

Stakeholder Comments Template

**Integration of Transmission Planning and Generator Interconnection Procedures (TPP-GIP Integration)**

**Draft Final Proposal, February 15, 2012**

**Please submit comments (in MS Word) to [TPP-GIP@caiso.com](mailto:TPP-GIP@caiso.com) no later than the close of business on March 1, 2012.**

Submitted by	Company	Date Submitted
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**Section 1. Overall support for the draft final proposal.**

Please select one of the following options to indicate your organization’s overall level of support for this proposal: (1) fully support, (2) support with qualification, or (3) oppose. If you choose (2) please describe your qualifications or specific modifications that would allow you to fully support the proposal.

**Section 2. Major differences between the 2/15 draft final proposal and the earlier 1/12 second revised straw proposal.**

1. In response to stakeholder concerns about the previous proposal that ratepayers would reimburse customers fully for all reliability network upgrades (RNU), the draft final proposal will determine whether a project is eligible for full, partial or no reimbursement in a manner that aligns with the allocation of TP deliverability under this proposal.

Sempra USGP appreciates the ISO’s desire in the Draft Final Proposal to clarify the cost responsibility of reliability network upgrades (“RNU”) which, as the ISO explains in the Draft Final Proposal, “are identified through the GIP studies and are specific to generation project locations; RNU are distinct from LDNU because the RNU are needed to address problems that cannot be managed through the market congestion management, whereas LDNU, like ADNU, are required to reduce congestion to provide

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deliverability of the project.” In this regard, the Draft Final Proposal states its intent to “minimize the risk to ratepayers of having to pay for excessive transmission upgrades, and to provide efficient location incentives for project developers.”

The Draft Final Proposal proposes that RNU cost recovery be subject to different protocols depending on the nature and timing of a project’s deliverability election. Specifically, the Proposal would 1) provide full reimbursement of RNU and LDNU upon commercial operation of a Full Capacity (FC) project, 2) provide reimbursement of RNU up to a cap of \$40/kW for projects entering the interconnection process requesting Energy Only (EO) service, and 3) provide no RNU cost recovery for projects converting to EO during the course of the interconnection process.

This approach results in inconsistent treatment for RNU cost recovery between FC and EO projects and is in conflict with historic tariff practice which supports reimbursement for generator network upgrades within the interconnected grid that benefits all users. Further, an adequate mechanism already exists to minimize ratepayer stranded costs through monitoring and enforcing project GIA milestones which are included in all GIAs’ regardless of deliverability status. The CAISO should remove this inconsistent RNU cost treatment from the final proposal.

2. Projects that submit energy only interconnection requests and do not seek deliverability will be reimbursed for RNU up to a maximum of \$40,000 per MW of generating capacity.

See response to item 1 above.

3. The proposal distinguishes between area delivery network upgrades (ADNU) and local delivery network upgrades (LDNU), where ADNU are generally identified through the TPP to provide deliverability to a targeted MW amount of generation in an area, while LDNU are identified through the GIP studies to provide resource-specific deliverability.
4. The process for allocation of TP deliverability will be the key determinant of whether a generation project is required to post security and/or pay for a share of ADNU costs after phase 2. All projects will be required to post security for their shares of RNU and LDNU costs. Eligibility for ratepayer reimbursement of these security postings after commercial operation begins will align with whether the project was allocated TP deliverability and then meets the criteria to retain the allocation.
5. The allocation of TP deliverability to generation projects under this proposal will occur for the first time at the end of the GIP phase 2 study process for cluster 5, i.e., during the first quarter of 2014. Before the ISO allocates TP deliverability to any cluster 5 projects,

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the ISO will first determine how much of the TP deliverability provided by the most recent transmission plan must be encumbered by projects in the existing queue (serial through cluster 4) that are in good standing with respect to their PPAs and GIAs, any expansion of MIC that was addressed in the TPP, and any deliverability for distributed generation (DG) allocated to regulatory authorities under the DG Deliverability initiative in progress. After accounting for these encumbrances, the remaining amount of TP deliverability will be available for qualified projects in cluster 5.

