Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Straw Proposal posted on May 9, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due June 8, 2018 by 5:00pm

The straw proposal posted on May 9, 2018 and the presentation discussed during the May 21, 2017 stakeholder meeting can be found on the CAISO webpage at the following link: *http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx*

Please use this template to provide your written comments on the Issue Paper topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Issue Paper for convenience.

4. Deliverability

4.1 Transmission Plan Deliverability Allocation

The CAISO plan suffers from several significant flaws, i.e., it fails to: (1) Explain if and how any additional deliverability will be provided beyond the options now available; (2) provide an opportunity for Energy Only projects to re-enter the queue and obtain deliverability on an equal basis with new projects; and (3) reflect market realities, i.e., several proposed "priority" categories are not feasible. CAISO should also clarify its proposal with respect to Load-Serving Entities (LSEs) developing new generation projects. Each of these issues is explained below.

Additional deliverability: The kinds of project that the Proposal classifies as Categories 4-7 can currently request deliverability through the Annual Full Capacity Deliverability Study (AFCDS). However, those projects receive only "leftover" deliverability, i.e., are allocated deliverability only after new generation projects in the regular Interconnection Studies process, without the ability to trigger, and pay for, DNUs to provide additional deliverability.

The Proposal seems to relegate these project types the same kind of "leftover" deliverability that they can apply for now under the AFCDS. CAISO said at the stakeholder meeting that the Proposal includes some kind of methodology change that would make more deliverability available to such projects, but that is not explained in the Proposal document and wasn't well explained at the meeting.

At a minimum, then, the CAISO should explain assumed changes to the deliverability availability determination methodology inherent in the Proposal that would increase available deliverability. The CAISO should also perform analyses in study areas where deliverability is now exhausted to show how much additional deliverability would be provided in those areas through the proposed change.

Equal opportunity for EO projects: Fundamentally, the Proposal fails to provide an equal opportunity for Energy-Only projects to re-enter the Interconnection Study process to obtain deliverability, and then trigger and fund Delivery Network Upgrades (DNUs) like new projects. The current dissatisfaction that the Proposal notes with the AFCDS results from this lack of opportunity, and the Proposal does not resolve it.

The CAISO said at the stakeholder meeting that the solution to this issue should be sought in the annual Transmission Planning Process (TPP), but that response is not sufficient. The TPP generally considers only new Area Delivery Network Upgrades (ADNUs), when the problem in a particular area could result from lack of Local Delivery Network Upgrade (LDNU) capacity. Moreover, that solution is far beyond the ability of any individual project or developer to influence, and this issue will persist as long as off-takers seek contracts with resources in heavily developed areas.

Market realities: The CAISO proposal structure is inconsistent with the ways in which projects are actually developed. In particular, Categories 4-5 assume that a developer would undertake the considerable effort needed to develop a project through an RFO shortlisted position (which typically requires a Phase II Study), and execute a PPA (which nearly always involves provision of significant development security to an off-taker) with no assurance that the project would receive deliverability even where the developer is willing to pay for it. This is simply unrealistic. In addition, placing operational Energy-Only projects at the bottom of the priority list seems contradictory to the GIDAP structure focus on project "viability."

LSE project classification: sPower agrees with CalWEA that projects developed by Load-Serving Entities – which are not required to have PPAs to receive their high-priority status under the CAISO proposal – should be required to demonstrate that their projects are being developed to meet their loads, e.g., are being developed pursuant to a regulator-approved procurement plan or are otherwise sized to meet their loads.

4.2 Balance Sheet Financing (BSF)

The current BSF affidavit process has led to deliverability award and retention by less-viable and non-viable generation projects, and it should be eliminated. sPower agrees that projects without PPAs should be held to more stringent standards, as their viability is questionable (and more so the longer they remain in the queue). However, if and when they obtain PPAs, the CAISO should clarify that they can then be subject to rules applicable to projects with PPAs.

4.3 Participating in the Annual Full Capacity Deliverability Option

Please see the response to 4.1 above. Energy-Only projects should be allowed to re-enter the regular queue process and receive deliverability awards on the same basis as new generation projects, e.g., after funding their allocated share of new Network Upgrades needed to provide that deliverability.

4.4 Change in Deliverability Status to Energy Only

While a switch to Energy-Only status should be allowed at any time, it would be unfair for generators seeking such changes to be forced to continue to fund DNUs for which they get no benefit. Clearly, no generator would seek such changes under those circumstances. Thus, the CAISO should provide for at least a prelimary assessment of whether the need for its DNUs would remain, as part of a Material Modification Assessment (MMA) request for a generator seeking such changes, , with the developer EO election after the information is received.

