Stakeholder Comments Template

Subject: Generation Interconnection Procedures Phase 2 ("GIP 2")

Submitted by	Company	Date Submitted
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SDG&E provides the following comments to the Straw Proposal:

This template was created to help stakeholders structure their written comments on topics detailed in the April 14, 2011 *Straw Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at http://www.caiso.com/2b21/2b21a4fe115e0.html). We ask that you please submit your comments in MS Word to GIP2@caiso.com *no later than the close of business on May 5, 2011*.

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

Your input will be particularly valuable to the extent you can provide greater definition and clarity to each of the proposals as well as concerns you may have with implementation or effectiveness.

Comments on topics listed in GIP 2 Straw Proposal:

Work Group 1

1. Develop procedures and tariff provisions for cost assessment provisions.

Comments:

The cost-benefit analysis for the network upgrades is extremely important. Just by having a project included in one or more executed LGIA does not assure construction. SDG&E believes that in order to be able to facilitate the permitting of the high cost Delivery Network Upgrades (DNU) that are identified as part of the CAISO Deliverability Assessment there needs to be a cost-benefit analysis to allow selection of the NU projects which can be justified and permitted for construction. Before the PTO effects a reimbursement of the cost of these DNUs are to the developer at COD and included the transmission rate, these DNUs first must be evaluated from a cost/benefit point of view to demonstrate cost saving to the ratepayers. This demonstration is essential to the PTO acquiring CPUC approval to move forward with construction of the DNU project.

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)

Comments:

The cost and credit requirements for a project that is identified as a DNU -- however evaluated and redefined by RTPP -- should not be any different from projects only coming out of GIP. If the purpose of a network upgrade is for delivery of the newly interconnecting generation (not reliability), the funding should still be through the GIP to manage the risk of additional cost to ratepayers if a project drops out after having an executed LGIA/SGIA.

In the CAISO presentation from the 4/28 stakeholder meeting one slide presented by Lorenzo Kristov under GIP Cost Assessment Provisions titled “Comparing GIP Phase II Study Results to Comprehensive Transmission Plan” indicated:

- If approved elements of the Plan completely meet the needs of a study group, the entire group may proceed to LGIAs with no cost responsibility for network upgrades.

The PTO should not be responsible to pick up the costs for the network upgrades approved in the Plan.

Work Group 2

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

Comments:

5.2.1 Agree. PTOs should use common format for presenting per unit cost information. SDG&E also reiterates its earlier comments that as long as Phase I cost estimates include land, ROW, environmental mitigations and permitting and amount to a “not to exceed” cost exposure for the developers, the cost estimates are going to be unreasonably high due to

lack of detailed engineering and environmental information. For this reason there is not a lot of detail behind the unit costs for new transmission lines and new substations at this stage of the studies.

4. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Comments:

A generator connecting to a non-PTO should request a Deliverability Assessment from CAISO by injecting to the bus at the interchange point (or related branch group) unless it is using existing available interchange capacity.

5. Triggers that establish the deadlines for IC financial security postings.

Comments:

5.2.3 Under Phase II Posting Proposed Process, it states "The ISO, PTO and IC will issue a final draft GIA to the IC 120 calendar days after the ISO issues the draft Phase II report to the IC. " SDG&E would like the CASIO to interpret if it intends to strictly stay to this 120 calendar days, or if this is a suggested guideline rather than a firm deadline. If this 120 calendar days is a suggested guideline, then SDG&E suggests the tariff language should be reworded to include the term "best efforts, "The ISO, PTO and IC will use best efforts to issue a final draft GIA to the IC 120 calendar days after the ISO issues the draft Phase II report to the IC."

Much PTO time and effort goes into the GIA negotiations for which the PTO is not compensated. Transmission Planning, Transmission and Substation Engineers, Project Management, Legal, and Environmental efforts to negotiate the GIA are provided at no cost to the IC, however the IC has no incentive to complete the GIA negotiations within the amount of time established in the tariff.

SDG&E suggests that if the GIA negotiations extend beyond the 120 calendar days per the GIP tariff, the PTO should be allowed to charge the IC for the efforts that extend beyond the 120 calendar days.

