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) Draft Final Proposal that was posted on July 6, 2015 and as supplemented by the presentation and discussion at the July 13, 2015 stakeholder meeting.
Submit comments to InitiativeComments@caiso.com
Comments are due July 27, 2015 by 5:00pm

For each topic that was modified in the Draft Final 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.

LSA appreciates the opportunity to comment on the topics in the Draft Final Proposal. However, LSA's comments are not limited to Topics 1-3, per the format of this template. LSA is also providing comments on the "clarification" in the Proposal to Topic 5, reflecting its great concern that this modification will have unintended adverse consequences to developers.

Topic 1 – Affected Systems

LSA supports the proposal with reservation. 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.

Specifically, the CAISO should modify the proposal to: (1) set limits on late Identified Affected Systems declarations; (2) urge Identified Affected Systems to rescind their declarations if circumstances change; (3) require entities to state why they believe that they are Affected Systems; and (4) clarify that new rules adopted here would supersede pre-CAISO agreements.

Late Identified Affected Systems declarations

LSA supports the CAISO proposal to limit mitigation allocations to Interconnection Customers (ICs) to Affected Systems 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, the problem of late identification of Identified Affected Systems. LSA also supports the CAISO's clarification on the conference call that Affected Systems must self-identify even if they are identified as impacted in CAISO studies.

LSA understands the desire of potential Affected Systems to have an additional opportunity to declare Identified Affected System status if new information becomes available. However, the CAISO's new proposal allowing waiver of the 60-day deadline "if facts or circumstances are later discovered that indicate that a system could be an Affected System" is very problematic.

Under this broad and imprecise language: (1) there is no indication of what kinds of "facts or circumstances" would warrant a CAISO waiver; (2) there is no time limit on the "discovery" of such factors; and (3) there is no limitation on the resulting financial or other impacts on the developer.

At some point, potential Affected Systems must take responsibility for fixing problems on their systems, and developers should not be held responsible indefinitely for changes in study assumptions (which can happen at any time). Specifically:

- Late Identified Affected Systems declarations should be reserved for significant factors (like major errors in the original CAISO studies) beyond the control of the Affected Systems; and
- There should be a time limit beyond which new Affected Systems cannot declare themselves to be Identified Affected Systems, e.g., one year before the project COD (six months before the CAISO's target for developers concluding Affected Systems agreements).

In addition, the CAISO should adopt an earlier sPower recommendation to expand Interconnection Financial Security (IFS) releasability in the case of significant late upgrade cost assignments by Affected Systems. Since Identified Affected System declarations would normally be due shortly after the first IFS posting, the terms of the first posting releasability should apply if the project withdraws from the queue following an Identified Affected Systems allocation after that time which increases Network Upgrade (NU) costs for the project by more than a threshold, e.g., 20%.

Identified Affected System declaration rescission

In the interests of fairness, if Affected Systems can self-identify after the 60-day period if circumstances change, there should also be a process for those systems to be "un-identified" if circumstances change so that that they are no longer impacted (or not impacted to the extent originally estimated). While the CAISO may not be able to force Affected Systems to update their studies to reflect the new information, the new tariff language should state the CAISO's expectation that they will do so and urge Identified Affected Systems to do so.

Identified Affected System declaration rationale

The CAISO should require, with Identified Affected System declarations, a statement (to the best knowledge of each entity) describing how it believes that it is affected. LSA made that recommendation in its last comments; the CAISO responded in the Proposal, at p. 11:

> 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.

As LSA stated previously, LSA understands that full studies might not be complete by then, and this additional information would not be binding on the Affected System, or limit the upgrades that it could require after studies are complete. However, any information that those systems could provide would greatly assist developers at that point to understand potential problem areas, so they can begin considering potential solutions on their own.

Supremacy of new rules

In its last comments, LSA requested that the CAISO 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 seems to agree, stating in the Proposal at p.12:

> 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.

