clearly stated the ISO’s policy and business practice: which is that the ISO has never allowed separate interconnection agreements for each phase and the ISO is not proposing to change its policy in the IPE initiative on this aspect of the interconnection process. The ISO views the tariff provision that there will be one interconnection agreement for each interconnection request as a fundamental provision of the interconnection process. This outcome best aligns with the ISO’s policy goals of promoting realistic and viable interconnection requests and effective queue management policies. The ISO recognizes that interconnection customers and stakeholders desire flexibility in the interconnection process. However, the ISO notes that it already provides significant flexibility to interconnection customers, such as through the co-tenancy provisions and the downsizing opportunities that are discussed in this straw proposal. Moreover, interconnection customers have the option, at the outset, of choosing to file separate interconnection requests for contemplated phases or filing a single request that would include phases. The former approach will result in separate GIAs for each phase. As a result, the ISO is not proposing to change its policy, which is to allow only one interconnection agreement per each interconnection request.

**Silver Ridge-** 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.
<b>CAISO Response</b>
See the ISO's response to LSA's comment above.
<b>SCE- Believes the ISO is overreaching if it were to expand phasing beyond the three scenarios identified</b>
<b>CAISO Response</b>
The ISO does not propose to expand phasing beyond the three scenarios identified in the June 3 issue paper.
<b>Question 2</b>
What thresholds should be used in allowing projects to be broken into multiple phases?
<b>CalWEA- CAISO should not establish any size or timing limits for phasing a project. Further, even after the project has gone into full operation for its entire GIA size, if in the future its PPA expires and new commercial arrangements would require the project to be broken into smaller project sizes, that should be allowed.</b>
<b>CAISO Response</b>
The ISO is not proposing to establish any size or timing limits for phasing a project. The proposal allows that, even after the project has gone into full operation for its entire GIA size, if in the future its PPA expires and new commercial arrangements would require the project to be broken into smaller project sizes, the interconnection customer may do so.
<b>PG&amp;E- Suggest the following criteria be added (a) ≤20 MW projects may have up to two phases, with no individual phase smaller than 5 MW and (b) &gt; 20 MW projects may have additional phases, provided no additional phase is smaller than the larger of 20 MW or 10% of the nameplate capacity.</b>
<b>CAISO Response</b>
The ISO does not see a compelling reason to impose restrictions on which interconnection customers can phase their projects, nor how an interconnection customer may choose to structure its phasing. The ISO will require that interconnection customers formally request phasing, and, if the request for phasing comes after the interconnection studies have been completed, approval will be required from both the ISO and the applicable participating transmission owner for phasing to be allowed. The ISO agrees with stakeholder comments that commercial considerations will drive how phasing is requested and it is unlikely that the ISO will see interconnection customers requesting unreasonable phasing plans.
<b>SCE- (response for 2-7) Irrespective of thresholds, the breaking of a single interconnection request into multiple phases or generation projects must come with certainty that progress will be made on all phases or "generation projects" that constitute a single interconnection request. As a consequence, the tariff and GIA provisions should clearly spell out timeframes to complete full projects as well as what will happen to unconstructed phases of a single interconnection request. In addition, a careful examination should be made that evaluates the potential impact to PTO's financing obligations associated with partial construction.</b>
<b>CAISO Response</b>
When a project is allowed to be phased the interconnection agreement is constructed to ensure that there are milestones and ways to assess progress on the phases or "generation projects" that constitute the interconnection request. This straw proposal under topic two addresses what will happen to unconstructed phases of a single interconnection request; see ISO responses above in that section of this matrix.

