

### NextEra Energy Resources Comments

#### Subject: Generator Interconnection Procedures Straw Proposal and Meeting

This template was created to help stakeholders submit written comments on topics related to the May 26, 2010 Generator Interconnection Procedures Straw Proposal and June 3, 2010 Generator

Submitted by	Company	Date Submitted
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Interconnection Procedures Stakeholder Meeting. Please submit comments and thoughts (in MS Word) to [dkirrene@caiso.com](mailto:dkirrene@caiso.com) no later than the close of business on June 21, 2010.

#### Proposed Independent Study Process

1. Do you think that the proposed independent study process criteria are appropriate?
2. How should the proposed independent study process be specifically modified to incorporate desired features that are in the current SGIP serial process?
3. How can the independent study criteria be modified to allow PTOs to utilize this process if they do not have a backlog and waiting for the cluster window does not make sense?
4. What pre-application information and guidance is needed to prequalify projects so that the process is not overwhelmed with applications?
5. How much "ISO and PTO judgment" should be allowed in qualifying projects and how should it be delineated?
6. What would be sufficient transparency into the ISO and PTO judgment process in qualifying projects and how would that be provided?
7. If the proposed independent study process is included in the final proposal, is there still a need for the current LGIP Phase II accelerated study process? (CAISO Tariff Appendix Y Section 7.6)

#### NextEra Response

*The Independent Study Process should Focus on Projects with Negligible System Impacts*

NextEra supports the option of independent study but believes the focus of the process should be on smaller projects that are not efficiently studied in the larger GIP process given negligible impacts to the grid. NextEra believes several of the proposed independent study criteria should be weighted more heavily than others. For example, it is neither efficient nor desirable to clutter up the larger GIP process with small projects with negligible impacts on the system. Therefore, there should be a process to make such a demonstration and qualify for independent study. Section 6.1 (b) states that to

qualify for independent study the facility must be electrically independent and have negligible electric interface and unlikely network upgrades. It is not clear how an interconnecting entity would demonstrate satisfaction of this important qualification. NextEra suggests that one option could be for the CAISO to establish a list of third party vendors that interconnecting customers could use to make this demonstration. If this demonstration shows that the facility has a negligible impact on the system, deposit requirements are met, and the facility can satisfy at least two of the other criteria to demonstrate that the project is viable (e.g. financial resources, permitting progress/completion, equipment purchases, etc) then the facility should qualify for independent study.

*Streamlining of Highly Viable Projects Should be Separated from Projects with Negligible System Impacts*

The list of criteria seem to be an attempt to address the circumstance where a highly viable project in advanced development (i.e. has permits, a PPA, equipment, site control, etc) has a means to streamline the interconnection process. However, it is likely that a viable project could meet all the criteria except 6.1 (b), which requires a minimal impact to cluster projects. If this is the ISO's objective, NextEra suggests that streamlining of highly viable projects be separated from projects with negligible impacts to the grid. A preferable approach would be to have a streamlined process as discussed above for low impact projects and to retain two annual cluster windows so that highly viable projects do not have to wait 10 months to submit an interconnection request. NextEra also supports the CAISO retaining discretion to streamline projects if warranted.

*CAISO Should Retain Two Annual Cluster Window*

While NextEra supports the CAISO's proposal to shorten the cluster window timeframes, we believe that there should continue to be two annual cluster studies. Given that most requests are received in the last week, NextEra would support a shorter open window period (e.g. 2-4 weeks). Having two annual windows would reduce the likelihood of having to use the independent study process to streamline highly viable projects and address projects that are waiting for the next cluster to open. To the extent the ISO continues with its proposal or only a single annual cluster, the criteria and circumstances for independent study must be expanded.

*Independent Studies Should Include a Deliverability Assessment*

NextEra has concerns relating to the deliverability assessment and the independent study process. As proposed, independent study projects that would like to sell capacity would require a separate deliverability study as part of the cluster studies. The facility would be considered energy only for the time until the deliverability study is complete. However, to qualify for the independent study process the generator must 1) show that the cluster study process does not accommodate the project COD; 2) the project has an executed sale agreement for the energy and/or capacity; and 3) permits for the facility

are or will be obtained before the end of the 420 days annual cluster cycle. The criteria essentially require that the facility be operational and that an agreement to sell capacity and energy exists within the annual cluster study cycle. However, it is not clear how such a facility will be able to meet its capacity obligation in the interim while the deliverability assessment is being considered in the subsequent cluster study process.

For example, if a facility that meets the criteria requests independent study in April 2011, the independent study could be concluded in September or October 2011. However the deliverability assessment would not be started until March 2012 and would not conclude until 420 days later. This facility would presumably have a COD in 2011 otherwise it would not have qualified for independent study. This timeline means that the facility could not meet its capacity obligation for at least a year of its contract.

Given this, NextEra suggests two options for addressing this scenario: 1) have two annual cluster studies whereby deliverability is assessed; and 2) assess deliverability in the independent study process. Criteria 6.1(b) provides that to qualify for independent study the project must be electronically independent and would be unlikely to require significant network upgrades. Given this standard, it is unlikely that a deliverability assessment will show significant system impact. Furthermore, to demonstrate that significant network upgrades are not required, some type of deliverability assessment will be conducted to comply with the requirement. Taking the additional step to perform a full deliverability assessment seems reasonable and would allow the deliverability status to align with the COD and contract start date consistent with the objective of a streamlined process. In the event that network upgrades are substantial the project could be pushed into the next cluster study for a deliverability assessment.