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

Comments:

5.2.4 SDG&E is not aware that any confusion about the definition of the start of construction exists. After the LGIA is executed, the start of construction is when written authorization to proceed with construction is due pursuant to Articles 5.5.2 and 5.6.3 of the LGIA and when the third/final posting of IC financial security is due, pursuant to Articles 5.5.3, 5.6.4 and 11.5 of the LGIA and as should be outlined in LGIA Appendix A.

Consistent with its earlier comments, SDG&E agrees with the last paragraph of 5.2.4 that the relationship between E&P agreement security posting and third/final posting of IC financial security per the LGIA should be clarified in the GIP tariff. The GIA start of construction financial security posting = total GIA financial security posting requirement less any E&P agreement financial security postings.

The CASIO proposes If the Network upgrades on behalf of an Interconnection Customer consist of multiple components and or multiple phases of a single large transmission project which will be constructed as multiple construction phases, then the Interconnection Customer's requirement to under CAISO GIP Section 9.3.2 to increase the amount of the Financial Security Instrument to equal one hundred percent (100%) of the cost of Network Upgrades shall be divided into separate components corresponding to the multiple components or multiple phases of scheduled construction. The PTO shall present a schedule outlining the cost and construction timing of the various components/phases of the IC's required network upgrades. SD&E believes the security postings in phases can be negotiated into the terms of the GIA, however the division of security postings into separate components should not be mandated by the GIP tariff. SDG&E does not support the use of the proposed standard project phase criteria. This will serve to complicate and lengthen the already elongated 120 calendar day GIA negotiation period specified in the tariff which is rarely adhered to.

SDG&E will provide further comments during the working group discussions because SDG&E believes if different phases of a project have a separate COD, and separate upgrades associated, CAISO should make these phases of a project completely separate projects. **See SDG&E comments in 9.below**.

7. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

5.2.5 SDG&E suggests and supports development of a procedure to alleviate confusion as experienced in the most recent security postings following Cluster 2 Phase I. SDG&E proposes that the CAISO should provide to parties a summary of the IC's financial security amounts due, due dates, and details of calculations and cost allocations between PTOs for network upgrades at the Phase I and Phase II Results Meetings. SDG&E supports CAISO efforts to develop a procedure and responsibility document in coordination with the PTO.

SDG&E recommends CAISO should also develop a procedure and responsibility document for IC Network Upgrade Permitting Responsibilities for Network Upgrades where costs are allocated to several projects in a cluster, where each is allocated less than 100% of the total Network Upgrade cost. **SEE BELOW - SDG&E Other Comments: 2.**

8. Information provided by the ISO (Internet Postings)

Comments:

5.2.6 SDG&E applauds the CASIO efforts to provide more current information by consistently and more frequent updates to the Queue.

Work Group 3

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

Comments:

5.3.1 Considering the fact that there is no provision for restudy/re-evaluation of a project, partial termination might cause issues with the CASIO Queue involving adverse impacts on lower projects in the queue, and might result in the Queue providing to the market bad or incorrect information. Allowing an IC to terminate/abandon a large capacity phase of a project with large upgrades associated with it could cause unrealistic upgrades to be associated with projects lower in the Queue. If different phases of a project have a separate COD, and separate upgrades associated, CAISO should consider making phases of a project completely separate projects.

SDG&E will provide further comments during the working group discussions about the impact on Deliverability Assessment and Delivery Network Upgrades.

10. Reduction in project size for permitting or other extenuating circumstances

Comments:

Could be deemed a material modification if results in significant impacts to other projects in the queue. See SDG&E response at **Other Comments 1 b)** below.

11. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

SDG&E disagrees with this proposal. IF the IC wants partial reimbursement, then the project should be broken into phases that correspond with the partial cost. This means a separate phase with a separate COD and separate network upgrades should be a separate

project. Reimbursement for network upgrades should remain as defined in the LGIA, upon the project's COD. It would also cause complication and administrative burden in the tracking the partial repayments.

A better solution is for the IC to instead submit the separate phases of the project as separate projects in the Queue.

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

    Comments:

    SDG&E to provide comments, if any, during the working group discussions.

13. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

    SDG&E to provide comments during the working group discussions. For Repowering and Increasing Capacity of existing generation projects these should be evaluated on a case-by-case basis.

    a. Fast Track application to facility repowerings

       Comments:

    b. QF Conversion

       Comments:

    c. Behind the meter expansion

       Comments:

    d. Distribution level deliverability

       Comments:

Work Group 4

14. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

SDG&E agrees with the CAISO presentation from the 4/28 stakeholder meeting one slide presented by Bill Di Cappo under LGIP/LGIA Interconnection Cost and Security Requirements titled "Principles regarding posting offset", which indicated: CAISO does not participate in PTO decision to up front fund, IC posts for all components the PTO does not elect to up front fund, and Network Upgrade Posting should be waived as long as the PTO up front funding commitment lasts.

15. 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.

Comments:

SDG&E agrees with the CAISO presentation from the 4/28 stakeholder meeting one slide presented by Bill Di Cappo under LGIP/LGIA Interconnection Cost and Security Requirements titled "Revise LGIA Insurance Requirements", which indicated the PTO should only be required to provide evidence of insurance coverage at the quest of the IC.

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

Comments:

5.4.3 SDG&E agrees a uniform approach should be adopted. All dollar amounts should be provided in "As-Year-Spent" dollars.

17. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

5.4.4 Currently GIP 6.7 Section provides that the unit costs shall establish the maximum value for the Interconnection Financial Security required from each IC under GIP Section 9 for such Network Upgrades. The CAISO indicates that the maximum cost responsibility is the lower of Phase I or Phase II cost estimates. SDG&E disagrees. SDG&E believes that that the maximum cost responsibility should be the greater of the Phase I or Phase II cost estimates.

Because the IC mix and MW capacity in the cluster is usually different in Phase II, the Phase I cost estimates could not establish the maximum values for Interconnection Financial Security required from each IC.

18. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

SDG&E has not experienced a situation where the IC has identified this cap is necessary.

Work Group 5

19. Partial deliverability as an interconnection deliverability status option.

Comments:

This question was asked repeatedly by SDG&E's interconnecting customers at the Phase I results meetings for both cluster 1 and cluster 2.

For example, if a project study reflects the need for $500MM Network Upgrades (resulting from building three different transmission projects) associated with it to be 100% deliverable, what is the level of deliverability at various incremental dollar amounts (what deliverability does a project get with $100MM, $200MM, etc. up to the $500MM total)

20. Conform technical requirements for small and large generators to a single standard

Comments:

Power factor requirements (±0.95%) should not be waived and each project should be evaluated on its own merit and not as part of a cluster. Reactive power support and voltage control performance is necessary for each project since it cannot be assured what mix of generators will be on line at the real time operation. A project by pushing MW on the transmission system causes reactive losses, which results in voltage deviation (under light load condition the deviation is in form of increase in voltage) that must be mitigated by the

generator(s) causing it. (It is more costly to mitigate these conditions by stand alone dynamic VAr control equipment or real-time ancillary service procurement).

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

Comments:

The purpose of the Deliverability Assessment is for meeting the Resource Adequacy requirement dictated by the CPUC. The Net Qualifying capacity Assumptions for DA studies should be in line with qualifying capacity factors assigned by CPUC to various resources. CAISO DA study assumptions for NQC are far from corresponding to the QC assigned for RA. Since reliability assessment studies dispatches projects at full output to capture the reliability impacts there is no need for the DA to dispatch at such high levels.

22. Annual updating of ISO's advisory course on partial deliverability assessment

Comments:

SDG&E to provide comments, during the working group discussions. The scope of the partial deliverability assessment is not clear to SDG&E.

23. CPUC Renewable Auction Mechanism requirement for projects to be in an interconnection queue to qualify

Comments:

SDG&E to provide comments, if any, during the working group discussions.

