

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 July 5, 2011 *Revised Draft Final 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 July 14, 2011* so that there will be time to include them in Board documents.

Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Please also respond to the question “Do you support the proposal?” for each item listed below.

Comments on topics listed in GIP 2 Draft Final Proposal:**Work Group 1**

The ISO has determined that WG 1 topics should be taken out of the GIP 2 scope and addressed in a separate initiative with its own timeline

Work Group 2

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

Do you support the proposal?

SDG&E Comments:

CAISO indicates that it will work with the PTOs to ensure appropriate and consistent cost development philosophy and methodology are being used. It is unclear what the CAISO means by “cost development philosophy”?

SDG&E agrees that PTOs should use a common format for presenting per unit cost information. What the CAISO posts on its website for per-unit-costs for the three utilities should be in a common format.

SDG&E continues to comment that it is opposed to providing adjusted and non-adjusted dollar estimates in study reports and LGIAs. SDG&E has consistently provided cost estimates in the dollars for year spent. As long as the escalation factor used in the cost estimation is identified by the PTO, the IC can use the factor and deescalate the dollars to derive the nominal/constant dollars. SDG&E finds there is no benefit of including costs estimates in constant dollars.

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

Do you support the proposal?

Yes

SDG&E 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 RA capacity.

However SDG&E believes that this requirement should also apply to any generator that wants full deliverability to the CAISO loads. In the situation of a generator interconnecting to non-PTO facilities –whether inside or outside the CAISO BAA – provisions should be added via the CASIO Generation Interconnection Procedures tariff

whereby the interconnecting generator would submit a request for full deliverability to the CAISO, and the CAISO would conduct deliverability studies which may identify network upgrades within the CAISO BAA that provide the requested deliverability, in accordance with the study procedures and queuing procedures that currently apply only to generators interconnecting within the CAISO BAA. This process would be similar to the process that currently applies to PTOs' WDAT projects. The generator requesting full capacity/deliverability would be obligated to fund the construction of any identified deliverability upgrades on the CAISO-controlled grid, similar to the generators that connect within the CAISO BAA. Otherwise, generators outside the CAISO BAA are getting discriminatory treatment compared to generators connecting within the CAISO BAA. Note that under this proposed approach, a generator that seeks to interconnect to the facilities of a non-PTO would still be required to comply with the interconnection requirements of the entity owning the non-PTO facilities.

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

Do you support the proposal?

SDG&E supports CAISO efforts to establish policy for extending posting deadlines, but SDG&E does not support the Proposed New Tariff Section

SDG&E Comments:

SDG&E supports that if report revisions become necessary (due to inadvertent errors or omissions), the CAISO should establish a policy for extending the deadlines for Phase I or Phase II security postings. However, SDG&E finds the proposed new tariff section to detail conditions warranting a revised report burdensome and problematic. SDG&E questions if it is necessary to add all this detail to the GIP tariff.

SDG&E believes the CAISO is creating too much tariff detail and the providing a definition of "substantial" error or omission and assigning percentages to the degree to which an error or omission is substantial will result in confusion and is unnecessary. SD&E believes that if there are inadvertently errors or admissions in the report the CAISO should deal with each instance case by case according to CASIO policy and sound engineering judgment to make corrections on an expedited basis. This proposed New Tariff Section language builds a mindset that errors of magnitude are to be expected in the CAISO study reports...hopefully this is not the case...and a false sense that postponing security deadlines is an IC option. This proposed New Tariff Section is burdensome and weighs/bogs down the effectiveness of the CAISO tariff. SDG&E questions if the tariffs of other ISOs provide such lengthy report-error related metrics/parameters and detail and numerous what-if scenarios related to inadvertent report errors and omissions in their tariffs. How do other ISOs handle report errors?

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

Do you support the proposal?

With modifications to the additional language as marked below, Yes.

SDG&E Comments:

SDG&E believes that the current definition for start of construction is adequate, and that such information should be, if it is not already, outlined in the milestones section of the Large Generator Interconnection Agreement (LGIA). After the LGIA is executed, the start of construction is defined as when written authorization to proceed with construction is provided pursuant to Articles 5.5.2 and 5.6.3 of the LGIA and when the third/final posting of IC financial security is submitted by the IC, 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 previous 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

SDG&E does not support allowing construction of a project to begin before full funding is secured due to the risk to transmission customers as well as to other interconnection customers that also are relying on completion of the project.

