



California ISO
Shaping a Renewed Future

Interconnection Process Enhancements

Draft Final Proposal Topics 13 and 14

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Interconnection Process Enhancements

Draft Final Proposal for Topics 13 and 14

1 Executive summary

In this paper the ISO offers its draft final proposals for the last two active topics in the Interconnection Process Enhancements (“IPE”) initiative – clarity regarding the timing of transmission cost reimbursement (Topic 13) and redistribution of forfeited funds (Topic 14).

For Topic 13, the ISO proposal provides that reimbursement for required network upgrades already in service will commence upon the generating facility or phase of the generating facility that requires those upgrades achieving commercial operation, as specified in the generator interconnection agreement. The proposal further provides that reimbursement for required network upgrades placed in service subsequent to the date the generating facility or phase of the generating facility achieves commercial operation (including those network upgrades under construction at the time of the commercial operation date of the project or project phase) will commence no later than the beginning of each calendar year for those required network upgrades placed in the service during the prior year calendar year.

For Topic 14, the ISO now proposes one enhancement to the approach described in the April 2 draft final proposal. The enhancement proposes to use a portion of the forfeited funds to reduce the costs of certain network upgrades, as explained below. To accommodate the enhancement the ISO will accumulate forfeited funds for redistribution on a calendar year basis, instead of the July 1 through June 30 cycle as stated in the April 2 paper. Within the annual reassessment performed as part of the Generator Interconnection and Deliverability Allocation Procedures (GIDAP), the ISO will identify those network upgrades that (a) were required for each interconnection customer that withdrew in the previous calendar year, and (b) are still required following the customer’s withdrawal. The ISO will calculate the portion of each withdrawn customer’s forfeited interconnection financial security posting that is proportional to the share of that customer’s network upgrade cost responsibility associated with network upgrades identified in the previous step as still required following the customer’s withdrawal. For each such network upgrade, the ISO will redistribute the calculated share of the withdrawn customer’s forfeited financial security posting to the appropriate PTO as a contribution in aid of construction of that network upgrade, thus reducing the cost of that upgrade. The ISO will then use the network upgrade cost estimates reduced in this manner for purposes of the GIDAP network upgrade cost reallocation. The same procedure would also be applied to the funds forfeited by WDAT customers that were associated with network upgrades on the ISO system that are still needed after the customers have withdrawn. Because the individual amounts of money can be quite small, however, the ISO

proposes to apply forfeited funds against the costs of specific network upgrades only when the amount of money for the individual upgrade is \$100,000 or greater. Smaller amounts would be included in the transmission revenue balancing account (TRBA)/transmission access charges (TAC) redistribution. The ISO will use the TAC/TRBA approach described in the April 2 proposal to redistribute forfeited study deposits and any forfeited security posting funds not distributed in accordance with the steps described above.

The IPE initiative is the latest in a series of stakeholder processes that the ISO has conducted over the past several years to continuously review and improve its generation interconnection process and associated interconnection agreements. The ISO launched the IPE initiative in April 2013 with fifteen generation interconnection related topics for consideration in scope.

The ISO anticipates taking Topics 13 and 14 to the ISO Board in July.

2 Stakeholder process

The following table summarizes the stakeholder process schedule for the remaining two topics of the IPE initiative addressed in this paper.

Stakeholder process schedule		
Step	Date	Milestone
Draft final proposal (Topics 13, 14)	May 28	Post draft final proposal
	June 4	Stakeholder meeting (web conference)
	June 11	Stakeholder comments due
Board approval (Topics 13, 14)	July 15-16	ISO Board meeting

3 Topics

This section presents the ISO's draft final proposals for Topics 13 and 14, based on a consideration of stakeholder comments received on April 16 for Topic 13 (through the IPE initiative) and on April 23 for Topic 14 (through the GIDAP reassessment initiative).

3.1 Topic 13 – Clarity regarding timing of transmission cost reimbursement

3.1.1 Background

On November 30, 2011, the ISO filed proposed tariff revisions to its generator interconnection process in FERC Docket No. ER12-502, following the completion of the GIP 2 stakeholder process. Item #6 in the GIP 2 effort addressed repayment of interconnection customer funding for network upgrades associated with a phased generating facility. The ISO tariff provisions to implement item #6, contained in section 12.3.2.2 of appendix Y, stated that upon commercial operation of a phase of a generating facility, the generator is entitled to repayment of the costs of the network upgrades associated with that phase, provided that the network upgrades are in-service. However, the ISO did not explicitly include a similar “in-service” requirement for repayment in the tariff appendix Y provisions regarding the repayment of network upgrades for non-phased facilities (section 12.3.2.1), which refer only to the requirement that a generator have achieved commercial operation in order to qualify for repayment of network upgrade costs funded by that generator.¹

In the GIP 2 proceeding, LSA and the California Wind Energy Association (“CalWEA”) both urged FERC to reject the ISO’s proposed in-service requirement for repayment of network upgrade costs for phased facilities. These entities argued that this requirement violated FERC precedent, reasoning that the FERC has never required any other conditions to repayment other than commercial operation of the generator.

In its January 30, 2012 order on the GIP 2 tariff amendment, FERC rejected this argument, in particular the notion that “the achievement of commercial operation is the sole condition required before an interconnection customer becomes eligible for repayment.”² Instead, FERC explained that in order to ensure that an interconnection customer “bears an appropriate level of risk that network upgrades associated with its generating facility may become unnecessary should the interconnection customer’s facility becomes commercially infeasible, the Order No. 2003 series of orders required as a general policy that repayment begin once transmission service to deliver the output of the interconnection customer’s generating facility is provided.”³ Because it found that repayment of network upgrades is appropriately tied to the utilization of the transmission

¹ A phased generating facility is a generating facility that is structured to be completed and to achieve commercial operation in two or more successive partial implementations or phases that are specified in the generator interconnection agreement, such that each phase comprises a portion of the total megawatt generation capacity of the entire generating facility. In contrast, a non-phased generating facility is a generating facility that is structured to be completed and to achieve commercial operation in its entirety at one time.

² *California Independent System Operator Corp.*, 138 FERC ¶ 61,060, at P 53 (2012).

³ *Id.*

provider's network, FERC concluded that the ISO's proposal to require that network upgrades associated with a particular phase be in service prior to the generator being eligible to receive repayment for the costs of those upgrades was just and reasonable and consistent with FERC's interconnection policies.

Despite the fact that FERC decided this matter in the context of phased facilities, FERC did not state or suggest that its reasoning was limited to phased facilities, nor does the ISO believe there is any logical reason that FERC's reasoning should be so limited. As with a phased facility, if certain upgrades associated with a non-phased facility have not been placed in service, those upgrades are not being utilized by the generator. Therefore, consistent with FERC's reasoning that the repayment of network upgrades is appropriately tied to the utilization of those upgrades, the ISO does not believe there is a sound basis for retaining the current rule that non-phased generators need only achieve commercial operation in order to be eligible for repayment for all network upgrade costs up-front funded by the generator.