6. If there is some TP deliverability available for allocation to projects in the current cluster and to option (A) projects in the prior cluster that opted to park for a year, such projects must at least meet the minimum threshold criteria of being included on an active LSE short list and having submitted the necessary permit applications in order to be eligible for the allocation of TP deliverability.
7. If the volume of projects that meet the threshold exceeds the amount of TP deliverability available, the ISO will calculate a numerical score for each project based on the criteria and point values presented in the proposal, and will allocate deliverability to the highest scoring projects without regard to whether the project chose option (A) or (B).
8. A project that is allocated TP deliverability under the proposed approach will be required to demonstrate annually that it meets the criteria for retaining the allocation; i.e., (i) no regression with respect to criteria on which it received the allocation; (ii) executed GIA is in good standing (no ISO notification of breach); (iii) no delay of COD unless for reasons beyond customer's control. If a project loses its allocation, it must either withdraw from the queue or convert to energy only deliverability status.
9. An option (A) project that does not receive TP deliverability after parking for one year must either withdraw from the queue or execute an energy only GIA. To allow parking for a longer period would complicate the GIP study process by maintaining a backlog of projects to be studied for RNU and LDNU that may not be making progress but have little incentive to withdraw.
10. An option (B) project that does not receive TP deliverability within the allocation process immediately following its phase 2 study results must either withdraw from the queue or execute a GIA committing it to pay its share for all required network upgrades without ratepayer reimbursement.
11. Projects that withdraw from queue after the phase 2 study results may be eligible for partial refund of their first financial security postings in accordance with existing tariff provisions, as expanded by the following new eligibility conditions: (1) An (A) project will be eligible if it fails to be allocated TP deliverability; the period for "early" withdrawal under this condition will be 18 months from phase 2 study results. (2) A (B) project will be eligible if its phase 2 cost estimate for ADNU exceeds its phase 1 estimate by the smaller of 20 percent or \$20 million. The "early" withdrawal period will be 180 days from phase 2 study results.
12. The ISO will maintain the March 31, 2012 closing date for the cluster 5 request window, in contrast to April 30 as stated in the previous proposal. In recognition of the possibility that FERC's order may significantly modify the proposal that the ISO Board rules on in

March and the ISO files shortly thereafter, the ISO's filing will include a provision to allow parties to withdraw requests up to 10 days after the FERC order without any penalty applied to the refund of their initial study deposits.

**Section 3. Please provide any additional comments on major structural components of the proposal.**

The Final Draft Proposal contains a significant structural gap in that it fails to address the circumstance prevalent in many cases, where the contracted generation capacity is less than the interconnection request. This issue was previously raised in IEP's January 31, 2012 comments. Sempra USGP suggests the CAISO address this circumstance specifically in the final proposal. For example, in the case where a project has requested full deliverability but has contracted or been shortlisted for only a portion of the project capacity, the question must be answered: "Which MW will proceed to the GIA?" The interconnecting customer should have the option of electing energy-only service or parked status for the remaining project capacity, proceeding through the process respectively as proposed.

Further, the CAISO should define how the GIA itself would be structured and how the GIA process will be managed to address the respective deliverability outcomes for future capacity and energy-only portions of the project. For example, the GIA may contain separate sections addressing both portions with separate milestones etc.

13. GIP Phase 1
14. Transition from Phase 1 to Phase 2
15. GIP Phase 2
16. Allocation of TP Deliverability Post Phase 2
17. Subsequent to the Allocation Process

**Section 4. Please use the space below to offer comments on any other aspect of the proposal not covered above.**

Methodology to Determine RNU

The ISO has recognized the need to manage ratepayer risk by coordinating its transmission planning with the resource procurement portfolio defined by the CPUC. To implement this objective, the ISO has indicated its intention to avoid studying projects and planning for expensive transmission upgrades if they can be determined as unnecessary or unlikely to serve projects that are expected to ultimately reach commercial operation. Sempra USGP contends that so long as the ISO continues to use the queue and not the realities of the portfolio in studies defining system RNUs, the likelihood is high that excessive reliability network upgrades will continue to be identified in the study process. The ISO should therefore, utilize a portfolio approach to study reliability network upgrades in the same manner as it has proposed to use the portfolio approach (rather than the interconnection queue requests) in evaluating system upgrades in the transmission planning process.