Letter to CAISO Board of Governors regarding Interconnection Process Enhancements Initiative Final Proposal

Sent by Electronic Mail to KAlmeida@caiso.com

To the Members of the CAISO Board of Governors
c/o Mr. Keoni Almeida
Manager, Stakeholder Affairs
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

Re: Tariff Changes Proposed in the Interconnection Process Enhancements Initiative regarding the Allocation of Transmission Plan Deliverability

Dear Board Members:

At the suggestion of CAISO staff, I am writing on behalf of Amazon Energy, LLC ("Amazon") in regard to one aspect of the 2021 Interconnection Process Enhancements ("IPE") initiative that is coming to you for decision at your board meeting tomorrow, May 12, 2022.

CAISO staff has run an effective and thoughtful stakeholder process. Almost without exception, the results of this year's IPE effort are positive and will help to mitigate the challenges confronting the current GIDAP process. From Amazon's perspective, the one exception to this is the proposed change to the manner in which and resource adequacy ("RA") would be allocated through the Transmission Plan Deliverability ("TPD") process to Interconnection Customers. I write to share Amazon's concerns on this topic and to request that the board either not approve this aspect of the IPE initiative or otherwise hold it for further study.

By way of background, Amazon co-founded in 2019 The Climate Pledge, a commitment to be net-zero carbon across our business by 2040, 10 years ahead of the Paris Agreement. In the process, Amazon has become the world's largest corporate purchaser of renewable energy and is on a path to powering operations with 100% renewable energy by 2025, five years ahead of its original commitment. Amazon recognizes the widespread benefits that can be achieved by a more expeditious transition to a sustainable, decarbonized electric system. Amazon supports California's goal of cost effective decarbonizing the power grid while maintaining system reliability.

Amazon has already executed Power Purchase Agreements ("PPAs") for projects in California and intends to enter additional PPAs in California that it intends to use to cover the resource adequacy ("RA") obligation of the load serving entities ("LSEs") that serve its load.

The tariff changes CAISO staff proposes for Tariff Section 8.9.2 would make it unlikely any of Amazon's PPA counterparties will attain full capacity deliverability status ("FCDS"). CAISO staff has advanced this decision based on a concern that RA should go first to the projects of Interconnection Customers that are under contract with load serving entities ("LSEs"), *i.e.*, those with an RA obligation. The idea is that this will ensure that ratepayers get the benefit of the deliverability network upgrades they pay for in order for new generators to attain FCDS.

Throughout the stakeholder process, Amazon has pushed back on this concept, noting that it is inappropriate and unnecessary to use the identity of the Interconnection Customer's offtaker to determine TPD allocation priority. As detailed in those comments, an offtaker without a RA obligation will inevitably sell or otherwise engage in some kind of transaction that ensures that the value of the RA capacity is realized, meaning that the RA capacity will end up in a LSE's portfolio. That is Amazon's intention. While it does not have an RA obligation itself, Amazon is seeking to develop projects with RA that it can transfer or otherwise sell to the LSEs that serve its substantial load in California.[1]

In the CAISO's "Interconnection Process Enhancements 2021 - Final Proposal Phase I Enhancements" ("Final Proposal"), staff has made clear it no longer intends to disadvantage Interconnection Customers who have PPAs with counterparties that are not LSEs but only so long as the non-LSE offtaker can demonstrate that the RA attributes are under contract with an LSE for a prescribed period of time and that this contract is executed prior to the TPD allocation, years ahead of commercial operation for a project .

This is an improvement on the initial proposals, but the proposed tariff changes remain problematic and unnecessary.[2] It is Amazon's understanding that CAISO staff believes the proposed tariff change is necessary out of a concern that the projects of Interconnection Customers with non-LSE offtakers may fail and any expenses incurred by ratepayers for the required delivery network upgrades for those projects will be sunk and provide no corresponding benefit to ratepayers.

As an empirical matter, there is no evidence to support the proposition that the projects of Interconnection Customers with non-LSE offtakers are any more likely to fail than those with LSE offtakers. Amazon is unaware of any evidence supporting this proposition.

The current proposal likely means any project that would otherwise obtain FCDS may instead end up as "Energy-only." projects. With "Energy-only" projects, developers would not be

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[1] *See* Amazon comments submitted January 5, 2022, February 15, 2022, March 31, 2022 and May 5, 2022, which are available on the CAISO's website at https://stakeholdercenter.caiso.com/StakeholderInitiatives/Interconnection-process-enhancements-2021#phase1.

[2] A set of Amazon's most recent comments are attached with this letter. Given the short time between submission of the comments and the timing of the board's decision, it is unclear whether the proposed edits to the tariff will be made.

incentivized to build battery energy storage systems (“BESS”), which use RA to justify the costs of building the BESS. Because BESS help fight the “duck-curve,” the addition of “Energy-only” projects may reduce the amount of deliverable capacity being developed in California at a time when the State most needs it.

For these reasons, Amazon urges the Board to either reject the proposed changes to Tariff Section 8.9.2 or to at least defer a decision pending further study of the issue. Amazon is available for any questions the Board may have during its meeting tomorrow.

Sincerely,

Blair Anderson
Director, Amazon Web Services Public Policy

cc: Mark Rothleder
Neil Millar
Bob Emmons
Bill Weaver