

Stakeholder Comments Template

Subject: Remote Resource Interconnection Policy

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the following topics covered in the August 23 Draft Proposal regarding Remote Resource Interconnection Policy. Upon completion of this template please submit (in MS Word) to chinman@caiso.com. Submissions are requested by close of business on Wednesday September 5, 2007.

Please submit your comments to the following questions for each topic in the spaces indicated.

1. If the Energy Resource Area designation is not complete in time for RRI implementation, how should the RRI process proceed in the interim? Possibilities include:
 - Utilize the Interconnection Queue to identify qualifying areas. What criteria should be used to select these areas?
 - Applicants for RRI financing submit a request to a state agency for an area to be designated as an ERA. How would this work?
 - Other?

The main objective of the RRI process is to remove financial barrier to development of generation that is remotely located. Furthermore, such generation will also reside within an ERA with the potential for future build out of generating facilities such that the transmission capacity created will eventually be fully utilized. In the absence of ERA designation, there is no justification or evidence that this future build out can occur. Presumably, the ERA designation process will include the ultimate build out potential of a given area supported through technical, geological, and environmental studies. Absent such analysis and supporting studies it would not be just or reasonable to expose participants to the risk of paying for stranded transmission as a result of short cutting or expediting the process.

With respect to use of the Interconnection Queue to identify areas, this is simply a risky idea. The cost to secure a queue position, or even multiple positions, is insignificant compared to the avoided cost for a generator benefiting from RRI financing. It would be a simple process to load up the queue with “place holders” to artificially raise the expected amount of generation in a given area.

Additionally, FERC's ruling granting the declaratory order was based on proposed ERA designation process that the CAISO advocated to FERC. Relaxing these criteria is inconsistent with the principles upon which FERC granted the order. IID believes that the process upon which the order was based should be followed and that the CAISO needs to wait for the ERA designation to occur or go back to FERC for approval of different criteria.

To preserve the integrity of the process and insure the intended application of the RRI, the CAISO should work collaboratively with the other members of the CRETI to establish ownership (CRETI or other state agency) of the ERA designation process. IID recognizes there is not clear ownership of this responsibility at presents, but recommends this be clarified and that ERA designation be a requirement prior to applying RRI financing policy.

2. In the RRI application process would it be useful to have two types of approval methods, one in which the applicant has met all the approval criteria for RRI designation, and the other where the applicant has met all the criteria except for the two "commercial interest" criteria? In the second scenario the applicant would achieve a "pre-designation" status and follow with the additional commercial interest criteria to complete their approval. Is this a good idea? If so, how long of a period should be allowed after pre-designation to fulfill the remaining requirements?

While the RRI process is intended to remove financial barriers to the development of generation, caution must be exercised to avoid unintended cost exposure to participants. The two pronged commercial interest test is a significant safeguard in this respect. Relaxing of this safeguard does not seem consistent with a balance between financial risk and barrier removal. The work load involved with interconnection process for the CAISO is significant as evidenced by the tremendous backlog and time for completion. It does not seem prudent for the CAISO to take on additional work unless there is a showing of commercial interest. IID suggests that the existing commercial interest requirements be satisfied "up front" and that no alternate approval process is used.

3. Regarding the test for adequate additional interest in an RRI project, one of the possible criteria was a combination of two sets of showings (see Section 3.7.2 of the proposal). What is the appropriate measure to use as a monetary deposit that should be assessed?
 - o If a \$/kw of project capacity is correct method, what is the appropriate dollar amount?
 - o Would a flat fee be appropriate? If so, what is the appropriate dollar amount?

Either option is appropriate and should be in addition to owning the land. With respect to the amount, it must represent a legitimate commitment. IID suggests a fee similar to the total GMC a generator would pay over a period of one (1) month, or approximately \$250,000.

4. Also, regarding the showing of additional interest utilizing the combination of showings, some stakeholder suggested that the requirement should be limited to the following:
 - o Reside in the interconnection queue, or
 - o Sign a declaration of intent, or

- Participate in an open season

AND

- Submit a monetary deposit of some type

Originally there were two other possibilities for the second category which were owning or controlling the land, or mineral rights or submitting payment for the System Impact Study. What is correct?

The generator that wishes to benefit from RRI treatment must show a legitimate commitment to the development effort. Removal of land or mineral rights ownership significantly reduces this commitment. The process and requirements should not be reduced. If the rate payers are to be exposed to a financial risk it is more than appropriate for the developer to show a financial commitment as well as securing land or mineral rights. Again, if the requirements are weakened, it will be all too easy for the process to be manipulated at a relatively low cost to the requestor.

5. Other Comments

(Submit Comments Here)