However:

- LSA was not asking whether these new rules would supersede earlier CAISO rules, but requesting confirmation that they would supersede the kinds of pre-CAISO agreements with PTOs that MID continues to raise; and

- In its discussion with MID on the conference call, the CAISO appeared to indicate that it would consider MID-proposed language that would reduce the certainty of the above statement in the Proposal.

LSA urges the CAISO to clarify its position in the Proposal on this issue, and to confirm that, as far as the CAISO is concerned, the 60-day limit would apply, except for the limited retroactive provision discussed above.

Broader points related to Affected Systems issues

LSA provided broader feedback in its last comments related to Affected Systems issues that the Proposal says "go beyond the CAISO's proposal in this initiative." While LSA will not repeat those points here, LSA is disappointed in the limited scope of this effort.

LSA continues to believe that the CAISO should conduct the "full stakeholder process" it has promised several times to better coordinate (and potentially combine) interconnection studies by the CAISO and Affected Systems entities. This process should revise the current rules, which make interactions with Affected Systems the responsibility of each individual developer and generation project, into a CAISO-coordinated procedure at the cluster level that is modeled on the WECC Path Rating Process.

Topic 2 – Time-In-Queue Limitations

LSA supports the proposal with reservation. Below, LSA explains where it supports the CAISO's recent changes and where it has concerns.

In particular, PG&E's questions during the conference call raised many serious issues related to cost-shifting that should be addressed in more detail before the CAISO moves forward with the main parts of this proposal.

Areas of support

LSA supports the following changes to the CAISO's proposal in these areas:

- **Clarification that the proposed viability criteria would only apply to projects holding capacity that can be used by later-queued projects.** LSA agrees that, while existing provisions regarding time-in-queue might apply, it would not be reasonable to apply more stringent criteria for COD extensions where no other project would benefit. (See discussion of related concerns below.)

  However, LSA recommends that the CAISO make one change to this provision.

  As the CAISO pointed out on the conference call, the consequences of failing the viability criteria would be limited to removal of deliverability, not removal from the queue. Thus, LSA is concerned about the CAISO response on the conference call about situations where the Reliability Network Upgrades (RNUs) of a project failing viability criteria could be used by others but its Delivery Network Upgrades (DNUs) could not.

  For example, consider a project seeking Full Capacity Deliverability Status (FCDS) that is using a position at a substation, forcing a later-queued Energy-Only project to fund a substation expansion for its own interconnection. (Assume that there are no other projects seeking deliverability in that area, for this example.) Removing deliverability from the FCDS project would punish that FCDS project but not help any other generation projects.

  Since the CAISO's proposal is limited to deliverability removal, it should apply the viability criteria only to situations where projects are holding DNU capacity usable by other projects, and not RNU capacity.

- **Provisions allowing extension of Generator Interconnection Agreement (GIA) Commercial Operation Dates (CODs) beyond the applicable limits in order to match Power-Purchase Agreement (PPA) CODs.** This will prevent impairment of the economics of otherwise-viable projects and better align generator interconnection and operations with Load-Serving Entity (LSE) needs. (This is one element that can be implemented without the rest of the proposal, if the CAISO decides to take more time to work through cost-shift issues with removal of deliverability.)

Areas of concern

LSA has serious reservations about the CAISO's proposal in these areas:

- **PTO-caused delays:** In response to concerns expressed by LSA in its last comments, the Proposal states the following at p.19 (emphasis added):

  "…The CAISO takes this opportunity to clarify that commercial viability criteria [are] only triggered by an Interconnection Customer's request for COD modification (through the MMA process), not by Participating TO-initiated delay requests."

  "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."

  "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**."

  LSA appreciates the CAISO's agreement that developers should not be penalized by application of more stringent COD extension criteria when the extension need is cause by PTO construction delays. However, there are two problems with the CAISO's proposed implementation of that concept, which would condition the exemption from viability criteria on this PTO "notification."

