Interconnection Process Enhancements (IPE) 2015

Revised Straw Proposal

May 11, 2015

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Interconnection Process Enhancements 2015

Revised Straw Proposal

1 Executive Summary

The Interconnection Process Enhancements (“IPE”) 2015 initiative is the latest in a series of stakeholder processes that the California Independent System Operator Corporation (“CAISO”) has conducted over the past several years to continuously review and improve the generator interconnection process and associated interconnection agreements. Similar to the previous iteration of the IPE initiative, IPE 2015 includes several topics that the CAISO is proposing to improve or clarify the interconnection process. There are a total of eleven improvements proposed for this year’s initiative. Topics range from clarifications, to re-setting deposits based on experience, to significant changes to the negotiation of agreements. The CAISO hopes to complete the stakeholder process for all topics included in this initiative by the fall of 2015.

2 Introduction

The CAISO posted an issue paper/straw proposal on March 23, 2015 consisting of the following eleven items described in Table 1 below. To make its proposals more clear, the CAISO included proposed draft tariff language for each topic in this issue paper/straw proposal. [1]

[1] The tariff language is “draft” tariff language. Stakeholders may submit comments or proposed edits and the CAISO may revise it. As with all draft tariff language in the stakeholder process, the CAISO reserves the right to revise the tariff language, including up to the time of filing at the Federal Energy Regulatory Commission.

Table 1 –Scope of topics	
Topic No.	Topic Description
1	Affected Systems
2	Time-In-Queue Limitations
3	Negotiation of Generator Interconnection Agreements
4	Deposits Interconnection Request Study Deposits Limited Operation Study Deposits Modification Deposits Repowering Deposits
5	Stand-Alone Network Upgrades and Self-Build Option
6	Allowable Modifications Between Phase I and Phase II Study Results
7	Conditions for Issuance of Study Reports
8	Generator Interconnection Agreement Insurance
9	Interconnection Financial Security Process Clarifications Posting Clarifications TP Deliverability Affidavit Impacts
10	Forfeiture of Funds for Withdrawal During Downsizing Process
11	TP Deliverability Option B Clarifications

3 Revisions to the March 23rd Issue Paper/Straw Proposal

Below is brief summary of the CAISO's revisions to each topic based on stakeholder comments.[2] A complete discussion of stakeholder comments and the CAISO's responses follows.

Topic 1 – Affected Systems

The CAISO modified the response time by the Identified Affected System(s) to the CAISO's notification from thirty (30) calendar days to sixty (60) calendar days to allow the Affected System Operators additional time to determine if they want to identify themselves as Affected Systems.

2 The CAISO received comments from California Wind Energy Association ("CalWEA"), California Energy Storage Alliance ("CESA"), Independent Energy Producers ("IEP"), Large-scale Solar Association ("LSA"), Modesto Irrigation District ("MID"), Pacific Gas and Electric Company ("PG&E"), Southern California Edison ("SCE"), San Diego Gas & Electric Company ("SDG&E"), Sempra US Gas and Power ("Sempra"), Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities"), Sacramento Municipal Utility District ("SMUD"), S-Power ("sPower"), Turlock Irrigation District ("TID"), and Wellhead Electric Company ("Wellhead").

Topic 2 – Time-In-Queue Limitations

The CAISO modified its proposal to account for projects in queue cluster 7 and later whose Phase II study results identify a Network Upgrade with a longest lead time beyond seven (7) years. Projects that meet this criterion will be entitled to an extension of their Commercial Operation Date ("COD") without meeting the commercial viability criteria. Such Interconnection Customers will be required, however, to request such COD extension within six (6) months of the publication of their Phase II study results.

Topic 3 – Negotiation of Generator Interconnection Agreements

With respect to the tendering of Generator Interconnection Agreements ("GIAs"), some stakeholders raised a concern that this proposal may cause delays to the tendering of the GIA. The proposal did not intend to limit an Interconnection Customer's ability to obtain a timely—or early—tendering of its GIA, and the CAISO therefore has clarified the proposal.

With respect to negotiations, some stakeholders raised concerns regarding the impasse and potential negotiating leverage. The CAISO therefore added language to the proposal that clarifies that if the Interconnection Customer declares negotiations are at an impasse, but the dispute resolution process is not initiated, then the Interconnection Request will be deemed withdrawn. The CAISO also reinstated the language that negotiations may not exceed 120 days unless agreed upon by the parties.

Topic 4 – Deposits

The CAISO did not change the straw proposal with regard to deposits.

Topic 5 – Stand-Alone Network Upgrades and Self-Build Option

The CAISO revised the straw proposal such that the Interconnection Customer is required to post the Interconnection Financial Security ("IFS") for all Network Upgrades through the second posting. Then, during the GIA negotiation, the parties will determine what upgrades can be Stand Alone Network Upgrades ("SANU"). Once the GIA is executed, the Interconnection Customer will be able to request a reduction in the second posting commensurate with the cost of the Network Upgrades that the Interconnection Customer is building.

Topic 6 – Allowable Modifications between Phase I and Phase II Study Results

The CAISO did not change the straw proposal; however, the CAISO is proposing to standardize the terminology in the Interconnection Request, the Study Process Agreement, and the Independent Study Process Agreement. The CAISO has also added a cross-reference to Section 6.7.2.1 of Appendix DD to the proposed tariff language in order to clarify that changes to the Point of Interconnection allowable between Phase I and Phase II study results must still meet the requirements for interconnection changes identified in Section 6.7.2.1 of Appendix DD of the CAISO tariff.

Topic 7 – Conditions for Issuance of Study Reports

The CAISO did not substantively change the proposal, but clarified that if the Interconnection Customer changes the scope or schedule of the project, then the maximum cost responsibility may also change in accordance with Section 7.4.3 of Appendix DD of the CAISO tariff.

Topic 8 – Generator Interconnection Agreement Insurance

The CAISO did not change the proposal, but in cases where the CAISO and the Participating TO are listed as additional insured, clarification has been added to the proposed tariff language that naming the Participating TO and CAISO is only with respect to the LGIA. This clarification will ensure that any reporting of incidents is only applicable in the context of the LGIA.

Topic 9 – Interconnection Financial Security

The CAISO did not change the straw proposal. The CAISO noted that stakeholder concerns that focused on posting and process clarifications may be better addressed in a future BPM change.

Topic 10 – Forfeiture of Funds for Withdrawal during Downsizing Process.

The CAISO revised this proposal such that regardless of downsizing, partial recovery of Interconnection Financial Security will be based on the pre-downsized capacity.

Topic 11 – TP Deliverability Option B Clarifications

Based on the stakeholder comments, the CAISO revised the proposal such that Interconnection Customers will be permitted to select Option B regardless of any ADNUs being identified on the Phase I study report. Should a Generating Facility fail to qualify to receive an allocation, the Interconnection Customer shall be permitted to change the Generating Facility’s deliverability status to Energy-Only as an alternative to withdrawing. Based on comments received, the CAISO no longer proposes providing Option B Interconnection Customers the option to park.

