

## Stakeholder Comments Template

### Subject: Generation Interconnection Procedures Phase 2 (“GIP 2”)

Submitted by	Company	Date Submitted
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#### Comments on topics listed in GIP 2 Straw Proposal:

##### Work Group 1

1. Develop procedures and tariff provisions for cost assessment provisions.

##### Comments:

The CAISO’s desire for an economic test for network upgrades is understandable but making such a fundamental change has some very serious problems that need to be addressed.

First, if the upgrade is needed or relied upon by a later queued project, that later queued project may need to share in the cost of the upgrade.

Second, though an upgrade may not be “needed” or “economic” from the CAISO’s perspective, upgrades to the network could have incremental benefits, such as reductions in losses or avoidance of other upgrades, for which the interconnection customer should be compensated. There seems to be a comparable FERC precedent for this in the treatment of headwater benefits associated with the development of hydro generation facilities where a downstream recipient of benefits is required to pay the party that made the upstream investments which created the benefit.

Third, the CAISO must find a way to ensure that any use of network capability not subject to refund by the PTO (i.e. not made part of the PTO’s rate-based transmission system) always receives just and reasonable compensation before any party is able to deliver generation that would cause power to use such capability. And it does not appear that CRRs would achieve that outcome.

Fourth, the CAISO market operations will likely have to be revised to take account of the fact that such transmission capability is only available for use by the party that financed the upgrade.

Fifth, there needs to be a modification of security deposits associated with upgrades that are not subject to network refund treatment.

Lastly, there may be very good non-economic reasons why an upgrade is needed but it would fail an economic test creating a clearly unintended outcome.

2. Clarify Interconnection Customer (IC) cost and credit requirements when GIP network upgrades are modified in the transmission planning process (per the new RTPP provisions)

Comments:

Beyond reasonable security deposits to establish that the interconnection customer is serious, security deposits should be linked to when the PTO/CAISO are incurring costs that cannot be cancelled/refunded.

**Work Group 2**

3. Participating Transmission Owner (PTO) transmission cost estimation procedures and per-unit upgrade cost estimates;

Comments:

The proposal does not address the fundamental problem that the cost estimates are by design “worst case” because they set cost caps for the interconnection customer. This may be useful information but is a problem because these worst case estimates drive security posting requirements (which were created simply to ensure the interconnection customer has appropriate “skin in the game” or is “serious”). The procedures should be modified to also require “reasonably expected” cost estimates that would be the basis of posting requirements with the worst case estimates being used to set the cost cap. These reasonably expected values should also take account of readily available project specific information. For example, aerial Google photographs and completed/approved environmental documents should be used to assess the reasonable likelihood of significant environmental problems that are assumed in current “worst case” estimating assumptions.

4. Generators interconnecting to non-PTO facilities that reside inside the ISO Balancing Area Authority (BAA);

Comments:

5. Triggers that establish the deadlines for IC financial security postings.

Comments:

The proposal is a definite improvement but it also needs to have a reasonable time period for the interconnection customer to make right sizing decisions which are allowed at the end of the Phase 1 report. We suggest allowing 14 calendar days after the final Phase 1 Report is provided to the interconnection customer for such decisions.

6. Clarify definitions of start of construction and other transmission construction phases, and specify posting requirements at each milestone.

Comments:

As indicated previously, construction deposits need to be directly correlated with the actual commitment of funds for construction related activities.

7. Improve process for interconnection customers to be notified of their required amounts for IFS posting

Comments:

8. Information provided by the ISO (Internet Postings)

Comments:

The CAISO needs to be continue efforts to make relevant information more readily accessible to market participants. Not doing this simply increases the work load on CAISO staff because the question/answer routine is the only remaining alternative to getting needed information.

**Work Group 3**

9. Develop pro forma partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

Comments:

An option for getting certainty in making partial termination decisions is a good addition but it should neither be punitive nor result in any third parties getting a free ride. Assuming it is reasonable, it is not yet clear how the proposed partial termination multiplier works. Some specific examples are needed. These provisions will also have to address what happens in the case where upgrades constructed are not subject to the network refund rules.

