

## 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) Issue Paper/Straw Proposal for Topics 1- 11, posted March 23, 2015 and supplemented by the presentation/discussion at the March 30, 2015 stakeholder meeting.

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

**Comments are due April 10, 2015 by 5:00pm**

### **Topic 1 – Affected Systems**

LSA supports the proposal with qualification. In particular, LSA supports use of the WECC Path Rating Process as a model for integrated and coordinated studies. This concept is reflected in the CAISO's proposed deadlines for self-identification of Affected Systems, beyond which non-CAISO systems would be responsible for their own mitigation efforts.

However, LSA believes that the proposal should go further in establishing a more coordinated and integrated process under that WECC model. The CAISO has long promised a full stakeholder process to address Affected Systems issues in that manner, but the limited proposed change in the Proposal does not rise to that level.

First, WECC processes provide opportunities to participate in related studies from the start, e.g., as study reviewers. Under WECC procedures, the project performs the studies to the review group's satisfaction. If it cannot do so, the disputing parties can go to dispute resolution.

Under the CAISO's proposal, potential Affected Systems would not be notified until after the Phase I Studies and Results Meetings are complete and the initial Interconnection Financial Security (IFS) posting deadline has passed, when the CAISO is already starting its Phase II Studies. This is too late for many reasons, and it is not consistent with similar WECC processes.

The CAISO should continue to notify potential Affected Systems at the close of the annual application window and invite them to Scoping Meetings, and not wait until after the initial IFS postings. The Phase I Study should be used to confirm system assumptions with potential Affected Systems, and they should have the opportunity to participate.

Once the CAISO and PTOs perform Phase I power flow studies, potential Affected Systems would then have access to the base cases to run their own power flow cases with the same assumptions, run contingencies on their systems, determine if there are impacts, and propose mitigation. The CAISO should then include any impacts that they identify in the Phase I Study, with the mitigation cost shared by the projects in the cluster (as with CAISO Network Upgrades).

After the initial IFS postings, the CAISO and any potential Affected Systems could perform a second round of power-flow analyses to determine if the potential impacts still exist. If so, the (now actual) Affected Systems can then engage the applicable projects and perform their own cluster studies, coincident with the CAISO's Phase II Study process.

By the time developers make their second IFS postings and execute Generator Interconnection Agreement (GIAs), they would know the nature and cost of any upgrades on the CAISO system and Affected Systems. They can then decide whether to continue their projects or withdraw.

If potential Affected Systems do not respond to the initial CAISO initial contact or engage between Phase I and Phase II, they should not be considered Affected Systems, as the CAISO proposes.

Second, the CAISO's process should allow for removal of Affected Systems status based on reassessment process results, especially if the initial designation resulted from CAISO studies and self-identification as Affected Systems. 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.

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

LSA supports the proposal with significant qualification.

First, the relevant tariff language (and FERC *pro forma* language on which it is based) for the 7- and 10-year limitations applies to the proposed COD or In-Service Date, respectively, in new Interconnection Requests (IRs). FERC policy provides that proposed COD and other modifications be assessed based on the material modification standard, i.e., whether the extension will materially impact the costs of timing of any later-queued project.

The CAISO can propose a time-in-queue limitation through a stakeholder process and FERC-approved tariff revision. In general, LSA believes that the time-in-queue limitations should be reviewed further, especially for cluster projects. Cluster projects face additional challenges:

- The TP Deliverability award process has added time to an already-lengthy interconnection-study process;
- Lengthy transmission-construction delays have impeded PPA and permit acquisition; and
- Load-Serving Entity (LSE) buyers are now initiating competitive solicitations that require Commercial Operation Dates (CODs) much further into the future (see below).

LSA has supported viability criteria in the past and does not object to reasonable time-in-queue limitations. However, given the above challenges, 7 years may be insufficient time to construct a cluster-study project. Off-takers and investors often demand projects that are far along in the development process, and it makes no sense to impair their viability when progress has been made. Thus, an examination of this issue is warranted.

However, there is no need to develop a new set of criteria to determine whether projects exhausting time-in-queue limits can retain their TP Deliverability. Instead, those projects should be allowed to retain their deliverability if they scored at least as well as other projects in their areas that were awarded TP Deliverability in the last study cycle, subject to the same annual progress demonstrations as these newer projects.<sup>1</sup>

The same criteria and scoring system can be used for both newer and older projects in the queue. This would add consistency and fairness to the process, instead of applying different rules to projects competing for the same deliverability.

Finally, LSA urges the CAISO to take the opportunity in this stakeholder process to promote better alignment between Commercial Operation Dates (CODs) in executed GIAs and PPAs. As noted above, current market conditions have forced developers to sign PPAs with start dates several years into the future, and developers should not be forced to build generating projects that must essentially operate as merchant plants until the PPA COD if there is no material impact for a GIA COD extension.

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

**GIA Tender:** LSA opposes the CAISO’s proposal. LSA is concerned that the proposal will jeopardize the ability of generation projects to achieve their CODs, specifically:

- **The projects to which this process is applied.** Development progress – e.g., financing, PPA acquisition, and permitting – for projects with later CODs can be hampered if the project might have to wait years to execute its GIA. Moreover, the CAISO is well aware that GIAs often take more than 120 CDs to negotiate – often for reasons that are beyond the developer’s control (see below) – and that would cause the project to miss its milestone dates under the CAISO’s proposal. At the very least, such projects should have the ability to request a draft GIA within 30 days any time after TP Deliverability results are issued.
- **Projects later in the queue depending on upgrades assigned to earlier-queued projects with later CODs** that are not tendered draft GIAs for significant time (even years after the interconnection studies are complete). For example, a project may be assigned a “contingent” assignment of a transformer or other upgrade that it must fund if an earlier-queued project withdraws from the queue without executing a GIA. If that earlier-queued project lingers in the queue without even being tendered a draft GIA (perhaps for years), that contingent obligation would remain for much longer, causing considerable cost uncertainty and impairing the viability of the later-queued project.