Other Comments:

1. Provide comments on proposals submitted by stakeholders.

a) Gary Holdsworth for SCE provided comments on Items listed in the Straw Proposal at 4.7 Stakeholder Participation: **"…Lastly, they would like the suspension provisions removed from the Generation Interconnection Agreement ("GIA") as this could cause delays and uncertainty building transmission for non-suspending entities."**

SDG&E agrees with Gary's/SCE's comments. SDG&E would also add that if the suspension provisions are not removed, then the language in this section of the GIA needs to be modified to include when the suspension can become applicable. For example, if an IC provides to the CAISO and SDG&E a written request to suspend work on their project per Article 5.16 of the GIA. However if this IC has not yet provided the required security for the Interconnection

Facilities and Network Upgrades per Article 5.5.2 and has not provided the required written authorization to proceed with the work per Article 5.5.3, then the interconnection work the IC is requesting to suspend has never been started. SDG&E argues that work cannot be suspended pursuant to the Article 5.16 of the GIA if work was never started per Articles 5.5.2 and 5.5.3 of the GIA (no security posted and no written authorization to proceed with the interconnection work). This is merely a loop hole in the process used as a delay tactic by the IC.

b) Kristin Burford for Large-scale Solar Association submitted a proposal about Project Size Adjustments in GIP and GIA Resulting from Permitting Restrictions which provided a bullet **"After Phase II, an interconnection customer (IC) may request a modification under the GIP and GIA. A Material Modification is defined in the CASIO tariff as a —modification that has a material impact on the cost or timing of any Interconnection Request or any other valid interconnection request with a later queue priority date."**

SDG&E reiterates its comments provided to the GIP 2 Issues Paper: The CAISO tariff should be more specific about material modifications. For instance, if an IC has executed an LGIA and thereafter changes the technology of the project or moves the project to a different site, or significantly changes the project schedule, and changes the ownership of the project, at what point should such changes be evaluated and considered a material modification that would trigger the CAISO to treat such change(s) as a new project required to re-enter the Queue rather than an acceptable modification to the original project in the Queue?

The tariff should clearly state what modifications are permissible at what stage of the process (if to be evaluated at all).

2. If you have other comments, please provide them here.

a) SDG&E believes the CAISO has the responsibility to address the issue of Interconnection Customer Permitting Responsibilities for Network Upgrades where Costs are Allocated per Section 6.5 of the GIP and as identified in GIA Appendix G: **Interconnection Customer's Proportional Share of Costs of Network Upgrades for Applicable Project Group**
If the results from the GIP studies and the GIA Appendix G for the project reflect that a proportional share of Network Upgrade costs have been allocated to a project, the Interconnection Customer has not been identified as responsible for permitting the Network Upgrade even if the project caused the majority of the need for the upgrade and has been allocated the majority of the Network Upgrade costs.

If the costs for a Network Upgrade are allocated to several projects in a cluster, where each is allocated less than 100% of the total cost, it is not clear who is responsible for the environmental studies and permitting the Upgrade.

Because the GIP studies and GIA do not identify the other projects and percentages allocated to the other projects in the cluster, the Interconnection Customers are not aware of which project is responsible for permitting the Network Upgrade.

In many cases these Network Upgrades are located in a geographic area removed from the project.

There is no mechanism for allocating the costs and responsibilities for the required permitting of Network Upgrades. The CAISO GIP tariff and/or GIA should be more specific for Network Upgrades where the costs are shared among projects in a cluster to identify the majority cost responsibility and identify the project responsible for permitting the Network Upgrade.

If not, the permitting costs for the shared Network Upgrade should be shared in exact proportion to the costs for the Network Upgrade allocated per GIA Appendix G.

SDG&E recommends CAISO should develop a procedure and responsibility document for IC Network Upgrade Permitting Responsibilities for Network Upgrades where costs are allocated to several projects in a cluster, where each is allocated less than 100% of the total Network Upgrade cost.

b) The generation dispatch assumption in the Deliverability Assessment is not realistic. CAISO dispatches nuclear plants at 80%, Combined Cycle plants' generating units at 50% or less while renewable projects are dispatched at around 100%. These assumptions would result in a potentially unreliable transmission system that is inadequate for renewable interconnections and transmission system operations and that will likely impose costly future operations on PTOs. Reasonable dispatch assumptions would allow identifying needed upgrades and reactive support that renewable projects should include in their design and would not shift the cost to PTOs.

c) SDG&E would like to fully participate in all of the work group meetings, and the scheduling of two 3.5-hour workgroup meetings on the same day makes it extremely difficult. One of these meetings should be moved out to the following week. Scheduling one 3.5 hour workgroup meeting would be more efficient.