4.5 Energy Conly Projects' Ability to Re-enter the CAISO Queue for Full Capacity

Please see the response to 4.1 above. Energy-Only projects should be allowed to re-enter the regular queue process and receive deliverability awards on the same basis as new generation projects, e.g., after funding their allocated share of new Network Upgrades needed to provide that deliverability.

4.6 Options to Transfer Deliverability

No comment at this time.

5. Energy Storage

5.2 Replacing Entire Existing Generator Facilities with Storage

No comment at this time.

6. Generator Interconnection Agreements

6.1 Suspension Notice

CAISO's attempts to restrict "unilateral" suspension rights is understandable but not warranted.

First, CAISO approval should not be required; this condition is more stringent than FERC requirements, and the CAISO has not demonstrated the need for such approvals.

Second, the requirement for "firm" suspension end dates (as opposed to the "expected" dates now required) is unrealistic. Often, the conditions dictating the need for suspension involve conditions with unknown timelines (e.g., permitting problems) that do not allow for date certainty. At a minimum, a project should be permitted to extend its suspension dates after the suspension begins.

Third, the current process already prohibits suspension of financial obligations for upgrades "common to multiple generating facilities," and there should be no need for a study or other analysis to determine which upgrades are applicable.

Finally, in any case, the CAISO should clarify that the suspension of financial obligations should be effective upon submission of the suspension notice, and that those obligations should not continue during any lengthy CAISO processing.

6.2 Affected Participating Transmission Owner

sPower strongly agrees that a single Generator Interconnection Agreement (GIA) is warranted. There should be no need for the Interconnection Customer (IC) to negotiate two separate agreements with CAISO-area PTOs, especially since the CAISO has not seen fit to impose any standard "template" for GIA appendices; for example, each PTO has its own practices for billing and payment, and the requirement for two agreements leaves the IC "in the middle" with respect to PTO obligations to each other. The requirement for two agreements negates the advantage to developers of activities in the large CAISO "footprint," and it imposes on developers the cost of CAISO reluctance to mandate consistent PTO procedures.

6.3 Clarify New Resource Interconnection Requirements

No comments at this time.

6.4 Ride-through Requirements for Inverter based Generation

Stakeholders need more information about the specific details of the CAISO's proposals in this area. Moreover, to the extent that they are based on "proposed" NERC standards, the CAISO should wait until those standards are finalized or, at least, describe how these new standards would be adjusted if the final standards differ from the current version.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility (MCR)for NUs and Potential NUs (PNU)

The CAISO should clarify this proposal, for example, that:

- The MCR before PNU costs are imposed ("Allocated Cost Responsibility" (ACR)) should also be stated in the Phase II Study and GIA.
- The additional "headroom" between the MCR and the ACR cannot be used to allocate non-PNU costs (and if PNU costs decline, that incremental headroom cannot be used to allocate non-PNU costs, either).
- More specifically, this headroom should be upgrade-specific. For example, if there are two PNUs (PNU1 and PNU2) and PNU1 falls to the IC's cluster, the additional allocated amount for PNU1 cannot exceed the amount originally allocated to that project, i.e., the headroom left for PNU2 cannot be used to allocate additional costs for PNU1.

7.5 Shared SANU and SANU Posting Criteria Issues

sPower strongly supports the CAISO's proposal to remove the requirement that each generation project sharing a SANU post 100% security for that upgrade. However, the rest of the CAISO proposal falls short and should be modified.

First, and fundamentally, there is no rationale for treating SANUs different from other shared Network Upgrades; the CAISO proposal would allow the current piecemeal practices to remain and, in fact worsen them. The reasons cited by the CAISO and some PTOs for different SANU treatment – that the upgrades would not be needed but for the projects involved, that the PTO should have coverage for its costs, that later-queued projects may be depending on these upgrades, etc. – can also apply to other NUs, and no party has yet made a convincing case why these upgrades should be treated differently.

For example, any non-SANU RNU can be shared by two generation projects in a cluster, and not be needed but for one or both of them. The tariff provides for security postings proportional to the cost responsibility assigned to each project, and the remaining project is subject to coverage of up to 100% of the cost (with commensurate security postings) if one drops out.

Likewise, once the SANU is built, it can be used by any number of later-queued projects. For example, a switching station shared by two projects in a cluster can be used as a Point of Interconnection for later-queued projects in the same area.

Second, the CAISO should not take the easy way to resolving this issue by simply allowing the PTOs to set their own security-posting policies. The cost of these upgrades is often significant (e.g., $10-15M for a switching station), and there is no reason why there should not be consistent CAISO-wide policies, as there are for other NU costs.

