

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Interconnection Process Enhancements (IPE) Revised Straw Proposal for Topics 3-5 and 12-15 posted on November 8 and as supplemented by the presentation and discussion during the November 18 stakeholder meeting.

Submit comments to GIP@caiso.com (with the exception of comments on Topic 15 draft BPM language posted on November 18—see below)

Comments are due December 6, 2013 by 5:00pm

The Revised Straw Proposal for Topics 3-5 and 12-15 posted on November 8 may be found at:

http://www.caiso.com/Documents/RevisedStrawProposal_Topics3-5_12-15_InterconnectionProcessEnhancements.pdf

The presentation discussed during the November 18 stakeholder meeting may be found at:

http://www.caiso.com/Documents/Agenda_Presentation-RevisedStrawProposal-InterconnectionProcessEnhancementsTopics3-5_12-15.pdf

Please provide your comments on the ISO's proposal for each of the topics listed below.

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

Note: The ISO asks stakeholders to provide feedback on the commercial reasons they need phasing, what the minimum megawatt amount and maximum number of phases allowed might be, and whether limits such as those proposed in the revised straw proposal can meet the needs of stakeholders. For example, if you believe that more liberal limits are needed than the limits proposed by the ISO in the revised straw proposal, please provide the proposed limits and the

commercial/business justification. Also, as discussed with stakeholders during the November 18 web conference, the ISO is willing to consider allowing phasing after a project has reached its commercial operation date, but wishes to understand from developers the need for such a provision.

Comments:

PG&E supports the current proposal.

Topic 4 – Improve Independent Study Process

Note: For those elements of the straw proposal presented as draft tariff changes, please provide general comments at this time in lieu of line-edit suggestions to the tariff language.

Comments:

PG&E does not oppose the current proposal.

Topic 5 – Improve Fast Track

Note: For those elements of the straw proposal presented as draft tariff changes, please provide general comments at this time in lieu of line-edit suggestions to the tariff language.

Comments:

PG&E does not oppose the current proposal.

PG&E wishes to comment on LSA's concern about maintaining the MW deliverability status for behind-the-meter expansion (e.g. if a project expands from 100 to 105 MW, maintaining 100 MW of deliverable power). LSA expressed concern that such an expansion would cause contractual issues on the procurement side if projects were to change from full capacity deliverability status to, essentially, partial capacity deliverability status.

PG&E's PPAs are structured so that:

- We typically only allows a project under contract to sell their entire output exclusively to PG&E
- The project is not allowed to materially modify their project without our consent, including increasing the capacity

- We do not allow the sharing or interconnection facilities, so it would need to be separately interconnected

Therefore, if a project were to go through Fast Track to go through any expansion – regardless of the amount or status of deliverability or NQC– it would typically be in default under a PG&E PPA. Thus, a negotiation would already be required.

The issue of paper Full Capacity Deliverability Status compliance, when the underlying product being delivered is the same, is a minor issue compared with the above described issues that such an action by a generator would create. PG&E believes this issue should be solved as part of such broader contractual negotiations, rather than by granting free deliverability status to new nameplate capacity going through an energy only fast track process.

Topic 12 – Consistency of suspension definition between serial and cluster

Note: As described in the November 8 revised straw proposal and discussed during the November 18 web conference, this topic has been withdrawn.

Topic 13 – Clarify timing of transmission cost reimbursement

Note: In addition to general comments on the straw proposal for this topic, stakeholders are also asked to provide example scenarios to help illustrate any questions/issues that they may have on reimbursement for in-service upgrades, multiple reimbursement periods, and posting versus billing.

Comments:

PG&E conditionally supports the concept the CAISO has laid out in the straw proposal, but provides the following comments and recommended changes:

- The accounting mechanism doesn't yet exist to break up repayments of amounts advanced for network upgrades. Currently each queue position has a single account by queue number. PG&E does not track amounts advanced by line item network upgrade. While we support the spirit of the proposal to break repayment up into only two repayment periods, in theory limiting the accounting, in practice the CAISO's proposal could be very complicated to implement without modifications.

