

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Revised Straw Proposal, September 12, 2011**

Submitted by	Company	Date Submitted
Tony Zimmer 916-781-4229 tony.zimmer@ncpa.com	Northern California Power Agency (NCPA)	September 29, 2011

This template is for submission of stakeholder comments on the topics listed below, covered in the TPP-GIP Integration Straw Proposal posted on September 12, 2011, and issues discussed during the stakeholder meeting on September 19, 2011.

Please submit your comments below where indicated. Your comments on any aspect of this initiative are welcome. If you provide a preferred approach for a particular topic, your comments will be most useful if you provide the reasons and business case.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on September 29, 2011.

1. Section 4 of the paper laid out several objectives for this initiative, including four previously-identified GIP issues to be included in scope. Please indicate whether your organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.

NCPA strongly supports objectives 1, 2, 3, 4 and 6.

2. The revised straw proposal presents a timeline describing how the new TPP-GIP process would work. Please comment on the overall process design in terms of how well it meets the objectives of this initiative and how workable it is from a practical perspective. If you see ways it can be improved please offer concrete suggestions.

NCPA strongly supports integration of the GIP and the TPP to ensure the most cost effective network transmission upgrades are constructed; hence resulting in an efficient use of ratepayer funds.

3. Please comment on the following specific aspects of the design of the proposed new TPP-GIP process, and offer concrete suggestions for improvement where needed.

a. The study assumptions proposed for each of the two GIP study phases.

No comment at this time.

b. The information available to interconnection customers at each decision point in the process.

No comment at this time.

c. The “soft” nature of the GIP cost caps, whereby interconnection customers and ratepayers will have shared responsibility for upgrade costs that exceed the cost cap. Comment on both (i) the appropriateness of sharing this cost responsibility, and (ii) the ISO’s specific proposal for how the costs would be shared.

NCPA believes that any costs associated with network upgrade or generator interconnection costs not supported or approved through the comprehensive transmission planning process should be allocated to and paid by the Interconnection Customer.

4. In the revised straw proposal, the ISO identifies four options by which allocation of ratepayer funded upgrades could be allocated.

a. Please rank the options, Option 3A, 3B, 3C, or 3F, from 1 (most appropriate) to 4 (least appropriate) your organization believes to be the most appropriate means for determining the allocation of ratepayer funded upgrades. Please explain the reasons for your preference? If there other options the ISO should consider, please describe them and explain why they could be superior to the other options.

No comment at this time.

b. Based on stakeholder feedback during the September 19 stakeholder meeting, many parties stated the ISO would likely need to utilize more than one of the identified options. Please provide comment regarding what combination of these options will best facilitate the efficient allocation of ratepayer funded transmission capacity. Please provide as much detail as possible.

No comment at this time.

- c. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?” In particular, some stakeholders have suggested that only projects with signed PPA should be allowed to qualify. Please comment on the appropriateness of this criterion and any others that might be needed.

No comment at this time.

- d. If Option 3B is selected, what is the appropriate metric and methodology upon which pro rata shares should be determined?

No comment at this time.

- e. If Option 3C is selected, then how should such an auction be conducted? Specifically, the ISO seeks comments regarding whether an auction should be an open bid or closed bid and held in a single round or an iterative bidding process? Please provide as much detail as possible.
 - 1. Should the ISO conduct separate auctions for large projects and small projects? If so, how should the ISO determine how much transmission capacity should be available in each auction?

No comment at this time.

- f. If Option 3F is selected, how shall transmission capacity be allocated to the LSEs? In particular, is the existing methodology for allocating import capacity to LSEs for RA (tariff section 40.4.6.2) applicable in the present context? If not, how should it be adapted?

NCPA opposes Option 3F. Based on NCPA’s understanding of this proposed option, small LSE’s could be proportionately disadvantaged based on an allocation basis driven by load size. Also, to state it plainly, Option 3F has the potential to become “very messy”.