<p><b>Question 3</b></p> <p>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?</p>
<p><b>PG&amp;E-</b> Believes 10 MW should be the minimum size for projects to be split into multiple phases.</p> <p><b>Silver Ridge-</b> Believes that projects smaller than 20 MW need not be phased.</p>
<p><b>CAISO Response</b></p> <p>The ISO does not see a compelling reason to impose restrictions on how an interconnection customer may choose to structure its phasing. The ISO will require that interconnection customers formally request phasing, and, if the request for phasing comes after the interconnection studies have been completed, approval will be required from both the ISO and the applicable participating transmission owner for phasing to be allowed. The ISO agrees with stakeholder comments that commercial considerations will drive how phasing is requested and it is unlikely that the ISO will see interconnection customers requesting unreasonable phasing plans.</p>
<p><b>Question 4</b></p> <p>Should there be a maximum number of phases into which a project can be divided?</p>
<p><b>LSA-</b> Does not see any reason to limit the number of project phases.</p>
<p><b>CAISO Response</b></p> <p>The ISO does not see a compelling reason to impose restrictions on how an interconnection customer may choose to structure its phasing. The ISO will require that interconnection customers formally request phasing, and, if the request for phasing comes after the interconnection studies have been completed, approval will be required from both the ISO and the applicable participating transmission owner for phasing to be allowed. The ISO agrees with stakeholder comments that commercial considerations will drive how phasing is requested and it is unlikely that the ISO will see interconnection customers requesting unreasonable phasing plans.</p>
<p><b>PG&amp;E-</b> The maximum number of phases should be based on the project size, with large projects being allowed more phases. In no case should projects exceed 10 phases.</p>
<p><b>CAISO Response</b></p> <p>See the ISO’s response above to LSA’s comment on this subject.</p>
<p><b>Silver Ridge -</b> The proposed 20-50 MW minimum phase size would naturally limit the number of phases – no further restrictions are needed.</p>
<p><b>CAISO Response</b></p> <p>The ISO has decided to not propose a minimum phase size. See the ISO’s response above to LSA’s comment on this subject.</p>
<p><b>Question 5</b></p> <p>Should there be a minimum MW size for each phase?</p>
<p><b>IEP-</b> Believes that any phasing decisions should be up to the interconnection customer. If there must be limitations on phasing (and it would be helpful to understand why), IEP recommends setting a threshold of 4 phases (max. 10 with ISO permission) up and until which the customer does not need to provide any explanation to the ISO.</p>
<p><b>CAISO Response</b></p> <p>The ISO is not proposing limitations on phasing, nor is the ISO proposing a limit on the total number of phases. See the ISO’s response above to PG&amp;E’s comment on this subject.</p>

<p><b>Question 6</b></p> <p>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?</p>
<p><b>IEP-</b> Raise this concern only as far as the ISO may identify benefits for a “small” project getting LGIP treatment and therefore inequities for projects that didn’t split into 20 MW or less phases.</p>
<p><b>CAISO Response</b></p> <p>The ISO proposes to treat “large” and “small” interconnection customers the same and proposes to allow both large and small customers to be able to phase their projects.</p>
<p><b>Question 7</b></p> <p>When during the interconnection process should an IC be allowed to request to implement a phased structure for its project?</p>
<p><b>CPUC-</b> Phasing is apparently already available under the GIDAP, and CAISO should further consider and explain why any useful phasing reforms should not also be applied to GIDAP-vintage ICs.</p>
<p><b>CAISO Response</b></p> <p>The ISO will allow phasing for all interconnection requests, including interconnection requests that come in under the GIDAP tariff provisions. The GIDAP tariff currently includes provisions that contemplate phased projects. The GIDAP tariff provisions regarding the allocation of transmission plan deliverability (“TPD”) already state that the scoring criteria may apply to a portion of the MW of a project and, on this basis, TPD may be allocated to a portion of a project on the basis of that portion’s score. These provisions should apply to phased projects in a straightforward manner.</p>
<p><b>LSA-</b> 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.</p>
<p><b>CAISO Response</b></p> <p>The ISO does not see a compelling reason to restrict interconnection customers as to when they can request phasing. Commercial considerations may cause interconnection customers to request a phased project either at the beginning of the interconnection process, after the interconnection studies have been completed, after the interconnection agreement has been executed, or after the initial phases of the generation portion of the project have come on-line. The ISO proposes to allow interconnection customers to request phasing at any time in the life cycle of development of the project. Any approved phasing will be incorporated into the study models in all future Phase II studies. An interconnection customer that is seeking to phase an interconnection request must contact the ISO and request phasing. If the request for phasing comes after the interconnection studies have been completed, the request for phasing will go through the material modification request process and the request for phasing must be approved by the ISO and applicable participating transmission owner.</p>
<p><b>PG&amp;E-</b> Believes the timing of phasing requests should be limited to after the Phase I or Phase II study results meeting.</p>
<p><b>CAISO Response</b></p> <p>See the ISO’s response to LSA’s comment above on this subject. Also note that an interconnection customer currently can request a phased project at the time of the interconnection request and the project can be studied as a phased project.</p>
<p><b>Silver Ridge-</b> 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</p>

not require any re-studies.
<b>CAISO Response</b>
See the ISO's response to LSA's comment above on this subject.
<b>Wellhead-</b> There should be some nexus between the initial and the reformulated/phased project. And it would also not be unreasonable for the CAISO to look for some reasonable form of relationship between the various phases
<b>CAISO Response</b>
See the ISO's response to LSA's comment above on this subject.

