

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Straw Proposal, July 21, 2011**

Submitted by	Company	Date Submitted
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STFC and the CCA appreciate the opportunity to provide feedback on this important CAISO Straw Proposal regarding Integration of transmission Planning and Generation Interconnection Procedures (TPP-GIP)

1. The ISO has laid out several objectives for this initiative. Please indicate whether you organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.

We support the CAISO’s recognition of the need to integrate the related GIP and the TPP processes into a more comprehensive plan. We also support the CAISO’s effort to incorporate stakeholder input and oversight. We believe the listed objectives are appropriate. The CAISO appears to be moving in the right direction. We further believe that the integration of the GIP and TPP will benefit not only consumers and the environment, but ultimately generation resource developers. This integration should minimize the risk that unnecessary transmission facilities are identified, thereby avoiding financing and timing hurdles that would otherwise challenge Interconnection Customers. If implemented properly, TPP-GIP integration could avoid unnecessary studies, restudies and delays in transmission upgrade approval. One of the objectives not specifically mentioned is to streamline the CAISO study and approval process for transmission upgrades.

2. At the end of the Objectives section (section 4) of the straw proposal, the ISO lists seven previously identified GIP issues that may be addressed within the scope of this initiative.

- a. Please indicate whether your organization agrees with any or all of the identified topics as in scope. If not, please indicate why not.
 - b. Please identify any other unresolved GIP issues not on this list that should be in scope, and explain why.
3. Stage 1 of the ISO’s proposal offers two options for conducting the GIP cluster studies and transitioning the results into TPP.
- a. Which option, Option 1A or Option 1B, best achieves the objectives of this initiative, and why? Are there other options the ISO should consider for structuring the GIP study process?
 - b. What, if any, modifications to the GIP study process might be needed?
4. Stage 2 of the straw proposal adds a step to the end of the TPP cycle, in which the ISO identifies and estimates the costs of additional network upgrades to meet the interconnection needs of the cluster. Please offer comments and suggestions for how to make this step produce the most accurate and useful results.

The bottom-up-approach and the use of per-unit costs has, in the past, resulted in cost estimates that are significantly lower than budgeted costs for the same or similar transmission facilities. We propose considering two options:

1) Bottom–up-approach – Use the per-unit cost estimation approach as before; however, identify any missing components of the cost that could result in low cost estimates. Perform a sanity check against similar projects (e.g., contingency costs, cost of money, undergrounding costs, substation upgrade costs, water crossing costs, etc.).

2) Top-down approach - Use the cost of similar size projects and make adjustments for differences (length, terrain, closeness to high density population, environmental concerns, etc.).

5. Stage 3 of the straw proposal identifies three options for allocating ratepayer funded upgrades to interconnection customers in over-subscribed areas.
- a. Please identify which option, Option 3A, 3B, or 3C, your organization prefers and why. Are there other options the ISO should consider?

We can support either 3A or 3B but not 3C (see below).

- b. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?”

- c. If Option 3B is selected, what is the appropriate methodology for determining pro rata cost shares?
- d. If Option 3C is selected, how should such an auction be conducted and what should be done with the auction proceeds from the winning bidders?

Option 3C is unworkable if the cost would be ultimately refunded to generation developers. This is due to the fact that the auction bid prices would be largely meaningless and artificially high. The result would be a situation similar to the current condition wherein there is no price signal; except that there would be an additional administrative cost (i.e., conducting the auction).

- 6. The straw proposal describes how the merchant transmission model in the current ISO tariff could apply to network upgrades that are paid for by an interconnection customer and not reimbursed by transmission ratepayers. Do you agree that the merchant transmission model is the appropriate tariff treatment of such upgrades, or should other approaches be considered? If you propose another approach, please describe the business case for why such approach is preferable.

The merchant transmission model is the appropriate tariff treatment of such upgrades. The allocation of the CRRs to the ICs in proportion to the additional transfer capability that is made available is reasonable.

- 7. Stage 3 of the proposal also addresses the situation where an IC pays for a network upgrade and later ICs benefit from these network upgrades.
 - a. Should the ISO's role in this case be limited to allocating option CRRs to the IC that paid for the upgrades? See the above answer.
 - b. Should the ISO include provisions for later ICs that benefit from network upgrades to compensate the earlier ICs that paid for the upgrades? See the above answer.
- 8. In order to transition from the current framework to the new framework, the ISO proposes Clusters 1 and 2 proceed under the original structure, Cluster 5 would proceed using the new rules, and Clusters 3 and 4 would be given an option to continue under the new rules after they receive the results their GIP Phase 1 studies.

- a. Please indicate whether you agree with this transition plan or would prefer a different approach. If you propose an alternative, please describe fully the reasons why your approach is preferable.
 - b. If the straw proposal for the transition treatment of clusters 3 and 4 is adopted and a project in cluster 3 or 4 drops out instead of proceeding under the new rules, should the ISO provide any refunds or other compensation to such projects? If so, please indicate what compensation should be provided and why.
9. Some stakeholders have expressed a need for the ISO to restudy the need for and costs of network upgrades when projects drop out of the queue. The ISO seeks comment on when and restudies should be conducted, in the context of the proposed new TPP-GIP framework.
10. Some stakeholders have suggested that there may be benefits of conducting TPP first and then have developers submit their projects to the GIP based on the TPP results. Does your organization believe that conducting the process in such a manner is useful and reasonable?
11. Please comment below on any other aspects of this initiative that were not covered in the questions above.
- The environmental preference for renewable development in a particular area should be addressed through permitting, licensing and other means, rather than through building transmission lines in the hope of providing incentives for the renewable developers to choose those environmentally preferred locations. However we are prepared to support less than 100% (i.e., 80 to 90%) cost of network upgrade allocation to the renewable developer to provide more incentive for development, if necessary, for these preferred areas, provided that regulatory or governmental agencies certify, based on transparent criteria, that the location is preferred over other sites under development.
 - For this proposal to work, it is important that the PPA evaluation used by LSEs to compare the RFP response differentiates between two groups of ICs: those who are using ratepayer- funded transmission upgrades and those who are absorbing the costs of the upgrades themselves (i.e., merchant transmission owners).
 - We are concerned about the statement below made under 5.3.4 in section 5 (below) and request that the CAISO clarify what is meant . What is the low-cost development work and who is taking the risk if the project does not move to category 1?

“To accomplish this objective it may be appropriate to modify the current TPP tariff provisions that specify Category 1 and Category 2 elements, to allow some of the early, low-cost development work on Category 2

elements to begin before it is determined in a subsequent TPP cycle whether the element should be re-classified as Category 1.”