

Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

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 February 24, 2011 *Issue Paper for Generation Interconnection Procedures 2 (GIP-2) Proposal* (at <http://www.aiso.com/2b21/2b21a4fe115e0.html>). We ask that you please submit your comments in MS Word to GIP2@aiso.com *no later than the close of business on March 10, 2011*. For the 21 topics listed below, we ask that you rank each with a score of 0, 1, 2, or 3 in the space indicated (a more detailed description of each topic is contained in the *Issue Paper* at the link, above).

- **3: For topics that are high priority and urgent.**
- **2: For topics that are high priority but not urgent. (i.e., topic could wait until a subsequent GIP stakeholder initiative).**
- **1: For topics that have low priority.**
- **0: For topics in which “the ISO need not bother.”**

Stakeholders need not rank or comment on every topic but are encouraged to do so where they have an opinion. The ISO will assume that a stakeholder has “no opinion” on issues for which no rank is provided.

Your comments on any these issues are welcome and will assist the ISO in the development of a Straw Proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Comments on Items listed in GIP 2 Issue Paper:

1. Develop procedures and tariff provisions for cost-benefit assessment of network upgrades.

Rank: 0

Comments:

Recurrent Energy does not see any pressing reason to proceed with this proposal. As discussed at the meeting, CPUC-jurisdictional buyers (the majority of CAISO-area load) already consider transmission costs in their procurement contracting; since virtually all generation projects must have PPAs from those buyers, this issue is already being addressed without the need for CAISO action.

That said we have no objections to a reasonable test that does not allow limitless amounts to be spent on Network Upgrades just because a developer is willing to provide up-front funding. However, we see this effort as being outside the “nuts and bolts” practical scope of typical “GIP Reform” efforts; it would require considerable high-level policy work – for example, to ensure that transmission-cost factors are not double-counted through the aforementioned CPUC-regulated procurement activities.

2. Clarify Interconnection Customer (IC) cost and credit requirements when GIP network upgrades are modified in the transmission planning process (per the new RTPP provisions)

Rank: 3

Comments:

The first group of projects whose large upgrades will be considered in the TPP (Clusters 1 and 2) is nearly to that point. The impacts on their IFS should be determined by the time that those assessments are completed, later this year.

3. Provide additional transparency regarding Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

Rank: 3

Comments:

There are many issues that must be addressed here to bring stability to this aspect of interconnection, including:

- Inconsistent formats, which make it extremely difficult or impossible to make ready comparisons between PTO costs

- Lack of completeness, where some PTOs do not provide costs for equipment at some voltages;
- Inconsistencies between PTO costs for the same equipment, including widely different starting points and inconsistent “multipliers” for various factors
- ;
- Inconsistent/unreasonable adjustments to the above costs. For example, SCE and SDG&E take what appear to be conservative assumptions to start, multiply them by as much as 3 for factors like terrain, add a 35% contingency, and then (in the case of SCE) add a 10% “agents fee” on top of that. Part of the problem is the conflict between the CAISO tariff, which requires PTOs to post “anticipated” costs, and the SCE/SDG&E approach, which they characterize as a “not-to-exceed” approach.

The result of this process is PTO cost estimates that are so ridiculously inflated that they fail to function as an effective cost cap. They exceed, sometimes by orders of magnitude, costs for the same equipment in other jurisdictions; to date, there has been no virtually no CAISO oversight, i.e., guidance on methodology or validation of the results. In the discussion of this topic, Recurrent Energy is aware of the benefits which consistency in costing methodology among service territories could bring, but would stress the need to strive for accuracy in cost estimates.

4. Clarify applicability of GIP for a generator connecting to a non-PTO that is inside the ISO Balancing Area Authority (BAA) and wants to have full capacity deliverability status.

Rank: 1

5. Explore potential modifications to the triggers that establish the deadlines for IC financial security postings.

Rank: 3

Comments:

Recurrent Energy would like to see consideration of the Second IFS Posting deadline through this effort, as well as the definition of a “final” study that triggers the Initial and Second postings.

- **Coordination of second posting, Phase II Study, & GIA:** Consider one or both of these, because of possible differences between Phase II Study results and GIA terms:
 - Basing the Second IFS Posting deadline on GIA execution, instead of Phase II study issuance
 - Clarifying that the second posting bases and amounts would be adjusted for differences between Phase II Study results and the terms in the executed GIA, if the posting was due before the GIA was executed or the parties have already agreed on changes from the study.
- **“Final” studies & IFS posting deadlines:** Consider when a study is actually final, i.e., CAISO issues “final” studies, and posting deadlines aren’t adjusted even if studies are

revised later (so Interconnection Customer (IC) has less than intended time to make posting decision and arrangements). This issue should include the both the Initial and Second Postings, and consider all changes (not just the small subset in the CAISO proposal for the Second Posting).

6. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Rank: 2

Comments:

These clarifications are needed this year, as the Transition Cluster projects are completing GIAs and construction may start this year on at least some upgrades to serve them; moreover, the timing of such postings could influence a decision on whether or not to proceed with the Second IFS Posting. This item should include the following:

- **“Start of Construction” clarification:** Whether this includes design/permitting or other pre-construction activities, or only “turning shovels of dirt”
- **Third posting phasing:** Possible phasing of third Interconnection Financial Security (IFS) posting based on different “Start of Construction” dates for major discrete upgrades

7. Clarify ISO information provision to assist ICs.

Rank: 3

Comments:

Recurrent Energy supports the CAISO’s tentative proposal to post the non-confidential portions of interconnection cluster studies. The CAISO should also include the data and analyses supporting those reports.

8. Consider partial capacity as an interconnection deliverability status option.

Rank: 1

9. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Rank: 2

Comments:

This is an important element – we ranked it below a 3 because the CAISO has apparently allowed termination of later project phases on a case-by-case basis. However:

- The CAISO’s definition of this proposal – to allow such termination only where projects are defined up-front as phased – is too restrictive. This option should also apply where a project must be downsized, e.g., for environmental/permitting or other reasons.

- As noted at the meeting, the costs for the portion of the project that is completed may not be proportional to the completed MWs. It is possible, for example, that the costs for the completed portion might be: (1) more than proportional (if the upgrades triggered were lumpy, so all were needed even for the lesser MWs); or (2) less than proportional (if the upgrades not needed were the most expensive). However, short of re-doing the original cluster study (which may have been performed years before), there is no way to know this, and we believe that the proportional method proposed by the CAISO is reasonable.
- There should be a way for the IC to receive refunds for the remaining Network Upgrade costs if the facilities funded are later used by other generation projects or loads.

10. Provide for partial repayment of IC funding of network upgrades upon completion and commercial operation of each phase of a phased project.

Rank: 3

Comments:

The transmission constructed for each phase is “used and useful” when that phase comes on-line, so repayments should begin at those times.

11. Applying Section 25 of the tariff to conversions of grandfathered generating units to compliance with ISO tariff.

Rank: 0

12. Clarify site exclusivity requirements for projects located on federal lands.

Rank: 0

13. Specify appropriate security posting requirements where the PTO elects to upfront fund network upgrades.

Rank: 3

Comments:

The CAISO should clarify that the current tariff does not require IFS from ICs under circumstances where a PTO elects to fund network upgrades upfront. There is no reason for ICs to post security for upgrades that they are not funding, because there is no recovery risk to the PTO; the PTO agreement to finance, and the cost-effectiveness and exploration of alternatives that are required for approval of the project by regulatory bodies, ensures that ultimate costs to ratepayers will be reasonable even without this additional supplier “skin in the game.”

14. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Rank: 1

Comments:

Recurrent Energy does not find this to be an urgent matter. The suggestion is reasonable but resources should not be taken away from the other pressing issues which need resolution during this Phase II process.

15. Clarify posting requirements for an IC that is already in operation and is applying only to increase its MW capacity.

Rank: 0

16. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Rank: 3

Comments:

The PTOs' practices should be standardized, so that all PTOs use the same conventions and the cost estimates in the interconnection studies and GIAs are consistent.

17. Clarify how GIP applies to storage facilities and behind-the-meter expansion of existing facilities.

Rank: 0

18. Conform technical requirements for small and large generators to a single standard, and develop study methodology to determine voltage impacts pursuant to FERC's 2010 order on ISO's proposed new interconnection standards.

Rank: 1

Comments:

While we agree that the standards should generally be the same for small and large generators, the MWs in question are relatively small, so this issue could be deferred to GIP-3.

19. Revisit tariff requirement for off-peak deliverability assessment.

Rank: 3

Comments:

The Full Capacity interconnection requirements should be geared toward those matching the RA deliverability rules, which currently are based on on-peak production for VERs. Thus, funding of off-peak Delivery Network Upgrades should not be required.

However, we do not support the CAISO's proposal to eliminate the off-peak deliverability assessment. Especially in areas where either wind or solar are predominant (the majority of the identified high-potential renewable-energy development areas), congestion in off-peak hours (nighttime for wind, weekend afternoons for solar) might significantly limit the energy that can be delivered out of that area.

The CAISO should continue to provide off-peak deliverability assessments. Generators in such clusters where upgrades are needed to provide that deliverability should be allowed to collectively decide whether or not to finance these upgrades in the interconnection process.

20. Include operational impacts in assessing generation interconnection impacts.

Rank: 0

21. Revise provisions for transferring queue position to a new IC.

Rank: 0

Other Comments:

1. Are the five workgroups and their topic areas organized properly?

Recurrent has no comment at this time

2. Are there other topics that you believe should be considered for the scope of GIP 2?

The stakeholders participating in CAISO's GIP Phase 2 would benefit from the process including consideration of the following issues:

Cost Allocation Methodology

- Allocation of entire Network Upgrade (NU) cost, vs. only the "needed" portion.
- Allocation of NU costs based on flow after an upgrade, vs. to the project(s) that trigger it.

Queue Clearing Procedures

- Potentially non-viable projects remaining in the queue but failing to progress.