<b>Topic 4 – Improve Independent Study Process</b>
<b>Question 1</b>
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?
<b>CPUC-</b> Request clarification of (and hope that) pursuit of IS via an Energy-Only route should not hinder or delay a generation project's ability to ultimately achieve Full Capacity status (although it might not expedite achieving FC status).
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>CalWEA-</b> Yes, interested.
<b>CAISO Response</b>
No comment.
<b>PG&amp;E-</b> Will commit resources to this initiative as needed; however, PG&E recommends the working group not commence until impacts from FERC's SGIP NOPR (Docket No. RM13-2-000) are fully known.
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>Wellhead-</b> There needs to be a process so that projects which can be developed quickly are not held hostage to the long, and frequently delay, interconnection process. And a project going through ISP should not be delayed/prevented from getting deliverability.
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>Question 2</b>
If yes, are you interested in the policy aspects, technical aspects or both?
<b>CalWEA-</b> Both
<b>CAISO Response</b>
No comment.
<b>PG&amp;E-</b> Both
<b>CAISO Response</b>
No comment.

<b>SCE- Both</b>
<b>CAISO Response</b>
No comment.
<b>Wellhead- Both</b>
<b>CAISO Response</b>
No comment.
<b>Question 3</b>
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?
<b>CalWEA-</b> Main areas of interest are establish rules for behind the meter capacity expansion after each phase of a phased project, establish less restrictive rules on the size of behind the meter capacity expansion based on actual technical impact, and eliminate the possibility of short circuit duty limiting the size of a behind-the-meter capacity expansion by instead requiring the project to upgrade breakers as needed.
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>LSA-</b> 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.
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>NRG-</b> would be interested in an ISP that allows for such expansion, especially in the context of adding BTM storage to a project that would increase the amount of hours that a solar project could provide energy.
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>PG&amp;E-</b> agrees with the ISO's inclusion of behind the meter expansion track as part of the ISP track. PG&E wishes to participate, and in particular wishes to work with stakeholders on establishing appropriate criteria for behind the meter expansions to qualify for the ISP.
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>SCE-</b> Yes, the independent study process evaluation should be extended to also include an assessment of whether or not the expansion can be integrated into the system independent of construction activities associated with other projects
<b>CAISO Response</b>
This will be discussed in the working group meetings.
<b>Wellhead-</b> It's not clear why behind the meter expansion should be treated differently if it is going to increase the total output to the grid at any instant in time.
<b>CAISO Response</b>
This will be discussed in the working group meetings.

<b>Topic 5 – Improve Fast Track</b>
<b>Question 1</b>
Are you interested in participating in the FT working group and able to devote significant time outside of the standard Interconnection Process Enhancement stakeholder process?
<b>CalWEA- Yes.</b>
<b>CAISO Response</b>
No comment.
<b>PG&amp;E- Will commit resources to this initiative as needed; however, PG&amp;E recommends the working group not commence until impacts from FERC’s SGIP NOPR are fully known.</b>
<b>CAISO Response</b>
No comment.
<b>SCE- Yes</b>
<b>CAISO Response</b>
No comment.
<b>Question 2</b>
If yes, are you interested in the policy aspects, technical aspects or both?
<b>CalWEA- Both</b>
<b>CAISO Response</b>
No comment.
<b>PG&amp;E- Both</b>
<b>CAISO Response</b>
No comment.
<b>SCE- Both</b>
<b>CAISO Response</b>
No comment.
<b>Question 3</b>
Are you able to provide engineering expertise for developing FT screens related to a networked transmission system?
<b>CalWEA- Yes.</b>
<b>CAISO Response</b>
No comment.
<b>PG&amp;E- Yes.</b>
<b>CAISO Response</b>
No comment.
<b>SCE- Yes.</b>
<b>CAISO Response</b>
No comment.

