Stakeholder Comments Template

Subject: Generation Interconnection Potential Revision to Cluster 4 Phase 1 Study Methodology

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 *Generation Interconnection Procedures Potential Revision to Cluster 4 Study Methodology* paper located at http://www.caiso.com/Documents/GenerationInterconnectionCluster4Phase1MethodologyDiscussionPaper.pdf. We ask that you please submit your comments in MS Word to regionaltransmission@caiso.com no later than the close of business on **August 5, 2011**.

Your comments will be most useful if you provide the reasons and the business case for the issue(s).

Please respond to the question, "Do you generally support the proposal?"

SPI submits these initial comments in consideration of the schedule set out so far. For some reasons discussed below, the CAISO proposal is deficient in too many respects to fully outline in the time allowed; it specifically does not allocate transmission costs appropriately within a cluster and specifically fails to recognize that CAISO's own recognized deficiencies that are the impetus for this stakeholder process, namely Cluster 4 "unreasonable results" apply equally as well to much or all of Cluster 3. With that caveat and the specific reservation to continue pursuit of its disagreements, SPI comments as follows.

No, SPI does not support the proposal as presented

1. **If yes, please provide comments on the details of the proposal.**

   N/A
2. **If no, why not?**

The CAISO has recognized that its cluster study process is broken. It came to this realization when analyzing the results of the Cluster 3 Phase 1 studies and assessing the magnitude of interconnection requests in Cluster 4. The concern appears to be that the unrealistic transmission plans that were the result of the Cluster 3 Phase 1 study would be exacerbated by studying all of the requests in Cluster 4. The CAISO's proposed solution, employing some vague resource planning tool from the CPUC to reduce the MWs studied in Cluster 4, while leaving Cluster 3 unmodified as initially studied, is unfair to Interconnection Customers in Cluster 3 because it is likely to provide substantially reduced financial security requirements to those projects in Cluster 4, while leaving Cluster 3 projects facing unreasonable levels of financial security

Other Comments:

Introduction

According to the CAISO staff, in order to be useful and effective, the Phase 1 cluster study efforts should accomplish the following objectives:

> "1. *Identify transmission facility components*. Provide a realistic initial assessment of the additional network upgrades needed to fulfill the interconnection requests of projects in the cluster that anticipate the inevitable withdrawal of a portion of the generation in the clusters, given the current status of projects earlier in the ISO queue and the network upgrades identified for those earlier projects or approved in the TPP;
>
> 2. Estimate Costs. Result in reasonable cost estimates for the identified network upgrades based on anticipation of the inevitable withdrawal of a portion of the generation in the clusters, so as to establish a cost cap for each generation project in the cluster that reflects, with reasonable accuracy, the maximum dollar amount the project sponsor will be required to up-front fund for its share of the needed network upgrades."[1]

The Cluster 3 Phase 1 study failed to achieve either of these objectives, and instead has resulted in unrealistic transmission plans and unreasonable cost allocation and financial security requirements for projects in Cluster 3. The CAISO staff's recognition of this inescapable conclusion has led them to seek a revision to the methodology used for the Cluster 4 Phase 1 study. SPI agrees that this broken process is in need of modification, but views it as unreasonable to pretend, as does CAISO staff, that the Cluster 3 projects should be held to admittedly unrealistic study results for purposes of financial

[1] Generation Interconnection Procedures Potential Revision to Cluster 4 Study Methodology - Draft for Discussion, June 30, 2011, page 2

security posting, while their competitors in Cluster 4 stand to benefit from the refinement in the study methodology in the form of reduced financial security overhead.

Recommendation

In order to keep the process moving forward in a manner that is fair to all Interconnection Customers, SPI recommends the following:

1. For purposes of the Initial Posting of Interconnection Financial security, Cluster 3 projects should only be responsible for Reliability Network Upgrades, Delivery Network Upgrades, and Distribution Upgrades associated with the PTO to which the project will interconnect;
2. Employ the "thinning" methodology recommended by staff for both Cluster 3 and 4 for purposes of the Cluster 4 Phase 1 study;
3. Use the results of the refined Cluster 4 Phase 1 study, in combination with the "thinned" revised Cluster 3 results (adjusted for drop outs after the financial security posting deadline) for the Phase 2 study;
4. The results of the Phase 2 study, conducted as described in 3, above, shall be used as the basis for the Second Posting of Interconnection Financial Security.