Third, while PTOs are entitled to have legitimate costs covered, that principle does not require more than 100% cost coverage in security postings. GIAs can easily be modified to provide for cost-responsibility and security-posting increases if projects sharing a SANU drop out; in fact, such provisions already exist in the CAISO tariff under the annual Reassessment provisions, which provide for reallocation of costs within MCRs when projects withdraw from the queue. Even without postings totaling more than 100% of cost, the PTO would retain security from any project withdrawal and receive 100% total postings from remaining projects, so coverage would effectively exceed 100%.

In conclusion, the tariff rightly does not provide for more than 100% cost coverage for any other upgrades through security provisions, and any such BPM requirements are impermissively inconsistent with the tariff. Thus, the CAISO tariff and BPM provisions regarding SANUs should: (1) Clarify that SANUs can be shared between different generation projects; and (2) provide for proportional security postings that are the same as for other NUs.

7.6 Clarification on Posting Requirements for PTOs – Final Proposal

sPower does not oppose this provision, as applied to PTOs siting projects in their own service areas. However, these clarifications should be added:

- Projects developed by one PTO in another PTO's service area should be treated like other developer projects, i.e., be subject to the same security-posting requirements.
- Like the LSE requirements in the response to 4.1 above, projects developed by PTOs that are not required to post security should be required to demonstrate that their projects are being developed to meet their loads, e.g., are being developed pursuant to a regulator-approved procurement plan.

7.7 Reliability Network Upgrade Reimbursement Cap

sPower strongly opposes the CAISO's proposal, for the reasons discussed below.

First, where a generation project has high-cost RNUs, the non-reimbursement provisions are not due to any beneficial action of the PTO. It is simply a fortuitous circumstance that the PTO does not have to finance the entire cost of the RNU, and itshould not confer any particular entitlement to the PTO or ability to impose costs on other parties. Moreover, there is no reason to treat the upgrade different from others, i.e., by exempting the non-refundable portion from the tariff provisions prohibiting allocation of upgrade costs to later-queued projects if an the earlier-queued projects to which the upgrade was originally assigned drops out. So, the proposal should be rejected outright simply for lack of justification.

Second, a generation projects in these circumstances (executed GIA) would likely have made its second security posting. Thus, the PTO would already be entitled to retain security postings approximately equal to 30% of the upgrade cost, which would likely far exceed the non-reimbursible portion.

Finally, the policy is inequitable and illogical. If the later-queued projects had been allocated the RNU in the first place, and the addition of such costs would not have caused those projects to exceed the RNU reimbursement limit, they would have been fully entitled to recover all their RNU costs. Even if the CAISO allows the costs to be allocated to later-queued projects despite presence of an executed GIA (which, as noted above, sPower opposes), reimbursements to later-queued projects should not be limited simply because the upgrade was first assigned to an earlier-queued cluster or project.

7.9 Impact of Modifications on Initial Financial Security Posting

sPower supports the CAISO proposal as a matter of simple common sense.

8. Interconnection Request

8.1 Study Agreement – Final Proposal

No comments.

8.4 Project Name Publication

sPower has no comment on publication of project names but opposes publication of Interconnection Customer names. The latter constitute sensitive commercial information, and the Proposal does not explain such disclosure would be preferable.

9. Modifications

9.1 Timing of Technology Changes

sPower agrees that technology changes should be prohibited after the 7/10 year tariff development deadlines. Developers should have settled on their generation technology long before that time, and serious viability questions are raised by such fundamental changes that late in the development process.

However, "behind the interconnection" technology additions – including storage – should be allowed, as long as the original project is progressing adequately (i.e., the addition would not postpone original-project milestones) and the GIA is in good standing. In that situation, the addition would not justify further delays and could simply increase the project value, potentially increasing its viability as well.

9.2 Commercial Viability – PPA Path Clarification

Please see response to 4.1 above – sPower supports elimination of the BSF affidavit option for new generation projects to receive or retain deliverability allocations.

9.3 PPA Transparency – Final Proposal

No comments.

9.4 Increase Repowering and Serial Re-Study Deposit– Final Proposal

sPower opposes the proposal to increase the Repowering Study Deposit to $50K. This proposal is inconsistent with the method used to establish cluster-study Study Deposits, where the new figure was set at the median study cost; that prior methodology would establish the Repowering Study Deposit at $25K and not $50K.

The number of repowering applications is fairly small, and the CAISO certainly has adequate tools to recover actual study costs from generators. Moreover, sPower has experienced significant delays for refunds of unused study-deposit amounts – more than a year, in some cases – so increases above this level should not be considered until the CAISO and PTOs improve their refund processes.

9.5 Clarify Measure for Modifications After COD – Final Proposal

No comments.

9.6 Short Circuit Duty Contribution Criteria for Repower Projects

No comments at this time.

10. Additional Comments