**Topic 13 – Clarify timing of transmission cost reimbursement**

**Question 1**

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

**CPUC-** Believes that phased projects should receive reimbursement via the same timing and criteria as non-phased projects. There should be reimbursement when an early phase of a project meets the required conditions, but that reimbursement should only involve deposited funds associated with upgrades identified for that phase, not any additional deposit amounts for construction of transmission linked to later phases. Requiring only commercial operation, not completion of network upgrades, as the criterion for reimbursement of deposits appears to be not only reasonable but also an incentive for PTOs to strive to complete network upgrades by the stated COD. At a minimum, projects reaching commercial operation by their stated COD should be reimbursed a substantial portion of their construction deposits, regardless of the advancement of the associated transmission construction.

**CAISO Response**

Under existing tariff requirements for non-phased projects, reimbursement begins upon the COD of the generating facility. The CPUC seems to support extending this to phased facilities as well. However, this is not one of the options under consideration in the straw proposal. That said, if the status quo is maintained, a question that remains is whether a phased project that has completed all phases should continue to be treated as a phased project.

**CalWEA-** If a generator reaches COD before its delivery network upgrades have been completed (or construction even begun), then that generator should not be required even to post security for such upgrades and should receive all delivery network upgrade financial security deposits that it may have posted up to that time.

**CAISO Response**

For non-phased projects, refunds for network upgrades begin upon the COD of the generating facility under existing rules. Two options under consideration are whether this should continue (i.e., status quo) or whether the required upgrades for the non-phased project should also be in service in order to be eligible to receive reimbursement.

**IEP-** Does not support the proposal.

**CAISO Response**

The ISO presents two potential options for consideration in the straw proposal, one of these is to maintain the status quo.

**LSA-** Adamantly opposes the proposal, on the same grounds that it opposed such reimbursement conditions for phased projects. And since the issue was recently decided by FERC no reason to bring it up again. Simply seeks clarification that a phased project with all phases completed be treated the same as completed non-phased projects.

**CAISO Response**

One option under consideration is to maintain the status quo. However, an issue under the status quo is the same point about which LSA seeks clarification. Should a phased project that has completed all phases continue to be treated as a phased project? Or, should it be treated as a non-phased project and eligible to receive reimbursement upon COD of the final phase?

<b>PG&amp;E-</b> Agrees transmission cost reimbursement needs to be clarified on a going forward basis. Supports clarification that reimbursement for generator-funded upgrades can begin at COD, provided reimbursement is capped at the lesser of (a) capital investment in completed upgrades (e.g., if 80 percent of a generator’s upgrades, on a financial basis, are in operation then reimbursement could not exceed 80 percent) or (b) for phased projects the pro-rate share of network upgrades required for the phases that have achieved COD. For pre-Cluster 6 changes versus current practice for existing projects with PPAs would only serve to transfer wealth between ratepayers and developers. Loosening rules for projects with existing PPAs would simply boost the returns generators’ projects at the expense of ratepayers.
<b>CAISO Response</b>
The ISO presents two potential options for consideration in the straw proposal.
<b>Six Cities-</b> Eligibility for cost reimbursement should require both (i) that the project has achieved commercial operation and (ii) the required network upgrades to be in service.
<b>CAISO Response</b>
This is one option under consideration; maintaining the status quo is another.
<b>SCE-</b> There is no basis for the difference in treatment currently in the GIP surrounding the commencement of transmission credits for phased versus non-phased generating facilities. Transmission credits should commence with the completion of two events: the commercial operation date of the facility (or phase of facility for phased projects) and the in-service date of required network upgrades for the facility (or phase of facility for phased projects). FERC has invited the ISO to make necessary revisions to the existing tariff language to make clear that the commencement of transmission credits should be conditioned upon both the commercial operation date of the generation facility and the in-service date of the associated network upgrades.
<b>CAISO Response</b>
This is one option under consideration.

<b>Topic 14 – Distribution of forfeited funds</b>
<b>Question 1</b>
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?
<b>CPUC-</b> Gives three options and if those cannot be completed than, option (d) forfeited funds should be used to offset the TAC, should be chosen in the worst case scenario.
<b>CAISO Response</b>
(a)Use of forfeited study deposits to offset those specific customers’ study cost increases is possible and could be implemented because project clusters are grouped and withdrawn projects within a cluster are easily identifiable. However, further analysis is required to determine the likelihood of any residual forfeited study amounts and the best use of those funds.
(b) This proposal suggests using the forfeited IFS funds directly to offset the costs of specific unavoidable transmission projects that incur funding shortfalls because of actions causing forfeiture of IFS funds (such as generation withdrawal or when PTO costs are incurred for upgrades as part of the interconnection process). This is a direct approach to using forfeited funds to offset PTO costs as and when they are incurred, similar to what is proposed by PG&E and Six Cities except this approach treats



the distribution of forfeited IFS funds and forfeited study deposits separately.