Although the ISO explained in pleadings submitted in the GIP 2 proceeding that it interpreted the tariff provision regarding non-phased facilities as inherently including an in-service requirement, FERC, in a subsequent order on rehearing and clarification of the original GIP 2 order, rejected this interpretation.⁴ FERC stated that the "plain language" of the ISO tariff provides that eligibility for repayment for non-phased generators is based solely on the commercial operation date of the generator. FERC stated that if the ISO interprets this provision differently, the ISO should "file revised tariff language to clarify the timing of refunds associated with a non-phased project."⁵

Based on FERC's clarification in the GIP 2 proceeding, the ISO proposed, in its April 12, 2013 tariff amendment in FERC Docket No. ER13-1274, to revise article 11.4.1 of the *pro forma* LGIAs contained in tariff appendices CC and EE to remove existing language requiring an interconnection customer with a non-phased generating facility to wait until the in-service date of corresponding network upgrades prior to being entitled to repayment for the cost of those network upgrades.⁶ The ISO explained in that proceeding that its proposed changes to article 11.4.1 of appendices CC and EE would only serve to implement FERC's GIP 2 clarification order and remove any ambiguity from the ISO tariff regarding what conditions apply to repayment of network upgrades cost for non-phased projects.

On June 11, 2013, FERC issued an order accepting the proposed changes, stating that the changes would ensure that the provisions currently found in the *pro forma* LGIAs correspond to the

⁴ *California Independent System Operator Corp.* 140 FERC ¶ 61,168 at P 7 (2012).

⁵ *Id.*

⁶ Appendix CC of the ISO tariff contains the *pro forma* LGIA for interconnection requests in a queue cluster window that are tendered an LGIA on or after July 3, 2010 pursuant to tariff appendix Y. Appendix EE of the ISO tariff contains the *pro forma* LGIA for interconnection requests processed under the GIDAP.

language found in tariff appendices Y and DD, consistent with FERC's clarification in the GIP 2 proceeding, and would serve to remove ambiguity from the existing tariff language regarding what conditions apply to repayment of network upgrade costs for non-phased projects. FERC directed that if the ISO supports modified tariff language to include the in-service requirement, it should file revised tariff language.⁷

Thus, under the ISO's existing rules, the timing of transmission cost reimbursement for phased and non-phased projects is as follows:

- For phased projects, transmission cost reimbursement does not begin until the commercial operation date of each completed phase and all network upgrades to support the desired level of deliverability for each completed phase are in service.
- For non-phased projects, transmission cost reimbursement begins upon the commercial operation date of the generating facility.

This topic was originally placed within the scope of this initiative because these rules left some stakeholders desiring additional clarity or even a different approach. For example, some generation developers wanted clarity on whether refunds could commence for a completed phased generating facility once the last phase is completed (i.e., whether it would be treated the same as completed non-phased generating facilities). Further, these same generation developers also wanted clarity on refund timing when a non-phased generating facility reaches COD before all of its network upgrades are complete. Some of the PTOs expressed the view that reimbursement for network upgrades should not occur until such upgrades are complete and that there is no logical basis for a difference in treatment for phased versus non-phased generating facilities.

As a result, the ISO has been working with stakeholders throughout this initiative to both develop the desired clarity and identify a common approach with broad stakeholder support that can be applied to both phased and non-phased generating facilities. Through a series of papers, the ISO has been attempting to develop a proposal that balances a number of considerations:

1. Alignment with the policies and requirements of the Order No. 2003 series of orders that repayment for transmission assets begin once those assets are utilized to deliver the output of the interconnection customer's generating facility.
2. Elimination of the differential treatment of phased and non-phased projects with respect to timing of reimbursement.
3. Broad stakeholder support.
4. Apply any new rules on a going forward basis.

⁷ *California Independent System Operator Corp.*, 143 FERC ¶ 61,228, at P 16 (2013).

3.1.2 Prior proposal

In this section, the second revised straw proposal (as contained in the March 25, 2013 draft final proposal for topics 4, 5, and 13) is summarized. But first, in order to provide some additional background, a brief description of the February 5, 2014 revised straw proposal is discussed below.

In the February 5 revised straw proposal, the ISO offered two alternative straw proposals (option A and option B) for stakeholder consideration, and requested that stakeholders comment on the pros and cons and their preferences as to these alternatives.

Under the option A approach, reimbursement is tied to whether network upgrades are in-service and thus is better aligned with the policies and requirements of the Order No. 2003 series of orders (that repayment for transmission assets begin once those assets are utilized to deliver the output of the interconnection customer's generating facility). This approach is described as follows:

1. Reimbursement for in-service network upgrades would commence upon the generating facility or phase achieving commercial operation, as specified in the generator interconnection agreement.
2. Reimbursement for network upgrades placed in service subsequent to the generating facility or phase achieving commercial operation (including those under construction at the time of COD) would commence once the last required network upgrade is placed in service. A variation on this approach could be that reimbursement commence for the aggregate of network upgrades placed in service during some defined time period such as a calendar year.

Under the option B approach, reimbursement is tied to payments made by the interconnection customer, rather than being based on whether network upgrades are in-service. This option is an attempt to address issues raised by PG&E and possibly simplify accounting from a PTO perspective. However, unlike option A, this option could in some circumstances result in reimbursement for network upgrades not yet in-service at the time of COD. This approach is described as follows:

1. Reimbursement for the amounts funded by the interconnection customer up to the time the generating facility or phase achieves commercial operation would commence upon the COD. This could include amounts for required network upgrades not yet in service at the time of COD.
2. Reimbursement for the amounts funded by the interconnection customer subsequent to the time the generating facility or phase achieves commercial operation would commence once the last required network upgrade is placed in service. A variation on this approach could be that reimbursement commence for the aggregate of network upgrades placed in service during some defined time period such as a calendar year.

For each option, the ISO proposed to revise the tariff to apply these new rules on a going-forward basis to both phased and non-phased projects. This feature of the February 5 proposal remained unchanged from the November 8 straw proposal.

