

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the 2015 Interconnection Process Enhancements (IPE) Revised Straw Proposal that was posted on May 11, 2015 and as supplemented by the presentation and discussion during the May 18, 2015 stakeholder meeting.

Submit comments to [initiativeComments@caiso.com](mailto:initiativeComments@caiso.com)

[Comments are due June 1, 2015 by 5:00pm](#)

For each topic that was modified in the Revised Straw Proposal please select one of the following options to indicate your organization's overall level of support for the CAISO's proposal:

1. Fully support;
2. Support with qualification; or,
3. Oppose.

If you choose (1) please provide reasons for your support. If you choose (2) please describe your qualifications or specific modifications that would allow you to fully support the proposal. If you choose (3) please explain why you oppose the proposal.

### **Topic 1 – Affected Systems**

LSA supports the proposal with qualification. LSA's comments below address two areas: (1) detailed points related to the limited CAISO proposal in the Proposal on this topic; and (2) broader points concerning Affected Systems issues generally.

#### **Points related to this limited CAISO proposal**

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 so identified in CAISO studies if reassessment analyses show that they are no longer affected.

LSA supports the CAISO proposal to limit mitigation allocations to Interconnection Customers (ICs) to Affected Systems identified by CAISO studies or those identifying themselves within 60 Calendar Days (CDs) after notice by the CAISO following the first Interconnection Financial Security (IFS) posting. This proposal addresses, in part, one of the two main problems that ICs have with Affected Systems. (See below for explanation of the other main problem.)

However, 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. LSA understands that full studies might not be complete by then, but it would greatly assist ICs at that point to understand potential problem areas, so they can begin considering potential solutions on their own.

In addition, the CAISO should clarify that these new rules would be effective for new Interconnection Requests (IRs) once they are approved by FERC, regardless of other rules in pre-CAISO agreements. The CAISO's position on this has been somewhat confusing – the CAISO stated on the May 18<sup>th</sup> conference call both that: (1) it does not “intend to step all over” those prior agreements; and (2) it would use the new FERC-approved rules to counter claims by entities claiming to be Affected Systems after the 60 CD deadline.

LSA believes that, even assuming that the earlier agreements were FERC-approved, FERC's latest pronouncement in response to a CAISO filing in this initiative would supersede those earlier agreements, so the 60 CD deadline should apply.

Finally, 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.

The CAISO should apply that same process for Affected Systems upgrades and systems identified in those earlier studies, i.e., remove upgrades on other systems that are no longer needed and, if there are no further impacts on those systems, remove their Affected Systems designation. 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.

### **Broader points related to Affected Systems issues**

As noted above, the CAISO proposal in this initiative addresses one of two main problems regarding Affected Systems – possible self-identification late in the interconnection process. However, it does not address at all the other major 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).

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.

Fundamentally, LSA believes that interactions with Affected Systems entities should not be the responsibility of each individual IC and generation project. Instead, such coordination should be the responsibility of the CAISO, and should be conducted at the cluster level. Individual contacts are inherently inefficient for both ICs and Affected Systems entities, and separate and uncoordinated studies are costly and unnecessary.

In addition, Affected Systems should not wait until individual generation projects apply for interconnection but should begin planning in advance to accommodate such development, using the other opportunities that are available to them. For example, the RPS portfolios used in the open CAISO Transmission Planning Process can provide Affected Systems entities with valuable information about the expected location and technologies of new resource interconnections, and they should use that information to identify (on a preliminary basis) potential issues and mitigation plans, to expedite studies of actual IRs later.

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

LSA opposes the CAISO proposal – not because LSA opposes the concept of viability criteria (which it has supported for many years) or because the CAISO criteria are unreasonable, but because of the way in which the CAISO proposes to apply those criteria and because the CAISO does not provide sufficient flexibility to support commercially viable projects.

LSA proposes here some changes that would lessen its opposition by making the application of the proposal more reasonable. However, as explained at the end of this section, issues related to the application of a 10- or 7-year deadline for Commercial Operation Date (COD) extensions will still be problematic without a larger revision in the CAISO’s overall time-in-queue framework.

### **Comments on the CAISO proposal**

Aside from that larger issue, LSA recommends that the CAISO make the following modifications to its proposal in this area:

- **Add a provision to allow Generator Interconnection Agreement (GIA) COD extensions to match CODs in Power Purchase Agreements (PPAs)**, to recognize market procurement developments and avoid impairing otherwise-viable projects.
- **Exempt generators seeking COD extensions from the proposed viability criteria in these situations:**
  - Projects not “holding” capacity that could be used by later-queued projects, because those projects will not trigger unneeded upgrades; and
  - Projects where the COD extension is caused by Participating Transmission Owner (PTO) construction delays.

First, the CAISO proposal does not recognize certain timing realities in the procurement market today. Specifically, many recent Load-Serving Entity (LSE) procurement solicitations specify CODs much further into the future than past procurement cycles. At the same time, those solicitations only consider projects that are far advanced in the generator-interconnection process, in part so that Network Upgrade (NU) cost estimates are reliable and can be considered in assessing bids.

Acquisition of a PPA is a strong indication that a project is commercially viable – a fact that is reflected in the CAISO’s proposed viability criteria. However, large gaps between GIA and PPA CODs may force generating projects to effectively come on-line before they are needed and to operate as merchant plants until the PPA COD, maybe for several years.

This would be a significant burden for a project on a 20-year contract, and there is no good policy reason to impose it on clearly viable project. Therefore, LSA urges the CAISO to establish conformance with a PPA COD as a valid reason to extend a GIA COD.