  First, the original GIAs would have been negotiated many years before. Documentation of events during the negotiations may not be available, and there could be considerable disagreement between the PTO and the developer over which party was responsible for those delays long ago. In other words, this provision is likely to place the CAISO in the middle of mutual finger-pointing by the PTO and developer based on vague or incomplete documentation.

  Second, this PTO notice would be entirely voluntary under this proposal. If the PTOs do not provide it, the project would not be exempt from the viability criteria.

  For these reasons, LSA recommends that the CAISO:

  -Limit its determination of whether the COD extension is needed due to PTO construction delays only to the immediate need for the extension, and not assign blame based on long-ago GIA negotiations; and

  -Require, in the tariff (and not just the BPMs) that PTOs submit COD extension requests needed to accommodate PTO construction delays, or at least accept the IC's assertion and to that effect if the PTO does not explicitly object.

- **Cost-shift issues:** PG&E asked an interesting series of questions on the conference call about the potential cost consequences of removing deliverability (and thus DNU cost responsibility) from generation projects failing the viability criteria. For example, PTOs and other generation projects in the same study cluster could be subject to additional costs for:

  -**Money already spent on DNUs that are no longer needed**. These issues include refunds to projects that have paid for construction to date and rate base recovery by PTOs. The developers of those projects planned in their financial projections to receive full refunds of those expenditures; though they may not incur the carrying costs for the rest of the amount of the canceled DNU expenditure, that savings would not likely make up for the foregone refunds of funds already spent.

  -**Reallocation of costs for DNUs that are still needed**, i.e., additional costs allocated to remaining deliverable projects (e.g., through the annual reassessment process for cluster-study projects, or re-study/reallocation to later-queued Serial Group projects) or to PTOs (where the reallocation to other cluster-study generation projects exceeds those projects' cost caps). For example, it would be highly inequitable for:

    - Other projects in the same cluster as a project losing deliverability to pay more for still-needed upgrades, especially if later-queued clusters benefit from cancellation of their upgrades enabled by the deliverability withdrawal; or

    - Later-queued Serial Group projects to bear additional upgrade costs because the project losing deliverability will no longer pay for a still-needed upgrade, especially if a later-queued project or cluster benefits from cancellation of its upgrade enabled by the deliverability withdrawal.

  These are serious issues that must be resolved. It would be illogical to remove impose a punishment on generators where their deliverability could be used by other projects only to impose costs on PTOs and other projects, especially those with executed GIAs, and Serial Projects (which do not have cost caps).

  Further consideration may be needed in this process. If the CAISO nevertheless decides to move forward now, it should include in this proposal a provision that no other generators will suffer net cost increases when deliverability is removed from a project failing to meet the viability criteria.

- **Re-study issues:** The Proposal sates that Serial Group projects seeking COD extensions beyond the 10-year period that fail to meet the viability criteria may have to be re-studied (at developer expense) in accordance with CAISO Tariff Appendix U (Sections 6.4, 7.6, and/or 8.5) to determine which NUs (and corresponding GIA amendments) will be needed to interconnect them as Energy-Only.

  LSA requests that the CAISO explain how it will perform these studies. Will CAISO attempt to go back a decade or more and try to recreate original data for such studies? What about projects in the Tehachapi area, which were subject to a large group study? The assumptions and methodology for these studies should be clarified and transparent to all stakeholders.

- **Problems with the CAISO's COD extension framework:** LSA's prior comments addressed more general concerns about whether the CAISO's application of time limitations to COD extensions were supported in the tariff. While LSA will not repeat those points here, LSA continues to believe that the CAISO is misapplying the applicable tariff sections in a manner that is exacerbated by the various COD extension criteria in its current and proposed policies.

