# Stakeholder Comments Template

| Submitted by | Company | Date Submitted |
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal posted on November 13, 2018.

Submit comments to InitiativeComments@CAISO.com

**Comments are due December 6, 2018 by 5:00pm**
**(*updated from December 3 during the stakeholder meeting*)**

The draft final proposal posted on November 13, 2018 and the presentation discussed during the November 20, 2018 stakeholder meeting can be found on the CAISO webpage at the following link:
*http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx*
Please use this template to provide your written comments on the Issue Paper topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Issue Paper for convenience.

## 7. Interconnection Financial Security and Cost Responsibility

### 7.1 Maximum Cost Responsibility for NUs and Potential NUs

Specific Question regarding the establishment of the Maximum Cost Exposure (MCE). Would stakeholders prefer:

(1) the MCE remain established at the true cost exposure of a project that demonstrates the ultimate cost the project could be responsible for when taking into consideration potential system changes, without opportunity for reduction?

OR

(2) the MCE could be adjusted downward with the MCR, but could ultimately go back up if system changes occur, similar to how the MCR can increase pursuant to Appendix DD, Section 7.4?

**NextEra strongly supports (2) above.**

The CAISO has not set forth any compelling basis to change from the current tariff structure.

## 10. Additional Comments

1) **Policy Clarifications**: NextEra supports those proposals that provide additional clarification and structure around the current framework, including generally the proposed definitions of Assigned Network Upgrades (ANUs), Conditionally Assigned Network Upgrades (CANUs), Precursor Network Upgrades (PNUs) (with the exceptions noted below), and the Maximum Cost Exposure (MCE) definition in option (1) above.

2) **Policy changes:** With respect to those items that go beyond the clarifications above, NextEra opposes the proposals. Specifically, NextEra notes the following:

   a) **Identification and treatment of Interconnection Service NUs (ISNUs)**

   While the CAISO has improved its proposal by including only the allocated ISNU cost in the CCR, the proposal remains unjust and unreasonable. There does not appear to be any meaningful basis to treat ISNUs differently from other RNUs by including 100% of their costs in MCR and MCE. Other types of NUs that may remain required even after other projects drop out are not subject to the same proposed requirements, and the cost of CANUs is removed from MCR when the upgrades are no longer needed or another project takes responsibility for them.

   Moreover, if multiple projects sharing an ISNU are actually built, the cost to a project will be only a fraction of the full cost, so inclusion of full ISNU costs in the MCR/MCE for each project serves no purpose other than to create headroom for other costs to be imposed on the project(s). This impact is only exacerbated if the ISNU is assigned to a large number of projects.

   Accordingly, NextEra supports the compromise proposal offered by NextEra and other developers in comments on the last proposal version. That compromise provides that if the CAISO retains the proposal to include 100% of ISNU costs in the MCR (and the MCE), then the difference between allocated ISNU cost to a project and 100% of the ISNU cost for the upgrade should be treated as a CANU. In this way, that excess cost would be reduced or removed from the MCR/MCE once other projects sharing the upgrade execute GIAs.

   For example, consider an ISNU (e.g., a switching station) shared by two projects. They would each be allocated ½ the cost as an ANU, and their CCRs and security postings would reflect that split allocation (which we understand to be the CAISO's current proposal).

   However, instead of being simply included in the MCR/MCE (where it cannot be removed), the difference between that 50% allocation and the full 100% cost would be treated as a CANU for both projects, i.e.: (1) Included in the MCR (and thus the MCE); but (2) eliminated from the MCR/MCE if the other project executes a GIA (current provision) or makes the third IFS posting (CAISO proposed milestone).

This compromise ensures the possibility of 100% ISNU allocation to a project's cost responsibility, but it also properly reduces the cost exposure as other projects reach the applicable funding milestone where the cost shift is smaller and less likely.

**b) <u>Milestone revision for PTO Network Upgrade (NU) cost-responsibility assumption</u>**

Under the current procedures, an NU can be assigned to later-queued projects if all earlier-queued projects assigned the upgrade drop out before executing a GIA. The CAISO proposes to change the potential timing of the assignment to the third IFS posting.

Again, NextEra opposes the proposal as unsupported and inequitable to the development community. It is unclear what harm the PTOs have suffered under the current regime. How often and at what proportion have PTOs been required to finance upgrades based on projects dropping out after executing GIAs but before the third IFS posting is made? And how does this compare to the amount of forfeited security from the program overall? And while NextEra appreciates that forfeited funds go into a different "bucket" and don't directly fund still-needed upgrades, the forfeited dollars still largely flow back to ratepayers. The question here is, on net, the degree to which the forfeited funds for upgrades needed and not needed offset PTO financing costs only, for still-needed NUs only.

In contrast to the uncertain benefits to PTOs, the proposal would hurt developers by imposing significantly more cost uncertainty for a much longer period of time. GIA executions are already postponed by potential tender closer to project Commercial Operation Dates (CODs) and project parking. The proposed third posting milestone would prolong that uncertainty considerably, since it may not be due for years after GIA execution. Accordingly, NextEra believes that the proposal does not currently reflect an equitable balance between the competing interests.

**c) <u>Changes to GIDAP 14.2.2</u>**

Currently, GIDAP Sections 14.2.2 & 14.2.3 require PTOs to make "Reasonable Efforts" to accelerate NUs: (1) assigned to earlier projects and needed sooner for later-queued project Commercial Operation Dates (CODs); or (2) included in the CAISO Transmission Plan but needed sooner for generation-project In-Service Dates (ISDs). The IC is required to pay only for the "associated expediting costs," not for the entire upgrades. Further, projects are not required to post security for or fund PNUs, or for CANUs unless they become ANUs.

Nevertheless, this proposal changes the status quo by requiring that projects must post and fund PNUs and CANUs needed before their scheduled ISDs or CODs – i.e., if:

- The PNUs/CANUs are RNUs and the projects want to declare COD before completion of these NUs by the earlier queued cluster; or
- The PNUs/CANUs are DNUs and the projects want to declare COD with "permanent" (FCDS/PCDS) deliverability before completion of these NUs by the earlier-queued cluster

(in the last proposal – not explicit in the Addendum, but seems likely to be intended here).

It also appears that this treatment applies even if the projects currently assigned the cost of these upgrades has already executed a GIA (or made the third IFS posting), and it does not provide for any removal of cost responsibility from those projects. This raises the potential for multiple allocations of, and payment for, costs for the same transmission projects such that the proposal should be rejected. Rather, the CAISO should retain the current requirement that ICs fund only the cost to expedite transmission projects, not the entire upgrade.

That said, NextEra concurs that Section 14.2.2 should be changed to extend it to NUs needed for deliverability to later-queued projects, so that it doesn't only apply to NUs needed for COD/In-Service dates.

**d) Potential impacts of CANU-to-ANU conversion on Reliability NU (RNU) reimbursement**

The Addendum states that if a CANU is converted to an ANU and the new ANU is an RNU, the cost may put a project over RNU reimbursement cap.

NextEra opposes this proposal. CANU conversion to ANU should not be allowed to put projects over the RNU reimbursement cap, since those costs were not triggered by the recipient's study cluster. The cap helps ensure that projects do not locate in areas where they trigger large RNUs, but a project has no control over upgrades triggered by earlier projects. Such a policy may improperly discourage projects from locating in areas where other projects have already triggered upgrades. Such behavior should be encouraged in order to increase the efficiency of those upgrades through higher utilization.