On February 28 the ISO received written stakeholder comments on its February 5 revised straw proposal (stakeholders were requested to comment on the pros and cons and their preferences relative to option A or B). The ISO considered this stakeholder input in the development of the second revised straw proposal that was included in the March 25 draft final proposal for topics 4, 5, and 13. The March 25 proposal was in large part based on Option A, and was described in that paper as follows:

1. Reimbursement for required network upgrades already in service will commence upon the generating facility or the phase that requires those upgrades achieving commercial operation, as specified in the generator interconnection agreement.
2. Reimbursement for required network upgrades placed in service subsequent to the generating facility or phase achieving commercial operation (including those under construction at the time of the commercial operation date of the project or project Phase) will commence at the beginning of each calendar year for those required network upgrades placed in the service during the prior year calendar year.
3. The ISO proposes to revise the tariff to apply these new rules on a going-forward basis to both phased and non-phased projects. The ISO believes that the appropriate balance between harmonizing the repayment rules and existing customer expectations is to apply this new policy beginning with customers who have not yet received a generator interconnection agreement. However, in order to avoid a situation in which customers in the same cluster, or even in the same study group, could be subject to different repayment rules, the ISO proposes to apply these new rules beginning with the customers in the first cluster in which all projects have not yet been tendered a generator interconnection agreement at the time of FERC approval of the ISO proposal on this topic.

3.1.3 Stakeholder comments and ISO responses

Stakeholder comments on Topic 13 received April 16 following publication of the March 25 draft final proposal for Topics 4, 5, and 13 are summarized below. ISO responses to issues raised are also included in this section.

California Public Utilities Commission (CPUC) staff – Supports the proposal.

Large-scale Solar Association (LSA) – Fully supports the proposal. Views the proposal as a reasonable compromise between LSA's initial position that reimbursement should begin at COD for all projects and the position of some other stakeholders that reimbursement should not begin until all network upgrades are completed. In particular, supports the annual commencement of reimbursements for network upgrades completed over the prior year. Views this as an important

feature that avoids delaying refunds for years after many or most of the network upgrades funded by developers were in service and “used and useful.” LSA understands that each annual reimbursement commencement would last five years; if this structure proves too complicated, then all of the reimbursements could be designed to be completed five years after COD. PTOs that wish to forego the annual commencement of reimbursements entirely should have the option of adopting the policy followed by SDG&E where network upgrade payments made before COD are reimbursed upon COD and no further network upgrade costs are charged to a generation project beyond that point.

ISO response: The ISO agrees that PTOs should have the flexibility to fully reimburse an interconnection customer upon COD if the PTO wishes to do so. But for PTOs who do not opt for this approach, the ISO’s proposal is intended to clarify that commencement of transmission cost reimbursement shall occur no later than certain defined points in time following COD.

Pacific Gas and Electric Company (PG&E) – As a result of further internal discussion and consideration of the ISO’s March 25 second revised straw proposal for Topic 13, PG&E supplemented its April 16, 2014 written comments with an email dated May 22. In the April 16 comments, PG&E conveyed its conditional support of the ISO’s proposal and outlined its concerns with implementing “an overly complex accounting system, which would prove to be administratively infeasible and impractical.” In the April 16 comments PG&E further stated that it could support the ISO’s proposal provided the ISO simplified the “accounting and settlement logistics necessary for the cluster environment.” However, in its supplemental comments of May 22, PG&E modified its April 16 comments to support the ISO’s second revised straw proposal without qualification.

Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities) – Supports the proposal because it is generally consistent with the principle that reimbursement of amounts advanced by customers to fund network upgrades should commence when (i) a facility or phase of a facility achieves commercial operation and (ii) the associated network upgrades are in service. The proposal element to address reimbursement for network upgrades placed into service after COD by commencing reimbursement for upgrades placed into service during the previous year appears to be a reasonable way to ensure that advanced funds are not held for an unduly long period of time while ensuring that PTOs are not providing reimbursement for upgrades that are not used and useful in delivering the output of a customer’s generating facility.

Southern California Edison Company (SCE) – Supports the proposal. While SCE’s preference is to commence reimbursements – for network upgrades energized after COD – once the final network upgrade is placed into service so as to not impose additional administrative burdens on the PTOs of processing the repayments on potentially more frequent intervals, SCE should be able to implement this element of the proposal. Each reimbursement schedule for the network upgrades in service when the generating facility or phase achieves COD as well as subsequent

reimbursement schedules should be of five years duration. SCE agrees that this new policy should be applied on a going-forward basis in the first cluster in which all projects have not yet been tendered a generator interconnection agreement at the time of FERC approval of the ISO proposal.

San Diego Gas and Electric Company (SDG&E) – Suggests that reimbursements be made in the amounts, and with the timing, determined by the PTO, provided that 100 percent of advanced funds shall be reimbursed by 5 years from the applicable commencement date.

ISO response: As stated above, the ISO agrees that PTOs should have the flexibility to fully reimburse an interconnection customer upon COD if the PTO wishes to do so. But for PTOs who do not opt for this approach, the ISO's proposal is intended to clarify that commencement of transmission cost reimbursement shall occur no later than certain defined points in time following COD.

Independent Energy Producers (IEP) – In general, IEP is supportive of the proposal. Specific to the second proposal element, IEP continues to have concern due to the lack of limits on the customer's risk that one or more upgrades might be delayed excessively, such that no cost recovery could begin for an undetermined period of time. Holding up a customer's cost reimbursement indefinitely does not seem reasonable. IEP requests that the ISO consider a maximum period of time from the date of generator COD that a customer could potentially have to wait to begin receiving cost recovery on all network upgrades required for their project. IEP suggests that total reimbursement would have to be completed within 5 years of COD. IEP believes this approach would provide incentive to the transmission owners to get their projects in service and for the ISO to move expeditiously on planning and project approval.

ISO response: The ISO reminds IEP that earlier in this initiative, the ISO proposed an arbitrary period of time after COD that reimbursement should begin, similar to that suggested by IEP in its latest comments. In the November 8, 2013 revised straw proposal for Topics 3-5 and 12-15, the ISO had in fact proposed that reimbursement commence once the following two conditions are met: (1) The generating facility, or phase of the facility for phased projects, achieves commercial operation; and, (2) The earlier of: (i) the in-service date of the required network upgrades for the facility or phase of the facility; and (ii) a specified period of time after the facility or phase of the generating facility has achieved commercial operation. At the time, the ISO was considering two years as the specified period of time. However in response two stakeholders – Six Cities and SCE – stated their opposition to this approach. Six Cities stated it does not believe that the two year period will incentivize timely completion of upgrades and does not support requiring reimbursement for network upgrades that are not in service. SCE stated that it opposes any scenario where reimbursement is required to begin prior to the in-service of the associated NUs. As background, the ISO had at the time proposed such an approach as a possible means to further incentivize timely completion of upgrades by the PTO and to avoid retention of interconnection customer funds for an unreasonable number of years after the COD of the generating facility, or

phase of the facility for phased projects. However, after further consideration and prior to publishing its subsequent paper on this topic, the ISO concluded that this approach lacked sufficient stakeholder support and also violated another important consideration: alignment with the policies and requirements of the Order No. 2003 series of orders that repayment for transmission assets begin once those assets are utilized to deliver the output of the interconnection customer's generating facility. Thus, the ISO eliminated this approach from its subsequent proposals on this topic in both the February 5, 2014 revised straw proposal for Topics 4, 5, and 13, and the March 25, 2014 draft final proposal⁸ for Topics 4, 5, and 13. The ISO believes that there are two primary reasons for not returning to such an approach again: (1) some stakeholders are opposed to an approach where reimbursement is required to begin prior to the in-service of the associated network upgrades (and an objective from the outset of this topic was to identify a solution with broad stakeholder support); and (2) it does not align with the policies and requirements of the Order No. 2003 series of orders that repayment for transmission assets begin once those assets are utilized to deliver the output of the interconnection customer's generating facility.