In section 7.2.4, SDG&E would modify that CAISO's proposed additional paragraph to section 9.3.2 —Third Posting of Interconnection Financial Security of Tariff Appendix Y as follows:

*If an Interconnection Customer's ~~h~~Network ~~h~~Upgrades **<capitalize - defined CAISO term>** can be separated into two or more separate and discrete project phases (discrete components) and the Participating TO is able to identify and separate the costs of the identified discrete components, then the Participating TO, the ISO and the Interconnection Customer may negotiate as part of the Generator Interconnection Agreement parsing the third posting for Interconnection Financial Security into smaller deposit amounts and discrete milestone dates for each discrete component related to the Network Upgrades and/or Interconnection Facilities described in the Generator Interconnection Agreement.*

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

Do you support the proposal?

SDG&E Comments:

SDG&E suggests and supports expeditious development of a CAISO 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. The Cluster 3 final study reports were issued May 27th and parties are still uncertain how much security must be deposited and to which PTO.

In the meantime, in this stakeholder process SDG&E has proposed the IC's required first and second postings of Interconnection Financial Security should first cover the required host PTO's Network Upgrades, and only after amount of the security posting(s) covers the cost of the host PTO's Network Upgrades should the CAISO then consider any

allocation of the remaining financial security to be posted between the host PTO and the neighboring PTO for the NUs. SDG&E proposes this should be made effective immediately with the first/initial financial security postings following Cluster 3 Phase I study results which are scheduled to be posted on August 25th. Stakeholders (PTOs and ICs) agree with this change, and no tariff modification is required to change the current undocumented CAISO methodology. CAISO should address this issue now in this stakeholder process rather than in a proposed BPM process to be addressed later. SDG&E supports CAISO efforts to develop a procedure and responsibility document in coordination with the PTOs.

6. Information provided by the ISO (Internet Postings)

Do you support the proposal?

SDG&E Comments:

SDG&E continues to applaud the CASIO efforts to provide more current information by consistently and more frequent updates to the Queue. Outstanding and much appreciated improvement!

Work Group 3

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

Do you support the proposal?

No.

SDG&E Comments:

SDG&E believes that projects should utilize multiple interconnection requests and that an option to downsize a project could result in a transmission plan that overbuilds. SDG&E believes allowing projects to be phased will lead to delays in completion of the LGIA and provide a perverse incentive vehicle for projects to terminate latter project phases. CAISO should handle this on a case-by-case basis and not modify the GIP tariff to detail such “multiplier” mechanics, based on experience of two LGIAs from 2010.

SDG&E also reiterates its prior comment that considering there are no provisions in the GIP for restudy/re-evaluation of a project specifically in regards to the DNUs, partial termination might cause issues with the CASIO Queue involving adverse impacts on lower projects in the queue, and result in the Queue providing bad or incorrect information to stakeholders. Allowing an IC to terminate/abandon a part of their project with relatively large capacity and with large upgrades associated with it could cause unrealistic (oversized) upgrades to be associated with projects that remain within the same cluster, or even projects lower in the Queue. If different phases of a project have

a separate COD, and different upgrades associated, CAISO should consider making phases of a project completely separate projects and separate LGIAs.

SDG&E finds the detail provided in the CAISO final proposal burdensome and questions if it is necessary to add this detail to the GIP tariff. SDG&E believes the CAISO proposal creates too much tariff detail and the providing a definition of “eligibility” utilizing a “multiplier percentage” for partial termination will result in confusion and is unnecessary. This proposal language builds into the tariff a mindset that requests for partial termination of a project are to be expected ...hopefully this is not the case. SDG&E questions if other ISOs provide such lengthy termination metrics/parameters and detail and numerous what-if scenarios in their tariffs. How do other ISOs handle partial termination? SDG&E suggest CAISO should follow suit with other ISOs and only submit this detailed proposal if other it can find similar language in tariffs for other ISOs.

Questions about the proposal for partial termination provisions: 1) it indicates the project must be no smaller than 200 MW. Why? Why limit it and not allow smaller projects? 2) it indicates Partial Termination size of up to 50% of project size. Why? Why is 50% the selected limit?

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

Do you support the proposal?

No

SDG&E Comments:

Allowing a project to make a reduction in size could be deemed a material modification if it results in significant impacts to other projects in the queue and also the identified DNU's.

SDG&E reiterates its comments provided to the GIP 2 Issues Paper, to the Straw Proposal, and to the Draft Final Proposal: **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, 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 GIP tariff should clearly state what modifications are permissible and at what stage of the process (if to be evaluated at all).** SDG&E provided this comment in writing in the previous round of the GIP II (CAISO's Straw Proposal). However this SDG&E comment was ignored by the CAISO in its final Draft Proposal. SDG&E would like to have this comment acknowledged and this issue addressed by CAISO in this stakeholder process. The CAISO tariff must be more specific about the parameters for Material Modifications.

