

Stakeholder Comments Template

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

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 May 27, 2011 *Draft Final Proposal for Generation Interconnection Procedures 2 (GIP 2) Proposal* (at <http://www.caiso.com/2b21/2b21a4fe115e0.html>). We ask that you please submit your comments in MS Word to GIP2@caiso.com no later than the close of business on June 10, 2011.

Your comments on any these issues are welcome and will assist the ISO in the development of the revised draft final proposal. Your comments will be most useful if you provide the reasons and the business case for your preferred approaches to these topics.

Your input will be particularly valuable to the extent you can provide comments that address any concerns you foresee implementing these proposals.

Please note there are new topics in this comments template that have been introduced for the first time in the draft final proposal - Item # 18, 19, 20, 25, 26 & 27

Comments on topics listed in GIP 2 Draft Final Proposal:**Work Group 1**

Based on the last round of work group meetings and our review of stakeholder comments, the ISO has determined that WG 1 topics should be taken out of GIP 2 scope and addressed in a separate initiative with its own timeline

Work Group 2

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

Comments:

Getting realistic cost estimates as early as possible should be the objective of the interconnection process. Understanding that the projects change at the end of the Phase 1 study supports the use of rough estimates but the significant differences between various projects and the fact that the Phase 1 estimates serve as a cost responsibility cap mean that the estimates will always tend to be worst case numbers. Although this is useful information, is inappropriate as a basis for security deposit requirements that are intended to ensure developers have skin in the game during the study process and to protect ratepayers from the cost of upgrades if a project does not come on line. Given the various uses of the Phase 1 and Phase 2 cost estimates and how they are developed, the CAISO should reduce the percentage of such costs that go into the determination of security deposit requirements and the cost cap should be for the total deposits made for both network and non-network costs.

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

Comments:

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

Comments:

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

Comments:

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

Comments:

6. Information provided by the ISO (Internet Postings)

Comments:**Work Group 3**

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

Comments:

The addition of a partial termination option that can be exercised at the sole discretion of the project sponsor is an potentially useful addition when there are known risks as to whether needed upgrades can be completed in time. However, it is not clear what policy goals are well served by penalizing a project sponsor because the PTO or CAISO cannot meet reasonable albeit somewhat optimistic schedules for which a project developer would be willing to make development expenditures. Minimum payment amounts will simply result in penalties that discourage well conceived projects from trying; is this what the CAISO wants?? It seems the public interest is better served by encouraging/supporting competitive project developments; especially when any transmission infrastructure needed be needed to meet the RPS goals.

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

Comments:

The CAISO should, under NO CIRCUMSTANCES, be penalizing or discouraging well conceived projects by canceling the interconnection agreement because a project was unable to be completed to its full size due to circumstances beyond the developers control. The interconnection rules should be clear that the only thing at risk is the recovery of transmission upgrade costs that are not used and useful. However this will rightfully require that the benefits of any such facilities (such as reduced system losses or improved system efficiency) are paid to the developer who funded the project. This would also mean that the developer would receive repayments any time power was flowing on such facilities (for example if a circuit were increased from 200 to 250 mva, any time the flow was over 200 mva, compensation should be flowing to the developer that funded the project)

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

Comments:

Repayment of deposits for a specific network upgrade should begin no later than when the project that uses (or would use) that upgrade begins operation (i.e. the repayment begins when the generation project, or a phase thereof, is operational). The security deposits are for the purpose of protecting the ratepayers in the event the generation project never reaches operation. That risk is gone when power generation begins and refunds should begin at that time regardless of the status of work on the transmission upgrade project – waiting for the transmission project to be complete is completely inconsistent with the purpose of these deposits.

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

Comments:

11. CPUC Renewable Auction Mechanism

Comments:

Though the CAISO needs to be supportive of the CPUC and state policy objectives, it must also remain fully compliant with FERC requirements for non-discrimination of all participants, big or small, in the wholesale marketplace.