3.1.4 Draft final proposal

Stakeholder feedback indicates broad support for the ISO proposal contained in the March 25 paper. The ISO appreciates this support and offers here its draft final proposal which retains all of the elements of the prior proposal. With regard to each annual reimbursement commencement period, the ISO clarifies that each will last five years. Lastly, nothing in this proposal is intended to preclude a PTO from commencing and/or completing reimbursement to the interconnection customer earlier than required under this proposal.

In summary, the final proposal for this topic is as follows:

1. Reimbursement for required network upgrades already in service will commence upon the generating facility or phase of the generating facility that requires those upgrades achieving commercial operation, as specified in the generator interconnection agreement.
2. Reimbursement for required network upgrades placed in service subsequent to the date the generating facility or phase of the generating facility achieves commercial operation (including those network upgrades under construction at the time of the commercial operation date of the project or project Phase) will commence no later than the beginning of the next calendar year after those required network upgrades are placed into service.

As was stated as part of the previous proposal, these new rules will be applied on a going-forward basis to both phased and non-phased projects. The ISO believes that the appropriate balance between harmonizing the repayment rules and existing customer expectations is to

⁸ This paper included a second revised straw proposal for Topic 13.

apply this new policy beginning with customers who have not yet received a generator interconnection agreement. However, in order to avoid a situation in which customers in the same cluster, or even in the same study group, could be subject to different repayment rules, the ISO proposes to apply these new rules beginning with the customers in the first cluster in which all projects have not yet been tendered a generator interconnection agreement at the time of FERC approval of the ISO proposal on this topic.

3.2 Topic 14 – Redistribution of forfeited funds

3.2.1 Summary

On April 2, 2014 the ISO released its draft final proposal on the redistribution of funds forfeited by interconnection customers when they withdraw from the interconnection queue. The essence of that proposal was to redistribute the forfeited funds to transmission ratepayers on an annual basis through the transmission revenue balancing account (TRBA) of each ISO participating transmission owner (PTO), so that the forfeited funds would reduce transmission access charges (TAC) in the next calendar year.

Written stakeholder comments submitted to the ISO expressed broad but not universal support for this approach. After considering the alternative views expressed in the comments the ISO decided that an amendment to the April 2 proposal would be appropriate to address the alternative views, and could be adopted without compromising any of the principles articulated in the proposal and without adding significant complexity to implement the solution. The revised draft final proposal may be summarized as follows, with additional details and examples in a later sub-section.

- The ISO will apply the portion of the forfeited funds obtained from interconnection financial security postings for network upgrades that are still needed after the withdrawal of the forfeiting interconnection customers toward the construction costs of such upgrades. The ISO will use the reduced network upgrade costs that result from this application of the forfeited funds to revise the cost responsibilities and posting requirements for customers remaining in queue who have cost responsibilities for such upgrades.⁹
- The ISO will redistribute the balance of the forfeited funds (studies and financial security amounts) collected in that cycle to ratepayers using the TRBA/TAC approach described in the April 2 draft final proposal.

⁹ In the ISO's GIDAP reassessment stakeholder process, the ISO proposes to use the results of the annual reassessment to revise financial security posting requirements, and, in certain cases, customers' maximum cost responsibility for network upgrades. Reductions to network upgrade costs resulting from the application of forfeited funds, as described herein, will be included in these reassessment calculations.

To incorporate this new element into the approach the ISO now proposes to redistribute forfeited funds based on a calendar year cycle rather than the July 1 through June 30 cycle proposed in the April 2 proposal. The ISO intends to request that FERC allow the ISO to apply the new approach for the first time to the total amount of funds forfeited in 2013 and 2014, to be applied to appropriate network upgrades identified in the GIDAP reassessment performed in the first half of 2015 and to the TRBA accounts that close on September 30, 2015 for adjustment of 2016 TAC rates.

3.2.2 Background

The ISO tariff currently provides that funds forfeited by interconnection customers that withdraw from the generator interconnection queue, including both study deposit funds and interconnection financial security postings, will be redistributed on an annual basis to scheduling coordinators. Many stakeholders argued in the 2013 IPE initiative that this approach should be changed, and the ISO agreed. In the December 16, 2013 issue paper for the GIDAP reassessment initiative, the ISO presented two alternative approaches and requested stakeholder comments on the pros and cons and their preferences for either of these alternatives. Option A entailed redistributing forfeited funds to transmission ratepayers via reductions to the system-wide high-voltage TAC, while option B aimed to mitigate financial impacts – i.e., increased up-front funding requirements – of project withdrawals on customers remaining in the queue and PTOs. In the February 12, 2014 straw proposal the ISO proposed a variant of option A, modified to include suggestions made by several stakeholders to apply a portion of the forfeited funds to PTO-specific low voltage transmission revenue requirements (LVTRR) in addition to the system-wide high voltage transmission revenue requirements (HVTRR), in accordance with specific criteria for allocating the funds among these accounts. In the April 2 draft final proposal, the ISO reiterated its preference for this variant of option A and provided some additional details.

3.2.3 Proposed revisions to April 2 draft final proposal

The forfeited funds redistribution incorporating the proposed new element of the approach will be performed as follows:

1. The ISO will accumulate forfeited funds for redistribution on a calendar year basis (instead of the period July 1 through June 30 as in the April 2 proposal). For the first application of the new approach, to be performed in 2015, the ISO proposes to redistribute all funds forfeited during 2013 and 2014.
2. Within the annual reassessment performed as part of the Generator Interconnection and Deliverability Allocation Procedures (GIDAP), the ISO will identify those network upgrades that (a) were required for each interconnection customer that withdrew in the previous calendar year and (b) are still required following the customer's withdrawal.