In summary NextEra recommends the following:

1. That the independent study process focus on projects that have a negligible impact to the grid and have demonstrated at least two viability criteria;
2. the CAISO retain two annual cluster study windows but shorten the window to 2-4 weeks;
3. Deliverability should be assessed in the independent study process; projects with a significant impacts would be studied in the cluster study process

#### Proposed Study Deposit Amounts

Are the proposed study deposit amounts appropriate, if not please explain?

#### NextEra Response

Yes.

#### Proposed Cluster Study Process

Do the proposed timelines for the cluster study process seem reasonable? Please add explanations for both yes or no responses?

**NextEra Response**

With the exception of the independent study process and deliverability assessment issue raised above, NextEra agrees with the proposed timelines.

**Coordinating generator interconnections with the transmission planning process**

Do you support the concept of coordinating the proposed generator interconnection process with the transmission planning process, why or why not?

**NextEra Response**

NextEra agrees that coordinating interconnection with transmission planning is reasonable. However, it is not clear how the process and timing will work in practice. It is clear that Category 1 transmission from the transmission planning process will be modeled in the cluster study base cases. It also seems that category 2 transmission will be modeling in the phase 2 cluster studies. The CAISO seems to propose that large network upgrades that result from the Phase 2 clusters will be transferred for further study in the phase 2 transmission study. Attachment 1 shows that the LGIA will be executed between August and October, but that the final transmission phase 2 plan will not conclude until the following May (i.e. LGIA's waiting for RETPP evaluation). Under the existing tariff a draft LGIA must be tendered within 30 days of the phase 2 study. In addition, the IC must provide the second posting of financial security within 180 days of the phase 2 study. It is not clear how these requirement align with the 6 months whereby the LGIA is awaiting evaluation in the transmission planning process.

**Deliverability Assessments**

1. What are your thoughts on the proposed alternatives for deliverability assessments?
2. What adjustments should be made to each alternative?

**NextEra Response**

NextEra supports a combination of options 1 and option 2. Option 1 is appropriate for existing SGIP and distribution level projects that do not currently have a clear path to attain deliverability status. For large interconnection projects that predated the deliverability assessment option 1 is also appropriate. However, we do not support the use of option 1 for energy only LGIA projects to attain deliverability status that had the option to elect deliverability status in their interconnection request, but chose not to do so. To the extent projects that elected energy only status would now like full deliverability status, such project should request conversion in the next cluster window. Options 1 should be used on a transition basis only and any future projects should have to elect energy only or full delivery in the interconnection request pursuant to the existing tariff. The one exception where option 1 may be appropriate on a going forward basis is for distribution level projects that wish to attain deliverability status.

*Distribution Level Projects*

With regard to deliverability of distribution level projects, the CAISO states that it does not control the process for distribution level interconnection and associated costs and therefore such projects may have to be considered in the transmission planning process for purposes of assessing deliverability. It seems there are several potential problems with this approach. It is not clear how project specific impacts, particularly of smaller distribution level project, can or should be assessed in the system wide TPP. In addition, distribution level impacts are often very localized. With that said, we realize that the purpose of the deliverability assessment is to consider the ability of the energy to be available across the transmission system. Given this, we suggest that two approaches could be considered: 1) deliverability of distribution level projects be considered on an independent study basis; or 2) apply option 1 to distribution level projects on a going forward basis.

*Energy Only and Fully Delivery Election Past the Transition*

Once the current SGIP projects are past the transition to full delivery, all new interconnection, with the exceptions of distribution level projects, should elect full delivery or energy only status in the interconnection request. If a project elects energy only but in the future decides that it wants full delivery status, the interconnecting customers can request conversion through the interconnection process. A project owner is going to make an economic decision about the value of choosing a higher value transmission service (full delivery) to the extent that capacity values support such an investment. To the extent that a resource has a lower capacity value, curtailment is not substantial, or the system has excess capacity and thus capacity prices are low, economics may not support the network upgrade investment. In this instance energy only is the most economic decision. However, if a project initially chooses energy only because capacity values or energy prices do not support full deliverability investment but at some time in the future capacity becomes more valuable, the investment in transmission may be supported economically. In this instance, the interconnection customer can submit a request for conversion as warranted.

This process is efficient and supported by economic principals. To the extent that option 1 is utilized on a going forward basis whereby excess transmission capacity is allocated to energy only projects, it may get misallocated capacity to projects where it is not economically supported or not required because the resource does not have a high capacity counting value. The most efficient approach is to maintain the election process in the interconnection request and allow projects to convert in the future if full deliverability is economically supported.

Proposed Transition Plan

1. Do you think that the proposed transition plan is reasonable for LGIP projects?
2. Do you think that the proposed transition plan is reasonable for SGIP projects?

3. Do you have any comments on the proposed dates for grandfathering projects in queue and migration of new projects and in queue projects into the proposed cluster process?

**NextEra Response**

See comments above.

Do you have any additional comments that you would like to provide?