



# **Interconnection Process Enhancements (IPE) 2015**

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## **Draft Final Proposal**

July 6, 2015

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# Interconnection Process Enhancements 2015

## Draft Final Proposal

### 1 Executive Summary

The Interconnection Process Enhancements (“IPE”) 2015 initiative is the latest in a series of stakeholder processes that the California Independent System Operator Corporation (“CAISO”) has conducted over the past several years to continuously review and improve the generator interconnection process and associated generator interconnection agreements. Similar to the previous iteration of the IPE initiative, IPE 2015 includes several topics that the CAISO is proposing to improve or clarify the interconnection process. There are a total of eleven improvements proposed for this year’s initiative. Topics range from clarifications, to re-setting deposit amounts based on experience, to significant changes to the negotiation of Generator Interconnection Agreements (“GIA”). The CAISO hopes to complete the stakeholder process for all topics included in this initiative and obtain Board approval in September 2015.

### 2 Introduction

The CAISO posted an issue paper/straw proposal on March 23, 2015 and a revised straw proposal on May 11, 2015 consisting of the eleven items listed in Table 1 below. To make its proposals more clear, the CAISO included proposed draft tariff language for each topic in these proposals.<sup>1</sup>

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<sup>1</sup> The tariff language is “draft” tariff language. Stakeholders may submit comments or proposed edits and the CAISO may revise it. As with all draft tariff language in the stakeholder process, the CAISO reserves the right to revise the tariff language, including up to the time of filing at the Federal Energy Regulatory Commission.

<b>Table 1 –Scope of topics</b>	
Topic No.	Topic Description
1	Affected Systems
2	Time-In-Queue Limitations
3	Negotiation of Generator Interconnection Agreements
4	Deposits Interconnection Request Study Deposits Limited Operation Study Deposits Modification Deposits Repowering Deposits
5	Stand-Alone Network Upgrades and Self-Build Option
6	Allowable Modifications Between Phase I and Phase II Study Results
7	Conditions for Issuance of Study Reports
8	Generator Interconnection Agreement Insurance
9	Interconnection Financial Security Process Clarifications Posting Clarifications TP Deliverability Affidavit Impacts
10	Forfeiture of Funds for Withdrawal During Downsizing Process
11	TP Deliverability Option B Clarifications

### 3 Revisions to the May 11<sup>th</sup> Revised Straw Proposal

Below is a brief summary of the CAISO’s revisions to each topic based on stakeholder comments on the May 11<sup>th</sup> revised straw proposal.<sup>2</sup> A complete discussion of stakeholder comments and the CAISO’s responses follows. Topics 4 and 9 did not have any revisions to the proposals included in the March 23<sup>rd</sup> Issue Paper/Straw Proposal.

#### Topic 1 – Affected Systems

The CAISO proposes to modify the draft tariff language further as follows:

- clarify the actions the Affected System Operator may take upon receipt of the CAISO notice;

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<sup>2</sup> The CAISO received comments on the revised straw proposal from California Wind Energy Association (“CalWEA”), City and County of San Francisco (“CCSF”), Di Capo Legal Advisors (“DLA”), EDF Renewable Energy (“EDF”), First Solar, Independent Energy Producers (“IEP”), Large-scale Solar Association (“LSA”), Modesto Irrigation District (“MID”), NRG Energy (“NRG”), Pacific Gas and Electric Company (“PG&E”), Southern California Edison (“SCE”), Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (“Six Cities”), , S-Power (“sPower”).

- correct tariff language inadvertently left in the Revised Straw Proposal to accurately reflect the proposed sixty (60) days that Affected System Operators should have to determine if they want to identify themselves as Affected Systems;
- add the ability for an Affected System to identify itself outside the timeline established if the CAISO determines facts have changed; and
- include the definition of Identified Affected System in Appendix A of the CAISO tariff.

## **Topic 2 – Time-In-Queue Limitations**

The CAISO proposes to modify the draft tariff language further to include:

- an allowance for COD extensions where an Interconnection Customer has an executed Power Purchase Agreement (“PPA”) with final regulatory approval;
- a one-year period before converting a project to Energy-Only in the event that failure to meet commercial viability criteria is due to the lack of a PPA;
- creation of a new tariff section to specifically address milestone modifications and time-in-queue limitations;
- clarification on how the CAISO will modify executed GIAs for Interconnection Customers losing FCDS or PCDS;
- clarification that Site Exclusivity requirement for the commercial viability criteria is 100%; and
- a requirement for specific permitting details during the annual review of commercial viability.

## **Topic 3 – Negotiation of Generator Interconnection Agreements**

The CAISO proposes to modify the draft tariff language further to include:

- clarification that the longest-lead facility could be for the subject project or another queued project;
- an additional 30 days to the negotiation period; and
- clarification that the Participating TO and the CAISO must proceed with an unexecuted filing at FERC within 21 days of declaring an impasse.

## **Topic 5 – Stand-Alone Network Upgrades and Self-Build Option**

The CAISO’s draft final proposal clarifies that allowing an Interconnection Customer to build a Stand Alone Network Upgrade will not impact the Interconnection Customer’s maximum cost responsibility, including any impact to the individual Network Upgrade costs used to calculate the Interconnection Customer’s maximum cost responsibility.

### **Topic 6 – Allowable Modifications between Phase I and Phase II Study Results**

The CAISO did not change the revised straw proposal regarding allowable modifications between Phase I and Phase II study results.

### **Topic 7 – Conditions for Issuance of Study Reports**

The CAISO did not change the revised straw proposal regarding conditions for the issuance of study reports.

### **Topic 8 – Generator Interconnection Agreement Insurance**

The CAISO did not make substantive changes to the proposal, but made minor edits to the tariff language to provide consistency with insurance industry terminology.

### **Topic 10 – Forfeiture of Funds for Withdrawal during Downsizing Process.**

The CAISO did not change the revised straw proposal, but clarified its intent to apply the forfeiture terms to the 2015 downsizing window.

### **Topic 11 – TP Deliverability Option B Clarifications**

The CAISO did not change the revised straw proposal regarding TP deliverability option B clarifications.

## 4 Stakeholder Process Next Steps

Table 2 summarizes the anticipated stakeholder process schedule for the IPE 2015 initiative.

Table 2 – Stakeholder process schedule		
Step	Date	Milestone
Draft Final Proposal	July 6, 2015	Draft Final Proposal Posted
	July 13, 2015	Stakeholder meeting (web conference)
	July 27, 2015	Stakeholder comments due
Final Proposal to Board	September 17-18, 2015	Board of Governors Meeting

## 5 Topics

### 5.1 Topic 1 – Affected Systems

#### 5.1.1 Overview

In the 2014 stakeholder process to clarify the affected system coordination language in the Business Practice Manual (“BPM”) for the Generator Interconnection and Deliverability Allocation Procedures (“GIDAP”), the CAISO committed to the following:

*The CAISO understands that the Interconnection Customers desire a definitive time by which an electric system operator identifies themselves as an Affected System. The CAISO does not currently have tariff authority to provide this definitive time. The CAISO proposes to include in the IPE a topic that would propose a tariff amendment establishing a timeframe and process similar to the WECC Project Coordination and Path Rating Process.*

This proposal is the result of that commitment. As discussed at the onset of this initiative, 2015 Interconnection Process Enhancements was designated as a discretionary initiative in the 2015 Stakeholder Initiatives Catalog and was ranked in the seventh group from the top and therefore did not meet the threshold for being considered as a CAISO stakeholder initiative in 2015 by the policy team. However, because the implementing business units had tariff changes that needed to be discussed with stakeholders and implemented as soon as possible, the implementing business units, and not policy, have conducted this initiative. Because this stakeholder initiative

is being run outside the standard policy process all of the topics have been narrowed to only what needs to be done this year.

### 5.1.2 *Stakeholder Input*

The CAISO received ten comments regarding the revised affected system proposal. Four comments supported the revised proposal, four comments supported the proposal with qualifications, one comment was neutral, and one comment expressed concerns with the revised proposal.

CalWEA and IEP reiterated their concerns over the CAISO's need for reciprocity agreements with electrical system operators around the CAISO footprint. Absent the agreements, they believe there is a risk to developers in the form of delayed analyses and mitigation measures that are unreasonable or not least-cost. Similarly, PG&E and SCE stated that the CAISO should have enforceable agreements with affected systems to ensure appropriate, enforceable mechanisms, including cost responsibility for mitigation. As an alternative to the CAISO's proposed tariff revisions, SCE recommended a more coordinated process with a clear delineation of roles and responsibilities, including amended BAA agreements or new reciprocity agreements.

To be sure, the CAISO is not unsympathetic to these concerns and is open to developing affected system agreements in the future if affected systems are willing. The instant initiative is merely the *next* step in developing the CAISO's process for affected systems. It is not the final step. The CAISO understands that there are—and always will be—risks and uncertainty for the developer. However, FERC approval of the proposed tariff for this topic will provide Interconnection Customers with less risk and uncertainty. Developers will have a FERC-approved recourse where any affected system fails to coordinate with the CAISO and participate in the CAISO's affected system process.

To date, the CAISO has worked with Interconnection Customers and Affected System Operators when issues arise. In the majority of instances all issues have been resolved without delay to the project. But these disputes have been the result of reasoned settlement among the parties. The CAISO has no authority over an Affected System Operator to require certain actions, including the execution of reciprocity agreements. Nor does the CAISO have the ability to tell an Affected System Operator how to do its study, what assumptions should be used, or what mitigations should cost. The reliability of the transmission system is paramount, and the CAISO simply is unable to ignore its neighbors because they are not willing to enter into a reciprocal agreement with CAISO obligating both parties to certain study timelines and guidelines for the development of the needed system upgrades. As DLA noted in its comments:

[N]eighboring balancing systems are akin to “independent nation states” that operate in a “confederated” world. This is reflected in the standardized Order 2003 tariff language, which uses words like “coordinate” and “cooperate.” To the extent that influence can be asserted over a neighboring balancing authority to carry out its affected systems obligations, the available tools are generally NERC/WECC reliability standards and open access obligations arising out of reciprocity and regional planning. In all likelihood, this means that the ISO’s best approach is to integrate the critical time input needs from the affected systems into timeframes and processes related to transmission-related activities such as the path rating example referenced in the issue paper. Unfortunately, this effort is longer-term, but greater opportunities present themselves as neighboring balancing authorities join EIM.

Consistent with this framework, the CAISO’s proposed tariff language states that if the Affected System does not identify itself within a 60-day period, the CAISO will assume that the system is not an Affected System, absent changed circumstances discussed below.