Specifically, the CAISO's proposal proposes that in "instances where some of the required network upgrades are in service and others are not, reimbursement for the in-service upgrades can commence upon commercial operation of the generating facility or phase." This would require PG&E to track advances for each network upgrade on every

project, which in some circumstances would result in dozens of different accounts for each queue position.

PG&E therefore asks that the CAISO modify the proposal such that, in instances where at the time of COD some of the required network upgrades are in service and others are not, reimbursement can commence at COD for the amounts funded by the IC through COD, with another settlement account set up to reimburse amounts funded by the IC subsequent to COD through the earlier of completion of all network upgrades or two years following COD. This would align with the spirit of the CAISO proposal but significantly simplify the accounting from the PTO perspective, as a maximum of two settlement accounts would need to be created for each IC.

- While perhaps implicit in the proposal, PG&E would like the revised proposal to explicitly state that financial security requirements would need to be maintained for any remaining portion of upgrades not yet funded by ICs for up to five years after COD, consistent with current practice.
- The creation of multiple settlement periods will require modification to the settlement language in the pro forma interconnection agreements contained in Tariff Appendices T, V, BB, CC, EE and FF. In Appendix EE, for example, Section 11.4.1 will require modification. In addition to the modifications needed to conform the two timelines and to provide additional flexibility to the PTOs to reimburse on a timeline mutually agreed upon with the ICs.

Topic 14 – Distribution of forfeited funds

Note: Two alternative straw proposals are presented in the November 8 revised straw proposal for stakeholder consideration. The ISO requests stakeholder to comment on the pros and cons and their preferences for either of these alternatives.

Comments:

PG&E strongly supports Option B, because it is the more fair and equitable of the two options, and more closely aligned with the principle of cost causation.

PG&E's customers bear a disproportionate burden of impacts and costs associated with generation interconnection in our service territory versus other utilities in California, regardless of which utility purchases the power. This is so because PG&E has a disproportionate share of generation seeking to interconnect to our subtransmission system versus the other utilities. Per the CAISO queue as of November 22, 2013, the CAISO has 91 active requests to interconnect to PG&E's subtransmission system, and only 27 requests to interconnect to PG&E's high voltage

transmission system (>200 kV). Compare that with SCE, where only 30 requests at the subtransmission level¹, and 67 requests are at the high voltage transmission level. SDG&E has 17 requests at the subtransmission level compared with 25 requests at the transmission level.

As to cost causation, PG&E owns a disproportionately large share of the subtransmission (<200kV) under CAISO control. Unlike other utilities (particularly SCE), PG&E's subtransmission facilities are almost entirely CAISO jurisdictional, which means that associated costs are reimbursed through the local, rather than regional TAC. Using the funds to reduce only the high voltage TAC would create a market distortion that would negatively impact PG&E's customers, because many of the interconnection requests in our service territory are on the lower voltage subtransmission system. Forfeited funds ultimately should go back to those customers who bear the cost of funding the upgrades needed to bring generation online. Given that those costs are borne through the local TAC, forfeited funds should be applied to the local TAC. Option A would be more consistent with cost causation if the proposal was revised such that forfeited funds for interconnection requests at the subtransmission level are applied to the relevant local TAC, and forfeited funds for interconnection requests at the high voltage transmission level are applied to the regional TAC. PG&E would only support Option A if such revisions were made.

However, based on the elements of the options as they currently are framed in the straw proposal, PG&E supports Option B. Option B is the more equitable method to distribute forfeited funds because it offsets impacts to generation queue clusters and to PTOs pro rata, and applies those offsets to local study groups. Ultimately, Option B better aligns with causation of the adverse cost impact, both for customers of the PTOs and for the generators.

Topic 15 – Material modification requests (formerly “Inverter/transformer changes”)

Note: On November 18 the ISO posted draft Business Practice Manual (BPM) language regarding the modification process. The ISO is requesting written stakeholder comments on the draft BPM language by 5pm December 9, 2013. Please submit written comments on the draft BPM language to QueueManagement@caiso.com.

¹ Actually, if one assumes that SCE completes conversion of the Antelope-Bailey 66kV system to distribution and removes it from CAISO control, only six (6) projects would remain in the CAISO queue with interconnection requests in SCE territory at the subtransmission level.