3. The ISO will calculate the portion of each withdrawn customer's forfeited interconnection financial security posting that is proportional to the share of that customer's network upgrade cost responsibility associated with network upgrades identified in the previous step as still required following the customer's withdrawal.
4. For each network upgrade identified in step 2 as still required, the ISO will redistribute a share of the withdrawn customer's forfeited financial security posting to the appropriate PTO as a contribution in aid of construction of that network upgrade, in proportion to the share of that network upgrade's cost in the customer's total network upgrade cost responsibility. The ISO will then use the network upgrade cost estimates reduced in this manner for purposes of the network upgrade cost reallocation performed as part of the annual GIDAP reassessment process.¹⁰ Because the individual amounts of money can be quite small, however (see the discussion of 2013 numbers below), the ISO proposes to apply forfeited funds against the costs of specific network upgrades only when the amount of forfeited funds applicable to an individual upgrade is \$100,000 or greater. Smaller amounts will be included in the TRBA/TAC redistribution.
5. The ISO will use the TAC/TRBA approach described in the April 2 proposal to redistribute forfeited study deposits and any forfeited security posting funds not distributed in accordance with the steps described above.

3.2.4 Examples

The following examples assume that project withdrawals occur after Phase II study reports have been issued but before the interconnection customers have made their second security postings, and that the withdrawing customers forfeit 50% of their Phase I postings. This is consistent with the project withdrawals that accounted for the 2013 forfeited funds. The pre-withdrawal scenario for all examples is the following (numbers are simplified for illustration purposes):

¹⁰ Steps 2-4 would also be applied to the funds forfeited by WDAT customers that were associated with network upgrades on the ISO system that are still needed after the customers have withdrawn.

Generation Project	Upgrade 1	Upgrade 2	Upgrade 3	Project's Cost Cap	Posting 15%
A	100	50	50	200	30
B	60	30	30	120	18
C	20	10	10	40	6
Totals	180	90	90		

Example 1 (see table below). Suppose that Project A withdraws and Upgrade 1 is no longer needed. In this case the portion of the forfeited funds associated with Upgrade 1 goes into the TRBA/TAC process, while the portions associated with Upgrades 2-3 go to reduce the costs of those upgrades. Projects B and C do not benefit from the forfeited funds, however, because their reallocated costs for Upgrades 2-3 are above their cost caps even after the costs of those upgrades are reduced by the pro rata shares of forfeited funds associated with those upgrades. Thus the forfeited funds associated with Upgrades 2-3 are applied to reduce the amount the PTO would have to up-front fund.

Generation Project	Upgrade 1 (not needed)	Upgrade 2 (Reallocated with Aid of Construction)	Upgrade 3 (Reallocated with Aid of Construction)	Forfeit (50% of Posting)	New Allocation (with Aid of Construction)	Cost Cap	Total over Cap (Amount PTO funds)
A	100	50	50	15			
B	60	64.6875	64.6875		129.375	120	9.375
C	20	21.5625	21.5625		43.125	40	3.125
TRBA	7.5						
Aid of Construction		3.75	3.75				
Totals		90	90				

Example 2 (see table below). Suppose Project A remains in the queue while Project B withdraws and Upgrade 3 is no longer needed. Similar to the previous example, the reallocation of costs for Upgrades 1-2 take Projects A and C above their cost caps, even after pro rata shares of the forfeited funds are applied to reduce the costs of those upgrades. Thus the forfeited funds go to reduce the PTO’s up-front funding requirements while Projects A and C get no benefit from these funds.

Generation Project	Upgrade 1 (Realloc. with AOC)	Upgrade 2 (Realloc. with AOC)	Upgrade 3 (not needed)	Forfeit (50% of Posting)	New Allocation (with AOC)	Cost Cap	Total over Cap (Amount PTO funds)
A	146.25	73.125	50		219.375	200	19.375
B	60	30	30	9			
C	29.25	14.625	10		43.875	40	3.875
TRBA			2.25				
Aid of Construction	4.5	2.25					
Totals	180	90					

Example 3 (see table below). In this example Project C withdraws and Upgrade 3 is no longer needed. In this case Projects A and B receive some benefit from the redistribution of forfeited funds to the costs of Upgrades 1-2. Most of the reduction in cost responsibilities for Projects A and B is due not to the redistribution of forfeited funds, however, but to the elimination of Upgrade 3 for which withdrawn Project C had had only a small share of the cost.

Generation Project	Upgrade 1 (Realloc. with AOC)	Upgrade 2 (Realloc. with AOC)	Upgrade 3 (not needed)	Forfeit	New Alloc. with AOC	Cost Cap	Total over Cap (Amount PTO funds)	Alloc. without AOC
A	111.5625	55.78125	50		167.3438	200	0	168.75
B	66.9375	33.46875	30		100.4063	120	0	101.25
C	20	10	10	3				
TRBA			.75					
Aid of Construction	1.5	.75						
Totals	180	90						180

3.2.5 Application of new method to funds forfeited during 2013

Funds forfeited in 2013 totaled approximately \$16.4 million, of which approximately \$15.5 million was from security postings, \$53,000 was from study deposits, and \$868,000 was from WDAT security postings. As mentioned earlier, in all instances the customers withdrew prior to making the second security posting, so forfeited amounts are derived from the Phase I postings.

After identifying the impacts of the associated project withdrawals on needed network upgrades, the ISO determined that of the \$15.5 million in forfeited security deposits (i.e., excluding the less than \$1 million forfeited by WDAT projects), approximately \$14.3 million was associated with upgrades that are no longer needed and would therefore be redistributed under the TRBA/TAC method, while \$1.25 million was associated with upgrades still needed and would be applied to

reduce the estimated costs of those upgrades. The \$1.25 million was further broken down into nine specific amounts for specific projects, in descending size order: \$575,000; \$274,000; \$192,000; \$151,000; \$43,000; \$11,000; \$5,000; \$2,000; \$1200. Using the \$100,000 threshold, the ISO would apply the first four amounts – approximately \$1.192 million – to reduce the costs of still-needed network upgrades.

Thus the TRBA/TAC method would apply to the remainder of the \$16.4 million forfeited during 2013, approximately \$15.2 million, assuming none of the WDAT postings are applicable to still-needed network upgrades.

3.2.6 The TRBA/TAC redistribution method as described in the April 2 proposal

The following is a reiteration of the proposal presented in the April 2 draft final proposal, modified only to reflect the calendar-year redistribution basis instead of the July 1 through June 30 period proposed previously. In reviewing this sub-section, readers should bear in mind that the description ignores the use of any forfeited funds to reduce the costs of still-needed network upgrades under the new proposal element described above. Readers should therefore view the following as a description of the treatment of the forfeited funds that remain after applying appropriate amounts to reduce the costs of still-needed network upgrades.

