

RECOMMENDATIONS OF EDF-RENEWABLE ENERGY FOR INTERCONNECTION PROCESS ENHANCEMENTS 2018 TOPICS

EDF-Renewable Energy (EDF-RE) hereby submits selected recommendations for CAISO consideration for the upcoming “Interconnection Process Enhancements (IPE) 2018” initiative. The CAISO has added many new features to its interconnection rules and practices over the last few years, and it’s a good idea to provide stakeholders with an opportunity to offer suggestions for improvement now that they, the CAISO, and the PTOs have had experience with them.

EDF-RE expects to participate in IPE 2018 and has three recommended topics for the CAISO’s consideration. These topics are described briefly below and explained further in the remainder of this document.

- **Commercial Viability Criteria (CVC) compliance using financing affidavits:** Strengthen the affidavit-submission process to make it more credible, by adding measures to verify the claims made in affidavits submitted to comply with the CVC or, alternatively, increasing the financial consequences of submitting an affidavit but then withdrawing from the queue anyway.
- **Continuous CVC compliance obligation:** Clarify that projects subject to the CVC must be in continuous compliance, i.e., even though a developer must demonstrate compliance annually, then between compliance demonstrations: (1) The compliance obligation is continuous; and (2) the CAISO should verify compliance whenever there are indications that the project may not be in continuous compliance.
- **Contingent upgrades:** Clarify that Network Upgrade (NU) costs allocated to earlier-queued projects dropping from the queue without executed Generator Interconnection Agreements (GIA) can only be allocated to later-queued projects within the Phase I/Phase II Study cost cap, since the CAISO tariff does not support inclusion of these costs within the NU cost cap.

Strengthening the finance affidavit option for CVC compliance

This topic would revise the process for submitting financial affidavits for CVC compliance purposes. EDF-RE is concerned that these affidavits have effectively become a way for non-viable projects lingering in the queue for more than a decade without securing a PPA to hang on for years longer, causing deliverability costs and delays for later-queued projects.

While technically developers can build new-generation projects without PPAs, in reality that simply has not happened and is not likely to happen in the future. EDF-RE suspects that the number of new merchant projects (constructed without a PPA), is zero or very close to that at the transmission level. (The CAISO could perhaps confirm this hypothesis by comparing projects reaching COD with Load-Serving Entity (LSE) filings at the CPUC and examination of other public documents.)

Specifically, projects subject to CVC – which have, by definition, been in the interconnection queue for many years – can substitute an affidavit “attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing” for the required executed and regulator-approved PPA.

EDF-RE recommends that the CAISO make financing affidavit submission for CVC compliance much more rigorous, for the reasons discussed below. Developers submitting such affidavits for CVC compliance should be required to provide either:

- **Support for its affidavit attestations, e.g.:**

- **Independent support for financial claims**, e.g., executed loan agreement with a non-affiliated bank, significant expenditures on development activities, or non-revokable escrow account that can only be used for project development; and
- **Credible evidence that the developer will actually proceed with project development without a PPA.** For example, a developer could demonstrate intent to proceed without a PPA through a history of constructing similar-size projects in California with balance-sheet financing and no PPA.

- **Additional financial support to demonstrate its serious intent to construct the project.**

Alternatively, if a developer is unable or unwilling to provide the additional verification above, it could make a financial demonstration of the project viability through increasing the financial consequences of withdrawing after submitting an affidavit. For example, this could be a minimum forfeit amount (e.g., \$20,000/MW) for serial-study projects, or an additional posting for cluster-study projects with low or no Network Upgrades – in both situations, loss of ability to claim partial security release for “failure to secure an acceptable PPA” otherwise has little financial impact.

Projects subject to CVC to date may have few or very low Network Upgrade costs, due to their early queue positions. Thus, the prospect of the security forfeits currently provided in the tariff is often little deterrent to filing an affidavit for the sole purpose of complying with the CVC and retaining deliverability.

This problem is exacerbated for serial-study projects. The applicable CAISO tariff appendices hold projects withdrawing from the queue liable only for actual costs to that point. Even if they have posted financial security, that security is releasable when they withdraw, with no approved justification required. Thus, the potentially serious cluster-study project financial consequence of losing the ability to claim “failure to secure an acceptable PPA” is not even applicable to these projects, and thus the consequence of submitting questionable affidavits is even lower than for cluster-study projects.