Second, while LSA generally supports the application of viability criteria where potentially non-viable projects are tying up capacity that could be used by later-queued projects, there is no need to apply such criteria to projects that are not tying up such capacity, since they are not triggering upgrades for later projects.

Finally, if a project COD must be delayed due to late PTO construction, those delays in themselves might be one reason why the project has been unable to secure a PPA. It would be unfair and unreasonable to apply viability criteria where the delay is clearly not under the developer's control and could be contributing to the project's failure to meet those criteria.

### **Problems with the CAISO's COD extension framework**

As LSA explained in its last comments, the CAISO's 10- and 7-year limitations in the tariff are in the sections addressing the initial submission of Interconnection Requests (IRs) and concern the content of those submittals.

There is no support in the tariff for applying such limitations to later COD revisions, or for imposing additional requirements for COD extensions beyond those timeframes. Instead, the tariff (and relevant FERC rules) requires imposition of the material modification standard, and nothing more.

Thus, for example, there is no basis for the CAISO's current requirements that COD extensions beyond those timeframes requires the developer to demonstrate that the project cannot be constructed before the deadline and that the delays are not the developer's fault, and this rule should be revoked immediately. Likewise, imposition of viability criteria in order to qualify a project for a COD extension beyond those timeframes is not justified by the tariff.

LSA requests that the CAISO respond to its position on this matter and provide support for its position that the COD limits for Interconnection Requests should be applied to requests for COD extensions later.

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

**GIA Tender:** LSA supports the CAISO proposal as clarified (i.e., as long as an IC can request a GIA tender before the date in the proposal) but with one reservation. Specifically, LSA is still concerned that the CAISO proposal does not explicitly consider the position of later-queued projects depending on upgrades assigned to earlier-queued projects whose GIA execution could be delayed. LSA suggests that the latest GIA tender be determined using the formula below, with the text in red added.

**Tender:** PTO GIA tender deadline = (In-Service Date) – (longest lead time upgrade needed by this **or any later-queued project**) – 120CD negotiation time

LSA also requests that the CAISO clarify in the next proposal the developer's ability to request the GIA tender sooner than that time.

**GIA negotiations impasse:** LSA does not support the CAISO's proposal and continues to have significant concerns about delays caused by late and unilateral CAISO and PTO additions to GIA appendices. However, LSA's concerns could be mitigated somewhat by modifying the CAISO proposal to define the term "impasse," which is not defined in the CAISO tariff.

Specifically, that term should be defined as the CAISO stated on the May 18<sup>th</sup> call, i.e., it should not include situations where the parties have made new proposals late in the process and the other side has not had sufficient time to assess them. LSA suggests that this term could be defined as follows:

A situation where the parties have proposed their final terms and conditions, the other parties have had reasonable time to fully consider those terms and conditions, but the parties cannot reach agreement on those terms and conditions.

#### **Topic 4 -Deposits**

LSA continues to support the CAISO's proposal.

#### **Topic 5 - Stand-Alone Network Upgrades (SANUs) and Self-Build Option**

LSA supports the CAISO's proposal, with one clarification. The Proposal should clarify that both the IFS posting and the project cost cap will be adjusted to reflect any SANUs in the executed GIA.

#### **Topic 6 - Allowable Changes Between Phase I & Phase II Study Results**

LSA continues to support the CAISO's proposal.

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

LSA does not oppose the CAISO proposal, as clarified on the May 18<sup>th</sup> conference call.

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

LSA does not oppose the CAISO's proposals in this area.

#### **Topic 9 - Interconnection Financial Security**

LSA supports the CAISO proposal with qualifications.

LSA continues to believe that the CAISO should add the other IFS process clarifications, listed below. These proposals will address the considerable confusion in these areas.

- **Phased third postings**
  - **“Outside dates:”** Clarify intent/process/criteria for setting these dates

- **Withdrawals:** Formalize clarifications on release of second-posting amounts for withdrawal from the queue after some installments have been posted but others have not.
- **Other third-posting issues**
  - **Milestone demonstration:** PTO showing that “commencement of Construction Activities” criteria are met (e.g., receipt of all “appropriate governmental approvals”)
  - **Process:** Clarify/formalize invoicing/notice and posting process (e.g., meaning of “on or before” posting deadline)

### **Topic 10 - Forfeiture of Funds for Withdrawal During Downsizing Process**

LSA supports the CAISO’s proposal, with one clarification. The CAISO should clarify that the post-study IFS posting would still be reduced if Network Upgrade costs are lower after the study is done.

As a separate matter, LSA believes that the issue of forfeits when projects withdraw from the queue should be revisited, in particular if the withdrawal does not cause any stranded costs or increase costs allocated to other projects. However, LSA understands that this issue may be beyond the scope of this initiative.

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

LSA supports the proposal, but with one modification – Option B projects should have the right to park their projects to the same degree as Option A projects.

LSA agrees that Option B projects should have the right to elect Energy-Only status if they are not allocated any TP Deliverability, as Option A projects can. LSA supports this part of the CAISO’s proposal.

However, LSA does not understand why the CAISO would not then also allow Option B projects to park their projects for a year, like Option A projects. Option B projects might use this option for reasons that have nothing to do with Network Upgrade costs, e.g., permitting difficulties. The CAISO has not stated any reason why Option B projects should not have this election and, in the absence of good policy arguments to the contrary, this option should be provided to them.

As a separate topic, LSA still believes that the CAISO has had sufficient experience under the GIDAP framework to conduct a review of Option B to make improvements that will make it a more viable option for more projects. The possible increase in RPS standards to 50% should lead the CAISO to encourage developers to fund transmission upgrades, but the current Option B terms are so onerous that few projects can realistically use it.