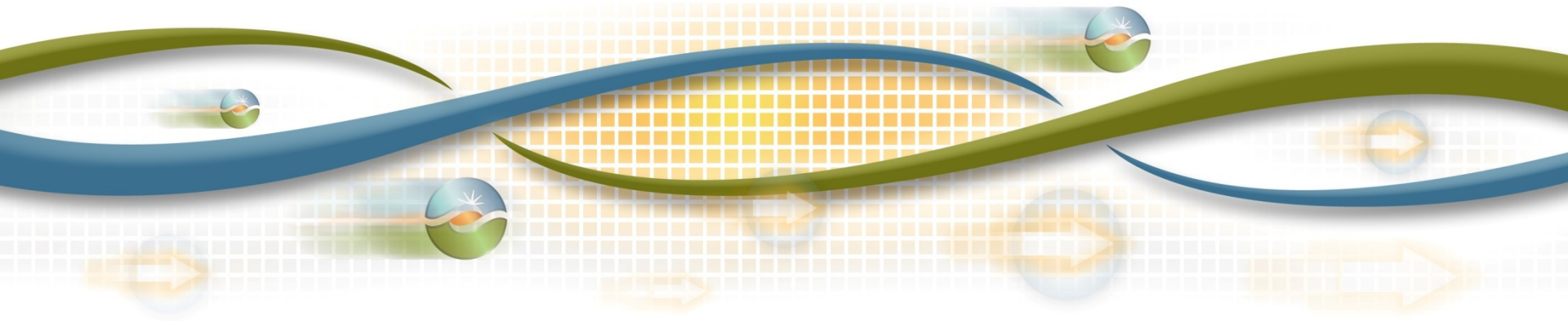


GIDAP Reassessment – Technical Bulletin

Reallocation of Cost Shares for Network Upgrades and Adjustments in Posting Requirements

Stakeholder Web Conference

November 6, 2013



Purpose of Technical Bulletin

- The GIDAP reassessment study is performed annually prior to the Phase II study.
 - Can result in projects in prior clusters having changes to their Network Upgrades (NUs).
 - Affected Interconnection Customers (ICs) are provided basic reassessment results in a reassessment report.
- Issues raised by ICs and Participating TOs (PTOs) caused the ISO to review the reassessment process.
 - Reconsidering the completeness of information provided in the reassessment report.
 - Examining relevant provisions and the underlying purpose related to its interconnection procedures.
- The GIDAP Technical Bulletin clarifies ISO procedures related to the GIDAP reassessment process

Purpose of Technical Bulletin (continued)

- Technical Bulletin explains how the reassessments will be revised and clarifies relief available for customers with new cost estimates below current financial security posting amount.
- Technical Bulletin addresses four reassessment issues.
 - Revisions to cost share responsibility for NUs
 - Adjustments to Interconnection financial security posting requirements
 - Calculating the amount of financial security at risk of forfeiture
 - Amendments to Generator Interconnection Agreements
- A stakeholder process will be initiated to consider potential tariff amendments related to the reassessment process and results.

Key Tariff Language – Section 7.4 of Appendix DD

Reassessment will evaluate the impacts on NUs identified in previous interconnection studies assumed in the Phase I Study.

- a) Interconnection Request withdrawals
 - b) Performance of earlier queued projects with executed GIAs with respect to milestones and other obligations
 - c) Compliance of earlier queued projects with TP Deliverability allocation under the retention criteria
 - d) Results of the TP Deliverability allocation from the prior Interconnection Study cycle
 - e) Transmission additions and upgrades approved in the most recent TPP cycle
- If changes to the NUs in earlier Clusters causes changes to plans of service in executed GIAs, GIA will be amended.

Reassessment process – background

- The reassessment is not an amendment to the Phase I or Phase II interconnection study; does not affect cost caps.
- Purpose of reassessment is to develop the base case for the Phase II studies.
 - 2013 reassessment affected 86 pre-Cluster 5 projects.
 - Affected projects were provided basic reassessment information, including study assumptions, study scopes and study conclusions.
 - Not all projects were provided an individual report.
 - Reports documented changes to the plan of service,
 - But reports did not take the next step by reallocating cost share responsibilities for NUs for customers remaining in the cluster.

Reassessment process – background (cont.)

