

Stakeholder Comments Template

Generator Interconnection Procedures Phase 3 (“GIP 3”)

Issue Paper, posted March 1, 2012

Please submit comments (in MS Word) to GIP3@caiso.com no later than the close of business on March 23, 2012.

Submitted by	Company	Date Submitted
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This template is for submission of stakeholder comments on the topics listed below, which were discussed in the Generator Interconnection Procedures Phase 3 (“GIP 3”) Issue Paper posted on March 1, 2012, and during the stakeholder meeting on March 15, 2012. **Please submit your comments in MS Word to GIP3@caiso.com no later than the close of business on March 23, 2012.** For the seven topics listed below, we ask that you rank each with a score of 0, 1, 2, or 3 in the space indicated (a more detailed description of each topic is contained in the issue paper posted at <http://www.caiso.com/informed/Pages/StakeholderProcesses/GeneratorInterconnectionProceduresPhase3.aspx>).

Please ascribe the following definitions to your scores:

- 3: For topics that are high priority and urgent (i.e., the topic is a candidate for the first phase of GIP 3).
- 2: For topics that are high priority but of less urgency than a score of 3 (i.e., the topic is a candidate for the second phase of GIP 3).
- 1: For topics that have low priority (i.e., the topic could wait until the next GIP stakeholder initiative subsequent to GIP 3).
- 0: For topics that are not appropriate to address in a GIP enhancement initiative.

Stakeholders need not score, or comment on, every topic but are encouraged to do so where they have an opinion. The ISO will assume that a stakeholder has “no opinion” on issues for which no score is provided.

In addition to scoring each topic on which you have an opinion, please also provide your comments on each. Also, if you disagree with the characterization of any particular topic in the issue paper, please explain how you describe the issue, how this compares to the existing rules, and what the objective on that topic should be in this initiative. Also, provide specific proposals to address each of the topics you have given a score of 3 (i.e., high priority and urgent topics).

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For those topics you have given a score of 3, please provide the reasons and the business case for your perspective on the relative priority of the topic (e.g., explain the commercial impacts of not treating the topic as a Phase 1 high priority item in GIP 3).

Please also identify those topics which you believe may require a long time to address and therefore be candidates for work groups.

Please also provide any additional topics that you believe should be considered within the scope of the GIP 3 initiative; but, do not provide a score for these (the ISO will compile these into one composite list and use a survey process to request stakeholders to score them). For any additional topics that you provide in your comments, please provide specific proposals to address them.

Your comments in this regard will assist the ISO in the development of the Straw Proposal (on the Phase 1 high priority items) to be posted on April 10, 2012.

Comments on Items listed in GIP 3 Issue Paper:

1. **Downsizing** The potential need for an Interconnection Customer (“IC”) to downsize or and/or delay in the late stages of the interconnection process may arise for various reasons (both for commercial reasons and those beyond an IC’s control). An IC’s primary recourse may be to withdraw from the queue and re-enter a later cluster. The current tariff prohibits the ability to downsize or delay the commercial operation date if a later queued project is adversely affected. There is no allowance for an IC to build in the option to downsize or, compensate/indemnify materially affected later-queued projects, or to remedy material impact in any way. The objective of this topic would be to identify and explore potential remedies.

Score 0-3:

0

Comments:

This is a low priority item for PG&E. Generally, PG&E believes that the interconnection process should encourage projects to submit requests that have the appropriate size. PG&E is open to considering potential remedies so long as the risk associated with those remedies is borne by the generator that is downsizing and not by transmission customers or the PTO.

2. **Distribution of forfeited funds** Non-refundable portions of the IC study deposits and financial security postings are distributed in the same manner as are penalties assessed market participants (i.e., distributions are made to scheduling coordinators). Current procedures provide for retention of certain portions of IC study deposits and financial security postings upon withdrawal from the queue. The objective of this topic would be to investigate/explore whether there is a more appropriate way to distribute these funds.

Score 0-3:

1

Comments:

While the current methodology has the advantages that 1) it does not have any strange incentives, and 2) is not harmful to any market participants, perhaps a more thoughtful approach could produce a more equitable outcome. PG&E proposes for discussion a different methodology that takes into account two different circumstances where different treatment of forfeited funds might be appropriate:

- 1) In instances when a generator withdraws after the Second Interconnection Financial Security Posting, and the PTO ends up building the entire Network Upgrades anyway (as called for in the Phase II Study), the PTO essentially picks up the portion of the costs that would have otherwise been upfront funded by the withdrawing generator shifting the risk of abandonment onto the PTO and/or its customers. It could be more equitable to the PTO and its customers if, in this circumstance the forfeited funds went toward the general cost of the shared upgrades and the CAISO and scheduling coordinators received whatever remained, if any. This alleviates some or all of the risk shift that occurs under the current tariff. The way Section 9.4.2.6. is written today, unless the PTO has made use of the Second IFS already, it surrenders anything that wasn't refunded to the IC.
 - 2) In instances when revised (operational) studies dictate that the scope of the Network Upgrades that were originally called for in the Phase II study be reduced, as a result of a generator withdrawal, the ISO and scheduling coordinators could be entitled to a greater portion (or even 100%) of the forfeited funds, much as is done with forfeited funds today.
3. **Independent study process** The determination of independent study process (“ISP”) eligibility heavily relies on cluster study results which can result in delays meeting tariff timelines. Under existing rules, interconnection requests (“IRs”) must satisfy the eligibility criteria set forth in Section 4 of the GIP (Appendix Y). The objective of this topic would be to investigate the potential for improving the ISP determination process to allow projects that are electrically independent to move forward on a faster pace than the annual cluster process would provide.

