

Stakeholder Comments Template

Subject: Generation Interconnection Potential Revision to Cluster 4 Phase 1 Study Methodology

| Submitted by | Company | Date Submitted |
|---|-------------------------------------|----------------|
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This template was created to help stakeholders structure their written comments on topics detailed in the *Generation Interconnection Procedures Potential Revision to Cluster 4 Study Methodology* paper located at <http://www.caiso.com/Documents/GenerationInterconnectionCluster4Phase1MethodologyDiscussionPaper.pdf>. We ask that you please submit your comments in MS Word to regionaltransmission@caiso.com no later than the close of business on **August 5, 2011**.

Your comments will be most useful if you provide the reasons and the business case for the issue(s).

Please respond to the question, “Do you generally support the proposal?”

1. If yes, please provide comments on the details of the proposal.

PG&E agrees that the study approach for the Cluster 4 Phase 1 study needs to be modified. A rational transmission plan for generator interconnections is needed. The old/current methodology would produce unrealistic results, given the size of the Cluster 4 interconnection queue. Further, such a study would take more time than the current timeline allows. Therefore alternative methodologies are needed. PG&E supports this change in methodology subject to the proposed modifications and recommendations listed below. Further, PG&E requests clarification on a number of issues raised by the proposed methodology.

2. If no, why not?

From a cost cap and financial security perspective this proposal may be unreasonable.

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- If cost caps are too low, then the Participating Transmission Owner (PTO) is exposed to financial risk should generation fail to materialize. If the study will be used to set cost caps then the proposal should contain some form abandoned plant cost protection for PTOs.
- Because cost estimates can be used to set the interconnection financial security posting (currently, the posting is the lower of 1: \$20k per MW, 2: 15% of network upgrade estimate, or 3: \$7.5 million), estimates may result in a very low interconnection financial security posting, and the queue is unlikely to be culled in a meaningful way. The proposal should contain increased posting requirements.

Recommendations:

- The proposal should include an *a priori* CAISO endorsement of abandoned plant assurances that the PTO may request from FERC for network upgrades identified in the Phase 1 study for costs that the PTO is required to up-front fund.
- Cost estimates developed in Cluster 4 Phase 1 should not be used to set cost caps for generators. The proposal should modify the current procedure such that Cluster 4 Phase 2 results set cost caps for generators.
- The Cluster 4 Phase 1 cost estimates should not be used to set the interconnection financial security (IFS) posting; i.e. IFS should be set by the lower of 1) \$20k/MW or 2) \$7.5 million, but not on 15% of the network upgrade estimate.

Other Comments:

Fresno Area Expectations

Under the CAISO proposal, PG&E estimates that the Fresno Area would be studied at approximately 5,000 MW of incremental generation to identify network upgrade requirements in the Fresno area; this is consistent with the volume of Cluster 1, 2, and 3 interconnection requests. This 5,000 MW estimate is far in excess of any of the CPUC portfolios, and thus would exclude all 10,000 MW of Cluster 4 requests from the Fresno Study area.

A study with 5,000 MW of incremental generation is likely to identify some substantial transmission network upgrades. PG&E observes that there are additional transmission requirements in the Fresno area beyond what is needed to satisfy generator interconnection requests and generator requests to convert from energy only to full deliverability. As the CAISO found in the 2010 /2011 TPP cycle, a new 500 KV line from Midway to Gregg would not only provide increased reliability in the Fresno area, it would improve renewable resource integration and in addition, would allow full use of Helms Pump Storage capability.

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In the 2011/2012 TPP, when the CAISO studies the transmission needs in the California Central Valley, the CAISO should identify transmission solutions that meet all of the needs of the Fresno area: reliability, renewable integration, remediation of transmission constraints on Helms, and generator interconnection requests. The CAISO should look for a plan of service that efficiently meets all of those needs in the Fresno Area. PG&E's current understanding of the 4 scenarios the CAISO contemplates studying in the 2011/2012 TPP, none assume more than 800 MW of new generation in the Fresno Area. A scenario with the full 5,000 MW from GIP Clusters 1-3 should be studied. PG&E believes that the Cluster-4-Phase-1 study as proposed by the CAISO will be useful in the context of the 2011/2012 TPP.

PG&E Clarifications and Questions:

How the CPUC portfolios will be translated into geographic cluster groupings should be transparent and clearly defined. PG&E provides specific recommendations for groupings within its service territory:

- For interconnection requests in PG&E service area where there is no defined CPUC CREZ or previous study area under Cluster 3, all Cluster 4 requests should be studied for the full MW amount requested.
- The CAISO should work closely with each PTO to determine the study areas within each PTO service territory.

Process related questions:

- What is the CAISO timeline to assess whether a methodology change is appropriate for each study area? In particular, when will the CAISO notify the ICs and PTOs if the proposed generation exceeds the CPUC portfolios?
- How will the study methodology delineate the reliability network upgrades and the delivery network upgrades? This could be important if projects would like to make the decision to move from full capacity to energy only. This will also be important for existing/already studied SGIP and WDT projects that requested under the one time option to be studied for deliverability.
- What plan of service will be used as the base upon which to start estimating? Will it be the plan of service the resulted from Cluster 1-2 Phase II? Cluster 3 Phase I? 2010/2011 TPP?
- PG&E notes that the CAISO's related initiative on Integrating the TPP and the GIP could have implications for generators in Cluster 4. For example, the Cluster 4 Phase 1 proposal states the Phase 2 process will be unchanged. Yet as proposed in the Coordination of the TPP/GIP straw proposal, Phase 2 might be substantially changed. Further, the TPP/GIP Integration straw proposal does not contain

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meaningful “cost caps” because transmission facilities not included in the TPP will be fully funded by interconnection customers, making a cost cap impractical.

- How will existing/already studied projects requesting the one time option to move from Energy Only to Full Capacity be handled? Because these projects have already been studied as energy only, they were not accounted for in any previous studies for purposes of deliverability.
- Because recommended interconnection configurations could be different under different assumed generation injection amounts, how should the PTOs determine interconnection facility cost estimates? For example, if 5,000 MW were interconnecting in the Fresno Area, perhaps the generation could be spread out among existing substations, whereas if 10,000 MW were to be assumed then a separate new collector station (or two) might be in order. Where do we assume the generator interconnection actually occurs within each study area?