

## Comments of enXco Development Corporation on CAISO TPP-GIP Integration Initiative Revised Draft Straw Proposal

enXco appreciates the opportunity to file comments on the CAISO's **Revised Straw Proposal** (Proposal) in the TPP-GIP Integration Initiative. enXco's comments focus on:

- **Changes to interconnection financial requirements** to help ensure that the most viable generation project proposals enter and move forward in the CAISO interconnection study process, starting with Cluster 4. These changes would do the following
  - **Define specific milestones that would serve as project-viability indicators during the project study and development process.** This includes milestones for entering the Phase I Study; screening projects at this early stage should help reduce the large amount of capacity dropping out of the study process between Phase I and Phase II and, therefore, make the Phase I Study results more meaningful without the need to manipulate the capacity assumptions, and well before the Phase II Study results are available.
  - **Add financial deposit requirements for projects that do not meet a specific number of those milestones.** These deposits would apply to new projects and also (for entry into Phase II and the GIA) to Cluster 4 projects, since those projects are so early in the process. These additional deposits would function like the current Site Exclusivity deposit, i.e., they would be refunded when the projects achieve the specified number of milestones.
  - **Reduce the Second IFS Posting requirement for projects with an executed PPA with financial-security requirements,** to recognize both the key nature of this milestone and the additional financial commitment made by the developer.
- **Feedback on the CAISO proposals for allocating TPP transmission capacity to generation projects in the queue.** enXco supports the following, starting with Cluster 4:
  - **Option 3A,** which should incorporate its proposed viability milestones or alternative cash deposits as a prerequisite for allocation of this capacity; and
  - **Options 3E and 3G,** to provide for payment of compensation by later-queued generation projects to cover costs of IC-funded upgrades built to serve earlier-queued generation projects. Option 3G is preferable, to prevent ICs from funding capacity in excess of their needs.

The CAISO should also explore possible use of an auction mechanism to allocate available capacity to projects that are ready to advance now, applicable to all the projects currently in the queue that do not yet have executed GIAs. The CAISO needs a quick way for viable projects ready to move forward to bypass non-viable and unready projects to make best use of the scarce transmission capacity available today.

These proposals are described further below.

**Changes to interconnection financial requirements:** In what is commonly referred to as the Generator Interconnection Process Reform (GIPR) in 2008, the CAISO adopted more-stringent queue-entry financial requirements and IFS requirements. These new rules were intended to ensure that only viable generation projects entered the queue, as well as study process to clear out the study backlog for projects then in the queue.

Given the huge size of the interconnection queue relative to the capacity needed for meeting the 33% RPS requirements, it is apparent that these rules have not been effective in screening out less-viable projects. Most of the generation now in the queue will not be able to secure a PPA and, therefore, will likely not be built.

Therefore, the CAISO must have a better way to screen out non-viable projects that these rules have provided. Both the GIP and the TPP would work better (integrated or not) if changes in generation assumptions during the study process, and after GIA execution, were minimized. In order to accomplish this, enXco recommends the following:

- **Establishment of project-viability milestones.** enXco recommends the list of milestones below, which should correlate well with generation-project development progress.

- Executed PPA with a CAISO-area LSE
- Significant environmental permit issued for the project
- Proof of project financing
- Proof of access right to the Point of Interconnection (POI)
- Proof of Site Exclusivity (without any substitution)
- Executed Engineering & Procurement Contract (EPC agreement)

- **Financial requirements changes:** Interconnection Customers failing to meet these viability milestones would be required to post cash deposits to enter the next stage of the interconnection process. Projects must meet two milestones to avoid the Phase I Study entry deposit, and three milestones to avoid the Phase II and GIA deposits; the GIA deposit is based on the same number of milestones as the Phase II deposit, but the amount is higher.

As noted above, these cash deposits would function similar to the Site Exclusivity deposit, i.e., they would be refundable as the generation projects reach the milestones. However, the deposit would be forfeited if the project is withdrawn from the queue before COD.

These milestone/cash requirements are critical for two reasons:

- With only a specified amount of ratepayer-funded transmission available, the process simply will not work if that capacity is taken up by less-viable projects; and
- The ratepayer funding for TPP transmission will reduce the amount of IFS that would otherwise be posted by projects receiving an allocation. Without an additional financial requirement, those projects would not be subject to the discipline provided today by either the posting process (where PTOs are not funding upgrades) or the milestones typically included in PPAs (for PTO-funded upgrades).

MISO is encountering these problems today, and enXco encourages the CAISO to consult with MISO about them.

In addition, the Second IFS Posting requirement would be reduced for projects with an executed PPA with financial-security requirements. This reduction would recognize both the key nature of this milestone and the additional financial commitment made by the developer. Without this credit, developers whose projects have obtained PPAs would actually be required to post more security in total (interconnection process and PPA) than those that have not achieved this important milestone.

These proposals are summarized in the table below.

<b>MILESTONES</b>	<b>PHASE I ENTRY</b>	<b>PHASE II ENTRY</b>	<b>GIA EXECUTION</b>
<b>Zero or one</b>	<b>Cash deposit of \$2,000/MW</b>	<b>Cash deposit of \$4,000/MW</b>	<b>Cash deposit of \$5,000/MW</b>
<b>Two</b>	No cash deposit required	No cash deposit required	No cash deposit required; Second IFS Posting reduced up to 50% for security posted under an executed PPA
<b>Three or more</b>			

**Feedback on CAISO proposals to allocate TPP capacity to projects in the queue:**

enXco supports Option 3A – “First Come, First Served” – which would allocate TPP capacity based on the timing of when the projects in an area achieve the number of milestones – three – required for Phase II entry. Projects posting the cash deposit instead of meeting the milestones would be sequenced in the allocation process behind projects actually meeting the milestones.

enXco also supports the “First Comer, Late Mover” proposals (Options 3E and 3G), which would provide for payment by later-queued projects for IC-funded upgrades built to serve earlier-queued projects. Of the two proposals, Option 3G is the most fair, because it would not force ICs with earlier-queued projects to effectively serve as the financiers for later-queued competitors.

Finally, the CAISO must have a way to allocate the limited amount of transmission available now and/or under the new framework to viable projects that are ready to move forward. The CAISO should explore use of an auction mechanism for projects that do not yet have executed LGIAs (including those in Clusters 1-4), for this purpose. The auction - including the use of the auction revenue – could be structured similar to the Option 3C proposal, and the CAISO should include this as a possible approach in the next Proposal version.