4 Stakeholder Process Next Steps

Table 2 summarizes the anticipated stakeholder process schedule for the IPE 2015 initiative.

Table 2 – Stakeholder process schedule

Step	Date	Milestone
Revised Straw Proposal	May 11, 2015	Revised Straw Proposal
	May 18, 2015	Stakeholder meeting (web conference)
	June 1, 2015	Stakeholder comments due
Draft Final Proposal (if needed)	June 26, 2015	Draft Final Proposal
July 9, 2015	Stakeholder meeting (web conference)	
July 23, 2015	Stakeholder comments due	
Final Proposal to Board	September 17-18, 2015	Board of Governors Meeting

5 Topics

5.1 Topic 1 – Affected Systems

5.1.1 *Overview*

In the 2014 stakeholder process to clarify the affected system coordination language in the Business Practice Manual (“BPM”) for the Generator Interconnection and Deliverability Allocation Procedures (“GIDAP”), the CAISO committed to the following:

> *The CAISO understands that the Interconnection Customers desire a definitive time by which an electric system operator identifies themselves as an Affected System. The CAISO does not currently have tariff authority to provide this definitive time. The CAISO proposes to include in the IPE a topic that would propose a tariff amendment establishing a timeframe and process similar to the WECC Project Coordination and Path Rating Process.*

This proposal is the result of that commitment.

5.1.2 *Stakeholder Input*

The CAISO received a total of fourteen comments regarding the affected system proposal. Twelve comments supported the proposal with qualifications, and two comments opposed the proposal.

CalWEA commented that the CAISO's affected systems program should be limited to only those affected systems that have affected system tariffs similar to the CAISO. The CAISO disagrees, and believes that doing so would not be productive or compliant with NERC reliability standards.

CESA, PG&E, SCE, and SDG&E all commented that a more coordinated process with a clear definition of roles and responsibilities, including reciprocity agreements, would be helpful for Interconnection Customers to navigate the affected system process. IEP went further and commented that an ad hoc committee should be formed to determine affected system status and schedules, define study processes, establish study costs and deposits, and develop agreements. The CAISO believes these commenters' proposals could be a long-term objective if the affected systems were interested in developing this type of structure. However, to date, the affected systems the CAISO has worked with have different timelines and priorities. However, the CAISO is willing to continue to look for ways to improve the affected system process over time.

LSA commented that the CAISO should continue to notify affected systems at the close of the application window and invite them to the scoping meeting. The CAISO already does this and will continue to do so.

LSA, MID, and TID commented that if the reassessment process results in a change impacting the affected system—for example, either removal of an affected system or a new affected system—then the affected system should be able to identify themselves. The CAISO's reassessment process only evaluates the continued need for network upgrades that have already been identified if projects withdraw and therefore the affected systems should not change.

MID and TID raised a number of concerns regarding separate FERC-approved agreements, legal rights parties have under such agreements or other non-FERC jurisdictional agreements, and legal rights parties may have in other venues. The CAISO's intent of this proposal is not to determine the contracting or legal rights of an affected system, but to clearly define what the CAISO actions will be with respect to mitigation of affected system issues if an affected system does not identify themselves on a timely basis to allow Interconnection Customer's sufficient time to resolve issues without jeopardizing the development timeline of their project.

MID, TID, and SMUD commented that the CAISO notification should be both U.S. Mail and electronic. In addition, the CAISO should make multiple attempts if the CAISO does not hear back from the potentially affected system. Through the CAISO's transmission planning process a point of contact is identified for each of the affected systems, thus multiple attempts at contacting the affected system are unnecessary. Moreover, when the CAISO sends its notification to potentially affected systems, it already sends the notification electronically with a read-message reply, and a hard copy is sent through U.S. mail.

MID, PG&E, Six Cities, SMUD, and TID commented that the response window for affected systems to identify themselves is too short. They suggested an extension to between 60 and 90 days. The CAISO supports allowing the affected systems sufficient to identify themselves and will change the response to sixty (60) days from CAISO notification.

PG&E and Wellhead commented that there should be an established standard requirement for technical studies and documentation to support the need for required affected system mitigation. The CAISO cannot study comprehensively the impacts of a project on the transmission systems of affected system operators. The CAISO does not have detailed information about affected systems on a transmission-element level, nor does the CAISO know the details of the various reliability and operating criteria applicable to the affected systems. In addition, because the operation of transmission systems and NERC reliability standards change over time, the CAISO cannot presume to know all of the impacts of these changes on affected systems. Thus, the CAISO cannot determine nor define what an affected system needs to study on its system, nor can the CAISO prescribe what documentation an affected system must have for its mitigation. However, at the request of Interconnection Customers, the CAISO does review affected systems studies and works with both the Interconnection Customer and affected system to try and resolve issues.

A number of parties proposed additional scope for this initiative; however, as discussed above, the CAISO does not have the ability to expand the scope of this initiative this year.

5.1.3 *Changes from the Straw Proposal*

The CAISO proposes to revise the timeline for an affected system to identify itself from 30 to 60 days.

5.1.4 *Revised Proposed Tariff Language*

The following are the proposed edits to Section 3.7 of Appendix DD of the CAISO tariff. The change from the straw proposal is highlighted in yellow:

3.7 Coordination With Affected Systems

The CAISO will notify the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study within which the Interconnection Customer's Interconnection Request will be studied. The CAISO will coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators, to the extent possible, and, if possible, the CAISO will include those results (if available) in its applicable Interconnection Study within the time frame specified in this GIDAP. The CAISO will include such Affected System Operators in all meetings held with the Interconnection Customer as required by this GIDAP. The Interconnection Customer will cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Affected Systems, including providing consent to CAISO's identification to Interconnection Customer's name, Generating Facility project name, and release of information which the Interconnection Customer provided as part of its Interconnection Request to the Affected System, and participating in any coordinating activities and communications undertaken by the Affected System or CAISO. The CAISO will provide notice to the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study, within thirty (30) calendar days after determining which projects in each study cluster have posted their initial Interconnection Financial Security. Within sixty (60) calendar days of notification from the CAISO, the Affected System Operator shall advise the CAISO in writing that either: 1) the CAISO should consider the electric system to be an Identified Affected System; or 2) the electric system is not an Affected System. If the electrical system operator does not make an affirmative representation within thirty (30) calendar days of notification, the CAISO will assume that the electric system is not an Affected System. If an electric system operator comes forward after the established timeline as an Affected System, any mitigation required for a project identified by the Affected System will be the responsibility of the Affected System and not the CAISO, the Participating Transmission Owner(s), or the Interconnection Customer.~~,~~ If required by the Identified Affected System, the Interconnection Customer will sign~~ing~~ separate study agreements with Identified Affected System owners and pay~~ing~~ for necessary studies. ~~An entity which may be an~~ Identified Affected System shall cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Identified Affected Systems.