DLA also commented that it is unsure whether the CAISO’s proposed language accurately tracks interconnection study practice. The CAISO believes that it does, and intends to include Affected System information in the Phase I Study Report, Phase II Study Report, and the letter sent to each Affected System. However, the intent of the proposed tariff language is that, regardless of whether the CAISO believes there may be an impact on the Affected System, the Affected System Operator must agree and identify itself during the 60-day period.

DLA also noted that Affected System concerns typically present themselves in three forms. The affective system: 1) is “radio silent” (takes no action); 2) does not act within timeframes that are meaningful to the CAISO or interconnection customer; or 3) presents costs and/or mitigation measures that the Interconnection Customer asserts do not reasonably represent the true costs attributable to any system impact. DLA states that the CAISO’s proposal may not address the latter two scenarios. The CAISO disagrees, and believes that the proposal addresses all three scenarios to the extent possible. If the Affected System does not act within the times specified, then the CAISO will not delay synchronization of the Interconnection Customer’s project unless factual circumstances have changed, as discussed below. If the mitigation costs and/or measures are unreasonable, then existing processes are in place. The Interconnection Customer can engage the CAISO in the discussions with the Affected System Operator, and the CAISO will continue to help resolve any issue up to the point that it can. If the Interconnection Customer believes that proposed mitigation measures remain unreasonable, then just like today, the Interconnection Customer’s remedy is to appeal to the Affected System’s regulatory authority.

DLA also raised concern over cases where an Affected System Operator presented itself beyond the 60-day period, the CAISO would reply that the system “was out of luck.” DLA stated that this approach could be problematic for the Interconnection Customer. For example, this could expose the Interconnection Customer to litigation risk: if the Affected System protested the GIA at FERC when the GIA was filed through either a formal filing or listing on the electronic quarterly report (“EQR”). The CAISO again disagrees. If the FERC approves the tariff filing as proposed, the Interconnection Customer and the CAISO would point to the approved tariff language in its reply to a GIA protest, regardless of whether the GIA is filed as a conformed pro forma agreement under the EQR process or filed formally with FERC, and be able to demonstrate the communications between the CAISO and Affected System Operator.

IEP asked the CAISO to consider the instant proposal as a successful, interim step in a longer process, and that the CAISO consider moving Affected Systems into its own process, independent of the ongoing IPE initiative in order to provide the focus that this issue requires. The CAISO notes that it already had an Affected System Impacts of Generator Interconnection stakeholder process that began in August 2013 and culminated in a GIDAP BPM amendment in September 4, 2014. The only reason for the Affected System topic in the IPE 2015 initiative is to address the gap identified at the CAISO Governing Board meeting to establish a definitive time by which an electric system operator identifies itself as an Affected System. Nevertheless, the CAISO recognizes that another, separate initiative may be necessary in the future.

First Solar concurred with the comments filed by LSA regarding Affected Systems. LSA believes the CAISO should modify the proposal to: (1) require entities to state why they believe that they are Affected Systems; (2) clarify that new rules adopted here would supersede earlier rules in pre-CAISO agreements; and (3) remove the Affected Systems status of entities that were identified in CAISO studies if reassessment analyses show that they are no longer affected.

First, LSA believes the CAISO should require not only self-identification of Affected Systems, but a statement (to the best knowledge of each entity) of how it believes that it is affected. While the CAISO is sympathetic to this proposal, it does not believe it is feasible for the Affected Systems. Given that the Interconnection Customer needs to pay for studies before results can be valid, requiring an Affected System to state why it is affected is inconsistent with the Affected System construct. The Affected System construct was established in the previous Affected System process in 2013-2014 whereby the Interconnection Customers wanted to know who they need to work with as early in the process as possible to ensure that generator development timelines are

being met. The CAISO agreed to take on that responsibility and proactively now contacts Affected Systems.

Second, LSA requested that the CAISO clarify that these new rules would be effective for new Interconnection Requests (“IR”) once they are approved by FERC, regardless of other rules in pre-CAISO agreements. LSA is correct. The proposed tariff language will amend Appendix DD of the CAISO tariff and will be effective going forward from the established effective date only.

Third, LSA commented that the CAISO’s process should allow for removal of Affected Systems status based on reassessment process results if the initial designation resulted from CAISO studies and not self-identification. Project withdrawals before the second IFS posting can be significant, and the CAISO acknowledges reduced impacts of the cluster on its system through removal of earlier-identified Network Upgrades that are no longer needed. Re-examination of the impacts on Affected Systems should be a part of the reassessment process, to the same extent that such impacts are examined for the CAISO system. However, LSA misunderstands how Affected Systems are identified. The CAISO determines the Potentially Affected Systems based on the project’s point of interconnection and Affected Systems that are electrically close to that point. Project withdrawals and reassessments generally would not impact the determination of Potentially Affected Systems for each project.

LSA also provided broader comments related to Affected Systems issues that go beyond the CAISO’s proposal in this initiative. LSA notes that the proposal does not address a significant problem: identification of mitigation costs allocated by those systems to new generation projects late in the interconnection process (as well as the related issues of inconsistent study methodologies and assumptions). LSA believes the CAISO committed to conduct a “full stakeholder process” to better coordinate (and potentially combine) interconnection studies by the CAISO and Affected Systems entities, but that commitment has not yet been met. LSA has suggested several process improvements, similar to those used at the WECC level, that would involve Affected Systems in the study process and reflect their concerns; however, the CAISO has not adopted those recommendations.

The CAISO made the following commitment regarding Affected Systems:

*The CAISO understands that the Interconnection Customers desire a definitive time by which an electric system operator identifies themselves as an Affected System. The CAISO does not currently have tariff authority to provide this definitive time. The CAISO proposes to include in the IPE a topic that would propose a tariff amendment establishing a timeframe and process similar to the WECC Project Coordination and Path Rating Process.*

The instant tariff amendment establishes a specific timeframe for electric system operators to identify themselves, and fulfills the CAISO's immediate commitment. As the CAISO has reiterated, the CAISO is open to refining this process in the future as stakeholders and Affected Systems desire.

Further, the CAISO has listened to stakeholder concerns about Affected Systems and in the past year has overhauled its Affected System process completely. Now the CAISO proactively invites all potentially Affected Systems to scoping meetings for every project; provides the results of the Phase I and Phase II studies to all potentially Affected Systems that have executed the non-disclosure agreement; and invites all potentially Affected Systems to the Phase I and Phase II results meeting for every project.

Moreover, the CAISO has offered its planning coordinator services, which includes generator interconnection services to other entities within the CAISO's balancing authority area including Affected Systems with little response. To date, no one has requested the CAISO perform generator interconnection studies on its behalf.

While the CAISO understands that LSA believes that interactions with Affected Systems should not be the responsibility of each individual Interconnection Customer and generation project, the Federal Power Act simply does not give FERC—and therefore the CAISO—sufficient authority. The CAISO has included in its FERC jurisdictional interconnection agreements in Appendix V and later Appendices the obligation that the Interconnection Customer is responsible for resolution of Affected System issues and FERC has found that obligation to be just and reasonable.

MID supported the CAISO's proposed extension of time and was "neutral" with respect to the remainder of the proposal. HHWP, also known as CCSF, is concerned that the MID comments of April 10th have not been addressed. Both MID and CCSF, however, support the CAISO's limiting the scope of this effort to just the timing of the identification of Affected Systems. MID and CCSF asserted that any expansion of scope, as suggested by other stakeholders, should be considered in separate stakeholder processes. The primary concern of MID and CCSF is that the Affected System coordination as currently written could supersede existing agreements, such as MID's Interconnection Agreement ("IA") with Pacific Gas and Electric Company ("PG&E"). While the CAISO now better understands MID's position, because the CAISO does not know the terms and conditions of every contract that each Affected System may have with other parties, allowing the proposed exception language in the CAISO tariff is not feasible.

MID also requested that the CAISO affirm that it actively confirms receipt of Affected System notices, either through certified mail or by confirming that it checks the read-

message reply. The CAISO can affirm that it both confirms receipt of such notices. All letters to Affected Systems are sent via FedEx and if a letter is returned due to unknown recipient or receipt not accepted, then the CAISO reaches out to the Affected System point of contact and then resends the letter. For all email the CAISO checks to ensure that the read-message reply is received.

MID also raised a concern that the CAISO should permit Affected Systems to identify themselves for purposes of the CAISO study processes after the deadline, if the CAISO has not identified such systems as Affected Systems initially, and such systems later learn facts suggesting they will be impacted, or if the CAISO later finds that such systems should have been identified (or circumstances have changed that such systems should be identified as Affected Systems). MID further urged the CAISO to develop tariff language that would allow systems to be classified as Affected Systems after the notice deadline under circumstances of later-discovered facts. Otherwise, under circumstances where the CAISO would agree that the system should have been identified as an Affected System, the CAISO could be prevented from doing so. In such case, the option of seeking a waiver from the Federal Energy Regulatory Commission (“FERC”) to classify a system as an Affected System after the deadline is a poor one, as it brings a high degree of uncertainty into the process, and may delay the process for all participants. While the CAISO believes that this is a highly unlikely scenario—because the criteria to be a Potentially Affected System is so broad—MID makes a point that if there were a scenario where circumstances change, there could be complications in classifying Identify Affected Systems. The CAISO therefore proposes to add language to provide for this limited exception where circumstances change and present exigent impacts on an Affected System.

MID also expressed some confusion between the proposed tariff language and the definition of “Identified Affected System.” The CAISO addresses this concern by including the proposed definition of Affected System and Affected System in Appendix A of the CAISO tariff as follows:

- Affected System

An electric system other than the CAISO Controlled Grid that may be affected by the proposed interconnection, including the Participating TOs’ electric systems that are not part of the CAISO Controlled Grid.

- Affected System Operator

The entity that operates an Affected System.

In the proposal, the CAISO will provide notice to all Affected System Operators, but only those that reply and request to identify themselves as Affected Systems become

Identified Affected System Operators. Interconnection Customers therefore will only need to work with *Identified* Affected Systems. In any case, the CAISO here adopts several textual clarifications proposed by MID.

Six Cities noted that there is still a reference to the initially-proposed thirty-day response period in Section 3.7 of Appendix DD. The CAISO has fixed this oversight.

### 5.1.3 *Changes from the Revised Straw Proposal*

The CAISO proposes the following revisions:

- adding language to clarify the actions the Affected System Operator may take upon receipt of the CAISO notice;
- changing the second reference for the timeline for an affected system to identify itself from 30 to 60 days;
- adding the ability for an Affected System to identify itself outside the timeline established if factual circumstances change; and
- including the definition of Identified Affected System in Appendix A of the CAISO tariff.

