

Decision on Generator Interconnection Process Reform Proposal



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In our Strategic Plan, CAISO committed to development of grid resources, aligned with state and federal policies.

- FERC called for nationwide reforms:
 - December 2007 technical conference
 - March 2008 order
- CAISO response:
 - January 2008 stakeholder process initiated to reform the generator interconnection process

Active projects in the queue today exceed the CAISO all-time system peak of 50,270 MW

- 361 interconnection requests active as of June 27, 2008
 - Total 105,342 MW
 - Renewable projects total 68,556 MW

- Interconnection requests for renewable projects are growing year to year:

■ January 2006	5,700 MW
■ January 2007	11,000 MW
■ January 2008	42,526 MW
■ June 2008	68,556 MW

Renewable generation is typically located in areas with inadequate transmission infrastructure.












CAISO reform proposal has three main objectives:

- 🌐 Clear the backlog
- 🌐 Increase overall process efficiency
- 🌐 Support the timely interconnection and development of new generating capacity to:
 - Meet future demand
 - Achieve state environmental policy goals

The reform proposal achieves the stated objectives in several ways.

- Expedites processing of projects in late stages of the current process
- Adopts a more efficient group study approach
- Accelerates and increases developer commitment to ensure viability of projects associated with interconnection requests
- Facilitates investment by providing process and cost certainty
- Promotes greater efficiency in transmission planning

The reform proposal is substantially more efficient than the current generator interconnection process.

Before	After
 Deposits <ul style="list-style-type: none">▪ \$10,000 application▪ \$10,000 in lieu of site control▪ \$10,000 feasibility study▪ \$50,000 system impact study▪ \$100,000 facility study	 Deposits <ul style="list-style-type: none">▪ \$250,000 application▪ \$250,000 in lieu of site control
 Three or more formal agreements	 One formal agreement
 Projects studied serially	 Projects studied in groups
 Disproportionate cost allocation	 Allocation based on project impact
 Cost and timing uncertainty <ul style="list-style-type: none">▪ Significant restudy potential▪ 4-5+ years for 90% of projects	 Cost certainty within 9 months of close of queue cluster window  Linked to defined transmission planning process

The CAISO balanced competing interests and stakeholder input to develop key reforms.

Issue	Proposed Resolution
<ul style="list-style-type: none"> Impact of increased financial commitments on small firms or small projects 	<ul style="list-style-type: none"> Accommodated limited class of small projects Found no correlation with study costs
<ul style="list-style-type: none"> Fairness of criteria dividing projects continuing under current process and projects to be studied using the reform process 	<ul style="list-style-type: none"> Selected objective criteria: <ul style="list-style-type: none"> “Late stage” projects Power Purchase Agreements Available approved transmission Consistent with FERC guidance Creates a manageable workload
<ul style="list-style-type: none"> Developer risk due to non-refundable elements 	<ul style="list-style-type: none"> Allowed phasing of financial commitment
<ul style="list-style-type: none"> Shorten study process to the maximum extent possible 	<ul style="list-style-type: none"> Accuracy required to support utility financing obligations Coordination with transmission planning process Included “accelerated” study process

If approved by the Board, the CAISO will file Tariff language with FERC.

- If approved by FERC, CAISO will implement an interconnection process that:
 - Clears the existing queue backlog
 - Provides cost and timing certainty for interconnection customers.
 - Facilitates timely interconnection and development of new generating capacity to:
 - Meet future customer demand
 - Achieve state environmental policy goals