5.2 Topic 2 –Time-In-Queue Limitations

5.2.1 *Overview*

When Interconnection Customers request an extension to a Generating Facility's Commercial Operation Date ("COD") the CAISO evaluates the request under the Material Modification Assessment ("MMA") process. Currently, the In-Service Date ("ISD") for Generating Facilities studied in the serial study process shall not exceed ten (10) years from the date the Interconnection Request is received by the CAISO. For

Generating Facilities studied in the cluster study process, the COD shall not exceed seven (7) years from the date the Interconnection Request is received by the CAISO.[3]

In order to support viable Generating Facilities in the Generator Interconnection Queue and avoid unnecessary network upgrades, the CAISO proposed requiring that Generating Facilities meet and maintain certain commercial viability criteria in order to extend their ISD or COD beyond the 7/10 year thresholds. These criteria will be applied to Generating Facilities that may request milestone extensions beyond the 7/10 year thresholds in the future. The CAISO proposes to approve milestone extensions beyond the 7/10 year thresholds, only on the Interconnection Customer's demonstration that the Generating Facility meets the following commercial viability criteria:

- Having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;
- Having an executed power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
- Demonstrating Site Exclusivity for 100% of the property (in lieu of a Site Exclusivity Deposit);
- Having executed a Generator Interconnection Agreement ("GIA"); and
- Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

In order to ensure that Generating Facilities maintain the level of commercial viability upon which the MMA approval was conditioned, the CAISO will perform an annual review of the Generating Facility's commercial viability during the transmission plan deliverability allocation process. Failure to maintain commercial viability will result in loss of Full Capacity Deliverability Service ("FCDS") or Partial Capacity Deliverability Status ("PCDS").

Generating Facilities requesting a COD extension beyond the 7/10 years thresholds, and that either are serial or requested FCDS or PCDS, reserve transmission capacity that could be used by other Generating Facilities. If such Generating Facilities do not meet the commercial viability criteria, they will not be deemed withdrawn from the

[3] See Appendix U, Section3.5.1; Appendix Y, Section 3.5.1.4; Appendix DD, Section 3.5.1.4; as applicable.

Generator Interconnection Queue. Instead, the Generating Facility's deliverability status will be changed to Energy-Only. If FCDS or PCDS is still desired for the Generating Facility, the Interconnection Customer will have to pursue that option through the Annual Full Capacity Deliverability Option in accordance with Section 9.2 of Appendix DD.

Generating Facilities studied under the serial study process also will be subject to these requirements. Some of the serial studies were completed prior to the CAISO process of distinguishing Reliability Network Upgrades from Deliverability Network Upgrades. Because the serial study process did not contemplate the separation of Network Upgrades into the categories of Reliability Network Upgrades and Deliverability Network Upgrades, Generating Facilities studied under the serial study process that are subject to the consequences of failure to meet commercial viability criteria may also be required to undergo re-study in accordance with Sections 7.6 and/or 8.5 of CAISO Tariff Appendix U to determine what Network Upgrades and corresponding GIA amendments will be required to interconnect their proposed Generating Facility as Energy-Only.

5.2.2 *Stakeholder Input*

The CAISO received a total of eleven comments regarding the time-in-queue proposal. Three comments supported the proposal, four comments supported the proposal with qualifications, two comments opposed the proposal, and two comments took no position.

CalWEA and CESA requested that projects be allowed to extend ISDs and CODs without losing deliverability status if they mitigate impacts on later queued projects. The CAISO agrees and already allows projects to mitigate impacts so that an extension of the ISD and COD may be approved. The CAISO believes that this concept is already captured in the BPM for Generator Management.[4] In response to an Interconnection Customer's MMA request, the CAISO will issue a letter stating that the modification request is either approved, approved with mitigation, or denied. Depending on the specific facts and circumstances of the request, "approved with mitigation" could be an Interconnection Customer building (or financing) Network Upgrades assigned to its project on the project's original timeline. CalWEA's example specifically cites Reliability Network Upgrades. The CAISO takes this opportunity to note that the need for mitigation may extend to both Reliability Network Upgrades and Deliverability Network Upgrades.[5]

[4] *See* BPM for Generator Management, Section 3.4.7.
[5] *See* BPM for Generator Management, Section 3.2.

LSA, CESA, and SDG&E inquired about the treatment for longest lead network upgrades that go beyond the 7/10 year thresholds and instances where gen-tie permitting activities go beyond the 7/10 year thresholds. The CAISO agrees that projects are not obligated (and sometimes not able) to sync to the grid in advance of the longest lead Network Upgrade or gen-tie engineering, permitting, and construction. Considering the variety and impetus of the very project-specific delays that lead to these circumstances, the CAISO believes that it would be unmanageable to allow for an exception to the criteria each time a Generating Facility's "earliest achievable" ISD goes beyond the 7/10 years. Such an exception would swallow the proposed rule, which is designed to ensure that only commercially viable Generating Facilities remain in the queue beyond 7/10 years. The CAISO instead proposes a limited exception to the 7/10 year commercial viability criteria only for recent and future projects (cluster 7 and beyond) whose Phase II study results require a Network Upgrade with a timeline beyond the 7 year threshold, and that such an exception will only be granted for COD modifications made within six (6) months of the CAISO's publishing the Phase II results. This exception explicitly excludes report addendums and revisions to the Phase II study that are required as an outcome of a customer-initiated modification to its Interconnection Request.

IEP asked for additional detail regarding how many potentially unviable projects are currently in the queue. As of April 24, 2015 there are 191 projects active in the interconnection queue: 41 projects (21%) are beyond the 7/10 year threshold;[6] and 29 projects (15%) are within 1 year of hitting the 7/10 year threshold. The generator interconnection queue is available on the CAISO public website at: http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx.

The CAISO appreciates LSA's suggestion that, instead of the commercial viability criteria proposed in the Issue Paper/Straw Proposal, the CAISO should instead expand the TP Deliverability process so that "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." While acknowledging that the proposed commercial viability criteria are more robust than the criteria for retaining TP deliverability, requiring increased commercial viability criteria after 7 or 10 years of development is reasonable and appropriate given the amount of time the project has had to develop and construct. Other stakeholders (SCE and PG&E) indicated that the

[6] Of the 31 projects in the queue whose time-in-queue-threshold is 10 years, 16 are beyond the 10-year threshold.

current proposal may not be robust enough to solve the challenges associated with non-viable projects lingering in the interconnection queue. The CAISO believes the criteria as-drafted in the Issue Paper and Straw Proposal represent a reasonable approach to a complex problem, and provides the following graphic for comparison across the various existing processes versus the proposal:

Minimum Criteria	TPD Allocation	Δ	TPD Retention	Δ	Proposal for those wishing to go beyond the 7/10
Permits	Applied	=	Applied or better	↑	Data adequate or better
Financing	Short list or balance sheet	↑	Regulator approved PPA, executed (but not yet regulator approved), or balance sheet	=	Regulator approved PPA, executed (but not yet regulator approved), or balance sheet
GIA		↑	Executed and in good standing	=	Executed and in good standing
Site Exclusivity	Demonstration for 50% or deposit	=	Demonstration for 50% or deposit	↑	Demonstration for 100%

SDG&E inquired about the term "Generating Facilities." The CAISO clarifies that this proposal will affect all Generating Facilities in the CAISO Interconnection Queue.