### 5.1.4 *Revised Proposed Tariff Language*

The following are the proposed edits to Section 3.7 of Appendix DD and Appendix A of the CAISO tariff. Changes from the revised proposal are highlighted in yellow:

#### **3.7 Coordination With Affected Systems**

The CAISO will notify the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study within which the Interconnection Customer's Interconnection Request will be studied. The CAISO will coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators, to the extent possible, and, if possible, the CAISO will include those results (if available) in its applicable Interconnection Study within the time frame specified in this GIDAP. The CAISO will include such Affected System Operators in all meetings held with the Interconnection Customer as required by this GIDAP. The Interconnection Customer will cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Affected Systems, including providing consent to CAISO's identification to Interconnection Customer's name, Generating Facility project name, and release of information which the Interconnection Customer provided as part of its Interconnection Request to the Affected System, and participating in any coordinating activities and communications undertaken by the Affected System or CAISO. The CAISO will provide notice to the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study, within thirty (30) calendar days after determining which projects in each study cluster have posted their initial Interconnection Financial Security. Within sixty (60) calendar days of notification from the CAISO, the Affected System Operator shall advise the CAISO in writing that either: 1) the CAISO should consider the electric system to be an Identified Affected System; or 2) the electric system **should is not be considered an Identified Affected System.** If the electrical system operator does not make an affirmative representation within **sixty (60)** calendar days of notification, the CAISO will assume that

the electric system is not an Affected System. If an electric system operator comes forward after the established timeline as an Affected System, any mitigation required for a project identified by the Affected System will be the responsibility of the Affected System and not the CAISO, the Participating Transmission Owner(s), or the Interconnection Customer, except that the CAISO may waive this timeline and deem the electric system operator as an Identified Affected System if facts and circumstances are later discovered that indicate an electric system operator may be a potentially Affected System. In such cases, the CAISO will coordinate with the Interconnection Customer and the electric system operator to develop an expedited timeline to determine whether the electric system operator is an Affected System. The CAISO will then notify the Interconnection Customer as soon as practical of the new Identified Affected System. If required by the Identified Affected System, the Interconnection Customer will signing separate study agreements with Identified Affected System owners and paying for necessary studies. An entity which may be an Identified Affected System shall cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Identified Affected Systems.

## Appendix A – New Definition

### Identified Affected System –

An Affected System Operator who, as described in Section 3.7 of Appendix DD, either (1) responded affirmatively to the initial CAISO notification, or (2) was later deemed by the CAISO an Identified Affected System after a change in facts and circumstances.

## 5.2 Topic 2 – Time-In-Queue Limitations

### 5.2.1 Overview

When Interconnection Customers request an extension to a Generating Facility’s Commercial Operation Date (“COD”) the CAISO evaluates the request under the Material Modification Assessment (“MMA”) process. Currently, the In-Service Date (“ISD”) for Generating Facilities studied in the serial study process shall not exceed ten (10) years from the date the Interconnection Request is received by the CAISO. For Generating Facilities studied in the cluster study process, the COD shall not exceed seven (7) years from the date the Interconnection Request is received by the CAISO.<sup>3</sup>

In order to support viable Generating Facilities in the Generator Interconnection Queue and avoid unnecessary Network Upgrades, the CAISO proposes requiring Generating Facilities that are holding capacity that could be used by later-queued projects be required to meet and maintain certain commercial viability criteria in order to extend their ISD or COD beyond the 7/10 year thresholds. These criteria will be applied to Generating Facilities that may request milestone extensions beyond the 7/10 year thresholds in the future. The CAISO proposes to approve milestone extensions beyond

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<sup>3</sup> See Appendix U, Section 3.5.1.1; Appendix Y, Section 3.5.1.4; Appendix DD, Section 3.5.1.4; as applicable.

the 7/10 year thresholds, only on the Interconnection Customer's demonstration that the Generating Facility meets the following commercial viability criteria:

- Having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;
- Having an executed power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
- Demonstrating Site Exclusivity for 100% of the property (in lieu of a Site Exclusivity Deposit);
- Having executed a Generator Interconnection Agreement ("GIA"); and
- Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

In order to ensure that Generating Facilities maintain the level of commercial viability upon which the COD extension approval was conditioned, the CAISO will perform an annual review of the Generating Facility's commercial viability during the transmission plan deliverability allocation process. Failure to maintain commercial viability will result in loss of Full Capacity Deliverability Service ("FCDS") or Partial Capacity Deliverability Status ("PCDS").

Generating Facilities requesting a COD extension beyond the 7/10 years thresholds, and that either are serial or requested FCDS or PCDS, reserve transmission capacity that could be used by other Generating Facilities. If such Generating Facilities do not meet the commercial viability criteria, they will not be deemed withdrawn from the Generator Interconnection Queue. Instead, the Generating Facility's deliverability status will be changed to Energy-Only. If FCDS or PCDS is still desired for the Generating Facility, the Interconnection Customer will have to pursue that option through the Annual Full Capacity Deliverability Option in accordance with Section 9.2 of Appendix DD.

Generating Facilities studied under the serial study process also will be subject to these requirements. Some of the serial studies were completed prior to the CAISO process of distinguishing Reliability Network Upgrades from Deliverability Network Upgrades. Because the serial study process did not contemplate the separation of Network Upgrades into the categories of Reliability Network Upgrades and Deliverability Network

Upgrades, Generating Facilities studied under the serial study process that are subject to the consequences of failure to meet commercial viability criteria may also be required to undergo re-study in accordance with Sections 7.6 and/or 8.5 of CAISO tariff Appendix U to determine what Network Upgrades and corresponding GIA amendments will be required to interconnect their proposed Generating Facility as Energy-Only.

Generating Facilities in Cluster 7 and beyond whose Phase II study results identify a longest-lead Network Upgrade required for the project that is beyond the 7-year threshold are entitled to a limited exception to the commercial viability criteria. Such Generating Facilities requesting COD modification within six (6) months of the CAISO's publishing the Phase II results are eligible for this exception. This six-month timeline allows ample time for TP Deliverability allocation activities, the MMA process, and GIA negotiation, and it places a needed boundary on the exception. Additionally, the exception to the commercial viability criteria explicitly excludes report addendums and revisions to the Phase II that are required as an outcome of customer-initiated modifications to its Interconnection Request.

### **5.2.2 Stakeholder Input**

The CAISO received nine comments regarding the time-in-queue proposal: four comments supported the proposal, two comments supported the proposal with qualifications, two comments opposed the proposal, and one comment took no position. Stakeholder comments addressed several concepts:

- 1) Participating-TO requested delays
- 2) PPA-based COD extensions
- 3) Exemption for Energy-Only Generating Facilities
- 4) The reasonableness of the commercial viability criteria
- 5) Total years in queue
- 6) Serial Generating Facilities and Re-Studies
- 7) Loss of FCDS for Generators with executed GIAs
- 8) Treatment of suspension
- 9) Site Exclusivity
- 10) Permits
- 11) Time in queue and the CPUC's Long Term Procurement Plan ("LTTP")

The CAISO addresses each concept below.

#### **Participating-TO Requested Delays**

CalWEA, DLA, and LSA requested an exception to the commercial viability criteria for COD extensions that are caused by Participating TO construction delays of

Interconnection Facilities and Network Upgrades. As stated in the revised straw proposal, the CAISO agrees that Generating facilities are not obligated (and sometimes not able) to synchronize to the grid in advance of the longest lead Reliability Network Upgrade or Interconnection Facilities. However, the challenge with allowing an exception to the commercial viability criteria because the Participating TO's construction is delayed is that the Interconnection Customer is often the original cause of the delay. For example, the Interconnection Customer may deliberately delay the execution of the GIA, which delays the financing of Network Upgrades, which delays construction. For this reason the CAISO has proposed improvements to the GIA tendering and negotiation processes in topic 3 of this initiative. Together with this proposal, Interconnection Customers should be motivated and able to align their transmission construction timelines.

Further, the CAISO takes this opportunity to clarify that commercial viability criteria is only triggered by an Interconnection Customer's request for COD modification (through the MMA process); *not* by Participating TO-initiated delay requests. The CAISO acknowledges that the BPM for Generator Management speaks to Participating-TO-initiated requests only briefly. Before year-end, the CAISO intends to initiate a Proposed Revision Request ("PRR") in the CAISO's Business Practice Manual Change Management process to explain the details of Participating TO-initiated modification requests. Specifically, if the Participating TO notifies the CAISO that a required milestone extension is 1) the earliest achievable In-Service Date for the Generating Facility; and 2) not caused by the Interconnection Customer's failure to execute a GIA or begin payment for the construction of Network Upgrades, then the request will be processed as a Participating-TO-initiated delay, which will not invoke the commercial viability criteria.

### **PPA-based COD Extensions**

The CAISO accepts with qualifications the suggestion from First Solar, LSA, and EDF-RE to allow Interconnection Customers to align their CODs with an executed PPA. The CAISO proposes to allow COD extensions where an Interconnection Customer has an executed PPA that has obtained final regulatory approval. In such cases, the GIA COD will be extended automatically to match the PPA COD. An executed GIA is required to exercise this provision. "PPA COD" will be defined as the commercial operation date provided for in the executed PPA, inclusive of all extensions provided in the PPA. In addition, the PPA needs to "match" the project, that is, generation developers will only be able to use one PPA for one project, and demonstrate that the project described in the PPA is the same project described in the interconnection request.

To exercise this provision, the Interconnection Customer shall be required to:

- demonstrate commercial viability if the COD is beyond the 7/10 year threshold
- provide a copy of the PPA and evidence of regulatory approval (sensitive financial information may be redacted)
- confirm the PPA’s standing and details in the annual Transmission Plan Deliverability affidavit process

The CAISO declines First Solar’s suggestion that Generating Facilities with PPAs should be exempt from commercial viability criteria. The CAISO has observed many instances where having a PPA does not make a Generating Facility commercially viable such that the Generating Facility actually proceeds with construction or commercial operation.

### **Exemption for Energy-Only Generating Facilities**

LSA requested that Generating Facilities not holding capacity that could be used by later-queued Generating Facilities—and therefore not triggering unneeded upgrades—be exempt from the commercial viability criteria. The CAISO agrees, and clarifies that this was always the intent of the proposal.<sup>4</sup> The CAISO nevertheless clarifies the exemption in the proposed draft tariff language. However, Energy-Only Generating Facilities cannot stay in the queue forever and must meet all the terms and conditions of the CAISO tariff and GIA.

