

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Second Revised Straw Proposal, posted January 12, 2012**

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on January 31, 2012.

Submitted by	Company	Date Submitted
Jan Strack jstrack@semprautilities.com Mariam Mirzadeh mmirzadeh@semprautilities.com	SDG&E	February 7, 2012

This template is for submission of stakeholder comments on the topics listed below, which were discussed in the TPP-GIP Integration Second Revised Straw Proposal posted on January 12, 2012, and during the stakeholder meeting on January 19, 2012.

Please use the list of topics and questions below to structure most of your comments. At the end of the document you may offer comments on any aspect of this initiative not covered by the topics listed. When you state a preference for a particular approach on a topic or issue, your response will be most helpful if you clearly explain the reasoning and business case for your preference.

Section 1. High-level structure of the TPP-GIP Integration proposal. (Please use section 2 below to comment on the details of each element.)

1. The process as described in the January 12 paper and outlined below reflects the proposed process for projects in GIP cluster 5 and later. The process for existing queue projects (serial through cluster 4) will proceed according to the ISO's January 10, 2012 revised discussion paper.
2. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades.
3. The requirement for customer-funding of network upgrades (option (B)) would apply only to delivery network upgrades (DNU); posting and reimbursement for reliability network upgrades (RNU) for all projects would remain as today.
4. The allocation of TPP-based deliverability to generation projects would occur after GIP Phase 2, rather than after Phase 1 as in the previous proposal.

5. Allocation of TPP-based deliverability – and project’s ability to retain allocation – will depend on the project’s completion of significant development milestones that demonstrate high confidence in attaining COD. (Specification of appropriate milestones is covered in the next section.)
6. The allocation of TPP-based deliverability should achieve the following objectives as far as possible: (a) select projects with high probability of completion; (b) limit ability of non-viable projects to retain the allocation; (c) provide sufficient certainty to enable financing of viable projects; (d) objectivity and transparency.

Section 2. Details of individual elements of the proposal.

GIP Phase 1

7. For extremely large cluster groups compared to the amount of “TP deliverability” (the amount supported by existing grid plus all approved upgrades to date), GIP phase 1 will study deliverability in each area up to the amount of TP deliverability plus a reasonable margin. The intent is to avoid excessive DNU costs that can result from extremely large clusters, while providing useful information on needed DNU and associated costs if generation development exceeds grid capacity.

SDG&E Comment: *SDG&E suggests that the margin for each CREZ be calculated by multiplying the MW amount in the TPP base case for that CREZ times the ratio of (i) the capacity that is included in the TPP base case for that CREZ divided by, (ii) the amount of renewable capacity seeking to interconnect within that CREZ.*

8. Phase 1 will study RNU for all projects in the cluster.
9. As a result of Phase 1 each project will know its RNU and associated costs, and these results will establish cost caps for RNU as they do today.
10. The DNU and associated costs resulting from phase 1 will be advisory. The only formal use of Phase 1 DNU costs in the TPP-GIP process will be to establish posting requirements for projects advancing to phase 2 under option (B), as described below.

SDG&E Comment: *We already know that using the existing methodology provides unrealistic DNUs (hence, unrealistic associated costs). This likely will result in most projects selecting Option A since there is no requirement for financial posting for Option A projects at the end of phase 1 and they have a one year period to cure milestone deficiencies. This will result in an oversubscribed queue – same as before GIPR when we had no financial posting requirement for remaining in the process. SDG&E suggests that the CAISO eliminate the one year cure period for Option A projects that fail to meet their milestones within the 120 day period.*

Project's Decision to Enter Phase 2 and Implications of Decision

11. After GIP Phase 1, each generation project advancing to GIP Phase 2 must elect either (A) – project requires TPP-based deliverability; or (B) – project is willing to pay for delivery network upgrades. Once a project chooses and the deadline for phase 2 is passed, the project cannot switch to the other option.
12. A project choosing (A) will have to post for its RNU under today's rules, but not for DNU.
13. A project choosing (B) will have to post for both RNU and DNU. Its DNU posting amount will use phase 1 results for the project's study area, converted to a DNU rate (\$ per MW of deliverability) = (cost of incremental DNU)/(deliverability MW studied above TP deliverability amount). The posting amount will = rate x (project MW), where project MW reflects how the project is modeled in the deliverability study depending on the resource type, would typically be less than nameplate for renewables.
14. A project choosing (B) will be eligible for TPP-based deliverability if available, but should expect very low probability of obtaining it and should plan to fully fund its needed DNU.

GIP Phase 2

15. ISO will perform a baseline re-study at the start of each phase 2 study process. The re-study will assess impacts of status changes – project drop-outs or revised COD, new transmission expansion approvals, etc. As a result, the RNU or DNU for some projects may be modified and their GIAs revised.
16. Phase 2 will study RNU for all projects in phase 2.
17. Phase 2 study will assume that all TP deliverability is used up by (A) projects and existing queue, and then will model (B) projects at requested deliverability status to assess their incremental DNU needs.