- g. All of the options provided could create opportunities to buy/sell allocations of capacity created by ratepayer funded projects. Is there a need for the ISO to set up rules to prohibit or manage such sales?

NCPA opposes the ability to buy/sell allocations of capacity created by ratepayer funded projects.

5. In cases where an IC pays for a network upgrade and later ICs benefit from these network upgrades, the ISO has proposed two options, Options 3E and 3G to resolve the “first mover-late comer” problem.

- a. Does the ISO need to select one of these options or should both be implemented? If both, please explain or give an example of how the two could work together.

NCPA supports Option 3E.

NCPA opposes Option 3G.

- b. If only one option is to be chosen, which option does your organization favor and why?

NCPA opposes Option 3G because such does not provide the correct incentives to prevent over building the system at the expense of ratepayers. Option 3G is contrary to objective 4 of this stakeholder initiative.

- c. In option 3G, should the “late comer” be responsible for paying back ratepayers for the portion of the network upgrades already covered by ratepayers or simply take over paying for the portion of the network upgrades covered by ratepayers moving forward?

NCPA opposes Option 3G.

6. In order to transition from the current framework to the new framework, the ISO proposes that the entire existing queue including Clusters 3 and 4 proceed under the original structure, and that Cluster 5 would proceed using the new rules.

- a. Does your organization support this transition approach? If not, please indicate how it should be modified and provide the justification for your proposal.

NCPA strongly opposes the proposed transition approach proposed by CAISO, in which Cluster 3 and 4 projects will proceed under the current structure. This approach will effectively eliminate a majority, if not all of the benefits sought under this initiative. On September 19, 2011, CAISO posted a draft Technical Bulletin titled Revision to Cluster 4, Phase 1 Study Methodology. In such technical bulletin CAISO stated “Cluster 4 alone has added 35 GW of renewable generation to bring the total renewable generation in the queue to 68 GW, in a market with a peak load

of 50 GW and in which the expected need for new renewable generation is about 20 GW.” This alone demonstrates NCPA’s concern with CAISO’s current transition proposal. By the time Cluster 5 project are processed, most, if not all of the renewable generation required to meet the state Renewable Portfolio Standards will be built.

NCPA is sensitive to arguments made by many of the projects currently included in Cluster 3 and 4, that applying new rules at this point in the process may not be fair, but the current situation at hand is extraordinary; therefore the reality of the situation is that many of the project currently included in Cluster 3 and 4 will not survive to commercial operation. In order to avoid incurring significant costs to be paid by ratepayers, it only seem logical that now is the time to ensure that the most cost effective projects are selected and built, not only to protect ratepayers, but to ensure the most efficient siting of renewable generation is possible. Not applying the new methodology as soon as possible would be contrary to and counterproductive in light of recent FERC policy, including FERC Order 1000, in which FERC has stressed in importance of coordinated planning and transmission expansion.

NCPA supports applying the new method being develop under this stakeholder initiative as soon as possible, including apply such to Cluster 3 and 4 projects.

- b. Given the potential size of clusters 3 and 4, if these clusters proceed under the existing rules is there a need to create new rules that would strengthen the incentives for less viable projects to drop out of the queue rather than proceed into the GIP phase 2 study process? If so, please offer concrete suggestions and explain why your suggestions would be effective and reasonable.

See comment above.

7. Some stakeholders expressed interest in determining only the reliability upgrades and costs in the GIP studies and to consider the need for delivery upgrades in the TPP. The ISO seeks comment regarding the feasibility/desirability of separating the assessment of reliability and delivery upgrades in this manner. In particular, how would this approach improve the process of identifying delivery upgrades that ICs would be required to pay for?

No comment at this time.

8. Stakeholders have expressed concerns about the appropriate time to restudy the needs for and costs of network upgrades when projects drop out of the queue.

Therefore the ISO seeks concrete suggestions for when and how restudies should be conducted.

No comment at this time.

9. Please offer any other comments on the revised straw proposal, including any suggestions for improvement of the proposal or other issues your organization believes the ISO must address in this initiative.

No additional comments at this time.