### **Reasonableness of the Commercial Viability Criteria**

First Solar and LSA commented that some elements of the commercial viability criteria may be unreasonable. They argue that requiring Interconnection Customers prove “engineering, procurement or construction” will take longer than 7/10 year threshold is not supported by FERC or the CAISO tariff, and is overly burdensome; and that limiting COD extensions because a Generating Facility is reserving capacity that could be used by other generating facilities is not a sufficient reason to impose viability criteria.

On the other hand, SCE and PG&E indicated that the proposal may not be robust enough to solve the problem of non-viable Generating Facilities lingering in the queue. Specifically, SCE noted that when the CAISO allows for exception to the commercial viability criteria, that the COD extension should be “limited in timeframe and not a blanket to extend out beyond the time necessary to construct the upgrade.” The CAISO agrees that any exception to the commercial viability criteria is not carte blanche to remain in queue indefinitely, and that the CAISO will monitor for misuse of any exception policies by virtue of the tariff requirement that each COD modification gets its own thorough initial review and on-going annual reviews through the affidavit process.

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<sup>4</sup> Section 4.2.3 Process Graphic IPE 2015 Issue Paper/ Straw Proposal May 23, 2015

With respect to First Solar and LSA comments on the “engineering, procurement or construction” language, the comments conflate two issues: 1) COD extensions within the 7/10 limit, which are analyzed under MMA alone (where the CAISO applies the First-Solar-mentioned FERC tests); and 2) COD extensions beyond the 7/10 limit, which face MMA analysis *and* require the CAISO and the Participating TO’s consent to go beyond the 7/10 limit. The “engineering, procurement or construction” language is in the CAISO’s FERC-approved tariff and has been since Appendix U.<sup>5</sup> There is nothing in the CAISO’s tariff language or FERC precedent that supports an interpretation limiting the “engineering, permitting, and construction” restriction to the initial validation of the Interconnection Request.

Regarding First Solar’s BPM arguments, the tariff and FERC Order No. 2003 state that where a Generating Facility seeks to extend its COD (by suspension and/or modification) beyond the 7/10 year mark, then the Generating Facility must request CAISO and Participating TO acceptance, “such acceptance not to be unreasonably withheld.” Under this authority, the BPM merely explains where the CAISO and Participating TO will withhold acceptance. The entire purpose of this proposal is to refine this policy and bring greater transparency to the process. The CAISO agrees with stakeholders that it is reasonable to extend the COD of a commercially viable Generating Facility. To date, however, there has been little consensus on what constitutes viability. The CAISO’s ultimate intent in this proposal is to do so. Accordingly, the CAISO accepts with qualifications First Solar’s suggestion to restructure the proposed tariff language and, rather than adding language to the existing sections, create a new section. The new section will specifically address milestone modification and time-in-queue. The new section does not provide the framework for all proposed modifications of Interconnection Requests. Other modification request types (inverter, transformer, technology, POI, etc.) are beyond the scope of this review.

To be sure, the CAISO seeks to motivate Interconnection Customers to build projects expeditiously. The CAISO believes—and will argue at FERC—that Generating Facilities lingering in the queue for more than 7/10 years adversely affect ratepayers and developers. Non-viable Generating Facilities horde deliverability, disrupt lower-queued Generating Facility timelines, and cause the need for additional Deliverability Network Upgrades. After 7/ 10 years, Generating Facilities have had ample time to meet the proposed commercial viability standards. While the CAISO disagrees with First Solar regarding the applicability of its FERC-approved tariff language regarding “engineering,

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<sup>5</sup> Appendix U, Section 3.5.1; Appendix Y, Section 3.5.1.4 and Appendix DD, Section 3.5.1.4.

permitting, and construction,” the CAISO believes that the commercial viability criteria negates the need for this other criterion, and therefore has removed it for modification requests. Interconnection Requests requesting CODs beyond 7 years from the outset still will need to demonstrate engineering, permitting, or construction constraints.

### **Total Time in Queue**

The CAISO declines First Solar and LSA’s suggestion that the 7-year rule for cluster study process Generating Facilities should be extended to 10 years. After 7 years, Generating Facilities have had ample time to satisfy the commercial viability criteria.

First Solar commented that Interconnection Customers should already have 10 years in queue, because “under the GIP, Interconnection Customers have the right to extend COD for up to 3 years. Accordingly, the time-in-queue limitation should be 10 years, not 7.” This is inaccurate. An Interconnection Customer may *suspend* its Generating Facility for up to 3 years within the 7/10 year threshold, but it is still subject to the 7/10 year threshold and the need for CAISO/Participating TO consent to go beyond, such consent not be unreasonably withheld. FERC, in fact, only added the consent provision when commenters in the Order No. 2003 rulemaking sought clarification on what to do where a project approaching its time limit tried to suspend.<sup>6</sup> Suspension is addressed in greater detail below.

### **Serial Generating Facilities and Re-Studies**

The proposed tariff language for this topic outlines that Generating Facilities in the serial study process may be required to undergo a re-study pursuant to LGIP Section 6.4 for Interconnection Feasibility Study, Section 7.6 for System Impact Study, and/or Section 8.5 for a Facilities Study to identify the Network Upgrades required for the Energy-Only interconnection. CalWEA requested that Serial Generating Facilities converted to Energy-Only status have the option to decline the re-study and choose to finance their original Network Upgrades. The CAISO does not support providing serial Generating Facilities this option. Giving serial Generating Facilities that do not meet the commercial viability standards the option of financing their originally required Network Upgrades subverts the CAISO’s goal of protecting transmission ratepayers from paying for new transmission infrastructure that may never be needed. The CAISO also questions whether the option would be unnecessary, as Interconnection Customers willing to finance their Network Upgrades also could choose to balance-sheet finance their projects, thereby meeting the commercial viability criteria and avoiding conversion to Energy-Only status. The removal of FCDS is not a punitive measure Interconnection

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<sup>6</sup> See Order No. 2003 at PP 172-76.

Customers must endure to stay in the queue, but a protection for transmission ratepayers. Moreover, in cases where projects have been in the queue beyond 7/10 years, re-study generally is required simply because the project is so old that there have been system changes that need to be incorporated into the project assessment to determine if the project is still technically feasible. CalWEA's comments contained several other questions about process and requirements for re-studies. In response to those questions, the CAISO provides the following clarifications:

- Re-studies are neither optional nor performed merely at the request of the Interconnection Customer.<sup>7</sup> Consistent with the reasons provided in the tariff, the CAISO and Participating TO will determine, on a case by case basis, if a serial Generating Facility's conversion to Energy-Only status necessitates a re-study.
- Customers subject to re-study may choose to either 1) terminate the study or withdraw the Interconnection Request; or 2) continue the study and provide a \$10,000 deposit toward the actual costs of the study.
- Assumptions used in the re-study are generally informed by two questions: What generation projects are already online and what are their assigned transmission upgrades? What generation projects are earlier in the queue that are not online and what are their assigned transmission upgrades?

#### **Loss of FCDS for Generators with executed GIAs**

First Solar noted that the CAISO's proposal may result in the loss of FCDS or PCDS, but does not indicate how this would occur for Generating Facilities with executed GIAs. The CAISO will provide draft tariff language to make the conversion process transparent and automatic in the future. Nevertheless, the existing *pro forma* GIAs do not mention Deliverability Status specifically. However, if a project has an executed GIA that does mention Deliverability Status and this project seeks a COD extension beyond its 7/10 year threshold (and the milestones in its GIA) without the ability to meet the commercial viability criteria, the CAISO will not find it reasonable to consent unless that project is converted to Energy-Only Status and its GIA is amended accordingly. As stated above, the existing tariff already provides the 7/10 year limit and the need for CAISO and Participating TO consent. This proposal only makes it transparent when the CAISO will consider providing such consent unreasonable.

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<sup>7</sup> Appendix U, Sections 6.4, 7.6 and 8.5.

### **Treatment of Suspension**

SCE requested clarification on the treatment of GIA suspension. SCE notes that “suspensions result in a corresponding suspension to all obligations under the GIA. Such actions could potentially result in delays to the Network Upgrades lead times for reasons that are directly linked to Interconnection Customer actions.” The CAISO clarifies that a suspension pursuant to section 5.16 of the LGIA only allows an Interconnection Customer “to suspend at any time all work associated with the construction and installation of the Participating TO’s Interconnection Facilities, Network Upgrades, and/ or Distribution Upgrades” required under the LGIA “other than Network upgrades identified in the Phase II Interconnection Study as common to multiple Generating Facilities.” A suspension pursuant to Section 5.16 does not automatically provide for a corresponding extension to the COD. Therefore, if a requested suspension will require a corresponding extension to the COD, the Interconnection Customer needs to submit an MMA request, and if the MMA request is beyond the 7/10 year threshold, the request will be subject to the commercial viability criteria.

### **Site Exclusivity**

Six Cities noted a possible inconsistency in the proposed tariff language regarding Site Exclusivity. Additionally, the proposed modifications listed in First Solar’s comments list Site Exclusivity as “Demonstrating Site Exclusivity in lieu of any Site Exclusivity Deposit.” As outlined in the CAISO response to stakeholder comments in the Revised Straw Proposal, the CAISO intends to increase the Site Exclusivity requirements for the commercial viability criteria such that Interconnection Customers must demonstrate 100% of the property necessary to construct the facility through the Generating Facility’s Commercial Operation Date. In other words, a Site Exclusivity Deposit will *not* satisfy this criterion. The CAISO has included the clarification in the draft tariff language.

## **Permits**

SCE provides the following comments on the permitting aspect of the commercial viability:

*The commercial viability criteria concerning necessary governmental permits should be revised by adding at the end of the first bullet on page 13 of the Revised Straw Proposal, “maintains such application open for the duration of the review process and the final disposition of the application did not result in a denial,” to ensure that the permit application is not later withdrawn. SCE has identified a few projects whereby the interconnection customer has “applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation ‘as data adequate’ for the authority to initiate its review process,” thus satisfying the proposed minimum requirement, but the interconnection customers later withdrew such applications because it was understood that the projects would not obtain approval.*

The CAISO appreciates the core concern in SCE’s comments, namely, that the evidence used to verify a Generating Facility’s commercial viability is provided in good faith. However, the CAISO also notes that the requirement that “the final disposition of the application did not result in a denial” may be beyond the Interconnection Customer’s control for legitimate reasons. Instead, the CAISO proposes that the Interconnection Customer be required to provide specific permitting details during the annual review of its commercial viability, including the permit’s unique application or approval numbers.

## **Time in Queue and the CPUC’s LTPP**

IEP supports the proposal and provides the following comments on the CAISO’s overall process considerations.