- Cost share responsibility for NUs originally borne by withdrawn projects was not intended to be shifted to the applicable PTO except under certain limited circumstances specified in the ISO tariff.
- Cost shifting in cases when remaining customers are below their cost cap is not consistent with the underlying methodology and purpose of the cluster study procedures.
- Establishment of the cost cap was to define the risk to the Interconnection Customers (ICs) and Participating TOs (PTOs).
- The GIDAP reassessment study process never envisioned revisions to customers' existing security postings, which are based on Phase I and Phase II studies.
 - Costs typically decrease, but also have the potential to increase as a result of the reassessment.

ISO considerations and conclusions on revised cost responsibility for NUs

- Customers receive the cost benefits of removed NUs.
- Costs of NUs still needed that were previously assigned to the withdrawn customers need to be assigned appropriately.
- Tariff does not contemplate PTOs being held responsible for NU costs except when:
 - The cost for a NU cannot be assigned to ICs in the study group that originally triggered the NU;
 - because those costs would exceed the remaining customers' cost caps, or
 - because no customers remain in the study group.
- Requiring the PTO to assume the costs of NUs still needed would provide the remaining ICs with an unjustified relief of their cost responsibility.
- Reallocating the costs of NUs among the remaining projects within a study group, up to their cost cap, is consistent with the cost cap provisions of the tariff.

Revisions to cost share responsibility for NUs

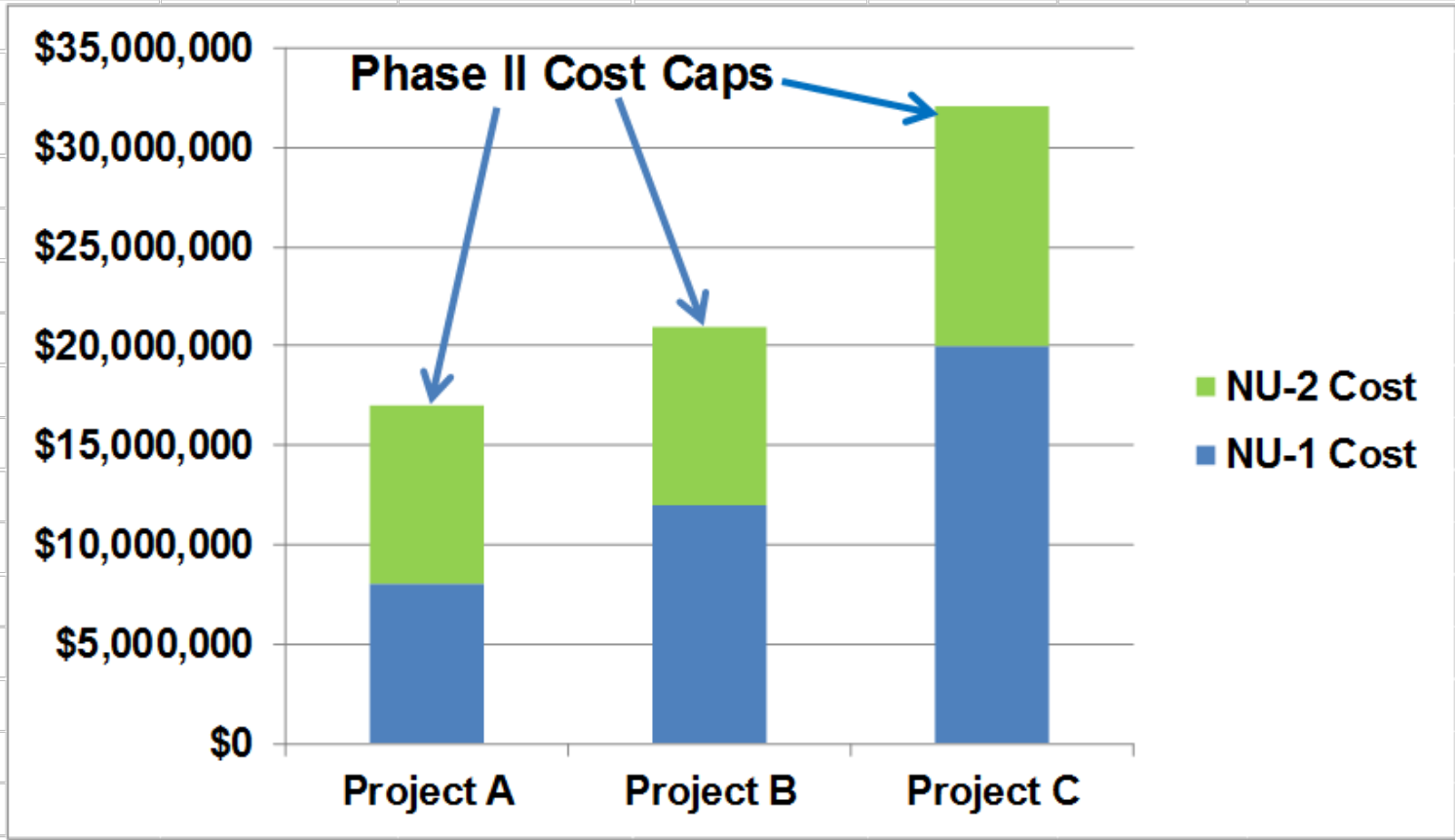
- Reallocations will be done mathematically, based on the cost share responsibilities of the remaining projects assign a cost share of the NU.
 - Most efficient without requiring full cluster studies for all previous cluster and serial projects.
 - Minor impact to the GIDAP study timelines.