Discussion

The CAISO studied 13,350 MW of incremental generation in its Cluster 3 Phase 1 study. According to CAISO staff "While this methodology has generally produced realistic and therefore useful results in cluster studies up through Cluster 2, applying the same methodology for Cluster 3 and now Cluster 4 has raised concerns that unrealistic dispatch scenarios may result, which will dictate unrealistic transmission plans being produced., due to a large number and aggregate GW generating capacity of generators seeking to interconnect in areas where there is general recognition that only a portion of generators will ultimately be sited. Because the current methodology accommodates *all generation that has submitted an interconnection request within the queue*, the resulting transmission plan can appear overly unrealistic."[2] SPI cannot tell from the proposal what decision theory CAISO proposes to distinguish "overly unrealistic" results from what, apparently by stipulation, are merely unrealistic results that result in obvious overly high financial commitments from Cluster 3 participants.

The validity of staff's concerns is easily demonstrated by looking at the outcome of the Cluster 3 Phase 1 study results for SPI's project.

The project, located in Shasta county was grouped with a project in Yolo county, and one in Placer county, despite being nearly 200 miles to the north of these projects.

[2] Ibid., Page 3

The conclusion of this study is that SPI's project does not contribute to overloading of any transmission facilities in the PG&E system, will not violate any parts of voltage criteria and hence caused no adverse voltage impacts on the grid. Also, the Project did not significantly impact the transmission system's transient stability performance following selected contingencies. In short, other direct interconnection costs, the SPI project has almost none, or no, impact on the PG&E system to which it is interconnected as is its PTO.

In fact, SPI can interconnect with full deliverability after only some minor interconnection and reliability communications work in accordance with its planned commercial operations date in mid-2013.

However, the Phase 1 report doesn't stop there. The report notes that while this small project (27 MW), interconnecting at 115kv in the northern-most reaches of PG&E's territory has no impact on PG&E's system it inexplicably causes overloading of 6 transmission facilities in the SCE system, and as a result SPI has been assigned financial responsibility in excess of $5,000,000 for upgrades to the SCE system, none of which will even be completed within years of SPI's planned online date. The lion's share of these upgrades are associated with upgrading the Mesa substation from 230kv to 500kv; with which are associated in CAISO's study almost $900,000 in ostensibly non-refundable costs to SPI for some "undergrounding" distribution project over which the CAISO doesn't even have jurisdiction and can't verify..

Moreover, it appears that a significant portion of the SCE facilities that SPI, according to the flawed phase 1 study, is responsible for, have already been approved by the CPUC. On December 24, 2009 (well before SPI's project was any more than an idea) the CPUC issued D.09-12-044, granting SCE a CPCN for segments 4-11 of the Tehachapi Renewable Transmission Project. This decision authorizes SCE to spend up to $1,522,920,000 (in 2009 dollars) on this project, which includes upgrading the Mesa substation from 230kv to 500kv. Not only is SCE authorized to spend money to upgrade this substation, it is authorized to accrue AFUDC, which, along with the direct construction costs, will go into is rate base upon project completion. This project will be built, regardless of whether SPI's project is ever completed. So what exactly is SPI responsible for and why should SPI have to provide security for something that is going to happen anyway?

One must only ask: Does a valid, reasonable and reliable study and cost allocation methodology:

a) result in a project having responsibility for upgrades on a PTO system other than to which it is interconnected and taking place over 500 miles away (including non- jurisdictional distribution "associated costs") while that same project has no impact on the PTO's system to which it is interconnected?

b) assign financial responsibility (and thus financial security deposit requirements) to a generation project for transmission upgrades which have been approved for construction prior to the generation project's conception?

The answer to these questions is, of course, no. Yet this is exactly the outcome of the Cluster 3 Phase 1 study.

The CAISO cannot pretend that there is nothing wrong with Cluster 3 and that undertaking a different methodology for Cluster 4 will solve the problems it (and all of the Interconnection Customers in Cluster 3) has discovered. Instead, SPI urges the CAISO to consider and implement the recommendation of SPI as set forth above.

As noted, the breadth of material involved in this process conducted on short notice, combined with the equally substantial material that is clearly related from prior study results means that the comments received today cannot be comprehensive. The comments are sufficient even with that to make adjustments to the Cluster 3 results in accord with the Recommendations presented above.