*IEP also restates its desire that the ISO’s rulemaking and practices are certified by the ISO to not run counter to timelines and commercial restrictions in place via the LTPP. IEP understands and appreciates that the ISO is sensitive to and collaborates with other regulatory bodies on rules and timelines such as the LTPP. In as much as Topic 2 and other issues the ISO may desire to move through the initiative process may also warrant thoughtful planning in order to be complementary with procurement rules, IEP asks the ISO to consider an ongoing process with stakeholder involvement that aims to create, maintain, and inform about alignment with the realities of the procurement process.*

The CAISO appreciates IEP’s comments. The CAISO considers the impacts to timelines of the LTPP when proposing Generator Interconnection Process reforms. No changes proposed as a part of this topic contradict the planning and procurement process

alignment of the CAISO, CEC, and CPUC.<sup>8</sup> In this Draft Final Proposal the CAISO has considered stakeholder concerns regarding certain commercial “realities” during the PPA application process, and proposed some additional flexibility to accommodate and complement the PPA process. The CAISO appreciates IEP’s suggestion that the CAISO “consider an ongoing process with stakeholder involvement that aims to create, maintain, and inform about alignment with the realities of the procurement process” and invites IEP to submit a proposal for such reform through discussions during the CAISO’s next stakeholder initiatives catalog process, which informs the priority of ongoing and potential enhancements to the CAISO market design, infrastructure planning and generation interconnection process.<sup>9</sup> The CAISO also notes that a stakeholder process reevaluating procurement and resource adequacy may be inevitable if a new transmission owner seeks to join the CAISO, and IEP would be able to comment there.

### 5.2.3 *Changes from the Revised Straw Proposal*

The CAISO proposes the following changes to the revised straw proposal.

#### **1) PPA COD Modification Criteria**

The CAISO proposes to allow COD extensions where an Interconnection Customer has an executed PPA that has obtained final regulatory approval. In such cases, the GIA COD will be extended automatically to match the PPA COD. Such extensions will not be exempt from the commercial viability criteria. The CAISO has observed many instances where having a PPA does not make a project commercially viable such that the project actually proceeds with construction or commercial operation.

An executed GIA is required to exercise this provision. “PPA COD” shall be defined as the commercial operation date provided for in the executed PPA, inclusive of all extensions provided for per the terms of the PPA.

To exercise this provision, the Interconnection Customer will be required to:

- demonstrate commercial viability if the COD is beyond the 7/10 year threshold;
- provide a copy of the PPA and evidence of regulatory approval (sensitive financial information may be redacted); and

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<sup>8</sup> [http://www.caiso.com/Documents/TPP-LTPP-IEPR\\_AlignmentDiagram.pdf](http://www.caiso.com/Documents/TPP-LTPP-IEPR_AlignmentDiagram.pdf)

<sup>9</sup> <http://www.caiso.com/informed/Pages/StakeholderProcesses/StakeholderInitiativesCatalogProcess.aspx>

- confirm the PPA's standing and details in the annual Transmission Plan Deliverability affidavit process.

Interconnection Customers extending CODs to align with PPAs will *not* need to demonstrate engineering, permitting, or construction constraints.

## **2) Consequences of Failure to Meet Commercial Viability Criteria**

In the event that the sole reason a Generating Facility does not meet the commercial viability criteria is failure to secure a PPA, the CAISO proposes to wait one year before converting the Generating Facility to Energy-Only. This will afford the Generating Facility one additional year to procure a PPA. The one-year period will begin the day the customer submits the MMA request for the COD extension.

## **3) Restructuring the Draft Tariff Language**

Rather than adding language to the sections as presented in the Revised Straw Proposal, the CAISO proposes instead to create new tariff sections to specifically address milestone modification and time-in-queue. Draft tariff language is presented in detail in section 5.2.4 of this Draft Final Proposal.

## **4) Loss of FCDS for Generators with Executed GIAs**

As a result of failing to meet the commercial viability criteria, Interconnection Customers with executed GIAs may lose FCDS or PCDS. The CAISO's previous proposals did not explicitly outline how the CAISO would effectuate that loss of FCDS or PCDS. The CAISO provides draft tariff language to address the conversion to Energy-Only Deliverability Status. The pro forma GIA appendices do not mention Deliverability Status specifically; however, if a project has an executed GIA that does mention Deliverability Status and this project seeks a COD extension beyond its 7/10 year threshold (and the milestones in its GIA) without the ability to meet the commercial viability criteria, the CAISO will not find it reasonable to consent unless that project is converted to Energy-Only Status and its GIA is amended accordingly.

## **5) Site Exclusivity**

The CAISO intends to increase the Site Exclusivity requirements for the commercial viability criteria such that customers must demonstrate that it has rights to 100% of the property necessary to construct the facility and the duration of the Site Exclusivity extends to the Generating Facility's Commercial Operation Date. As such, a Site Exclusivity Deposit is not sufficient to satisfy this

criterion. The CAISO has included clarifications to language proposed for Appendix S, Appendix U, and Appendix U to match the Site Exclusivity language proposed in Appendix Y.

## **6) Permits**

The CAISO proposes that the Interconnection Customer be required to provide specific permitting details during the MMA review process and, if the COD extension is approved, during the annual review of its commercial viability, including the permit's unique application and approval numbers, so that the CAISO and Participating TO may know that the Interconnection Customer is pursuing permitting approval in good faith.

### **5.2.4 Revised Proposed Tariff Language**

The CAISO is proposing to modify tariff language regarding time in the queue as follows. The language will be added to the tariff in a new section that specifically addresses Time in Queue and Milestone Modifications, and be applied in Appendix, S, U, Y, and DD as applicable. Final determinations on tariff language for this section will be reviewed through the CAISO's tariff development process. Changes from the revised straw proposal are highlighted in yellow, language that was moved from other sections in previous iterations of this proposal, but not otherwise changed, is green font:

#### **New Section in Appendix, S, U, Y, and DD as applicable**

##### **Milestone Modification, Time in Queue, and Commercial Viability Criteria**

The modified Commercial Operation Date of the new Generating Facility or increase in capacity of the existing Generating Facility shall not exceed [ten/seven] years from the date the Interconnection Request is received by the CAISO, unless the Interconnection Customer demonstrates that the Generating Facility is commercially viable. The CAISO's agreement to an extension of the proposed Commercial Operation Date does not relieve the Interconnection Customer from compliance with the requirements of any of the criteria in [Section 8.9.3] for retention of TP Deliverability.

The CAISO's agreement to an extension of the proposed Commercial Operation Date is predicated on the Generating Facility **meeting and maintaining** the criteria on which commercial viability is based. Commercial viability shall be defined as:

- a. **Providing proof of** having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;
- b. **Providing proof of** having an executed and **regulator-approved** power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
- c. **Demonstrating Site Exclusivity for 100% of the property necessary to construct the facility through the Commercial Operation Date requested in**

the modification request. A Site Exclusivity Deposit does not satisfy this criterion:

- d. Having an executed Generator Interconnection Agreement (“GIA”); and
- e. Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

If the Interconnection Customer fails to meet the commercial viability criteria but informs the CAISO that it intends to proceed with the modified Commercial Operation Date, the Generating Facility’s Deliverability Status will be Energy-Only Deliverability Status.

If a Generating Facility satisfies all the commercial viability criteria except criterion [6.9.2.4(b)], the CAISO will postpone converting the Generating Facility to Energy-Only Deliverability Status for one year from the day the Interconnection Customer submits the modification request or one year after the Interconnection Customer exceeds [ten/seven] years from the date the Interconnection Request is received, whichever occurs later. Interconnection Customers exercising this provision must continue to meet all other commercial viability criteria.

Generating Facilities in Cluster 7 and beyond whose Phase II Interconnection Study report requires a timeline beyond the 7-year threshold are exempt from the commercial viability criteria in this section provided that the COD modification is made within six (6) months of the CAISO’s publishing the Phase II Interconnection Study report. This exemption is inapplicable to report addendums or revisions required by a request from an Interconnection Customer for any reason

**[New subsection:] Alignment with Power Purchase Agreements**

An Interconnection Customer with an executed GIA and an executed regulator-approved power purchase agreement may request to automatically extend the GIA Commercial Operation Date to match the beginning of the power purchase agreement Commercial Operation Date. Such requests are not exempt from the commercial viability criteria provisions in [Section #]. The CAISO will consider the power purchase agreement Commercial Operation Date to be the Commercial Operation Date provided for in the executed power purchase agreement, inclusive of all extensions provided for per the terms of the power purchase agreement. To exercise this provision, the Interconnection Customer must (1) provide a copy of the power purchase agreement and evidence of regulatory approval, and (2) confirm the power purchase agreement’s standing and details in the annual Transmission Plan Deliverability affidavit process.

**[New subsection:] Annual Assessment**

The CAISO will perform an annual review of the Generating Facility’s commercial viability. If the Interconnection Customer fails to maintain the level of commercial viability on which the Commercial Operation Date approval was based, the Deliverability Status of the Generating Facility corresponding to the Interconnection Request shall convert to Energy-Only Deliverability Status.

## 5.3 Topic 3– Negotiation of Generator Interconnection Agreements

### 5.3.1 Overview

The Interconnection Customer’s GIA currently is tendered 30 days after either the Phase II study report is published for Energy-Only projects or after the TP Deliverability is determined for all other projects. This timing often conflicts with the Interconnection Customer’s actual need for an effective GIA. To address this conflict, the CAISO proposes to revise the start of the negotiation timeline by tendering the draft GIA based on the Generating Facility’s In-Service Date for the project and the longest lead-time it takes to construct all required and dependent facilities (plus sufficient time to negotiate and execute the GIA).

In addition, under current negotiation provisions, only the Interconnection Customer can declare that negotiations of the GIA are at an impasse. This is problematic because GIAs are three-party agreements. The CAISO proposes to add tariff language clarifying that any party may declare that negotiations are at an impasse.

Finally, existing tariff provisions do not require an Interconnection Customer to keep the ISD and COD up-to-date. Reconciling these dates typically occurs during the GIA negotiation; however, in many cases the Interconnection Customer remains in the interconnection queue or attempts to negotiate its GIA with milestones or a COD that has already passed. The CAISO is proposing to hold Interconnection Customers responsible for extending their ISDs and CODs as appropriate while in the ISO interconnection queue.