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<sup>1</sup> As a separate matter, LSA believes that the CAISO should consider adding a category in the TP Deliverability award scoring, below the “shortlisted” category and scored lower, for projects that can demonstrate that they are actively seeking a PPA but have not yet been shortlisted, instead of excluding them altogether from a TPD award.

**GIA negotiations impasse:** LSA opposes the CAISO’s proposal. In LSA’s experience, impasses can be caused by the CAISO and PTO practice, which has gotten much worse recently, of adding provisions to GIA appendices that really belong in the pro forma portions of the agreement. They are not pro forma language, but they are nonetheless non-negotiable. These significant and substantive provisions – added to unrelated GIA amendments as well as new GIAs – have covered areas such as:

- Affected Systems
- Sub-Synchronous Control Interaction (SSCI) studies (with no protective cost-cap language)
- Technical Studies, including post-COD studies (with no protective cost-cap language)
- Cotenancy and cost-sharing language
- Cessation of interconnection service if retail service bills are not paid
- Capital Additions
- Limitations on unilateral suspension rights

Before the CAISO and PTOs receive any ability to declare an impasse, a change-management process for GIA appendices that prevents significant unilateral additions to GIA appendices.

**Interconnection Request milestone date updates:** LSA opposes the CAISO’s proposal, because it is unnecessary. Missing milestone dates is a GIA breach, and there are already procedures for addressing such breaches. The CAISO could simply allow an MMA request as a cure to the breach.

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

Interconnection Request Study Deposits  
 Limited Operation Study Deposit  
 Modification Deposits  
 Repowering Deposits

LSA supports the CAISO’s proposal.

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

LSA supports the CAISO’s proposal, with clarification.

LSA continues to believe that forfeited security for a SANU should offset any amount that would otherwise be allocated to a later-queued project for the upgrade. While it’s true, as the CAISO said on the conference call, that forfeited security is largely refunded to ratepayers, either of two small process changes would allow the CAISO to effectively implement LSA’s recommendation:

- Include it in this proposal and the resulting tariff filing at FERC.
- Invoice the withdrawing project for the forfeit sum. Since unpaid bills are subtracted from paid before security forfeits are refunded to ratepayers, the forfeit would offset the cost.

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

LSA supports the CAISO’s proposal.

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

LSA cannot offer an opinion on the CAISO proposal, because the CAISO has not explained it sufficiently. For example, it is not clear:

- How the CAISO or PTO will determine whether a “facilities reassessment” is needed;
- The relationship between a facilities reassessment and a Material Modification Assessment or a Post-COD Reassessment; or
- The relationship between any additional costs and the Network Upgrade cost cap.

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

LSA does not oppose the CAISO’s proposals generally but has concerns about one specific paragraph, which reads as follows:

...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 written 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.

It is not realistic to assume that the GIA negotiating parties would be able come together in a timely manner and agree on a new insurance requirement. Instead, the CAISO should regularly review the types of coverage and products available in the market and adjust the *pro forma* GIA language accordingly, so developers know the requirements up-front and don’t have to hope for a favorable resolution to the problem that won’t delay their GIAs.

Instead, LSA suggests language similar to that below.

All parties shall provide each other with thirty days’ prior written notice of cancellation of any of the required insurance coverages. In the event of any material changes in coverage, all parties shall provide each other written notice of the change as soon as commercially possible after notification by the insurer of the change.

## **Topic 9 -Interconnection Financial Security** **Process Clarifications** **Posting Clarification**

LSA supports the CAISO proposal with qualifications. Specifically, LSA believes that the CAISO should add other IFS process clarifications to this process, listed below. There has been considerable confusion in this area, and these proposals will address that problem.

- **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 has no objection to the CAISO’s proposal

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

LSA opposes the CAISO’s proposal, for two reasons:

- There is no reason to restrict a developer’s choice of options. As LSA pointed out on the conference call, an Interconnection Customer with no Phase I Study ADNUs could elect Option B to ensure that it would receive FCDS even if ADNUs were identified in the Phase II Study. As long as the IC understands the option, there is no reason to prevent its election.
- LSA believes that the CAISO should undertake a thorough review of Option B to make improvements that will make it a more viable option for more projects. There is sufficient experience now under the GIDAP to justify such a review. Specifically, the CAISO should consider the proposals listed below.

<b><i>OPTION B TOPIC</i></b>	<b><i>LSA PROPOSED REFORM</i></b>
<b>Deliverability changes</b>	Allow Option B projects to convert to PDCS (and cancel ADNU upgrade) if dropouts result in cost increases above threshold
<b>Reimbursement</b>	Provide for transmission-cost reimbursement subject to system-benefits test (partial/full refunds if upgrade benefits overall system)
<b>Financial-security forfeit</b>	Should go to remaining projects responsible for applicable upgrade (since there is no cost cap or ratepayer reimbursement)