The ISO proposes to adopt a modified version of Option A in which the funds forfeited by the withdrawn interconnection customer would be applied to both the system-wide HVTRR and the PTO-specific LVTRR, in proportion to the customer's last pre-withdrawal cost responsibilities for network upgrades in each of these categories. The ISO proposes to utilize the same balancing account mechanism and timing for implementing this approach as originally described under Option A in prior papers, and would utilize the pro rata approach of Option A for allocating shares of the HVTRR portion of the forfeited funds among the PTOs.

The ISO proposes to perform the redistribution of forfeited funds on an annual cycle that combines funds forfeited in each calendar year. The first cycle of this process would redistribute all funds forfeited during 2013 and 2014.

To provide a hypothetical example, suppose the customer's phase II study results indicate that the customer's share of network upgrades (including both RNUs and DNUs) is \$20 million, of which \$12 million is for high voltage facilities and \$8 million is for low voltage facilities on the system of the PTO to which the customer is interconnecting. Suppose the customer makes its second security posting for \$6 million, and then a year later withdraws from the queue and forfeits the \$6 million. Suppose also that during the intervening year the customer's cost responsibilities were not revised pursuant to a reassessment process, so that the phase II results would determine how the forfeited funds would be allocated. Under this proposal – and ignoring the use of any forfeited funds to reduce the costs of still-needed network upgrades under the new proposal element described

above – the ISO would apply \$3.6 million to the ISO system-wide HVTRR and \$2.4 million to the LVTRR of the PTO to which the customer had requested to interconnect.

The ISO also proposes the following:

- a) If the customer's cost responsibilities were adjusted pursuant to a reassessment process after the phase II study and prior to the customer's withdrawal from the queue, the adjusted cost responsibilities would be used to determine the allocation of the forfeited funds.
- b) If the customer's cost responsibilities include low voltage network upgrades on a second PTO's system as well as low voltage upgrades on the system of the PTO to which the customer had requested to interconnect, the forfeited funds would be split three ways to include the ISO system-wide HVTRR, the LVTRR of the PTO to which the customer had requested to interconnect, and the second PTO's LVTRR. The basic pro rata principle described above would still apply.

Under the present proposal, consistent with Option A described in the straw proposal, the ISO will distribute forfeited funds not otherwise allocated to reduce the costs of still-needed network upgrades to transmission ratepayers via offsets to the HVTRR recovered through the ISO's transmission access charge (TAC) and to the PTO-specific LVTRR collected by the PTOs. For this purpose, the ISO will utilize the crediting mechanism allowed in the transmission revenue balancing account adjustment (TRBAA)¹¹ of the PTOs according to the following methodology.

First, for each IC that has withdrawn and forfeited funds during the current cycle, the ISO will allocate those funds not otherwise allocated to reduce the costs of still-needed upgrades among the following three categories in proportion to the IC's last pre-withdrawal cost responsibilities for network upgrades in each category:

- a. the system-wide HVTRR
- b. the LVTRR of the PTO to which the IC's project was intending to interconnect, and
- c. the LVTRR of any other PTO on whose system the IC was responsible for funding LV network upgrades.

Second, the ISO will sum all funds distributed to categories (b) and (c) above by PTO, including all funds forfeited by all ICs that withdrew during the time period of the current cycle.

¹¹ Today, the ISO uses the TRBA credit mechanism to allocate excess funds from wheeling service, location-constrained resource interconnection generators (LCRIG) with respect to location-constrained resource interconnection facilities (LCRIF), revenues from existing rights, and the annual congestion revenue rights balancing account to offset the HVTRR of the PTOs. See ISO Tariff Appendix F, Schedule 3, Section 6.1(b); ISO Tariff Appendix A, definition of transmission revenue credit.

Third, the ISO will allocate pro rata shares of the total category (a) forfeited funds to each PTO in proportion to the ratio of each PTO's HVTRR to the total of all PTOs' HVTRR as of the last day of the prior calendar year.

Finally, the combined results of the second and third steps will comprise each PTO's share of the funds forfeited during the current cycle.

The transmission revenue balancing account (TRBA) is used to track revenues that the PTO receives towards its transmission revenue requirement (TRR) outside of the TAC payments received from the ISO (for the HVTRR), and outside of whatever mechanism the PTO uses to collect its LVTRR. For a non-load serving PTO, the TRBA also includes amounts by which the TAC collections each month from loads and exports may exceed or fall short of the amount required to exactly recover its HVTRR and LVTRR.¹²

The TRBA applies on an annual cycle that runs from October 1 to September 30, so that the PTO can include the TRBA results in its annual filing at FERC for its TRR to be recovered the following year. Under the present proposal, the ISO would distribute the forfeited funds to PTOs each year prior to September 30, in time to be included in the PTOs' FERC filings of their TRBAs for the coming year's TRRs. With the incorporation of the new proposal element described in a previous sub-section, the period for accumulating forfeited funds will need to be the calendar year, in order to allow the ISO to perform the GIDAP reassessment process to determine which network upgrades are still needed and which ones are no longer needed.

In practice, this annual procedure will work as follows. Consider the calendar year 2014 and the total funds forfeited during that year by interconnection customers dropping out of the ISO queue. Shortly after the start of 2015 the ISO will begin the preparation for the GIDAP reassessment process. Several months later that process would identify which network upgrades can be eliminated and which ones are still needed. The ISO will calculate the amounts of the forfeited funds to be applied to the still-needed network upgrades based on the procedure described above, and will subtract these amounts from the funds available to be redistributed through the TRBA/TAC method. For these remaining funds the ISO will calculate each PTO's share of in accordance with

¹² The reason for this additional nuance for the non-load serving PTOs' TRBA is that they do not have a GWh load as a basis for calculating their monthly shares of TAC revenues, and instead are expecting to receive 1/12 of their filed annual HVTRR and LVTRR per month. The ISO collects revenues for these entities through the HVAC and LVAC to recover both their HVTRR and their LVTRR. For HVAC, when the revenues are allocated to the PTOs on a monthly basis, they are first allocated (a) to the load serving PTOs based on the actual GWh load for that PTO in that month times the high voltage utility-specific rate, and then (b) to the non-load serving PTO in proportion to their HVTRR. The ISO collects LVAC for the non-load serving PTOs from the utility distribution companies (UDC) and metered subsystem operators (MSS) that utilize the LV facilities of the non-load serving PTO. The LVAC amount is calculated by applying a LV rate, which is calculated based on the load-serving PTO's annual gross load projection for the relevant UDCs and MSS, as filed with the FERC, to the actual gross load of the relevant UDCs and MSS for the month. Thus it is possible that the TAC revenues allocated to non-load serving PTOs in each month may not exactly equal 1/12 of each non-load serving PTO's total TRR. The TRBA is used annually to adjust for any such discrepancies.

the methodology described in this section, including the pro rata shares of the HV forfeited funds to each PTO in proportion to the amount of its HVTRR as of December 31, 2014. The PTO would then account for these funds in its TRBA that closes on September 30, 2015, to be reflected in the PTO's FERC filing of its TRBAA, which would become effective January 1, 2016 for purposes of establishing the adjusted TRR amount that would be collected TAC during 2016.