Finally, IEP, LSA, sPower, and Wellhead requested that the CAISO take this opportunity to better align its processes with the CPUC procurement process and make fundamental changes to the interconnection process. The CAISO is committed to regional collaboration and efficient process, but such an effort is out-of-scope for this initiative.

5.2.3 *Changes from the Straw Proposal*

The CAISO only proposes one change to the proposal as initially drafted. Generating Facilities in Cluster 7 and beyond whose Phase II study results identify a longest-lead Network Upgrade required for the project that is beyond the 7-year threshold should be entitled to a limited exception to the commercial viability criteria. Such Generating Facilities requesting COD modification within six (6) months of the CAISO's publishing the Phase II results are eligible for this exception. This six-month timeline allows ample time for TP Deliverability allocation activities, the MMA process, and GIA negotiation, and it places a needed boundary on the exception. Additionally, the exception to the commercial viability criteria explicitly excludes report addendums and revisions to the Phase II that are required as an outcome of customer-initiated modifications to its Interconnection Request.

5.2.4 *Revised Proposed Tariff Language*

The CAISO is proposing to modify tariff language regarding time in the queue as follows and changes from the straw proposal are highlighted in yellow:

Appendix DD, Section 3.5.1.4 Proposed Commercial Operation Date

The proposed Commercial Operation Date of the new Generating Facility or increase in capacity of the existing Generating Facility shall not exceed seven years from the date the Interconnection Request is received by the CAISO, unless the Interconnection Customer demonstrates, and the applicable Participating TO(s) and the CAISO agree, such agreement not to be unreasonably withheld, that the Generating Facility is commercially viable, and that engineering, permitting and construction of the new Generating Facility or increase in capacity of the existing Generating Facility will take longer than the seven year period. The CAISO's agreement to an extension of the proposed Commercial Operation Date does not relieve the Interconnection Customer from compliance with the requirements of any of the criteria in Section 8.9.3 for retention of TP Deliverability.

3.5.1.4.1 Commercial Viability

The CAISO's agreement to an extension of the proposed Commercial Operation Date is predicated on the Generating Facility maintaining the criteria on which commercial viability is based. Commercial viability shall be defined as:

a. Having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;
b. Having an executed power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
c. Demonstrating Site Exclusivity in lieu of any Site Exclusivity Deposit;
d. Having an executed Generator Interconnection Agreement ("GIA"); and
e. Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

Generating Facilities in Cluster 7 and beyond whose Phase II Interconnection Study report requires a timeline beyond the 7-year threshold are exempt from the commercial viability criteria in this section provided that the COD modification is made within six (6) months of the CAISO's publishing the Phase II Interconnection Study report. This exemption is inapplicable to report addendums or revisions required by a request from an Interconnection Customer for any reason.

5.3 Topic 3– Negotiation of Generator Interconnection Agreements

5.3.1 *Overview*

The Interconnection Customer's GIA currently is tendered thirty (30) days after either the Phase II study report is published for Energy-Only projects or after the TP Deliverability is determined for the remaining projects. This timing often conflicts with the timing of the Interconnection Customer's actual need for an effective GIA. To address this conflict, the CAISO proposes to revise the start of the negotiation timeline by tendering the draft GIA based on the Generating Facility's In-Service Date for the project and the longest lead-time it takes to construct all required facilities (plus sufficient time to negotiate and execute the GIA).

In addition, under current negotiation provisions, only the Interconnection Customer can declare that negotiations of the GIA are at an impasse. This is problematic because GIAs are three-party agreements. The CAISO proposes to add tariff language clarifying that any party may declare that negotiations are at an impasse.

Finally, existing tariff provisions do not require an Interconnection Customer to keep the ISD and COD up-to-date. Reconciling these dates typically is done as part of the GIA negotiation; however, in many cases Interconnection Customers remain in the interconnection queue or negotiate their GIAs with CODs that have already passed. The CAISO is proposing to hold Interconnection Customers responsible for extending their ISDs and CODs as appropriate while in the ISO interconnection queue.

5.3.2 *Stakeholder Input*

Tender

The CAISO received a total of eight comments regarding the tendering of GIAs proposal. Four comments supported the proposal, three comments opposed, and one was neutral. LSA, sPower, SDG&E, Sempra, IEP, CESA, PG&E, and SCE wanted to ensure that GIAs could be tendered before the determined tender date and after the final Phase ll Study report is issued. The CAISO intended to allow early tender to make it easier for projects to enter the CAISO markets. To clarify this issue, the CAISO added more explicit language on the ability for Interconnection Customers to request early tendering of the GIA after the issuance of the final Phase ll Study report.

Negotiation

The CAISO received a total of four comments regarding an impasse during negotiation of the GIA. Two comments supported the proposal and two comments opposed. LSA commented that an impasse could be caused by the CAISO or a Participating TO. The CAISO acknowledges that the CAISO and the Participating TO as parties to the GIA could have disagreements with the Interconnection Customer or each other. The result is still the same: there is an impasse that requires resolution. CESA noted that the CAISO and Participating TOs already have sufficient leverage during negotiation of the GIAs. The CAISO disagrees, as all parties have equal rights to request resolution by FERC. The Six Cities wanted to know what happens if the Interconnection Customer fails to request an unexecuted filing or initiate dispute resolution after an impasse is declared. The CAISO will reinstate the existing tariff language to clarify what happens when the appropriate action is not taken: namely if a request to file the GIA unexecuted is not received or dispute resolution is not initiated the Interconnection Request will be deemed withdrawn. PG&E supported the proposal, commenting that it will bring GIAs to closure efficiently.

Outdated Interconnection Request

The CAISO received a total of two comments: PG&E filed in support and LSA filed in opposition. LSA thought that the requirement to keep dates achievable was unnecessary because meeting milestones in the GIA is already required under the GIA. While the CAISO agrees, when it is clear that a project cannot meet the milestones in the agreement (usually because of construction timelines), parties should not have to wait for the milestone dates to pass to require corrective action by the Interconnection Customer. This requirement also applies during GIA negotiation.