### 5.3.2 Stakeholder Input

#### *Tender*

The CAISO received comments from six parties regarding the proposal for the tendering of GIAs. Five commenters supported the proposal and one opposed. CalWEA requested clarification that all parties have four months to negotiate the GIA. The CAISO tariff currently requires negotiation to conclude within 120 days, and that requirement extends to all three parties (CAISO, Participating TO, and the Interconnection Customer). This proposal does not change the 120-day requirement for any party. In previous versions of this proposal, the CAISO considered the turn-time requirement recommended by CalWEA (one week), but ultimately concluded that thoughtful negotiation requires more than a one-week response deadline for all parties. CalWEA also noted that there are often delays in GIA execution. The CAISO acknowledges that delayed execution was a problem in the past. However, the CAISO’s newly

implemented electronic GIA distribution and execution process eliminated execution delays. The CAISO appreciates the comments, and made no changes to the existing language to address the concerns raised by CalWEA.

First Solar and LSA expressed concern with impacts to later queued projects. The CAISO appreciates and adopts the suggested language clarifying that the longest lead facility could be from the same or a different queue project.

SCE opposed the proposal because SCE does not see how the proposed change will result in GIA negotiations proceeding in a timelier manner. The proposal attempts to take advantage of the Interconnection Customer's interests by beginning negotiation when the Interconnection Customer needs the agreement for its project. The CAISO understands that too many agreements are not negotiated in a timely manner. With the proposed change the CAISO expects agreement negotiations to proceed more efficiently. The CAISO will contemplate further revisions to increase agreement negotiation efficiencies. SCE also asserted that the timeline as proposed will increase the likelihood that study results will become outdated. The CAISO disagrees that a later tendering will result in study results becoming outdated. Any delay in negotiation of the GIA does not change the project's milestones as identified in the Phase II study report. This proposal only moves the GIA tendering closer to those milestone dates that have already been identified. SCE also stated that the GIA milestones add 30 days of additional time before the Participating TO may begin construction of any required Interconnection Facilities and Network Upgrades. The CAISO agrees, and has revised the proposal to add 30 days to the negotiation timeline.

### ***Negotiation***

The CAISO received a total of six comments regarding the declaration of an impasse during negotiation of the GIA. Four comments supported the proposal and two comments opposed. IEP and PG&E supported the proposal without qualification. DLA supported and raised concern that the Interconnection Customer could disadvantage itself by declaring an impasse before the CAISO or the Participating TO. The CAISO disagrees: If the Interconnection Customer declares an impasse, it must request relief from FERC or initiate dispute resolution. However, if the Interconnection Customer waits for the CAISO or the Participating TO to declare an impasse, it does not have to take action itself. The CAISO is not proposing to change the proposal as there are benefits to allowing the customer to get resolution on disputed provisions without waiting for the 120-day negotiation period to expire. However, the CAISO is adding clarification that the CAISO and the Participating TO must file the unexecuted GIA with FERC within 21 days of declaring an impasse. DLA also requested that the CAISO clarify the business practices associated with the declaration of an impasse. The CAISO agrees

to clarify that once a party declares an impasse, all negotiation of the GIA ends and resolution of any outstanding issues occurs through an unexecuted filing with FERC or dispute resolution. The Generator Interconnection Business Practice Manuals will incorporate this clarification.

The Six Cities supported the proposal and suggested some clarifying edits to alleviate some confusion caused by the original wording. The CAISO agrees and has incorporated the suggested clarifications into the proposal.

First Solar and LSA opposed the proposal, indicating that too many terms and conditions of the GIA are not revisable during negotiation. Actual terms of GIAs are not addressed in this topic, and current practice already provides Interconnection Customers with avenues to negotiate and dispute any provision. First Solar and LSA also propose the inclusion of a definition of impasse. The CAISO agrees and the Generator Interconnection Business Practice Manuals will outline what the CAISO will consider an impasse, consistent with First Solar and LSA's proposal.

#### ***Outdated Interconnection Request***

The CAISO received no comments regarding outdated Interconnection Requests.

#### ***5.3.3 Changes from the Revised Straw Proposal***

##### ***Tender***

- The CAISO added language to clarify that the longest lead facility could be for the subject project or another project.
- The CAISO added 30 additional days to the negotiation period to account for GIA milestones that delay the Participating TO's ability to begin construction of Interconnection Facilities and Network Upgrades.

##### ***Negotiation***

- The CAISO added language to clarify that the Participating TO and the CAISO must proceed with an unexecuted filing within 21 days of declaring an impasse.
- The CAISO reworded the negotiation provisions for clarity.

#### ***Outdated Interconnection Request***

The CAISO did not change the proposal regarding outdated Interconnection Requests.

#### ***5.3.4 Revised Proposed Tariff Language***

Below are the proposed changes to section 13 of Appendix DD. Corresponding changes will modify section 4.8 of Appendix UU, section 4.3 of Appendix W, and section 11 of

Appendix Y. Revisions between the Issue paper/straw proposal and the revised proposal are highlighted in yellow:

## Section 13 Generator Interconnection Agreement (GIA)

### 13.1 Tender

#### 13.1.1

The applicable Participating TO shall tender a draft GIA, together with draft appendices, to the CAISO and Interconnection Customer no later than the sum of (i) ~~150~~ 180 calendar days and (ii) the estimated time to construct the Interconnection Facilities and Network Upgrades indicated in the applicable study report ~~needed by this or any other dependent project~~, prior to the In-Service Date. The applicable Participating TO may tender the draft GIA any time after the Phase II Study report is issued and before the determined tender date on its own accord or at the request of either the CAISO or the Interconnection Customer, or as agreed by the Interconnection Customer, the Participating TO and the CAISO. The draft GIA shall be in the form of the FERC-approved form of GIA set forth in CAISO tariff Appendix EE or Appendix FF, as applicable.

~~If the Interconnection Customer requested Full Capacity Deliverability Status or Partial Deliverability Status, then within thirty (30) Calendar Days after the CAISO provides the updated Phase II Interconnection Study report (or by an earlier date, if all parties agree) which includes the allocation of TP Deliverability to the Interconnection Customer, the applicable Participating TO shall tender a draft GIA, together with draft appendices. If the Interconnection Customer requested Energy Only Deliverability Status, then within thirty (30) Calendar Days following the results meeting for the final Phase II Interconnection Study (or by an earlier date, if all parties agree), Facilities Study, or system impact and facilities study, the applicable Participating TO shall tender a draft GIA, together with draft appendices. The draft GIA shall be in the form of the FERC-approved form of GIA set forth in CAISO Tariff Appendix EE or Appendix FF, as applicable. The Interconnection Customer shall provide written comments, or notification of no comments, to the draft appendices to the applicable Participating TO(s) and the CAISO within (30) calendar days of receipt.~~

### 13.2 Negotiation

Notwithstanding Section 13.1, at the request of the Interconnection Customer, the applicable Participating TO(s) and CAISO shall begin negotiations with the Interconnection Customer concerning the appendices to the GIA at any time after the CAISO provides the Interconnection Customer with the final Phase II Interconnection Study report. The applicable Participating TO(s) and CAISO and the Interconnection Customer shall negotiate concerning any disputed provisions of the appendices to the draft GIA for not more than one hundred twenty (120) calendar days after the Participating TO CAISO provides the Interconnection Customer and CAISO with the draft GIA final Phase II Interconnection Study report, or the system impact and facilities study report. If the Interconnection Customer determines that negotiations are at an impasse, it may request termination of the negotiations at any time after tender of the draft GIA pursuant to Section 13.1. Upon such request, the Interconnection Customer will, within seven calendar days after requesting termination of negotiations, either (i) and request submission of the unexecuted GIA with FERC or (ii) initiate Dispute Resolution procedures pursuant to Section 15.5. If the Interconnection Customer requests termination of the negotiations, but, within one hundred twenty (120) calendar days after the draft GIA was tendered pursuant to Section 13.1 issuance of the final Phase II Interconnection Study report, but fails to either (i) request either the filing of the unexecuted GIA with FERC within seven calendar days or (ii) initiate Dispute Resolution

procedures pursuant to Section 15.5 within seven (7) calendar days, it shall be deemed to have withdrawn its Interconnection Request. Neither the CAISO nor the Participating TO may declare an impasse until 120 calendar days after the draft GIA was tendered. If the CAISO or the Participating TO declares an impasse, that party will file the GIA unexecuted with FERC within 21 calendar days. Neither the CAISO nor the Participating TO may declare an impasse before one hundred twenty (120) calendar days after the draft GIA was tendered. Unless otherwise agreed by the Parties, if the Interconnection Customer has not executed and returned the GIA, requested filing of an unexecuted GIA, or initiated Dispute Resolution procedures pursuant to Section 15.5 within one hundred twenty (120) calendar days after issuance of the ~~draft GIA final Phase II Interconnection Study report~~, it shall be deemed to have withdrawn its Interconnection Request. The CAISO shall provide to the Interconnection Customer a final GIA within ten (10) Business Days after the completion of the negotiation process and receipt of all requested information.

## 5.4 Topic 4 –Deposits

The CAISO did not modify the proposal from the March 23, 2015 Issue Paper/Straw Proposal.

## 5.5 Topic 5 - Stand-Alone Network Upgrades and Self-Build Option

### 5.5.1 Overview

When an Interconnection Customer is assigned one hundred percent of the cost responsibility of a Network Upgrade and no other Interconnection Customer has the Network Upgrade identified as a requirement for its project, the Network Upgrade may qualify as a Stand Alone Network Upgrade (“SANU”).

Current policy allows for an Interconnection Customer building SANUs to forgo posting Interconnection Financial Security (“IFS”) for the SANU because only the Participating TO is able to draw from IFS postings. The CAISO proposes language intended to clarify the process and outline explicit financial obligations for Interconnection Customers that elect to self-build a SANU.

### 5.5.2 Stakeholder Input

The CAISO received a total of seven comments regarding this topic. Six Cities, CalWEA, and SCE supported the revised proposal, and four commenters supported with qualifications. LSA and First Solar supported the proposal with one clarification. They asserted that the proposal should clarify that both the IFS posting and the project cost cap (maximum cost responsibility) should be adjusted to reflect any SANUs in the executed GIA. Conversely, DLA supported the proposal but requested that the CAISO clarify that customer elections to build SANUs shall have no bearing on the maximum

cost responsibility. The CAISO agrees with DLA that past precedent should be maintained and that an Interconnection Customer's choice to build a SANU should have no impact on the associated maximum cost responsibility. If an Interconnection Customer does not perform on the construction of the SANU and the responsibility to construct reverts back to the Participating TO, the Interconnection Customer is required to repost IFS for the SANU and the maximum cost responsibility needs to retain the SANU costs to communicate that possibility. In exercising the option to self-build a SANU, there will be no increase, decrease, or impact to any individual Network Upgrade cost used to calculate the Interconnection Customer's maximum cost responsibility.