For the first implementation of this method, however, the ISO proposes to accumulate all the funds forfeited during both 2013 and 2014 and distribute these in the TRBAA cycle that closes on September 30, 2015, allocating the HVTRR portion of the funds to each PTO in proportion to its HVTRR as of December 31, 2014.

Finally, the ISO proposes not to make any revisions or adjustments to the allocation of forfeited funds after the shares for each PTO have been determined based on the December 31 HVTRR amounts in the relevant year.¹³

4 Background on the IPE initiative

California's ambitious renewable portfolio standards and environmental goals have resulted in significant development of new generation projects in recent years, especially new renewable solar and wind projects. The majority of these projects request interconnection to facilities under the operational control of the ISO.¹⁴ Successful completion of the interconnection process is a necessary step in the development of a new generation project and is one of the challenges faced by generation developers.

The ISO is committed to continuously reviewing potential enhancements to its generator interconnection process to reflect changes in the industry and to better accommodate the needs of interconnection customers. Pursuant to this commitment, the ISO has conducted a series of stakeholder processes over the past several years to improve the generator interconnection process. These include Generation Interconnection Process Reform ("GIPR") held in 2008-09, Generation Interconnection Procedures Phase 1 ("GIP 1") in 2010, Generation Interconnection Procedures Phase 2 ("GIP 2") in 2011, and Generation Interconnection Procedures Phase 3 ("GIP 3") in 2012.¹⁵

¹³ If the PTO has a HVTRR in effect on December 31 that is subject to refund, the ISO is proposing to allocate the forfeited funds based on that effective rate and not reallocate the forfeited funds once the PTO's HVTRR is approved by FERC.

¹⁴ Some projects request interconnection to the distribution systems of the participating transmission owners through their wholesale distribution access tariffs ("WDATs").

¹⁵ GIP 3 was started in early 2012 but later deferred while the one-time generator project downsizing initiative was pursued. In GIP 3 the ISO solicited stakeholder comments on the relative priority of issues that should be considered, on generator project downsizing as well as on a number of other topics. The ISO explained that only a

The ISO launched the latest in this series of stakeholder processes to review and improve the generator interconnection process when it published the Interconnection Process Enhancements (“IPE”) initiative scoping proposal on April 8, 2013.¹⁶ Rather than follow the usual sequence of beginning an initiative with an issue paper, the ISO identified the development of a scoping proposal as a necessary first step. Its purpose was twofold. First, it assembled a comprehensive list of potential topics in one place from a number of sources including:

- During the course of the GIP 3 stakeholder process a list of twenty-seven potential topics (including generator project downsizing) was compiled for consideration;
- Outside of the GIP 3 stakeholder process, individual stakeholders suggested topics to the ISO;
- At the September 2012 ISO Board of Governors meeting, ISO Management committed to include two topics in the scope of this initiative in response to stakeholder interest: (1) future generator project downsizing policy, and (2) disconnection of an initial project phase of a generating project for failure of the project to complete a subsequent phase; and
- An ISO need to improve the queue management process.

Second, the scoping proposal selected a set of potential topics from the comprehensive list of topics mentioned above for proposed inclusion in the scope of the IPE initiative. This was necessary because the comprehensive list of topics (nearly fifty topics in total) represented a far larger set of topics than could be reasonably addressed within the scope of this initiative. To develop a subset of topics representing a more reasonable workload to include in the scope of this initiative, the ISO took into consideration the estimated level of effort and relative priority associated with each topic as well as its contribution to queue management efforts. This resulted in twelve topics that the ISO proposed in the April 8, 2013 scoping proposal for inclusion in the scope of the IPE initiative. Based on stakeholder feedback received following the release of the April 8 scoping proposal, the ISO expanded the scope of the IPE initiative by three topics and posted an issue paper on June 3, 2013 addressing the resulting scope of fifteen topics.¹⁷

limited number of topics would be included in the initial stakeholder effort to ensure timely resolution and implementation of those topics. Stakeholders expressed broad support for only one topic, the extent to which an interconnection customer could downsize the MW capacity of its proposed generating facility and retain its queue position (*i.e.*, generator project downsizing). As a result of this stakeholder feedback, the ISO deferred work on the other topics that did not receive such broad support and focused efforts on developing a one-time generator project downsizing opportunity through a separate stakeholder initiative. FERC accepted an ISO tariff amendment to implement one-time project downsizing opportunity effective December 2012.

¹⁶ <http://www.caiso.com/Documents/ScopingProposal-InterconnectionProcessEnhancements.pdf>.

¹⁷ The remaining topics, which the ISO did not initially recommend be in scope, are described in section 4 of the April 8, 2013 scoping proposal: <http://www.caiso.com/Documents/ScopingProposal-InterconnectionProcessEnhancements.pdf>

The following table lists these fifteen topics.

Scope of topics in the June 3 IPE issue paper	
Topic No.	Topic Description
1	Future downsizing policy
2	Disconnection of first phase of project for failure of second phase
3	Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects
4	Improve the Independent Study Process
5	Improve the Fast Track Process
6	Provide for ability to charge customer for costs for processing a material modification request
7	COD modification provision for SGIP projects
8	Length of time in queue provision for SGIP projects
9	Clarify that PTO and not ISO tenders GIA
10	Timeline for tendering draft interconnection agreements
11	LGIA negotiations timeline
12	Consistency of suspension definition between serial and cluster
13	Clarity regarding timing of transmission cost reimbursement
14	Redistribution of forfeited funds
15	Material modification requests (formerly "Inverter/transformer changes")

Following release of the June 3, 2013 issue paper, the ISO held a stakeholder web conference on June 11, 2013 and stakeholders provided written comments on June 25, 2013.