Allocation of TPP-based Deliverability

18. Once phase 2 results are completed and provided to the projects, the 120-day period for negotiating and executing the GIA begins. Option (A) projects that demonstrate completion of certain milestones within this period will be able to execute GIAs at their requested deliverability status, with no cost responsibility for DNU. Option (B) projects that complete the same milestones would be eligible for TPP-based deliverability, but would receive an allocation only if capacity is available.
19. The proposed milestones required are (a) completion of all permitting required to begin project construction, and (b) either a PPA approved by buyer's regulatory authority or demonstration of committed project financing. PLEASE COMMENT on whether these milestones are appropriate, or if not, what milestones would be preferable and explain why. Please keep in mind the objective that milestones must provide a high confidence that the project will meet its planned COD.

20. PLEASE COMMENT on what could constitute evidence of committed project financing as an alternative to regulator-approved PPA for item (b) above.
21. All option (A) projects that meet the milestones by the time required would be able to execute FC GIAs at this time, even if the total amount exceeds the TP deliverability available. In that case, the ISO would expand the TPP planning portfolio in that area for the next TPP cycle, to provide sufficient deliverability.

SDG&E Comment: *As the Ormat Turbine representative at the January 19, 2012 stakeholder meeting pointed out, expanding the TPP planning portfolio to provide “sufficient deliverability” should not be done without regard to the cost of the expansion and the benefits that such expansion provides relative to other alternatives. SDG&E suggests that where the costs of such expansion exceed the benefits that such expansion would provide (e.g., the value of Resource Adequacy (RA) counting rights), the option (A) generators that require such expansion in order to be fully deliverable be required to fund, without reimbursement, the uneconomic portion of the expansion costs.*

22. Any project that obtains TPP-based deliverability would have additional milestones in its GIA which track progress toward COD. Failure to meet one of these milestones would cause the project to lose its deliverability allocation, but would not necessarily terminate its GIA if the project wishes to continue as EO.
23. An option (A) project that does not meet the milestones by the time required would have an opportunity again in the next GIP phase 2 cycle, one year later. If it does not qualify by the end of the next year’s 120-day GIA period, it must either withdraw from the queue or continue under an Energy Only (EO) GIA.

SDG&E Comment: *If a project that selects Option A does not meet the criteria (at least having a signed PPA (not necessarily regulatory approval) + the other milestone requirements) within the allotted 120 days the project should either continue as EO, drop out/reenter the queue or join the Option B projects.*

24. An option (B) project that does not obtain TPP-based deliverability in the current cluster cycle (120 days from phase 2 results to GIA execution) will no longer be eligible for TPP-based deliverability and must proceed to GIA that includes full self-funding of its DNU.
25. If a (B) project drops out after phase 2 instead of executing a GIA that includes self-funding of its DNU, it loses a portion of its posting. PLEASE COMMENT on how much of the posting should be forfeited, and explain your logic.

SDG&E Comment: *The criteria for continuing as either option should be stringent enough to prevent any gaming or using the queue*

positions as a commodity. This would help to avoid an unmanageable queue.

Other Proposal Elements

26. DNU paid for by an interconnection customer would fall under the merchant transmission provisions of the ISO tariff and would be eligible for allocation of congestion revenue rights commensurate with the capacity added to the ISO grid. The customer would be able to select a non-incumbent PTO to build the project, provided it is a “green field” project and the builder meets qualifications specified in the ISO tariff.
27. If a (B) project funds DNU that provide more capacity for deliverability than the project needs, the funding party or parties would need to fully pay for the DNU, but would receive reimbursement for the excess deliverability from later projects that are able to use it.

SDG&E Comment: *In the GIA for the Option B generator that funded the DNU that provided additional capacity there should be language to address the cost sharing based on a MW pro-rata for future projects.*

28. Some projects that go forward under these new provisions could be subject to reduction in annual net qualifying capacity (NQC) for one or more years. This could occur if transmission capacity in an area must be expanded through the TPP to accommodate the amount of deliverable capacity that achieves COD in that area. Consistent with the ISO’s January 10 discussion paper on cluster 1-2 approach, “existing” projects would not be subject to the reduction, but “new” projects would be. “New” would include all cluster 5 and later projects that elect option (A).
29. It was suggested by some stakeholders at the January 19 meeting that as an alternative to applying NQC reductions if the need arises, the ISO should allow the new projects to count fully for resource adequacy without any NQC reduction so that the projects and the LSE buyers are insulated from any direct impacts, and then make up for any resulting shortfall in resource adequacy capacity via ISO backstop capacity purchases. PLEASE COMMENT on this proposal.

SDG&E Comment: *SDG&E does not support proposals that would insulate either existing or new generators from possible reductions in next year’s NQC, especially where this would be accomplished by the CAISO invoking its out-of-market backstop procurement authority. The reality is that system conditions change from year-to-year. It is possible that generating capacity that was expected to be deliverable based on earlier studies, may not be available in an upcoming RA compliance year. Consumers should not be automatically obligated to assume the economic consequences for unforeseen circumstances that could make a generator undeliverable. These risks should be*

managed through the Power Purchase Agreement (PPA) process.

30. Please use the space below to offer comments on any other aspect of the proposal not covered above.