5.3.3 *Changes from the Straw Proposal*

Tender

The CAISO has added language to clarify that GIAs can be tendered before the determined tender date but after the issuance of the Phase ll study, or as agreed by the Parties.

Negotiation

The CAISO has added language to clarify that if the Interconnection Customer declares an impasse and does not initiate dispute resolution or request an unexecuted GIA to be filed within seven (7) calendar days, the Interconnection Request will be deemed withdrawn. The CAISO clarified that if the CAISO or Participating TO declares an impasse then the impasse-declaring party will file the agreement unexecuted with FERC. The

CAISO also reinstated the existing tariff language explaining that if negotiations exceed 120 calendar days the Interconnection Request will be deemed withdrawn.

Outdated Interconnection Request

The CAISO did not change the straw proposal regarding outdated Interconnection Requests.

5.3.4 *Revised Proposed Tariff Language*

Below are the proposed changes to section 13 of Appendix DD. Corresponding changes will modify section 4.8 of Appendix UU, section 4.3 of Appendix W, and section 11 of Appendix Y. Revisions between the Issue paper/straw proposal and the revised proposal are highlighted in yellow:

Section 13 Generator Interconnection Agreement (GIA)

13.1 Tender

13.1.1

The applicable Participating TO shall tender a draft GIA, together with draft appendices, to the CAISO and Interconnection Customer no later than the sum of (i) 150 Calendar Days and (ii) the estimated time to construct the Interconnection Facilities and Network Upgrades indicated in the applicable study report, prior to the In-Service Date. The applicable Participating TO may tender the draft GIA any time after the Phase II Study report is issued and before the determined tender date on its own accord or at the request of either the CAISO or the Interconnection Customer, or as agreed by the Interconnection Customer, the Participating TO and the CAISO. The draft GIA shall be in the form of the FERC-approved form of GIA set forth in CAISO Tariff Appendix EE or Appendix FF, as applicable.

~~If the Interconnection Customer requested Full Capacity Deliverability Status or Partial Deliverability Status, then within thirty (30) Calendar Days after the CAISO provides the updated Phase II Interconnection Study report (or by an earlier date, if all parties agree) which includes the allocation of TP Deliverability to the Interconnection Customer, the applicable Participating TO shall tender a draft GIA, together with draft appendices. If the Interconnection Customer requested Energy-Only Deliverability Status, then within thirty (30) Calendar Days following the results meeting for the final Phase II Interconnection Study (or by an earlier date, if all parties agree), Facilities Study, or system impact and facilities study, the applicable Participating TO shall tender a draft GIA, together with draft appendices . The draft GIA shall be in the form of the FERC-approved form of GIA set forth in CAISO Tariff Appendix EE or Appendix FF, as applicable. The Interconnection Customer shall provide written comments, or notification of no comments, to the draft appendices to the applicable Participating TO(s) and the CAISO within (30) calendar days of receipt.~~

13.2 Negotiation

~~Notwithstanding Section 13.1, at the request of the Interconnection Customer, the applicable Participating TO(s) and CAISO shall begin negotiations with the Interconnection Customer concerning the appendices to the GIA at any time after the CAISO provides the Interconnection Customer with the final Phase II Interconnection Study report.~~ The applicable Participating TO~~(s)~~ and CAISO and the Interconnection Customer shall negotiate concerning any disputed provisions of the appendices to the draft GIA for not more than one hundred twenty (120) calendar days after the Participating TO ~~CAISO~~ provides the Interconnection Customer and CAISO with the draft GIA ~~final Phase II Interconnection Study report, or the system impact and facilities study report~~. If the Interconnection Customer~~, the Participating TO, or CAISO~~ determines that negotiations are at an impasse, it may request termination of the negotiations at any time after tender of the draft GIA pursuant to Section 13.1. Upon such request, the Interconnection Customer shall ~~and~~ request submission of the unexecuted GIA with FERC or initiate Dispute Resolution procedures pursuant to Section 15.5. If the Interconnection Customer requests termination of the negotiations, but, within one hundred twenty (120) calendar days after the draft GIA was tendered pursuant to Section 13.1 ~~issuance of the final Phase II Interconnection Study report~~, fails to request either the filing of the unexecuted GIA with ~~FERC~~ or initiate Dispute Resolution procedures pursuant to Section15.5 within seven (7) calendar days, it shall be deemed to have withdrawn its Interconnection Request. If the CAISO or the Participating TO declares an impasse, that party will file the GIA unexecuted with FERC. Neither the CAISO nor the Participating TO may declare an impasse before one hundred twenty (120) calendar days after the draft GIA was tendered. Unless otherwise agreed by the Parties, if the Interconnection Customer has not executed and returned the GIA, requested filing of an unexecuted GIA, or initiated Dispute Resolution procedures pursuant to Section 15.5 within one hundred twenty (120) calendar days after issuance of the draft GIA ~~final Phase II Interconnection Study report~~, it shall be deemed to have withdrawn its Interconnection Request. The CAISO shall provide to the Interconnection Customer a final GIA within ten (10) Business Days after the completion of the negotiation process and receipt of all requested information.

5.4 Topic 4 –Deposits

5.4.1 *Overview*

The CAISO is proposing to revise the deposit structure for Interconnection Requests and allow the collection of deposits from Interconnection Customers for additional studies (e.g., repowering, modification, and limited operation) both before and after COD. In each case the Interconnection Customer is responsible for actual costs incurred for the study, but neither the tariff nor the GIA provides a mechanism to obtain a deposit for the study consistent with the other studies in the interconnection process.

5.4.2 *Interconnection Request Study Deposits*

5.4.2.1 Stakeholder Comments

SCE and LSA support the proposal as written. Six Cities did not oppose the proposal. sPower opposed the proposal, indicating that the deposit should stay as is. In addition, sPower raised concerns with the CAISO providing timely accounting, and holding on to project capital for a lengthy period of time. The CAISO provides Interconnection

Customers an accounting of their project upon request, at any time. Study deposit accounts are closed the later of either (1) once all study work is completed, including reassessments that the project has cost responsibility for in accordance with section 3.5.1.2 of the GIDAP; or (2) execution of the GIA. Once such event has occurred, the Participating TOs have 75 days from the completion of the work to provide invoices to the CAISO. Typically it takes the CAISO 30 to 45 days to perform the final accounting process, either invoicing or refunding excess study deposit amounts to the Interconnection Customer.

CalWEA commented that Energy-Only applications warrant a lower deposit, and Energy-Only projects should be allowed to withdraw after Phase I results meetings and receive full deposits, less actual costs. The CAISO disagrees that Energy-Only projects should have a lower deposit because the reliability studies are re-run in Phase II and Energy-Only projects must pay their pro rata share of the actual costs incurred. However, because Energy-Only projects do not have deliverability, the projects are not charged the deliverability study costs in Phase II. As a result, all projects—including Energy-Only—only pay actual costs incurred.