The second part of this proposal suggests that any residual forfeited IFS balances should be used to reduce rate-based asset amounts for these transmission projects. Using residual funds to reduce the rate-based asset amounts of PTOs may not be feasible given the complex nature of inputs to rate-based asset amounts (as pointed out by SCE in response to question #3 below). However, an alternative option may be to implement a reduction in the PTO Transmission Revenue Requirement (TRR) through the annual Transmission Revenue Balancing Account Adjustment (TRBAA) mechanism. While this is not specifically allocated to a specific network upgrade it does allow a reduction in the TRR that will result in a reduced cost to ratepayers.

(c) Retaining and refunding construction costs in this way would require analysis and evaluation of historic costs incurred by PTO's on identified transmission projects which are potentially subject to audit. The administrative cost of this effort should be compared against with other approaches.

(d) To avoid any complexity issues arising from offsetting the TAC directly funds could be used to reducing the TRR through the TRBAA as described under (b) above. Tariff changes would be required in order to allow the PTO to 1) retain the remaining balance of the IFS posting instead of turning over this amount to the ISO and 2) the ISO would need to turn over the forfeited study deposit amounts to the PTO to be offset against PTO costs. This mechanism allows an annual adjustment to be made and will result in reducing the TAC to ratepayers.

**CalWEA-** all forfeited funds from the interconnection process, regardless of whether they are study security deposits or financial security deposits, should be used to pay for network upgrades that result from interconnection study processes.

**CAISO Response**

This proposal suggests using forfeited funds (IFS and study deposits) to offset the cost of network upgrades that result from interconnection processes. CalWEA's proposal is similar to PG&E's and Six Cities' proposals in that CalWEA suggests that all forfeited funds (IFS funds and study deposits) be used specifically to offset network upgrades.

**IEP-** recommends that the ISO consider applying forfeited study, design, and construction funds in order to offset transmission interconnection costs that are currently collected in the TAC, including use of those funds to conduct the studies required to determine if a delay in COD has a "material impact" on other queue projects

**CAISO Response**

The TAC is a pass-through charge to ISO load and exports that is paid to the PTOs to recover their FERC approval revenue annual requirement. It does not include the ISO's cost of interconnection-related services such as study costs. Rather, interconnection study deposits provided by interconnection customers held by the ISO are used to recover both ISO and PTO interconnection study costs.

**LSA-** 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.

**CAISO Response**

This proposal is also similar to the CPUCs in that it separates forfeited study deposits from IFS funds. It suggests a direct approach to using the forfeited study deposit funds to offset study costs as project

withdrawals occur. As mentioned above this methodology could be easily implemented because project clusters are grouped and withdrawn projects are identifiable.

- a) The second part of this proposal suggests using the forfeited IFS funds to reimburse interconnection customers who exceed new limits on reliability network upgrade limits under the new GIDAP process. At this time the ISO does not want to reconsider proposals such as this that would alter the incentive structure designed into the GIDAP.

**PG&E-** forfeited funds go toward the cost of upgrades for which the IFS posting was made.

**CAISO Response**

Forfeited funds (IFS funds and study deposits) could be to offset directly as they are incurred by the PTO to reduce the adverse impacts of generation withdrawing from the queue. In particular, if the remaining portions of IFS forfeited funds (i.e. the balance remaining after the PTO has made use of the second IFS posting less any refunds due to the interconnection customer) are applied “directly” to the general cost of the shared upgrades for which the IFS posting was made. The benefits of this proposal are 1) it reduces the cost impact of withdrawals for PTO's and/or its customers and 2) it expedites the funds to the PTO "directly," (i.e. as and when generation withdrawal occurs), for any associated network upgrades that are still outstanding on that project thereby avoiding timing delays of network upgrade cost recovery to the PTO.

In a practical sense, tariff language would need to be changed to allow the PTO to 1) retain the remaining balance of the IFS posting instead of turning over this amount to the ISO and 2) the ISO would need to turn over the forfeited study deposit amounts to the PTO to be offset against PTO costs.

