Stakeholder Comments Template

Subject: Small and Large Generator Interconnection Procedures Draft Final Proposal and Meeting

Submitted by	Company	Date Submitted
Doug Davie	*Wellhead Electric*	*8/3/2010*

This template was created to help stakeholders submit written comments on topics related to the July 20, 2010 Small and Large Generator Interconnection Procedures Draft Final Proposal and July 27, 2010 Small and Large Generator Interconnection Procedures Stakeholder Meeting. Please submit comments and thoughts (in MS Word) to dkirrene@caiso.com no later than 5:00 pm PDT August 4, 2010.

Please add your comments where indicated responding to the questions raised. Your comments will be most useful if you provide the business case or other reasons why you support particular aspects of the proposal. Any other comments on the proposal are also welcome. The comments received will assist the ISO with the development of the FERC filing of modified tariff language.

Overall Assessment of the ISO Proposal

In September, the ISO Board of Governors will be asked to authorize a filing at FERC of tariff language to implement the elements of the Draft Final Proposal (with possible modifications in response to this round of comments).

1. Do you support ISO Board approval of the proposal? Why or why not?
2. Do you believe the proposal accomplishes the objectives this initiative was intended to address? If not, please explain.
3. Do you believe the proposal reflects an appropriate balance of the various stakeholder interests and concerns raised in this process? If not, please explain.

The CAISO's generator interconnection processes are clearly in need of revision; the SGIP is being plagued by the same problems that were occurring when LGIP was reformed a couple of years ago and the reformed LGIP has issues/problems that need to be fixed. The final draft proposal addresses the key issues/problems that were identified at the initiation of the stakeholder process. With the changes/clarifications noted below, we support the modifications to the Generator Interconnection Process.

Proposed Study Deposit Amounts and/or Processing Fees

1. In general, do you support the proposed study deposit amounts and/or processing fees?
2. If not, what modifications are needed and why?

Increasing the deposits associated with projects under 20 MW is an appropriate change with the evolution of technology that is modular down to very small sizes and because all generation projects competing to sell power at wholesale should be treated on comparable, non-discriminatory bases (for example, the current significantly different deposit requirements for a 19.9 MW project vs. a 20.1 MW project makes no sense). The modifications to the deposit requirements will also encourage developers to "right size" their projects at the outset (at least until they hit the cap associated with a 200 MW project).

Regarding the fees for Fast Track projects under 2 MW, it does not seem that the proposal would require the developer to pay the actual costs of the required studies and the proposal creates an apparent incentive, for example, to break a 20 MW project into ten 2 MW projects. To avoid this perverse result, the CAISO should consider limiting the Fast Track option to projects that are only delivering a minimal amount of as-delivered energy to the grid for sale at wholesale (i.e. the option is intended for self-service projects). Such a limitation may make the minimal fees more appropriate. This limitation would also ensure that all projects competing to sell power at wholesale are competing on a non-discriminatory basis and might also eliminate the need to set a size cutoff (e.g. allow a 20 MW project that primarily serves a large industrial load to have the same "fast track" option). Appropriate criteria could include: i) no more than the lesser of 25% of the capacity or 2 MW may be sold at wholesale; and ii) the project would NOT have the option of obtaining deliverability for a significant number of years into the future (i.e. developers should be forced to learn/understand the business in order to make and live with key business decisions for an appropriate number of years).

Proposed Annual Cluster Study Track

1. In general, do you support the ISO's proposal to study projects of any size in a single, unified cluster?
2. If not, what modifications are needed and why?
3. If you do not support a single cluster approach in any form, what would be your preferred alternative and why?

The reality is that interconnection studies must be performed on a serial process because you cannot determine what is incrementally required for the next project until the system configuration details for all prior projects are known. The current procedures MUST be modified so that studies can actually be performed and completed in an understandable and reasonable process that does not create the need for significant restudies and also does not delay or prevent viable projects from being developed.

The proposed changes allow the CAISO/PTO's to perform the needed studies for each cluster in a serial process that eliminates the need for multiple re-studies which are a waste of limited CAISO/PTO manpower and which also increase uncertainty, time and costs to developers that must otherwise wait for the restudies and significantly changed results. Because there are potential interactions among all projects that are delivering

power to the grid, studying them together is common sense (subject to the issues/problems the Independent Study Process is intended to address) and will allow incremental system reinforcements projects to be more optimally sized/configured.

Second Application Window – Scoping Meeting

1. In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of receiving a scoping meeting?
2. If not, what modifications are needed and why?