PG&E supported the revised proposal with qualification, recommending that the second financial security posting never be reduced below the first financial security posting amount, thereby removing any potential opportunity for gaming the IFS process. The CAISO is concerned that adding further restrictions to changing the IFS amounts in an attempt to limit any potential gaming of the process would harm an Interconnection Customer ability to use the process legitimately. Furthermore, the CAISO believes that the requirement to document the construction milestones of the SANU in the GIA provides adequate protection from gaming the process. Therefore, the CAISO is not changing the proposal to further restrict making changing to the IFS posting amounts.

### *5.5.3 Changes from the Revised Straw Proposal*

The CAISO has modified the proposal in order to clarify that allowing an Interconnection Customer to build a SANU will have no impact on the Interconnection Customer's maximum cost responsibility, including any impact to the individual Network Upgrade costs used to calculate the Interconnection Customer's maximum cost responsibility.

### *5.5.4 Revised Proposed Tariff Language*

The following is a revised new subsection appended after section 11.3.1.4.3 of Appendix DD. The changes from the previous version are highlighted in yellow:

#### **11.3.1.4.4 Posting Related to Interconnection Customer's Opting to build Stand Alone Network Upgrade(s)**

If an Interconnection Customer's Phase-II study report identifies Stand Alone Network Upgrades and the Interconnection Customer desires to self-build the Stand Alone Network Upgrades, the Interconnection Customer must post the Interconnection Financial Security for the Stand Alone Network Upgrades in its second posting. The Interconnection Customer may request to build the Stand Alone Network Upgrades in the Generator interconnection Agreement negotiation process, and if the Participating TO and the CAISO agree, the second posting will be reduced accordingly. The Interconnection Customer will not be allowed to revise its second posting amount until the Generation Interconnection Agreement documents the Stand Alone Network Upgrades and has been fully executed. **Allowing an Interconnection Customer to build a Stand Alone Network Upgrade will have no**

impact on the Interconnection Customer's maximum cost responsibility, including any impact to the individual Network Upgrade costs used to calculate the Interconnection Customer's maximum cost responsibility.

If at any time the responsibility for constructing the Stand Alone Network Upgrade reverts back to the Participating TO, the Interconnection Customer will be required to revise its second Interconnection Financial Security posting back to the second posting amount prior to the execution of the Generator Interconnection Agreement within thirty (30) calendar days of determining that the Participating TO will build the Stand Alone Network Upgrade. Failure to make a timely posting adjustment will result in the withdrawal of the Interconnection Request in accordance with Section 3.8. If an Interconnection Customer has been allowed to reduce its second posting following the execution of its Generator Interconnection Agreement and subsequently withdraws, the amount of the Interconnection Financial Security that is determined to be refundable under Section 11.4.2 will be reduced by the amount of the Interconnection Financial Security posting the Interconnection Customer avoided through the self-build option.

The following are proposed edit for Section 11.4.2.2 (a) of Appendix DD:

- a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, and less any posting amount reduction due to Interconnection Customer's election to self build Stand Alone Network Upgrades.), or...

The following are proposed edits to Article 5.2 of Appendix EE:

### **5.2 General Conditions Applicable to Option to Build.**

If the Interconnection Customer assumes responsibility for the design, procurement, and construction of the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades, or assumes responsibility for any stand-alone task, such as telecommunications, environmental, or real-estate related work, (1) within six (6) months of the execution of this LGIA, or at a later date agreed to by the Parties, the Interconnection Customer shall submit to the CAISO and the Participating TO a milestone schedule for the design, procurement, and construction of the Stand Alone Network Upgrades, or any stand-alone task assumed by the Interconnection Customer. The milestone schedule will be required to support the Interconnection Customer's Commercial Operation Date. The Appendix B Milestones will be amended to include the milestone schedule for the Stand Alone Network Upgrade.

## **5.6 Topic 6 - Allowable Modifications between Phase I and Phase II Study Results**

### **5.6.1 Overview**

The CAISO has proposed that the allowable modifications between Phase I and Phase II include modifications to the Commercial Operation Date.<sup>10</sup>

### **5.6.2 Stakeholder Input**

The CAISO received comments in support of the revised straw proposal from LSA and PG&E.

### **5.6.3 Changes from the Revised Straw Proposal**

The CAISO did not change the revised straw proposal regarding modifications between Phase I and Phase II study results.

## **5.7 Topic 7 – Conditions for Issuance of Study Reports**

The CAISO uses addenda to final interconnection study reports to correct non-substantial errors or omissions. However, other circumstances may trigger other needed updates to the final interconnection study. The CAISO proposes to ensure that such updates are documented properly and to clarify how they may impact the Interconnection Financial Security posting requirements and maximum cost responsibility.

### **5.7.1 Stakeholder Input**

The CAISO received a total of three comments regarding this proposal. As described below, one comment supported the proposal, one comment did not oppose, and one comment expressed a concern.

PG&E supported the proposal. LSA did not oppose the proposal after the CAISO made clarifications. CalWEA was concerned that a Participating-TO-requested modification may increase the cost of the Interconnection Facilities and Network Upgrades. The facilities reassessment reports issued for approved modifications are not addenda or revision to the final Phase II interconnection study reports. The CAISO has clarified that the Network Upgrade cost responsibility of the Interconnection Customer for a generator interconnection project, as the result of the facilities reassessment, would not

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<sup>10</sup> Commercial Operation Date, along with the related In-Service Date and Trial Operation Date, are elements of the Generator Interconnection Study Process Agreement's Appendix B.

exceed the project’s maximum cost responsibility. The proposed tariff language includes reference to Section 7.4.3 of Appendix DD as to how the maximum cost responsibility could be adjusted after the Phase I and Phase II interconnection studies, but this proposal does not change Section 7.4.3.

### ***5.7.2 Changes from the Revised Straw Proposal***

The CAISO did not change the revised straw proposal regarding conditions for issuance of study reports.

## **5.8 Topic 8 - Generator Interconnection Agreement Insurance**

### ***5.8.1 Overview***

The current insurance provisions of the LGIA describe the types of insurance coverage the Participating TO, the CAISO, and the Interconnection Customer must secure. Based on discussions with Interconnection Customers and industry insurance carriers, some of the existing insurance coverage provisions of the LGIA are anachronistic or no longer available. The changes proposed seek to update insurance terms and conditions to current industry standards.

### ***5.8.2 Stakeholder Input***

LSA, PG&E, and SCE provided comments on the revised straw proposal. LSA and PG&E supported the proposal. SCE provided comments that were generally for clarification and to update terminology to be consistent with insurance industry standards. The CAISO generally accepts the changes proposed by SCE.

### ***5.8.3 Changes from the Revised Straw Proposal***

The CAISO proposes to remove the term “broad form blanket contractual liability coverage” from the tariff language because the term is outdated. Language consistent with current insurance industry terminology has been added in its place. The CAISO also proposes to establish a minimum threshold of \$25,000 for reporting to each party accidents or occurrences that result in injuries or property damage.

### ***5.8.4 Revised Proposed Tariff Language***

The CAISO proposes to revise section 18.3 of Appendix EE as follows. Changes between the straw proposal and the revised proposal are highlighted in yellow. Similar changes also would be included in Article 18.3 of Appendices V, BB, and CC.

**18.3.1 ~~Employer's Liability and Workers' Compensation Insurance~~ and Employers' Liability.** The Participating TO and the Interconnection Customer shall maintain

such coverage from the commencement of any Construction Activities providing statutory benefits for Workers Compensation coverage and coverage amounts of no less than One Million Dollars (\$1,000,000) for employer's liability for each employee for bodily injury by accident and **One Million Dollars (\$1,000,000) for each employee for bodily injury by disease** in accordance with the laws and regulations of the state in which the Point of Interconnection is located. The Participating TO shall provide the Interconnection Customer with evidence of such insurance coverage within thirty (30) Calendar Days of any request by the Interconnection Customer. The Interconnection Customer shall provide evidence of such insurance thirty (30) Calendar Days prior to entry by any employee or contractor or other person acting on the Interconnection Customer's behalf onto any construction site to perform any work related to the Interconnection Facilities or Generating Facility.

**18.3.2 Commercial General Liability Insurance.** The Participating TO and the Interconnection Customer shall maintain commercial general liability insurance **coverage** commencing within thirty (30) **Calendar D**ays of the effective date of this LGIA, including **coverage for** premises and operations, **bodily injury (including death)** personal injury, ~~broad form~~ property damage, ~~broad form blanket contractual liability coverage (including coverage for the contractual indemnification)~~, products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, ~~coverage for pollution to the extent normally available and punitive damages to the extent normally available~~ **and (i) liability of Participating TO and the Interconnection Customer that would be imposed without the LGIA, or (ii) liability assumed by the Participating TO and the Interconnection Customer in a contract or agreement that is an "insured contract" under commercial general liability insurance policy. Such insurance shall include a no** cross liability ~~endorsement exclusions~~ or separation of insured clause endorsement exclusions, with minimum limits of One Million Dollars (\$1,000,000) per occurrence/One Million Dollars (\$1,000,000) aggregate ~~combined single limit for personal injury, bodily injury, including death and property damage.~~ If the activities of the Interconnection Customer are being conducted through the actions of an Affiliate, then the Interconnection Customer may satisfy the insurance requirements of this Section 18.3.2 by providing evidence of insurance coverage carried by such Affiliate and showing the Participating TO and CAISO as an additional insured only with respect to the LGIA, together with the Interconnection Customer's written representation to the Participating TO and the CAISO that the insured Affiliate is conducting all of the necessary preconstruction work. Within thirty (30) **Calendar D**ays prior to the entry of any person on behalf of the Interconnection Customer onto any construction site to perform work related to the Interconnection Facilities or Generating Facility, the Interconnection Customer shall replace any evidence of Affiliate Insurance with evidence of such insurance carried by the Interconnection Customer, naming the Participating TO and CAISO as additional insured only with respect to the LGIA.

**18.3.3 Business Automobile Liability Insurance.** Prior to the entry of any such vehicles on any construction site in connection with work done by or on behalf of the Interconnection Customer, the Interconnection Customer shall provide evidence of coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars (\$1,000,000) per occurrence for bodily injury, including death, and property damage. ~~Upon the request of the Participating TO, the The~~

Interconnection Customer shall ~~include name~~ the Participating TO and CAISO as ~~an~~ additional insured with respect to the LGIA on any such policies.