CALWEA also commented that some form of low-cost screening study would help Interconnection Customers obtain a high-level estimate of their network impact before they have to submit an Interconnection Request. Appendix DD, Section 1.3.1 already allows a small generator to obtain a report of site specific information.

PG&E supported a single study deposit, but based on the information previously provided by the CAISO, indicated that the deposit should be $250,000 instead of $150,000 being proposed. The CAISO proposed the $150,000 because, while some of the projects had costs greater than $150,000 for cluster 5, the CAISO believes that part of the increase is due to an initial learning curve of the new deliverability and reassessment processes. Now that the Participating TOs and the CAISO have more experience with these process, $150,000 ultimately should be more appropriate. The CAISO will closely monitor the actual costs incurred and apprise the stakeholders if the deposit amount is insufficient.

CESA opposed the increase in study deposits for aggregated distributed energy resources (“DERs”). The CAISO’s proposal is for projects in the CAISO queue. DERs generally will be subject to the Participating TO’s wholesale distribution access tariff (“WDAT”) queue and not the CAISO tariff. Even if the DER applies for Full Capacity Deliverability Status, the Participating TO reimburses the CAISO for actual costs incurred for the deliverability study. To add a new process to study DERs under the CAISO tariff is beyond the scope of this initiative.

5.4.2.2 Changes from the Straw Proposal

The CAISO did not change the straw proposal regarding Interconnection Request study deposits.

5.4.3 Limited Operation Study Deposit

This topic provides a deposit for limited operation studies in accordance with Section 5.9 of the Large Generator Interconnection Agreement.

5.4.3.1 Stakeholder Input

SCE, LSA, PG&E, and CESA supported the proposal. Six Cities did not oppose the proposal. All other comments received had no issue with the proposal.

5.4.3.2 Changes from the Straw Proposal

The CAISO did not change the straw proposal regarding limited operation study deposits.

5.4.4 Modification Deposits

This topic provides a deposit for modifications to a project after it has achieved COD in accordance with its GIA.

5.4.4.1 Stakeholder Input

SCE, LSA, PG&E, and CESA supported the proposal. Six Cities did not oppose the proposal. sPower commented that the modification deposit should incur the FERC interest rate similar to the study deposits. The CAISO does not receive the FERC interest rate on its accounts as a non-profit public benefit corporation including the cluster study deposits; however, the CAISO does return excess deposit funds above the actual cost incurred with interest, at the interest rate received by the CAISO.

5.4.4.2 Changes from the Straw Proposal

The CAISO did not change the straw proposal regarding modification deposits.

5.4.5 Repowering Deposits

This topic provides a deposit for repowering requests in accordance with Section 25.1.2 of the CAISO tariff.

5.4.5.1 Stakeholder Input

SCE, LSA, PG&E, and CESA supported the proposal. Six Cities did not oppose the proposal. All other comments received had no issue with the proposal.

5.4.5.2 *Changes from the Straw Proposal*

The CAISO did not change the straw proposal regarding repowering deposits.

5.5 Topic 5 - Stand-Alone Network Upgrades and Self-Build Option

5.5.1 *Overview*

When an Interconnection Customer is assigned one hundred percent of the cost responsibility of a Network Upgrade and no other Interconnection Customer has the Network Upgrade identified as a requirement for its project, the Network Upgrade may qualify as a Stand Alone Network Upgrade ("SANU").

Current policy allows for an Interconnection Customer building SANUs to forgo posting Interconnection Financial Security for the SANUs because only the Participating TO is able to draw from Interconnection Financial Security postings. The CAISO proposes language intended to clarify the process and outline explicit financial obligations for Interconnection Customers that elect to self-build a SANU.

5.5.2 *Stakeholder Input*

The CAISO received a total of six comments regarding the SANUs and self-build option proposal. The Six Cities did not oppose the proposal, while five others supported the proposal with qualifications. CalWEA cautioned that no tariff changes should be made that would erode an Interconnection Customer's right to build its SANU. It is not the CAISO's intention to limit the Interconnection Customer's right to build SANUs in this initiative. CESA reserved the right for additional comment in the future.[7] LSA recommended that forfeited security for a SANU should offset any amount that would otherwise be allocated to a later-queued project for the upgrade. The CAISO understands LSA's recommendation; however, it is beyond the scope of this topic to consider changes to the distribution of forfeited funds.

PG&E supported the proposal but had concerns regarding the treatment of financial security in the case of a project withdrawal. PG&E's concern was that when an Interconnection Customer builds the SANU, the lower posting amount could be substantially less than the avoided posting amount for the SANU. In this case, if the Interconnection Customer withdraws without ever posting for the SANU, then it could be difficult to recover any forfeiture that would be associated with the avoided posting

[7] While the CAISO appreciates early notice and comment, stakeholders may be assured that they do not need to reserve rights throughout stakeholder initiatives. The CAISO does not apply tests of forfeiture or waiver.

amount for the SANU. The CAISO agrees with this concern and has revised the proposal accordingly.

sPower recommended that the CAISO expand the categories of transmission-related work that can be performed by developers to include "stand-alone tasks" like telecommunications, environmental, and real-estate related work. The CAISO does not interpret the tariff to hinder an Interconnection Customer and a Participating TO from agreeing that the Interconnection Customer undertaking various components in the process of advancing a Network Upgrade if both parties agree to do so in the GIA.

5.5.3 *Changes from the Straw Proposal*

In consideration of the comments received, the CAISO has revised the straw proposal so that the Interconnection Customers post the required Interconnection Financial Security for all Network Upgrades through the second posting requirement. During the Generation Interconnection Agreement negotiation process the parties may agree that any SANU will be built by the Interconnection Customer as well as agree that various "stand-alone tasks" such as telecommunications, environmental, and real-estate related work may be performed by the Interconnection Customer. Upon execution of the Generation Interconnection Agreement, the Interconnection Customer may request that its second posting be reduced based on the removal of the cost for the work that it will do.

5.5.4 *Revised Proposed Tariff Language*

The following is a revised new subsection appended after section 11.3.1.4.3 of Appendix DD. The changes from the previous version are highlighted in yellow:

11.3.1.4.4 Posting Related to Interconnection Customer's Opting to build Stand Alone Network Upgrade(s)

> If an Interconnection Customer's Phase-II study report identifies Stand Alone Network Upgrades and the Interconnection Customer desires to self-build the Stand Alone Network Upgrades, the Interconnection Customer must post the Interconnection Financial Security for the Stand Alone Network Upgrades in its second posting. The Interconnection Customer may request to build the Stand Alone Network Upgrades in the Generator interconnection Agreement negotiation process, and if the Participating TO and the CAISO agree, the second posting will be reduced accordingly. The Interconnection Customer will not be allowed to revise its second posting amount until the Generation Interconnection Agreement documents the Stand Alone Network Upgrades and has been fully executed.
>
> If at any time the responsibility for constructing the Stand Alone Network Upgrade reverts back to the Participating TO, the Interconnection Customer will be required to revise its second Interconnection Financial Security posting back to the second posting amount prior to the execution of the Generator Interconnection Agreement within thirty (30) calendar days of determining that the Participating TO will build the Stand Alone Network Upgrade. Failure to make a timely posting adjustment will

result in the withdrawal of the Interconnection Request in accordance with Section 3.8. If an Interconnection Customer has been allowed to reduce it second posting following the execution of its Generator Interconnection Agreement and subsequently withdraws, the amount of the Interconnection Financial Security that is determined to be refundable under Section 11.4.2 will be reduced by the amount of the Interconnection Financial Security posting the Interconnection Customer avoided through the self-build option.

