

Comments of Wellhead Electric Company
Deliverability Requirements for Clusters 1 and 2
January 10, 2012 Revised Straw Proposal and January 17th Stakeholder Meeting

Wellhead is pleased with the CAISO's proposed changes to its generation interconnection procedures. Interconnection studies produced by the queue cluster approach were identifying significant, excessive upgrades (which also required large associated security deposits with non-refundable risks) since a core assumption was that every project requesting interconnection would be constructed. This is clearly a faulty premise, since it failed to recognize that a large majority of the projects in the queue are directly competing with each other in order to be selected in competitive procurement processes, and the non-competitive, not-selected projects will NOT be built. In California's current energy market environment, typically, only projects that are selected in competitive procurement process, i.e. are awarded a long-term power purchase agreement, have a reasonable chance of achieving operation. Stakeholders have been pushing for reform of the study process to address the problem for many months.

The CAISO's proposed solution appears to "remove" the excessive, unneeded upgrades from prior clusters interconnection study results, and in turn, reducing the associated security deposit requirements. The process changes proposed for Clusters 1 and 2 are also intended for projects in Clusters 3 and 4, and to become a permanent part of the interconnection procedures as a result of the TPP-GIP Integration initiative. Wellhead strongly supports the approach to broadly apply these changes to past, present, and future projects, because the changes address the fundamental flaws in the current interconnection study process.

In applying these significant changes retroactively to prior clusters, the CAISO must be very careful to prevent preferential treatment or discrimination for projects that remained in, or withdrew from, these prior clusters. Interconnection customers were forced to make significant decisions based upon the rules (and faulty study results) in place at the time. Recognizing the fluid rules environment, the CAISO even told interconnection customers to not count on any retroactive changes to the then current interconnection procedures in making their decision whether to remain or withdraw from a cluster.. To avoid potential discrimination or preferential treatment problems, the new approach for allocating deliverability must be based solely on the criteria that results from the TPP-GIP reforms. The CAISO should make it clear to projects taking advantage of the significant deliverability cost responsibility reductions (i.e. anyone still in Clusters 1, 2, 3, or 4) that they will not receive any preferential treatment or priority over subsequent clusters as to allocation of available capacity under the TPP as a result of being in the prior cluster. In addition, as part of their queue management efforts, the CAISO should also mandate that projects taking advantage of this significant cost/risk reduction be required to accept the new timelines and milestones being applied to project within, and following, Cluster 5.

In summary, Wellhead supports the CAISO's approach to revising the methodology for determining needed deliverability upgrades. The long-needed reform will link the interconnection study process more closely to reality, and is likely to ensure that procurement processes utilize reasonably accurate information for competitive procurement processes/decisions. Further, it is clear that the proposed changes for Cluster 1 and 2 projects MUST be integrated with the changes that are being made in the TPP-GIP initiative to ensure that the retroactive changes do not create discrimination or windfalls for any projects. Fairness is essential in the CAISO's management of the competitive marketplace.

Wellhead looks forward to working with the CAISO and other stakeholders in implementing the needed changes to the interconnection procedures.