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

Comments:

The CAISO needs to be responsive and support of all efforts to provide competitive energy supplies into the wholesale marketplace consistent with the principles of fairness and non-discrimination. This means making sure that any project changes proposed by a participant do not have a significant adverse impact on another existing or higher queued project that made investments and decisions based upon these principles and the Tariff. The CAISO must be diligent in using reasonable judgment and transparent rules/processes in ensuring that this outcome is achieved. The proposal has merit but it is impossible to write detailed rules/protocols that will address every possible situation and must not become a limitation on changes that are clearly reasonable but were not anticipated when the rules were written. It will be particularly important for the CAISO to look closely at its market operations activities to be sure that fully deliverable projects, that made business decisions and investments to protect against the financial impacts of curtailment, are properly protected.

- a. Application of Path 1-5 processes

Comments:

- b. Maintaining Deliverability upon QF Conversion

Comments:

- c. Distribution Level Deliverability

Comments:

Work Group 4

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

Comments:

14. 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:

The CAISO needs to ensure the insurance requirements reflect what is commercially reasonable and available on an ongoing basis. The CAISO should consider moving the

insurance requirements to an Appendix so that a Tariff amendment is not needed to make changes in the future.

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

Comments:

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

Comments:

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

Comments:

The existing cap should be for the combined deposit requirements for network and non-network facilities.

18. Consider using generating project viability assessment in lieu of financial security postings

Comments:

When starting with the intended purpose of the security deposits (ensure projects triggering upgrades become operational), these are appropriate considerations that should serve to reduce security requirements.

19. Consider limiting interconnection agreement suspension rights

Comments:

20. Consider incorporating PTO abandoned plant recovery into GIP

Comments:

Work Group 5

21. Partial deliverability as an interconnection deliverability status option.

Comments:

The CAISO needs to exercise caution to ensure that it does NOT do anything that will lead to additional congestion which has significant financial implications to existing and higher queued projects. This means that the CAISO needs to VERY carefully to consider how the non-peak deliverability case will be used in the future; not requiring transmission upgrades needed to avoid congestion in non-peak hours must not be allowed without ensuring that energy only projects DO NOT cause curtailment of projects that made the decision to be Fully Deliverable.

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

Comments:

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

Comments:

Aligning the use of deliverability studies with NQC and Resource Adequacy is an appropriate change. Removing the requirement to construct upgrades needed to avoid overloads in non-peak hours has unacceptable consequences. It will lead to congestion that will result in projects being curtailed thus losing expected revenues and/or being in violation of their power sales agreement's performance requirements. These potential outcomes could make projects un-financeable and/or lead to post-operation failure. The CAISO must not make changes that will lead to this result.

Going down this path will require the CAISO to adopt a priority scheme within its market operations to take account of a project's queue priority for full deliverability. This is a relevant criteria because energy only projects made the decision to be curtailed in order to avoid causing congestion (i.e. curtailment can be used to solve congestion problems in reliability studies and energy only projects are always curtailed, by being turned off, in full deliverability studies). The CAISO must ensure that it does not do anything that results in an Energy Only project causing a Fully Deliverable project to be curtailed and that earlier queue Fully Deliverable projects are not curtailed in non-peak hours unless later in queue time projects are fully curtailed. The CAISO must not allow a later in time project to undermine an earlier in time project's financial viability by causing curtailment.

24. Operational partial and interim deliverability assessment

Comments:

As indicated in prior comments, the CAISO needs to be VERY cautious to ensure that the changes do not cause adverse impacts to projects by causing additional curtailment of Fully Deliverable projects.

25. Post Phase II re-evaluation of the plan of service

Comments:

This is an important issue and deserves the scrutiny it will get in the expanded Work Group 1 activities.

New Topics since straw proposal

26. Comments on the LS Power issue raised in their comments submitted May 9, 2011 – Re. Conforming ISO tariff language to the FERC 2003-C LGIA on the treatment of transmission credits in Section 11.4 of Appendix Z.

Comments:

27. Correcting a broken link in the tariff regarding the disposition of forfeited funds.

Comments:

Other Comments:

1. If you have other comments, please provide them here.