The following are proposed edit for Section 11.4.2.2 (a) of Appendix DD:

a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, and less any posting amount reduction due to Interconnection Customer's election to self build Stand Alone Network Upgrades.), or…

The following are proposed edits to Article 5.2 of Appendix EE:

5.2 General Conditions Applicable to Option to Build.
If the Interconnection Customer assumes responsibility for the design, procurement, and construction of the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades, or assumes responsibility for any stand-alone task, such as telecommunications, environmental, or real-estate related work,
(1) within six (6) months of the execution of this LGIA, or at a later date agreed to by the Parties, the Interconnection Customer shall submit to the CAISO and the Participating TO a milestone schedule for the design, procurement, and construction of the Stand Alone Network Upgrades, or any stand-alone task assumed by the Interconnection Customer. The milestone schedule will be required to support the Interconnection Customer's Commercial Operation Date. The Appendix B Milestones will be amended to include the milestone schedule for the Stand Alone Network Upgrade.

5.6 Topic 6 - Allowable Modifications between Phase I and Phase II Study Results

5.6.1 *Overview*

The CAISO has proposed that the allowable modifications between Phase I and Phase II include modifications to the Commercial Operation Date.[8]

5.6.2 *Stakeholder Input*

All nine comments received from stakeholders supported the proposal.[9]

[8] Commercial Operation Date, along with the related In-Service Date and Trial Operation Date, are elements of the Generator Interconnection Study Process Agreement's Appendix B.
[9] sPower, SDG&E, SCE, PG&E, IEP, LSA, Six Cities, CalWEA, and Wellhead commented on this topic.

SDG&E suggested standardizing the labels for "In-Service Date" and "Trial Operation Commencement" in the Appendix 1 Interconnection Request, Appendix B to Appendix 3 Generator Interconnection Study Process Agreement for Queue Clusters and Appendix B to Appendix 6 Independent Study Process Study Agreement. The CAISO agrees, and proposes to include modifications to the Interconnection Request, Study Process Agreement, and Independent Study Process Agreement to provide the suggested standardization.

sPower's suggestion to allow Interconnection Customers to perform "stand alone tasks" and avoid posting is addressed in Topic 5 of this initiative. CalWEA proposed allowing Interconnection Customers to mitigate material impacts of modifications caused by a project. The modifications relevant to Section 6.7.2.2 are already deemed allowable and not subject to material modification review.

Wellhead suggested that projects declare whether they will proceed as Option A or Option B on their original IR, and allow Option A projects to "park" and enter the Phase II study of any subsequent cluster. This suggestion is out of scope for this initiative.

5.6.3 *Changes from the Straw Proposal*

There are no substantive changes to the straw proposal. The CAISO is proposing to standardize the terminology in the Interconnection Request, the Study Process Agreement, and the Independent Study Process Agreement as outlined in the table below. The CAISO also has added a cross-reference to Section 6.7.2.1 of Appendix DD to the proposed tariff language in order to clarify that changes to the Point of Interconnection allowable between Phase I and Phase II study results must still meet the requirements for interconnection changes identified in Section 6.7.2.1 of Appendix DD.

Document	Current	Proposed
Appendix B (both identified above)	Trial Operation	Trial Operation Commencement
Interconnection Request	Proposed Trial Operation Date	Trial Operation Commencement
Appendix B (both identified above)	Generator step-up transformer receives back feed power Date	In-Service Date
Interconnection Request	Proposed In-Service Date	In-Service Date
Interconnection Request	Proposed Commercial Operation Date	Commercial Operation Date

5.6.4 *Revised Proposed Tariff Language*

The CAISO will modify Appendix 1 (Interconnection Request), Appendix B to Appendix 3 (Generator Interconnection Study Process Agreement for Queue Clusters), and Appendix B to Appendix 6 (Independent Study Process Study Agreement) as discussed above.

The following is a clarification to the proposed edits to paragraph two of section 6.7.2.2 of Appendix DD, with changes from the straw proposal highlighted in yellow:

6.7.2.2 …

Modifications permitted under this Section shall include specifically: (a) a decrease in the electrical output (MW) of the proposed project; (b) modifying the technical parameters associated with the Generating Facility technology or the Generating Facility step-up transformer impedance characteristics; ~~and~~ (c) modifying the interconnection configuration; (d) change of In-Service Date, Trial Operation Date, and/or Commercial Operation Date that meets the criteria set forth in Section 3.5.1.4 and is acceptable to the applicable Participating TO(s) and the CAISO, such acceptance not to be unreasonably withheld; (e) change in Point of Interconnection as set forth in Section 6.7.2.1; and (f) change in Deliverability Status from Full Capacity Deliverability Status to Energy-Only Deliverability Status or to Partial Capacity Deliverability Status; from Partial Capacity Deliverability Status to Energy-Only Deliverability Status or to a lower fraction of Full Capacity Deliverability Status.…

5.7 Topic 7 – Conditions for Issuance of Study Reports

The CAISO uses addenda to final interconnection study reports to correct non-substantial errors or omissions. However, other circumstances may trigger other needed updates to the final interconnection study. The CAISO proposes to ensure that such updates are documented properly and clarify how they may impact the Interconnection Financial Security posting requirements and maximum cost responsibility.

5.7.1 *Stakeholder Input*

The CAISO received a total of four comments regarding this proposal. As described below, two comments supported with qualifications, one comment opposed, and one comment requested clarification. The comments generally regarded the material modification request review process that is unchanged under this proposal.

CESA requested that the Interconnection Customer be allowed to mitigate material impacts and that cost increases due to modification triggered by the Participating TO become the cost responsibility of the Participating TO. SCE also opposed the proposal with an interpretation of the proposal to allow modifications that shift cost to the Participating TO. These issues are addressed in the current CAISO Business Practice Manual for Generator Management and no changes to those provisions are proposed under this topic.[10] Shifting costs from the Interconnection Customer to the Participating TO is considered a material impact and such a modification could only be approved with mitigation. The process for the Participating TO requested modification also is described in the Business Practice Manual.[11] The cost impacts of Participating TO

[10] *See* Section 3 of the BPM for Generator Management: "The following are examples of modifications which may be considered a Material Modification if, upon review in the MMA, it is deemed to adversely impact: . . .
"the Participating Transmission Owner ("Participating TO") (such as by shifting costs from the Interconnection Customer to the Participating TO); . . .
"A modification request that is approved under specific conditions outlined in the CAISO response to the Interconnection Customer is approved with mitigation. The Interconnection Customer must explicitly agree to the mitigation for the request to be considered final and approved. If the Interconnection Customer does not provide its concurrence within the timeframe specified in the letter, the requested modification will deemed to be denied."