10. Reduction in project size for permitting or other extenuating circumstances

Comments:

The modular nature of renewable technologies and significant uncertainties of project development make it essential that the CAISO not take the draconian measure of terminating an Interconnection Agreement when a well conceived and pursued project does not get fully developed for reasons that are beyond the reasonable control of the interconnection customer. The 5% safe harbor proposed is too small and the CAISO should elaborate on reasons that are always an acceptable basis for downsizing a project.

11. Repayment of IC funding of network upgrades associated with a phased generation facility.

Comments:

There is no need for any holdbacks because the facility is either fully needed for the completed phase(s) or there is already a pro rata amount of the completed upgrade being held back. There also needs to be consideration of what happens when the later phase(s) never comes on line – the benefits of the upgrade to others need to be collected and paid to the interconnection customer (i.e. many of the same issues as need attention in item 1 above).

12. Clarify site exclusivity requirements for projects located on federal lands.

Comments:

13. Interconnection Refinements to Accommodate QF conversions, Repowering, Behind the meter expansion, Deliverability at the Distribution Level and Fast Track and ISP improvements

- a. Fast Track application to facility repowerings

Comments:

Need to ensure CAISO process is flexible/robust so as to NOT cause any delays in cases where the facility remains unchanged or the changes are likely to have no impact or will reduce potential impacts on the electric system.

- b. QF Conversion

Comments:

Same as for item a

- c. Behind the meter expansion

Comments:

Same as for item a

- d. Distribution level deliverability

Comments:

All projects that are delivering power to the grid (i.e. participating in the wholesale market) MUST be subject to the same criteria. A 100 MW project could alternatively be structured as 100 1 MW projects and I do not believe this market behavior should be promoted/encouraged.

**Work Group 4**

14. Financial security posting requirements where the PTO elects to upfront fund network upgrades.

Comments:

Postings should ignore the cost of PTO funded upgrades in calculating the posting amount using the various alternatives in the tariff (one would expect this to result in the minimum required posting amount in many of these cases).

15. Revise ISO insurance requirements (downward) in the pro forma Large Generation Interconnection Agreement (LGIA) to better reflect ISO's role in and potential impacts on the three-party LGIA.

Comments:

Agree the identified changes are appropriate.

16. Standardize the use of adjusted versus non-adjusted dollar amounts in LGIAs.

Comments:

17. Clarify the Interconnection Customers financial responsibility cap and maximum cost responsibility

Comments:

18. Consider adding a "posting cap" to the PTO's Interconnection Facilities

Comments:

Fixing the problems with the PTO estimating procedures (item 1 above) by adding a "reasonable expected" cost estimate should address the bulk of the concerns behind this issue.

**Work Group 5**

19. Partial deliverability as an interconnection deliverability status option.

Comments:

Implementation of this needs to take account of what the CAISO plans to do regarding allocation/use of system capability outside of the interconnection study process. Will a project with partial deliverability have any preferential treatment over a new request in getting an allocation of capability (deliverability) that becomes available at a later date? Does this create incentives for free-riders? Will any/all future increases in the project's deliverability require going through a subsequent cluster study?

20. Conform technical requirements for small and large generators to a single standard

Comments:

All projects that are participating in the wholesale marketplace MUST be treated the same – no size discrimination/preferences is acceptable for the FERC jurisdictional processes.

21. Revisit tariff requirement for off-peak deliverability assessment.

Comments:

The current study process correctly addresses a system reality – renewable generation will come at times when loads are lower thus requiring more power to be transmitted to load centers. Ignoring the off-peak deliverability case will result in the CAISO curtailing projects due to off peak transmission constraints. This will make projects non-financeable and/or significantly increase the costs to consumers.

22. Annual updating of ISO's advisory course on partial deliverability assessment

Comments:

The CAISO correctly recognizes that earlier in time queued projects must not be adversely impacted by a later queued project. This option may be appropriately limited to full deliverability projects that have posted the appropriate security required as part of the later queued position. Further, the CAISO must be very careful in implementing any process (deliverability allocation mechanism) that promotes free-riders.

## Comments Template for April 14, 2011 Straw Proposal

23. CPUC Renewable Auction Mechanism requirement for projects to be in an interconnection queue to qualify

Comments:

The CAISO is correct that the GIP should not create a special category for projects wanting to participate in a particular procurement program as that would significantly compromise the technical basis of the interconnection process.

### Other Comments:

1. Provide comments on proposals submitted by stakeholders.
  
2. If you have other comments, please provide them here.