**Six Cities-** Forfeited funds should first be used to pay for or offset the cost of any restudy activities and upgrades associated with the interconnection request. Interconnection customers that have forfeited funds should not be entitled to reimbursement for any portion of their forfeited funds that are used to pay for upgrades.

**CAISO Response**

- a) Using forfeited funds (IFS funds and study deposits) in the first instance to pay for or offset the cost of any restudy activities and upgrades associated with the interconnection request (including any additional or modified upgrades that may be necessary as a consequence of withdrawing an interconnection request from the queue) is a direct approach of the application of forfeited funds as and when PTO costs are incurred. This proposal is similar to what is proposed by PG&E in that it supports the offsetting of both IFS funds and study deposits to reduce the cost of upgrades or restudy costs due to the adverse impacts of generation withdrawal from the queue.

In a practical sense, tariff language would need to be changed to allow the PTO to 1) retain the remaining balance of the IFS posting instead of turning over this amount to the ISO and 2) the ISO would need to turn over the forfeited study deposit amounts to the PTO to be offset against PTO costs.

b) The other aspect of this proposal (to disallow reimbursement of forfeited funds to customers that have forfeited funds) is in keeping with the retention rules for interconnection study deposits and IFS funds in that those withdrawing projects should not be beneficiaries of the forfeited funds.

**Question 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.

**IEP-** does not prefer the approach as described, we do view the suggested approach as an improvement over the current protocol of distributing funds to the scheduling coordinators

**CAISO Response**

IEP's preference is to use forfeited funds to offset transmission interconnection costs that are currently collected in the TAC.

**PG&E-** supports this approach, provided it also offsets any PTO-funded costs caused by queue withdrawal; for example, if a PTO must self-fund an upgrade or portion of an upgrade above the remaining queue's cumulative cost cap. See comments on #1.

**CAISO Response**

This proposal supports the 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 provided it also offsets any PTO-funded costs caused by queue withdrawal. This may potentially require apportionment of the forfeited IFS funds between interconnection customers impacted by generation withdrawals and PTOs who have incurred costs for self-funded upgrades above the remaining queues cumulative cost cap. Apportionment of IFS funds in this way would involve the administration and development of an allocation methodology and cost tracking mechanisms for withdrawals and upgrades to ensure accurate distribution of funds. The administrative cost of this effort should be compared against other approaches.

**SCE-** opposes using forfeited IFS funds to offset the resulting cost increases for projects remaining in queue as a way to mitigate impacts of withdrawals on other interconnection customers

**CAISO Response**

The ISO understands SCE's comment to mean that SCE prefers to maintain the current distribution of forfeited IFS funds.

**Question 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.

**IEP-** This suggestion is similar to our comments above in item # 1; however, IEP’s preference would be that forfeited funds related to the interconnection process be “rolled up” to the ISO to lower its cost of interconnection-related services funded by the TAC.

**CAISO Response**

The ISO’s interconnection-related services are not funded by the TAC. Rather, interconnection study deposits provided by interconnection customers held by the ISO are used to recover both ISO and PTO interconnection study costs. A more direct way of offsetting PTO costs outside of the TAC may be to apply the funds to the TRBAA.

**LSA-** 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.

**CAISO Response**

The ISO understands LSA’s comment to mean that forfeited funds should not be used to reduce the TAC because (based on FERC’s ruling) the TAC is paid by ratepayers because ratepayers benefit from the network upgrades.

**PG&E-** views this as being a blunter instrument than application to offset the direct adverse impacts of queue withdrawals. PG&E would prefer a methodology that more directly offsets cost causation/adverse impacts.

**CAISO Response**

The ISO understands the rationale of PG&Es comment regarding this alternative. Applying the forfeited IFS funds to a PTO’s revenue requirement to reduce the TAC would ultimately benefit the ratepayers but this approach may be a less direct method of cost recovery compared to allowing the PTO to directly offset costs as described above. One option may be to use the forfeited IFS study funds to offset the annual TRBAA, as described above. Under this option the funds could be applied to reduce the TRR annual, (which would be fairly immediate), and the PTO would not need to submit a rate case for FERC approval to implement it.

**SCE-** opposes applying forfeited IFS funds to a PTO’s transmission revenue requirements. When combined with the fact that the current tariff does not allow PTOs to capture all of the expenses associated in negotiating an agreement, imposing this additional burden may not be justified

**CAISO Response**

The ISO would propose to include the forfeited funds in the annual TRBAA exactly for the complexity reasons that SCE cites above. Including the revenue in a PTO’s Transmission Revenue Balancing Account Mechanism would get around the forecast issue. However, this would require that a modification be made to the transmission owner tariffs of each ISO PTO.