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

Do you support the proposal?

No.

SDG&E Comments:

SDG&E disagrees with this proposal. IF the IC wants partial reimbursement, then the project should be broken into discrete phases that correspond with the partial cost. SDG&E's interprets 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. Repayment of IC funding of network upgrades associated with a phased generation facility 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, with separate LGIAs.

The purpose of the IC providing and PTO retaining interconnection financial security is to protect ratepayers so PTOs are not building network facilities to accommodate the entire project as studied for the benefit of the project seeking full deliverability. In this case when IC fails to construct the entire project the system will be overbuilt. By reimbursing the IC for funding the Network Upgrades the cost would either have to go into transmission rates or the PTO must carry that cost while the need for that facility may have reduced to some level less than 100%.

Further, the purpose of holding financial security and upfront funding by developers for Network Upgrades is to protect ratepayers for circumstances that a developer may suspend or delay their projects' development and achieving COD while PTO has gone through constructing the needed NUs. Under this condition the NUs will be at the expense of the developer up to the point that the project achieves COD. If a project has achieved COD then there is no need for keeping the security/prefunding since the risk is removed. When a project achieves COD SDG&E reimburses the security funding that is provided by the IC even if the construction of the NU is not completed due to permitting/regulatory process

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

Do you support the proposal?

SDG&E Comments:

When the IC provides evidence of site exclusivity, CAISO should not only validate the evidence but also verify that the amount/size of real estate identified for use by the project can support the MW requested in the IR (especially in IRs for Solar PV and Wind projects).

SDG&E provided this in its written comments to the CAISO's Straw Proposal and Draft Final Proposal. This SDG&E comment was ignored and not addressed by the CAISO in its Revised Draft Final Proposal. SDG&E would like to have this comment acknowledged and this Site Exclusivity issue addressed by CAISO in this stakeholder process.

11. CPUC Renewable Auction Mechanism

Do you support the proposal?

SDG&E Comments:

CAISO indicates this issue will not be resolved by the August CAISO Board Meeting and will continue on its own track.

12. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements
 - a. Application of Path 1-5 processes

Do you support the proposal?

SDG&E Comments:

- b. Maintaining Deliverability upon QF Conversion

Do you support the proposal?

SDG&E Comments:

SDG&E agrees that if an existing QF is making changes that do not implicate the interconnection process and its commercial status is also not being altered, then no requirement for a Generation Interconnection Agreement should be required. The QF's existing arrangement with the host utility should remain in force. Nor should there be any need to protect or modify the QF's deliverability status. Any increase in the project's output should be evaluated just for the increased capacity. ISP should be considered if applicable to the project's location.

- c. Distribution Level Deliverability

Do you support the proposal?

SDG&E Comments:

SDG&E agrees with the current language in the GIP for accommodating WDAT projects seeking full deliverability status.

Work Group 4

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

Do you support the proposal?

SDG&E Comments:

When PTO elects to fund a Network Upgrade there is no need for the IC to post security with the PTO. The CAISO GIP tariff should be modified to reflect this.

The PTO election to fund a Network Upgrade will be reflected in the LGIA Appendices.

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.

Do you support the proposal?

SDG&E Comments:

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

Do you support the proposal?

No.

SDG&E Comments:

SDG&E has consistently provided cost estimates in the dollars for year spent. As long as the escalation factor used in the cost estimation is identified by the PTO, the IC can use the factor and deescalate the dollars to derive the nominal/constant dollars. SDG&E finds there is no benefit of including costs estimates in current-year, constant dollars. Providing two sets of cost estimates will only confuse the matter and is unreasonable. The tail should not wag the dog. As a benchmark, SDG&E suggests CAISO should research how other ISOs handle dollar amounts in LGIAs.

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

Do you support the proposal?

Yes, however...SDG&E believes the Phase I cost estimates should not be used as an IC cost cap (cost exposure limit).

SDG&E Comments:

SDG&E believes the Phase I cost estimates should not be used as an IC cost cap (cost exposure limit). Considering that current Phase II studies combine two clusters, there could be network upgrades as a result of the Phase II studies with a plan of service with a larger scope than the Phase I study which may increase the overall cost of network upgrades.

However, if the CAISO determines the Phase I cost estimates must continue to represent an IC cost cap (cost exposure limit), The IC financial responsibility cap and maximum cost responsibility needs to be better defined in the CAISO GIP tariff.