Second Application window – Enter Cluster at Phase II

1. In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of waiving the Phase I study and entering the cluster for study at the Phase II study?
2. If not, what modifications are needed and why?

Second Application Window – Enter Cluster at Phase II Criteria

1. In general, do you support the ISO's proposed criteria to qualify a project to waive the Phase I study and enter the cluster at the Phase II study?
2. If not, what modifications are needed and why?

There is no apparent value added for including a Second Application Window; the Independent Study Process is intended to meet the needs of projects that have a realistic chance of being developed more quickly than the normal cluster process would allow.

The only possible value of this option is the consulting-like service the CAISO/PTO's would provide in a scoping meeting. And this use of limited manpower is unnecessary so long as the CAISO/PTO's make the appropriate information available to developers so they can do their own analysis before making an interconnection request.

Creating the opportunity for projects to go directly into the Phase 2 study could also invalidate the results of the Phase 1 study thus re-creating the need for restudies and associated delays and added costs (which this reform is trying to eliminate).

This option should be deleted from the proposal.

<u>Coordination with the Transmission Planning Process</u>

1. In general, do you support the ISO's proposal to reevaluate certain network upgrades in the Transmission Planning Process?
2. If not, what modifications are needed and why?
3. If a network upgrade is selected for reevaluation by the Transmission Planning Process should the associated generation project proceed with a Large Generator Interconnection Agreement that contains a provision to allow for later amendment of the Large Generator Interconnection Agreement if warranted by the Transmission Planning Process reevaluation results? Why or why not?

Independent Study Processing Track

1. In general, do you support the ISO's Independent Study Processing Track proposal?
2. What modifications are needed and why?
3. What specific aspects of a developer's project development process make it impossible for a developer to demonstrate eligibility for the Independent Study Processing Track at the time of the Interconnection Request?

The Independent Study Process is an essential addition to the interconnection process; some developers are capable of developing new generation projects (from identification of the specific location to commercial operation date) in less time that it takes the CAISO/PTO to go through the standard interconnection process. In these cases, the interconnection process can delay the COD by 1 or 2 years; clearly an unacceptable result for all interests.

The proposed ISP has identified the appropriate considerations for determining whether a project should be allowed to proceed on an expedited basis. However, the proposal goes too far in creating rigid rules that are unable to take account of appropriate considerations. The process needs to provide "guidance" to CAISO/PTO engineers who will be required to exercise good judgment in determining whether a project qualifies for the ISP.

The viability criteria (demonstration that the desired COD is realistically achievable) appropriately provide guidance for making an eligibility determination. The electrically independent criteria, with fixed maximum flow impact or short circuit contribution are unnecessarily rigid for application in all cases. If the PTO engineers believe that impacted transmission lines and/or substations have available capability which can accommodate a new project, there is no need make that project ineligible for the ISP.

For example, in a case where two projects in close proximity have a combined output within the capability of the existing system capabilities, the ISP should be available to either/both of the projects under the "electrically independent" criteria (i.e. this is a case where a single project equal in size to the two projects together would meet the criteria). Another example of a project that should qualify is where the other project(s) in the "electrically equivalent" area has a COD several years later and the system has sufficient capability to take delivery of the early COD project (i.e. any upgrades, which the ISP project should share in, are needed only when/if the other project comes on line several years later). These are but two examples of projects that should be eligible for the ISP but would be precluded by the rigid criteria proposed. The CAISO/PTO engineers must have the ability to make good engineering decisions.

The intent of the Independent Study Process is to facilitate projects which can be developed quickly and are located at good electrical locations. If the CAISO/PTO engineers do not have the latitude to exercise good engineering judgment in determining whether a project qualifies for the ISP, the ISP will fail to meet its intended purpose.

Fast Track less than 2 MW

1. Should the ISO remove the 10th screen from the Fast Track? Why or why not?

2. Should the ISO increase the size limit for Fast Track qualification? If so, would you support a 5MW size limit or a different value? Explain your reasons.

See comment in Proposed Study Deposit Amounts and/or Processing Fees above

Method to Determine Generator Independence

1. In general, do you support the ISO's proposed method to determine generator independence?
2. If not, what approach would you propose for determining generator independence? Explain why your proposed approach is superior to the ISO's proposal.
3. If you prefer completely eliminating the independence criterion to qualify for the Independent Study Processing Track, how would you address the concern about impacts of Independent Study Processing Track projects on other interconnection customers (including cluster projects) in higher queue positions?