**18.3.4 Excess Public Liability Insurance.** Commencing at the time of entry of any person on its behalf upon any construction site for the Network Upgrades, Interconnection Facilities, or Generating Facility, the Participating TO and the Interconnection Customer shall maintain Excess excess public Liability liability insurance over and above the Employer's Liability Commercial General Liability and Business Automobile Liability Insurance coverage, with a minimum ~~combined~~ ~~single~~ limit of Twenty Million Dollars (\$20,000,000) per occurrence/Twenty Million Dollars (\$20,000,000) aggregate. Such insurance carried by the Participating TO shall ~~name~~ include the Interconnection Customer and CAISO as ~~an~~ additional insured with respect to the LGIA, and such insurance carried by the Interconnection Customer shall include ~~name~~ the Participating TO and CAISO as ~~an~~ additional insured with respect to the LGIA. The requirements of Section 18.3.2 and 18.3.4 may be met by any combination of general and excess liability insurance.

**18.3.5** The Commercial General Liability Insurance, Business Automobile Insurance and Excess Public Liability Insurance policies shall ~~name~~ include the other Parties identified in the sections above, their parents, their subsidiaries, associated and Affiliate companies and their respective directors, officers, agents, servants and employees ("Other Party Group") and the CAISO as additional insured. All policies shall contain provisions whereby the insurers waive all rights of subrogation in accordance with the provisions of this LGIA against the Other Party Group ~~and provide thirty (30) Calendar Days advance written notice to the Other Party Group of cancellation in coverage or condition.~~ If any Party can reasonably demonstrate that coverage policies containing provisions for insurer waiver of subrogation rights, or advance notice are not commercially available, then the Parties shall meet and confer and mutually determine to (i) establish replacement or equivalent terms in lieu of subrogation or notice or (ii) waive the requirements that coverage(s) include such subrogation provision or require advance written notice from such insurers.

**18.3.6** The Commercial General Liability Insurance, Business Automobile Liability Insurance and Excess Public Liability Insurance policies shall contain provisions that specify that the policies are primary and non-contributory, ~~and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered.~~ Each Party shall be responsible for its respective deductibles or self-insured retentions.

18.3.7 The Commercial General Liability Insurance, Business Automobile Liability Insurance and Excess Public Liability Insurance policies, if written on a Claims First Made Basis, shall be maintained in full force and effect for two (2) years after termination of this LGIA, which coverage may in the form of ~~tail coverage or~~ extended reporting period coverage if agreed by the Parties.

**18.3.9** ~~Within ten (10) Calendar Days~~ Thirty (30) Calendar Days prior to the start of any work at the construction site related to Interconnection Facilities or Generating Facility ~~following execution of~~ under this LGIA, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any

event within ninety (90) Calendar Days thereafter, the Participating TO and the Interconnection Customer ~~each Party~~ shall provide a **certificate of insurance for certification** of all insurance required in this LGIA, executed by each insurer or by an authorized representative of each insurer.

**18.3.10** Notwithstanding the foregoing, each Party may self-insure

a) to meet the minimum insurance requirements of Article 18.3.1, to the extent that it maintains a self-insurance program that is a qualified self-insurer within the state in which the Point of Interconnection is located, under the laws and regulations of such state; and

b) to meet the minimum insurance requirements of Articles 18.3.2 through 18.3.8 to the extent it maintains a self-insurance program; provided that, such Party's senior unsecured debt or issuer rating is BBB-, or better, as rated by Standard & Poor's and that its self-insurance program meets the minimum insurance requirements of Articles 18.3.2 through 18.3.8. For any period of time that a Party's senior unsecured debt rating and issuer rating are both unrated by Standard & Poor's or are both rated at less than BBB- by Standard & Poor's, such Party shall comply with the insurance requirements applicable to it under Articles 18.3.2 through 18.3.9.

c) in the event that a Party is permitted to self-insure pursuant to this Article 18.3.10, it shall notify the other Parties that it meets the requirements to self-insure and that its self-insurance program meets the minimum insurance requirements in a manner consistent with that specified in Article 18.3.9.

**18.3.11** The Parties agree to report to each other in writing as soon as practical all accidents or occurrences resulting in injuries to any person, including death, and any property damage **greater than \$25,000, including within the scope of coverage of such insurance whether or not such coverage is sought.**

## 5.9 Topic 9 - Interconnection Financial Security

The CAISO did not modify the proposal from the March 23, 2015 Issue Paper/Straw Proposal.

## 5.10 Topic 10 - Forfeiture of Funds for Withdrawal during Downsizing Process

### 5.10.1 Overview

The current tariff provisions on the Generator Downsizing Process set forth in section 7.5 of Appendix DD have resulted in conflicting interpretations regarding when an Interconnection Customer may withdraw its Interconnection Request based upon the downsized capacity it applied for in the Generator Downsizing Process. To clarify this perceived ambiguity, the CAISO proposes to bolster its current language to more explicitly require Interconnection Requests in the Generator Downsizing Process to

remain in the downsizing process until completion of the downsizing study. This approach is consistent with the CAISO's original intent, and it allows time for the technical analysis needed to determine which Network Upgrades are still necessary for remaining Interconnection Customers. Of course, to avoid unnecessary costs for Network Upgrades, the CAISO will continue its practice of notifying the relevant Participating TO once a downsizing request has been validated so that, to the extent possible, work on Network Upgrades can be suspended.

#### *5.10.2 Stakeholder Input*

The CAISO received eight comments regarding the changes to the downsizing process. Six Cities, PG&E, SCE, and DLA supported the proposal, three comments opposed the proposal, and CalWEA took no position.

IEP does not support the current proposal. IEP suggests that the proposal be limited to situations where the downsizing customers have shared Network Upgrades and when the withdrawal has cost impacts with the non-downsizing customer. In cases where there is no cost impact to other customers, IEP believes that the forfeiture amount should be based on the new downsized capacity. The CAISO disagrees. First, the CAISO believes that downsizing should be used to downsize project and not merely to reduce forfeitures at withdrawal. Second, due to the complexity of separating projects on the basis of having shared or stand-alone Network Upgrades, the CAISO does not agree with the proposed revision. Third, IEP's suggestion does not address the fact that later queued projects may depend on SANUs for their projects where Network Upgrades that were originally stand-alone can become needed by later queued projects.

NRG also does not support the current proposal. NRG offered a similar suggestion as IEP's: only projects that share Network Upgrades should have their forfeited financial security amounts based on the pre-downsizing capacity, and those projects that do not share Network Upgrades should have their forfeited financial security based on the downsized capacity. In addition, NRG asks that projects with shared Network Upgrades have the amount forfeited capped at the portion of costs associated with the shared Network Upgrade. NRG also asks that changes to the forfeiture of financial security for downsized projects happen after the upcoming downsizing window has been completed.

The CAISO disagrees with these proposed revisions for the same reasons as explained to above. Furthermore, the CAISO will have the revised tariff language be effective for the Downsizing window that opens October 15, 2015. Current Interconnection Customers' efforts to use the Downsizing process as a means to reduce their IFS forfeiture upon withdrawal have complicated many network upgrades. The past practice of allowing

the Downsizing process to be used as a means to reduce an interconnection financial security forfeiture does not justify its continued for that purpose. The CAISO intends to end this practice as soon as possible.

SPower does not agree with the current proposal and comments that the CAISO set a precedent by allowing projects to withdraw prior to the completion of the downsizing process and using the new downsized capacity in the partial recovery of the IFS. SPower commented that a current generator in queue has the ability to use the downsizing process as a means to avoid significant amounts of forfeited interconnection financial security. SPower asks that this proposal not be applied until the 2017 generator downsizing window. SPower also asks that the downsizing generator not be required to stay in the downsizing study with the caveat that the interconnection financial security not be released until the completion of the study. The CAISO does not agree with SPower's proposed revisions for the same reasons as explained above.

### ***5.10.3 Changes from the Revised Straw Proposal***

The CAISO did not modify the proposal from the Revised Issue Paper.

## **5.11 Topic 11 –TP Deliverability Option B Clarifications**

### ***5.11.1 Overview***

The interconnection process requires Interconnection Customers requesting TP Deliverability to select allocation Option A or B after their Phase I Interconnection Study Results Meeting. Option A allows Generating Facilities that have requested but who do not receive TP Deliverability to withdraw, convert to Energy-Only, or park their Interconnection Request pursuant to Section 8.9.4 of Appendix DD. An Interconnection Customer choosing Option B, on the other hand, represents that if it does not receive a deliverability allocation, it will assume cost responsibility for all Delivery Network Upgrades (both Area and Local) without cash repayment under section 14.3.2 of Appendix DD.

Recently, several Interconnection Customers have chosen TP Deliverability Option B even though there were no Area Delivery Network Upgrades (“ADNU”) identified in their Phase I Interconnection Study reports. The ability to select Option B in such a case may be misleading, because the selection will not provide value to the Interconnection Customer, and actually limits its ability to move forward if the Generating Facility does not qualify to receive a TP Deliverability allocation in their cluster's allocation cycle following the Phase II studies.

The CAISO proposes to clarify that if Interconnection Customers select Option B in cases where their Phase II Interconnection Study reports show no ADNUs and their Generating Facilities receive no TP Deliverability allocation, they should have the allocation option to change their deliverability status to Energy-Only or withdraw. Option B Generating Facilities with identified ADNUs that receive no TP Deliverability allocation may build the Delivery Network Upgrades, change to Energy-Only or withdraw. The CAISO further seeks to clarify that all Generating Facilities must still meet the minimum criteria identified in section 8.9.2 of Appendix DD to be eligible to receive a TP Deliverability allocation.

#### ***5.11.2 Stakeholder Input***

PG&E, SCE, IEP, and DLA fully supported the proposed changes from the revised straw proposal. Both LSA and First Solar supported the changes but also stated that Option B projects should be permitted to park. LSA identified that Option B projects might want to park for reasons other than upgrade costs and permitting issues. LSA further stated that an RPS increase to 50% should lead the CAISO to encourage developers to fund transmission upgrades; the current Option B terms are so onerous that few can realistically use it. The CAISO disagrees that parking should be permitted for Option B projects or that modifications would necessarily encourage developer funding of transmission upgrades. Parking was meant to provide Option A projects that cannot build ADNUs another opportunity to obtain an allocation of TP Deliverability. Option B projects have identified that they are willing to build any identified ADNUs regardless. Even Option B projects have to receive at least a partial allocation of TP Deliverability if Local Deliverability Network Upgrades are identified in order to proceed with Partial Capacity Deliverability Status. The CAISO anticipates adverse study implications if Option B projects were permitted to park. In the Phase II studies, the CAISO would have to include upgrades for ADNUs for parked Option B projects. These large ADNU upgrades require significant time to study and may inflate upgrade costs for other projects.

#### ***5.11.3 Changes from the Revised Straw Proposal***

The CAISO did not change the revised straw proposal regarding TP Deliverability Option B Clarifications.