SDG&E believes that the cost cap only applies to the cost of those facilities and upgrades identified and estimated in the Phase I study results. Projects may drop out and ICs have the flexibility to change their IRs between Phase I and Phase II, the plan of service and network upgrades can significantly change. Should the facilities and upgrades identified in the Phase II study results differ from those identified in the Phase I study, the cost cap (cost exposure) limit will only apply to those facilities and upgrades that carried over from the Phase I study to Phase II. If different and/or additional facilities and upgrades are identified in the Phase II study, then the Phase I cost cap cannot be applied to these facilities and upgrades introduced in the Phase II Study.

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

Do you support the proposal?

No.

SDG&E Comments:

As it provided in previous comments, SDG&E does not see the need for a posting cap to the security required for the PTO's Interconnection Facilities. Not necessary.

18. Consider using generating project viability assessment in lieu of financial security postings

Do you support the proposal?

Yes. SDG&E agrees

Comments:

SDG&E encourages the ISO to not allow and to not consider the option for interconnection customers to demonstrate alternative evidence of project viability in lieu of the current financial security postings.

19. Consider limiting interconnection agreement suspension rights

Do you support the proposal?

SDG&E Comments:

SDG&E continues to agree with SCE's comments to the Straw proposal that the suspension provisions removed from the Generation Interconnection Agreements as this could cause delays and uncertainty building transmission for non-suspending entities.

SDG&E believes 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.

The CAISO's position on this issue in the Revised Draft Final proposal has still not been made clear.

20. Consider incorporating PTO abandoned plant recovery into GIP

Do you support the proposal?

SDG&E Comments:

SDG&E agrees in principal with SCE's proposal.

In the second scenario/circumstances presented in the Revised Draft Final Proposal, SDG&E questions under what circumstances would the PTO be "required to upfront finance and construct network upgrades"? Would this be due to the IC's underestimation of the cost? Or would this be due to the ISO process where projects can withdraw from a cluster and the PTO is "left holding the bag" responsible for the portion of the shared upgrade costs vacated by the withdrawn project? Also, PTO expense recovery through the TAC is only appropriate for 200 kV voltage and above.

Work Group 5**21. Partial deliverability as an interconnection deliverability status option.**

Do you support the proposal?

SDG&E Comments:

The CAISO's position on this issue in the Draft Final proposal is not clear.

SDG&E raised this issue at the beginning of the GIP 2 process due to IC comments received at the results meetings. Generally, ICs asked "if phase I report allocates several millions of dollars for full deliverability what would be their level of deliverability for a lower levels of DNU obligation. The current partial deliverability language does not address this particular issue.

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

Do you support the proposal?

Yes.

SDG&E Comments:

SDG&E agrees.

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

Do you support the proposal?

SDG&E Comments:

SDG&E continues to comment that the Deliverability Assessment study methodology needs to be reviewed and revised by going through a stakeholder process. The entire CAISO system should be closely modeled to match how it is operated.

24. Operational partial and interim deliverability assessment

Do you support the proposal?

Comments:

25. Post Phase II re-evaluation of the plan of service

Do you support the proposal?

Comments:

Other Comments:

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

Stakeholder Process:

- 1) SDG&E has provided several written comments and proposals (and verbal at stakeholder meetings) that were ignored and not addressed by the CAISO in its final Straw Proposal, Draft Proposal, and Revised Draft Proposal documents. SDG&E would like to have its comments acknowledged and have the issue raised addressed by CAISO in this stakeholder process.
 - i) SDG&E has indicated the CAISO GIP tariff should be more specific about Material Modifications. The GIP tariff should be modified to clearly state what modifications are material/missible and at what stage of the process (and if/when they can be evaluated at all). SDG&E is unable to find this in the Revised Final Draft proposal.
 - ii) The IC's required first and second postings of Interconnection Financial Security should first cover the required host PTO's Network Upgrades, and only after amount of the security posting(s) covers the cost of the host PTO's Network Upgrades should the CAISO then consider any allocation of the remaining financial security to be posted between the host PTO and the neighboring PTO for the NUs. Although recently CAISO indicated it will handle this in a BPM process before year-end 2011, SDG&E proposes this should become effective ASAP, with the first/initial postings after Cluster 3 Phase I study results which are due on August 25th. Stakeholders (PTOs and ICs) agree with this change, and no tariff modification is required to change the current undocumented CAISO methodology.
 - iii) SDG&E continues to recommend 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. SDG&E is unable to find this in the Revised Final Draft proposal.
- 2) SDG&E has provided a comment that CAISO's last minute/short notice scheduling of the five 3-hour stakeholder work group meetings within the same week proved difficult to attend and reduced SDG&E's ability to participate in all the work group meetings. CAISO should schedule the workgroup meetings further in advance and spaced apart with more time between the work group meetings.