Score 0-3:

1

Comments:

The CAISO should first show that the current independence test is not working properly before pursuing this issue further.

PG&E would like to understand the nature of the problem that needs a solution in this case. The write-up implies that there have been many projects that believed they were electrically independent, but were not passing the electrical independence test. The CAISO should compare the ISP applicants that passed the electrical independence test and those that failed. If the test seems inaccurate (that is, produced unexpected results in the engineering judgment of the CAISO and PTO), then the CAISO should re-examine the test. However, if the results were expected by CAISO and PTO staff, then it is probable that no change is needed.

4. **Fast track study process** The current eligibility screens were designed for distribution rather than transmission. Under existing rules, an IR must satisfy the eligibility screens set forth in Section 5 of the GIP (Appendix Y). The objective of this topic would be to investigate eligibility screens that may better suit the intent of the fast track study

process (i.e., allow qualified projects to move forward on a faster pace than the provided by the annual cluster study process).

Score 0-3:

3

Comments:

The transmission-level Fast Track Screen need re-writing to be usable.

PG&E agrees that the current eligibility screens are inappropriate for transmission. More appropriate screens should be developed and adopted as quickly as possible so that the CAISO's fast track process will be more usable.

5. **Behind the meter expansion** Some stakeholders have expressed interest in behind-the-meter ("BTM") expansion for phased generation interconnection projects. Under existing rules BTM expansion meeting business and technical criteria is studied using the independent study process track; however, the expansion can only happen after the original facility is in service. The objective of this topic would be to investigate/explore criteria and procedures that could enable BTM expansion before the entire original facility is in service.

Score 0-3:

0

Comments:

The CAISO should use the current material modification provisions.

This is a low priority issue for PG&E. Changes to the project after an interconnection agreement has been signed but before the project is online looks very similar to or could easily be construed as a material modification. If a behind the meter expansion is known in advance then it should be part of the request. If a behind the meter expansion proposal is formed after the interconnection request and such modifications to the project plan are material, they should be viewed under the material modification rules.

6. **External transmission lines** Generator projects interconnecting to a gen-tie external to the ISO-controlled grid cannot obtain deliverability on the ISO grid (either directly or through the gen-tie developer). The objective of this topic would be to investigate/explore the development of rules under the GIP enabling the developer of such a gen-tie to offer deliverability (on the ISO grid) to generating projects interconnecting to the gen-tie.

Score 0-3:

1

Comments:

The CAISO should look to existing tariff options first before creating new provisions.

The first statement in the description of this topic is inaccurate. A transmission facility external to the CAISO controlled grid but that is part of the CAISO BAA is covered under the recent GIP2 reform (deliverability for generation interconnecting to non-PTO facilities that are part of the CAISO BAA. If those facilities are part of another BAA, then the facilities that ties into the CAISO Grid would be an intertie. The CAISO has developed a methodology for determining deliverability capacity over interties – even in a forward

looking manner. If the generator in question has requested interconnection through the CAISO Tariff, then it is clear that it has a myriad of deliverability options.

Through discussion at the stakeholder meeting, it seems that this proposal is really about whether a merchant transmission facility can guarantee its customers deliverability on the CAISO grid ahead of time (via the planning process). Rather than look to create new rules, the CAISO should explore whether through the TPP and the TPP/GIP identification of deliverable transmission capacity there are already options for a merchant transmission developer to get these kinds of assurances.

In the alternative, the CAISO might consider, especially for a controllable DC project, whether it makes sense to allow a merchant DC transmission developer to apply under the generator interconnection process, making certain assumptions about the types and capabilities of generators that may interconnect to that project.

7. **Timeline for tendering draft GIAs** The large volume of IRs is making it difficult to tender draft GIAs within the 30-day timeline of the GIP. Under current rules, section 11 of the GIP requires tendering a draft GIA within 30 days after the ISO provides the final phase II results. The objective of this topic would be to investigate/explore potential modifications to the timeline for tendering a draft GIA.

Score 0-3:

3

Comments:

With dozens of customers at a time requiring tendered GIAs all at the same time. The 30 day GIA window can present a challenge. Rather than fail to meet customers expectations, setting more realistic expectations might be worth exploring. PG&E looks forward to working with the CAISO and stakeholders to gather and present the relevant data and work to find a more appropriate provision for tendering GIAs in the face of a large volume of customers all moving along parallel timelines.

Other Comments:

1. Please list any additional topics that you believe should be considered for the scope of GIP 3; but, do not assign a score (the ISO will use a subsequent survey process to invite stakeholders to score additional topics). For any additional topics that you suggest, please provide the reasons and the business case for your perspective on the relative priority of the topic (e.g., explain the commercial impacts of not treating the topic as a Phase 1 high priority item in GIP 3). Also, identify those topics which you believe may require a long lead time to address and therefore be candidates for work groups. And lastly, please provide specific proposals to address each additional topic you have suggested.

Affected Systems Coordination: PG&E score 3. CalWEA recommended that the process for working with affected systems should be examined. PG&E agrees that these provisions should be more robust and a more inclusive and coordinated process should be established. It is not clear to PG&E that changes to the tariff are necessary to accomplish this task. Nonetheless, this is an important issue that deserves more attention

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2. If you have other comments, please provide them here.

In general, PG&E recommends that the CAISO take on a manageable scope of issues (certainly less than 10, and closer to 3-5). GIP2 and GIP/TPP represented very large changes to the interconnection process, and no market participants have had any experience with them at this point. The CAISO should ensure that any issues it takes on in GIP3 are tangential enough so that they do not create a disruption to the reforms that were created in 2011 and the beginning of 2012. PG&E appreciates the opportunity to work with the CAISO and other stakeholders to continuously improve the generator interconnection process.