Example of Cost Reallocation for NUs in the Reassessment Process

Initial Cost Allocations					
	NU-1 Cost	NU-2 Cost	Total NU Cost (Cost Cap)	Cost Share of NU-1	Cost Share of NU-2
Project A	\$8,000,000	\$9,000,000	\$17,000,000	20%	30%
Project B	\$12,000,000	\$9,000,000	\$21,000,000	30%	30%
Project C	\$20,000,000	\$12,000,000	\$32,000,000	50%	40%
Total	\$40,000,000	\$30,000,000	\$70,000,000	100%	100%

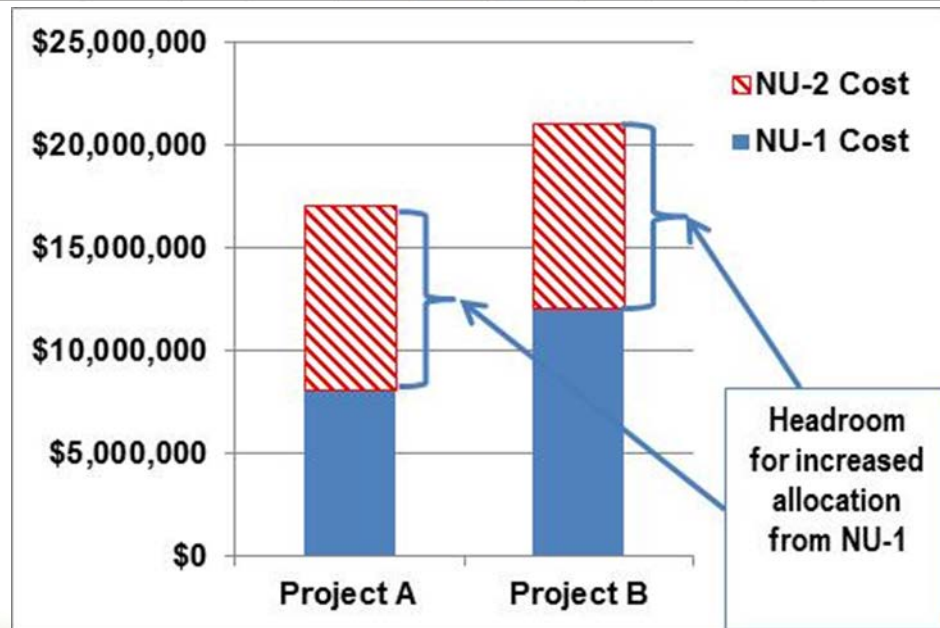
Revisions to cost share responsibility for NUs (continued)