See comment in Independent Study Processing Track above

Deliverability Proposal

One-Time – Enter Cluster 4

1. In general, do you support the ISO's proposal to allow a one-time deliverability assessment to obtain Full Capacity during cluster 4?
2. If not, what modifications would you support and why?

Annual – Available Transmission

1. In general, do you support the ISO's proposal to provide an annual opportunity for qualified projects to request and obtain Full Capacity using available transmission?
2. If not, what modifications would you support and why?

In general, the only situation where a project/developer absolutely deserves an opportunity to obtain deliverability after initiating the interconnection process is when it never had the option to request "full capacity". This applies to projects that interconnected prior to the concept of "deliverability" (although projects that are deemed to be providing RA pursuant to CPUC decisions should probably automatically qualify for full capacity since these projects are, I believe, included in CAISO deliverability studies). Now allowing such projects a one-time opportunity to get full deliverability during cluster 4 is appropriate (i.e. these projects have the option to get "full capacity" for their project). However, to take advantage of this option such projects should be required to make deposits for study costs and their share of any needed network facilities (i.e. they are treated the same as any other project in cluster 4). This one-time option should not provide for any allocation of deliverability without the financial commitment to pay the appropriate share of any needed facilities (i.e. this is not a "pick up the leftovers" option; rather it is an option to request full capacity with the same commitments any other project in cluster 4 makes to get full capacity).

Regarding projects that entered the interconnection process and made the business decision to go forward with a request that was "energy only" under the applicable rules, the argument for a deliverability option is not nearly so compelling. The argument expressed in the stakeholder meetings was that these projects may now want to change their prior business decision. This could be accomplish by withdrawing the current application and re-entering the interconnection process with their changed business decision (i.e. get deliverability by electing the "full capacity" option in a new interconnection request). However, rather than require such projects to "restart", we could support a one-time option for these projects entering cluster 4 for the purpose of getting deliverability provided that they paid the same fees/deposits as are required for new projects also in cluster 4 (again, this should not be a "pick up the leftovers that someone else paid for" option; rather, the switching project should have all of the same financial costs/exposures/commitments any other project made to get full capacity).

Going forward, there does not seem to be a compelling argument for an ongoing opportunity for projects to switch from energy only to full capacity. Such a provision could even result in a perverse incentive to go through an SGIP energy only option with the expressed intent of switching to full capacity later on. Perhaps a middle position would be allow the switch option on an annual basis but provide that it could not be exercised until at least 10 years after the COD (i.e. constrain the gaming opportunity). Another alternative would be for all such annual allocations to be made on an annual basis but only for 12 months and in sequence AFTER all of the projects in the then current cluster process got deliverability (for example, after all projects in cluster 6 got deliverability, any available capacity would be allocated for one year only to energy only projects and such capacity would be used, as needed, for subsequent clusters before any capacity is allocated again to the energy only project).

The allocation of available transmission system capability to projects wanting to switch from energy only to full capacity must require such projects to make the same commitments to fees/costs as any other project requesting full capacity at the same time as the switch OR the allocation must be clearly subordinate in the rights/priority of any project needing such capability for its full capacity request at any future date.

Financial Security Postings

1. In general, do you support the ISO's financial security postings proposal?
2. What modifications are needed and why?

Transition Plan

1. In general do you support the ISO's proposed transition plan?
2. What modifications are needed to all you to support the ISO's transition plan?

The one element that is not mentioned in the transition plan for SGIP projects is the ability for projects to qualify for the ISP process. This is seemingly an oversight in the drafting of the transition plan since it makes no sense to require a project in SGIP, with studies ongoing, to withdraw and re-enter the interconnection process (and it is akin to giving SGIP projects the option to switch to full capacity).

What aspect of the ISO's Draft Final Proposal do you find most favorable?

What aspect of the ISO's Draft Final Proposal do you find least favorable? Please provide the business case or other rationale for your answer.

Do you have any additional comments that you would like to provide?

With regards to comments in the stakeholder meetings which suggest the current SGIP process should remain intact, that should only be considered if such projects would be energy only forever and they would continue to be exposed to all of the delays/changes associated with the serial process (i.e. they do not get beneficial changes without accepting the other changes that are essential to solving the significant problems with the SGIP process). And if the CAISO were to retain the SGIP as it exists today, the changes proposed in the current reform effort should be made to the LGIP process (i.e. all projects wanting to have deliverable capacity to sell in the wholesale market would have to go through the new and improved LGIP).