Thus, financial requirements for CVC affidavit submittal by serial-study projects should be revised to at least be comparable to those for cluster-study projects, and increased as well for cluster-study projects with relatively low Network Upgrades.

Financing affidavits for CVC compliance – clarifying the compliance obligation

This topic would clarify the obligation of generation projects subject to CVC to remain in continuous compliance, even though the normal compliance demonstration to the CAISO would be made annually.

CVC compliance includes a variety of factors, summarized below.

- **Financing compliance:** A Regulator-approved PPA or affidavit for alternative financing (see above);
- **Permitting compliance:** Application for the “necessary governmental permits or authorizations,” that has been deemed data-adequate for the applicable authority “for the authority to initiate its review process; “

- **Site Exclusivity compliance:** For “100% of the property necessary to construct the facility through the Commercial Operation Date requested in the modification request;” and
- **LGIA compliance:** Executed LGIA, in good standing.

However, the tariff and BPM language lack clarification about:

- **The continuous nature of the compliance obligation.** Even if the project demonstrates CVC compliance annually, as required by the tariff, the CAISO should clarify that the developer has the obligation to continue to comply between such demonstrations. If the developer is allowed to demonstrate compliance, fall out of compliance, and then get back into compliance before the next annual demonstration, then effectively the developer would have had a second chance to comply, and there is no provision in the tariff permitting a second try.

This continuous compliance should apply even if the project is modified through the MMA process between annual compliance demonstrations. For example, if the developer seeks to modify the site, it must remain in continuous compliance with the CVC, i.e., it must continue to have 100% Site Exclusivity during and after the change, without a break.

- **CAISO ability and obligation to re-verify compliance if there are indications otherwise** – again, even if the project is modified through the MMA process. For example, if the Project has applied for and received a required permit, and the permit is set to expire on a date between the annual compliance demonstrations, the CAISO should verify that the project remains in compliance (e.g., in this case, the project has applied for a renewal and that application was deemed data adequate before expiration of the original permit). If the project is modified such that the permitting requirements or entities change, the CAISO should verify at the time of the change that the project remains in compliance during and after, without a break.

This re-verification is similar to the CAISO process for Ancillary Service certification. The CAISO conducts testing during the certification process. However, after the resource is certified, the CAISO has the right to re-test if it suspects that the project is no longer capable of providing the service.

Contingent upgrades

This topic would explore and clarify issues related to “contingent upgrades,” Network Upgrades triggered by earlier-queued generation projects that may drop out of the interconnection queue without executing GIAs. EDF-RE believes strongly that, while the CAISO tariff allows the cost of such upgrades to be allocated to later-queued projects, this reallocation must be done within the Phase I/Phase II Study Network Upgrade cost cap.

There is simply no provision in the applicable tariff language to raise the Maximum Cost Responsibility (MCR or “cost cap”) to make additional “room” for such an allocation. In other words, these contingent allocations should be limited by the Network Upgrade cost cap established by Interconnection Studies, just like Network Upgrade cost reallocations within a cluster to account for dropouts.

LSA offers the following arguments in support of this position. (Section references are provided for the GIP, but all have corresponding GIDAP sections as well.)

- **The Phase I and II Study scopes include only upgrades triggered by that study cluster.** For example, the tariff states that:
 - The studies must identify “separate Interconnection Base Case Data for each Group Study to reflect system conditions particular to the Group Study” (GIP Section 2.3)
 - Phase I Study must “evaluate the impact of all Interconnection Requests received during the two Cluster Application Windows for a particular year on the CAISO Controlled Grid,” and “preliminarily identify all Network Upgrades needed to address the impacts on the CAISO Controlled Grid of the Interconnection Requests” within that cluster (GIP Section 6.4).
 - “The Phase II Interconnection Study consists of the same studies performed under Phase I, but with base cases adjusted to reflect withdrawal of Interconnection Requests.”
- **The MCR is set by the lower of the cost of Phase I or Phase II Study Network Upgrades “assigned to the Interconnection Customer (GIP Section 9.5),”** not to earlier-queued projects.
- **The annual Reassessment does not provide for any MCR increase,** only for reallocation of costs to account for dropouts (from the same cluster or earlier-queued projects without executed GIAs) (GIDAP Section 7.4, and also BPM for GIDAP Section 6.2.2).