Total Phase II Cost Responsibilities



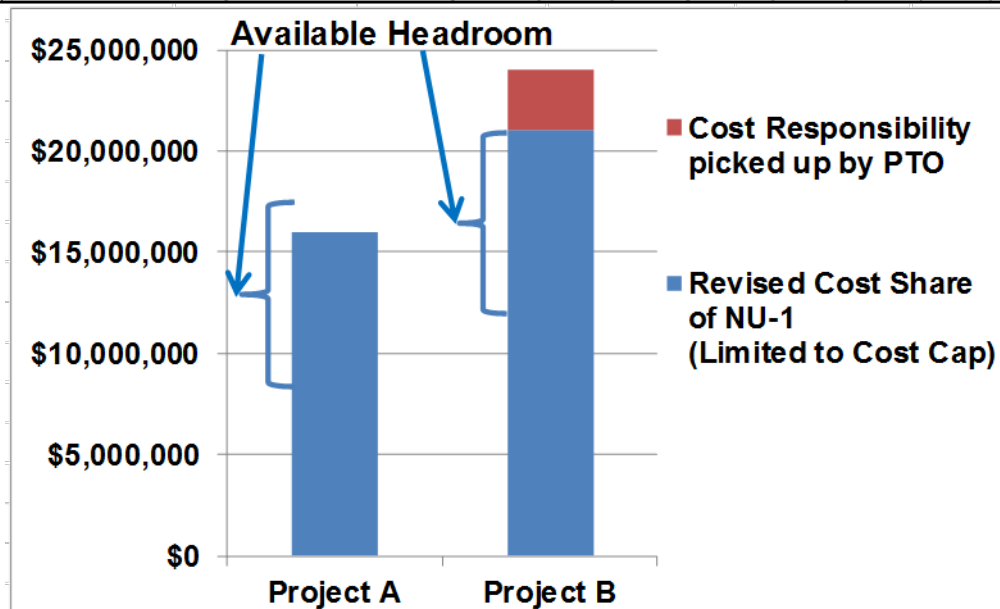
Revisions to cost share responsibility for NUs (continued)

Project C Withdraws & NU-2 is No Longer Needed				
	NU-1 Cost	NU-2 Cost	Total NU Cost (Cost Cap)	Cost Share of NU-1
Project A	\$8,000,000	\$9,000,000	\$17,000,000	20%
Project B	\$12,000,000	\$9,000,000	\$21,000,000	30%
Project C	\$20,000,000	\$12,000,000	\$32,000,000	50%
Total	\$40,000,000	\$30,000,000	\$70,000,000	100%



Revisions to cost share responsibility for NUs (continued)

Revised Cost Share Allocations After Reassessment					
	Cost Share of NU-1 (Prior to Adjustments)	Revised Cost Share of NU-1	Revised Cost Share of NU-1	Revised Cost Share of NU-1 (Limited to Cost Cap)	Cost Responsibility picked up by PTO
Project A	20%	40%	\$16,000,000	\$16,000,000	\$0
Project B	30%	60%	\$24,000,000	\$21,000,000	\$3,000,000
Total	50%	100%	\$40,000,000	\$37,000,000	\$3,000,000



Adjustments to Interconnection financial security postings

- The reassessment process was never intended to amend the Phase I or Phase II Interconnection Study.
- Only addendums to Phase I or Phase II studies result in adjustments to IFS postings and project cost caps
- IFS postings are based on total cost responsibility assignments in the Phase I Study Report, or the Phase II Study Report, whichever is lower.
- Limited exception – circumstances where an IC's total cost responsibility for NUs is now less than their second posting.
- Based on FERC precedent, the ISO will allow financial security to be reduced so that the total IFS posted equals 100% of the IC's current total cost share for Nus.
- IFS adjustments will include any reallocation of cost responsibility per the methodology in the Technical Bulletin.

Calculating the amount of financial security at risk of forfeiture

- Revisions to the plan of service will be the basis for determining the amount of IFS that is at risk of forfeiture upon a project's withdrawal.

Amendments to Generator Interconnection Agreements

- Projects affected by this Bulletin will receive a revised reassessment study report or supplemental information to the original reassessment study report.
- Revised reports will serve as the basis for any required amendments to executed GIAs, or for revisions to GIAs currently under negotiation.
- GIAs can be executed prior to the revised reassessment reports' completion if all parties agree.
 - The cost and allocation factor will be depicted as the lower of 100% of the cost for each network upgrade or the existing cost cap.

Implementation and 2014 stakeholder process

- Revised reports will be sent out before the end of 2013.
- The ISO commits to open a new stakeholder process in early 2014 to more broadly consider these issues.