As explained in both the April 8, 2013 scoping proposal and the June 3, 2013 issue paper, the ISO anticipated from the beginning of the IPE initiative that the pace of development of proposals for each topic may differ—*i.e.*, proposals for some topics may be developed rather quickly whereas more time may be needed to work with stakeholders and develop proposals for other topics. For example, the ISO expected that the pace of work on the queue management topics (*i.e.*, Topics 6-12) would enable the proposals for these topics to go to the ISO Board for approval earlier than the non-queue management topics in this initiative. Consistent with this approach, while the June 3, 2013 issue paper was a conventional issue paper for some of the fifteen topics in scope, it served as a straw proposal on others. Specifically, for the seven topics addressing queue management issues (*i.e.*, Topics 6-12¹⁸), the ISO offered straw proposals in the June 3, 2013 paper. For the remaining

¹⁸ These seven topics are: (6) provide for ability to charge customer for costs for processing a material modification request; (7) COD modification provision for SGIP projects; (8) length of time in queue provision for SGIP projects; (9) clarify that PTO not ISO tenders GIA; (10) timeline for tendering draft GIAs; (11) LGIA negotiations timeline; and (12) consistency of suspension definition between serial and cluster.

eight topics (*i.e.*, Topics 1-5¹⁹ and 13-15²⁰), the ISO was not prepared to offer a proposal in the June 3, 2013 issue paper and instead provided further analysis of the issues and suggested potential ideas and options for stakeholder consideration.

Following publication of the June 3, 2013 issue paper and receipt of stakeholder comments, the ISO posted a draft final proposal for Topics 6-12 on July 2, 2013. This was followed with a stakeholder web conference on July 10, 2013 and written stakeholder comments on July 16, 2013. The ISO took the proposals for Topics 6-11 to the September 2013 meeting of the ISO Board, received Board approval, and filed the associated tariff revisions with the Federal Energy Regulatory Commission (FERC) on September 30, 2013 in Docket No. ER13-2484.²¹ As a result, Topics 6-11 were not addressed in the subsequent straw proposal paper published on July 18, 2013. The ISO's decision to withdraw Topic 12 from the IPE initiative was addressed in a paper published on November 8, 2013.

On July 18, 2013 the ISO published a straw proposal paper addressing Topics 1-5 and 13-15 (*i.e.*, the non-queue management topics). The July 18 paper offered straw proposals for Topics 1, 2, and 3. The July 18 paper also presented a straw proposal for Topic 15 (called "inverter/transformer changes" at the time, but renamed to "material modification review"); however, implementation of the proposal on Topic 15 was accomplished through the business practice manual change process rather than through tariff changes.²² In the July 18 paper the ISO was not yet prepared to offer straw proposals on Topics 4, 5, 13, and 14; nevertheless, the discussion of these four topics provided additional analysis and, for some, offered options for stakeholder consideration (*e.g.*, for Topics 13 and 14). The ISO presented the July 18 paper during a stakeholder web conference held on August 8, 2013 and received written comments from stakeholders on August 22, 2013.

On September 12, 2013, the ISO published a draft final proposal for Topics 1 and 2. After receiving stakeholder feedback, the ISO made further refinements and modifications to the draft final proposal which it published in a pair of addendums – the first on September 24, 2013 and the second on October 21, 2013. The ISO Board approved the proposals for Topics 1 and 2 at its

¹⁹ These five topics are: (1) future downsizing policy; (2) disconnection of completed phase(s) of project due to failure to complete subsequent phase; (3) clarifying the tariff related to dividing up GIAs into multiple phases; (4) improve the Independent Study Process; and (5) improve the Fast Track Process.

²⁰ These three topics are: (13) clarification of timing of transmission cost reimbursement; (14) distribution of forfeited funds; and (15) material modification review.

²¹ FERC accepted the tariff revisions in *California Independent System Operator Corporation*, 145 FERC ¶ 61,172 (2013), effective December 3, 2013 as requested by the ISO, subject to minor tariff revisions that the ISO subsequently filed on compliance with FERC's order.

²² In an effort to consult with stakeholders prior to initiating the BPM change management process in January 2014, the ISO began a series of stakeholder web conferences on topic 15, with the first such web conference held on October 29, 2013. The ISO submitted the resultant BPM changes into the BPM change management process as Proposed Revision Request (PRR) 700 on January 13, 2014. PRR 700 was approved in March 2014.

November 7, 2013 meeting. A stakeholder process to develop the associated tariff revisions subsequently ensued.

On November 8, 2013, the ISO published a paper addressing the remaining seven topics in the IPE initiative (*i.e.*, Topics 3-5 and 12-15). Initial or revised straw proposals were offered on Topics 3-5, 13, and 14. Although a straw proposal was already offered for Topic 15 in the July 18, 2013 paper, the ISO nonetheless included the topic once again in the November 8 paper to maintain clarity and restate its intention to address this topic through the BPM change management process. In the November 8 paper, the ISO also proposed to implement its proposal for Topic 3 through the BPM change management process. With respect to Topic 12, the ISO used the November 8 paper to clarify for stakeholders that the ISO was withdrawing the topic from further consideration in the IPE initiative.

At the time the November 8 paper was published, it was anticipated that proposals for those topics requiring tariff revisions (*i.e.*, Topics 4, 5, 13, and 14) would be presented to the ISO Board for approval at its March 2014 meeting; however, this plan was subsequently modified in two respects. First, discussions with stakeholders led the ISO to move Topic 14 (redistribution of forfeited funds) into the GIDAP reassessment initiative which is scheduled to go before the ISO Board at its May 2014 meeting. This was done to consider the possibility of using such funds to offset increases in network upgrade funding requirements for customers remaining in the queue and for PTOs that result from project withdrawals. Second, it was determined that Topics 4, 5, and 13 could benefit from additional stakeholder feedback and that taking these three topics to an ISO Board meeting beyond March 2014 would make this possible. In a paper posted on March 25, the ISO offered draft final proposals for Topics 4 and 5, and a second revised straw proposal was offered on Topic 13. The proposals for Topic 4 (improve the independent study process) and Topic 5 (improve the fast track process) will be presented to the ISO Board of Governors for approval on May 28-29, 2014.

In late 2013, discussions with stakeholders led the ISO to move Topic 14 (redistribution of forfeited funds) into the Generator Interconnection and Deliverability Assessment Procedures (GIDAP) reassessment initiative which is scheduled to go before the ISO Board at its May 2014 meeting. However, to provide additional time to work with stakeholders, the ISO subsequently moved this topic back into the IPE initiative in May 2014.

Thus, of the original fifteen topics in the IPE initiative, the remaining open topics are Topics 13 and 14. These topics are the subject of this paper and draft final proposals are offered. The ISO anticipates presenting its proposals for these two topics to the ISO Board for approval in July.

As was stated early in the IPE initiative, the most efficient course has been to take the topics before the ISO Board as they are ready and not hold up their resolution until all 15 topics are resolved (*i.e.*, take the draft final proposals on the various topics to the Board in several tranches). The ISO believes that stakeholders both support and appreciate this multiple-tranche approach since it

accelerates resolution of the topics that can be resolved more quickly and gives due consideration to the topics that require more deliberation. The figure on the following page is intended to provide an overview of the progression of all 15 topics within the scope of this initiative by illustrating which topics are addressed in which papers, and which Board meeting is targeted for those topics requiring ISO Board approval.