Topic 3 – Negotiation of Generator Interconnection Agreements

GIA tender: LSA fully supports the CAISO proposal as clarified – i.e., as long as an IC can request a GIA tender before the date in the proposal, and with the more recent change providing that the "longest lead-time upgrade" could be needed by the subject project or another "dependent" project.

GIA negotiations impasse: LSA supports this proposal, with significant reservations. LSA continues to have concerns about delays caused by late and unilateral CAISO and PTO additions to GIA appendices, as stated in earlier comments. However, LSA's concerns could be mitigated somewhat by the two changes described below.

- **Impasse definition:** LSA still believes that the term "impasse," as defined below, should be added to CAISO Tariff Appendix A.

  > 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.

  LSA understands that the CAISO wants to avoid confusion if this term is used elsewhere in the tariff to mean other things. However, the CAISO typically addresses that problem in Appendix A by modifying the term slightly. For example, "schedule" is defined in the tariff for Day-Ahead Schedule, HASP Advisory Schedule, Interchange Schedule, RUC Schedule, etc. The CAISO could likewise use an appropriately modified term (e.g., "GIA Negotiations Impasse") to add this term to the tariff.

- **Time for IC decision:** If the IC declares an impasse, the Proposal only allows it only 7 calendar days to initiate Dispute Resolution or request filing of an unexecuted GIA at FERC. However, if the CAISO or PTO declare an impasse, they would have 21 calendar days to file an executed GIA at FERC. The IC should have at least as much time to take action as the CAISO and PTO, i.e., at least 21 calendar days.

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

LSA opposes the proposal but would support it in concept without the "clarification" included in this version of the Proposal. In addition, as explained further below, LSA asks the CAISO to consider other approaches that would not require developers to provide significant financial security that would duplicate other financial commitments needed to construct their SANUs.

Cost caps

LSA's last comments support supported the CAISO's proposal but requested clarification that both the Interconnection Financial Security (IFS) IFS posting and the project cost cap be adjusted to reflect any SANUs in the executed GIA. (The prior proposal only mentioned adjusting the IFS posting amount.)

The Proposal not only does not provide that requested clarification, it states the opposite, i.e., that the project maximum cost responsibility would not be adjusted at all to reflect the cost of SANUs and other work that the project itself would perform. The CAISO stated during the conference call that the maximum cost responsibility still needs to reflect the SANU cost,in case the IC does not build the SANU and the cost responsibility reverts back to the PTO.

This proposal is fundamentally unfair. The cost cap should only cover costs that the PTO is incurring and not those that the developer bears.

The higher cost cap will be perceived as a higher risk by financiers and others in the due-diligence process. In addition, as both LSA and CalWEA pointed out on the conference call, the higher cost cap could hurt the developer unfairly during the annual reassessment process by leaving more "headroom" for allocation of other upgrade costs in that process.

A cost cap including the SANU cost makes sense if the developer fails to build the SANU and the PTO must do so. However, the SANU cost should be removed from the cost cap once the developer shows that it is carrying out its intent to build the SANU (e.g., GIA execution). The GIA can include the higher cost cap also and clearly state that it will apply should the SANU construction revert to the PTO, but the lower cost cap should apply as long as the developer is substantially meeting the SANU construction milestones that the CAISO intends to include in the GIA pursuant to this proposal.

Financial security

The CAISO's proposal would require developers seeking to construct SANUs to post both the first and second IFS at amounts that would include SANU costs. Any adjustments to the IPS postings would not occur until after GIA execution.

This proposal could force such developers to post potentially millions of dollars in security for upgrades that it plans to construct itself. This is an unreasonable burden, among other reasons because the developer might also have to post security during this time to contractors and others who will perform the work.

LSA is sympathetic to the CAISO's concerns about PTO cost coverage, but there may be other options for penalizing developers that fail to follow-through on their SANU construction commitments that would not also penalize developers that do fulfill those commitments. LSA asks the CAISO to postpone a final decision in this area to allow a discussion with stakeholders about other options.