**Question 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.

**IEP-** In so far as costs of customer default contribute to the TAC, IEP would support the ISO’ proposed use of forfeited funds in this manner.

**CAISO Response**

Uncollectible interconnection study costs incurred by the ISO are not included in the TAC. These costs (when incurred) ultimately become an unrecoverable cost of the interconnection process to the ISO but could be offset with forfeited study deposit funds as they occur if that is the ultimate proposal.

**SCE-** does not understand this proposal, since PTOs get study deposits upfront, there should be no study costs that are defaulted on by the customer (unless PTOs spend more than is deposited).

**CAISO Response**

As further clarification, the proposal is for when the PTO and ISO combine spend more that is deposited and the IC defaults on the invoice. SCE is correct that PTO's do not incur the cost of uncollectible study amounts when an interconnection customer defaults because these charges are billed to the customer by the ISO not the PTO.

**Topic 15 – Inverter/transformer changes (material modification process)**

**Question 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?

**CPUC-** support having material modification review address inverter/transformer-related modifications as efficiently as possible, including clear and reasonable (not more conservative than necessary) criteria for determining when inverter/transformer modifications do not require formal material modification review.

**CAISO Response**

The ISO believes that all changes to data received in the interconnection request should be evaluated to ensure that the electric characteristics are similar, this would include inverters. However, if specific criteria can be established that does not result in a change to the electric characteristics the ISO is willing to discuss such criteria development during this process.

**CalWEA-** All technology changes should be allowed to take place without a formal material modification review if they fit within certain well established criteria that could be developed as part of these proceedings.

**CAISO Response**

See response to CPUC.

**LSA-**believes that changes in project phasing should be allowed without an MMA study, assuming that no applicable CODs are moved forward. Minor changes to inverters and transformers should also not require an MMA.

**CAISO Response**

The ISO needs to better understand what LSA means by phasing to determine is it should be included in a MMA study. For changes to inverters and transformers, please see response to CPUC.

**PG&E-**not aware of other areas where bypassing the material modification review would be appropriate

**CAISO Response**

The ISO agrees.

<b>Silver Ridge-</b> believes that changes in project phasing should be allowed without an MMA study, assuming that no applicable CODs are moved forward. Minor changes to inverters and transformers should also not require an MMA. Project downsizing where the IC agrees to pay its original share of allocated transmission costs likewise should be allowed without an MMA study.
<b>CAISO Response</b>
For phasing and inverters/transformers, see response to LSA. For project downsizing, the concern is even if the IC agrees to pay its original share of allocated transmission cost, depending upon the project’s new capacity the upgrade may no longer be needed and the cost should not be passed on to ratepayers.
<b>SCE-</b> willing to explore the possibility of permitting inverter/transformer changes without a material modification review.
<b>CAISO Response</b>
The ISO is willing to discuss this issue in the process of this topic.
<b>SunEdison-</b> agrees that certain changes such as inverter and transformer changes should be immaterial enough that MMA should not be necessary. Additionally, it is recognized that there is a need to enforce MMA timeline.
<b>CAISO Response</b>
See response to CPUC. The timeline is established in the draft straw proposal paper.
<b>Question 2</b>
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?
<b>CalWEA-</b> All changes should be presented by the project developer to the CAISO with developer’s analysis as to why such change would meet the CAISO established criteria for “automatic” acceptance. CAISO should then review the analysis and if it meets its standards, it should approve the change.
<b>CAISO Response</b>
The ISO is interested in discussing this further in development of this topic.
<b>LSA-</b> No specific suggestions, but standard notifications and timelines could be developed by the working group
<b>CAISO Response</b>
The timeline is established in the draft straw proposal paper and will be discussed during development of this topic.
<b>PG&amp;E-</b> believes that the IC should submit an updated interconnection request and that the ISO should provide written acknowledgement of the change.
<b>CAISO Response</b>
The ISO agrees that this process may work.
<b>SCE-</b> Interconnection customers should be required to provide the ISO and PTO with written notification of the specific technological and other relevant changes which did not require a material modification review in order to assess all of the potential impacts resulting from such modification
<b>CAISO Response</b>
The ISO agrees.