[11] *Id.* "The CAISO believes the Participating TO should submit a modification request to the CAISO if the Participating TO proposes changes to the scope of, or schedule for, planned Network Upgrades or Participating TO's Interconnection Facilities. The Participating TO should include in the request a description of the proposed changes, the Interconnection Customers that they believe will be impacted, the impacts on those Interconnection Customers, a description of potential alternatives considered, if applicable, and the reason for selecting the proposed modification."

requested modifications should be treated the same way as other approved modifications clarified below as in this proposal.

This proposal focuses on the report associated with an approved modification. LSA has asked for clarification to understand the facilities reassessment process. The facilities reassessment is performed after a modification request is considered non-material but impacts the Participating TO's Interconnection Facilities and Reliability Network Upgrades for physical interconnection.[12] For example, if a project is approved to share the gen-tie with another generator, the protection requirement could change. Thus, a reassessment or technical assessment would be needed to update the scope and cost of the facility requirements. The facilities being updated are for interconnection purposes; not for mitigating impacts on the grid. The Network Upgrade requirements to mitigate impacts on the grid are instead updated in the annual reassessment process pursuant to section 7.4.3 of Appendix DD.

The facility reassessment associated with the non-material modification could include updated Reliability Network Upgrades for interconnection. As a result, the project's total cost responsibility for Network Upgrades may change. Such Network Upgrade cost changes are treated in the same manner as during the annual reassessment process pursuant to section 7.4.3 of Appendix DD, namely, the maximum cost responsibility may be adjusted.

PG&E suggested that if a modification is requested between the Phase I and Phase II studies, the CAISO tariff should impose a deadline, i.e., within 15 days after the Phase I Results Meeting. The CAISO Business Practice Manual for Generator Management states that although modification requests may be accepted at any time, the CAISO may not be able to process some requests while the project is being studied.[13] The provision in the Business Practice Manual addresses PG&E's underlying concerns in a more flexible manner. PG&E also suggested that the annual reassessment should allow for updates of Reliability Network Upgrades. The CAISO agrees, but section 7.4.2 of Appendix DD already allows for such an update.

[12] Facilities required to physically interconnect the generator, such as a breaker position at the Point of Interconnection substation.

[13] The CAISO will accept modification requests from projects at any time. However, the CAISO may not be able to process some modification requests, depending upon the type of the request, while the project is being studied during the Phase I process or Phase II Interconnection Study process for that project, or other studies applicable to that project.

5.7.2 *Changes from the Straw Proposal*

There are no substantive changes to the straw proposal. A few clarifications have been added to the revised proposed tariff language.

5.7.3 *Revised Proposed Tariff Language*

The following is a revised proposed new paragraph to be appended to the end of section 6.7.2.2 of the Appendix DD. Changes from the previous version are highlighted in yellow:

6.7.2.2 …

> If any requested non-material modification after the Phase II Interconnection Study Report would change the scope, schedule, or cost of the Interconnection Facilities or Network Upgrades, the CAISO will issue a facilities reassessment report to the Interconnection Customer. Potential adjustments to the maximum cost responsibility for Network Upgrades for the Interconnection Customer will be determined in accordance with Section 7.4.3.

5.8 Topic 8 - Generator Interconnection Agreement Insurance

5.8.1 *Overview*

The current insurance provisions of the LGIA describe the types of insurance coverage the Participating TO, the CAISO, and the Interconnection Customer must secure. Based on discussions with Interconnection Customers and industry insurance carriers, some of the existing insurance coverage provisions of the LGIA are anachronistic or no longer available. The changes proposed seek to update insurance terms and conditions to current industry standards.

5.8.2 *Stakeholder Input*

A total of seven parties—CalWEA, CESA, LSA, PG&E, SCE, SDG&E, and Six Cities—provided comments. Five of the seven parties generally were in agreement with the proposed changes, while LSA and SDG&E provided comments for clarifying purposes. LSA expressed concern about Article 18.3.5 and provided its own version of the Article that did not include a waiver of subrogation rights. The CAISO fundamentally disagrees with this suggestion and generally does not allow for subrogation of rights unless a waiver is unavailable. SDG&E suggested a few clarifying edits relating to Article 18.3.1, 18.3.2, 18.3.6, 18.3.9, and 18.3.11 ,including the addition of "only with respect to this LGIA" wherever the insurance requires the CAISO and the Participating TO to be listed as "additional insured." The CAISO agrees and adopts SDG&E's suggestions.

5.8.3 *Changes from the Straw Proposal*

In response to SDG&E's concerns, the revised proposed tariff language now includes "with respect to the LGIA" wherever the requirement for the "CAISO and the Participating TO as additional insured" is listed. The CAISO also accepts SDG&E's proposed deletion in Article 18.3.6, and makes a change to the Article 18.3.9 requirement for providing the insurance with Article 18.3.1 and 18.3.2.

5.8.4 *Revised Proposed Tariff Language*

The CAISO is proposing to revise section 18.3 of Appendix EE as follows. Changes between the straw proposal and the revised proposal are highlighted in yellow. Similar changes also would be included in Article 18.3 of Appendices V, BB, and CC.

18.3.2 Commercial General Liability Insurance. The Participating TO and the Interconnection Customer shall maintain commercial general liability insurance commencing within thirty (30) days of the effective date of this LGIA, including premises and operations, personal injury, ~~broad form~~ property damage, ~~broad form blanket~~ contractual liability coverage ~~(including coverage for the contractual indemnification)~~, products and completed operations coverage, coverage for explosion, collapse and underground hazards, independent contractors coverage, ~~coverage for pollution to the extent normally available and punitive damages to the extent normally available~~ and ~~a~~ no cross liability ~~endorsement~~ exclusions, with minimum limits of One Million Dollars ($1,000,000) per occurrence/One Million Dollars ($1,000,000) aggregate combined single limit for personal injury, bodily injury, including death and property damage. If the activities of the Interconnection Customer are being conducted through the actions of an Affiliate, then the Interconnection Customer may satisfy the insurance requirements of this Section 18.3.2 by providing evidence of insurance coverage carried by such Affiliate and showing the Participating TO and CAISO as ~~an~~ additional insured only with respect to the LGIA, together with the Interconnection Customer's written representation to the Participating TO and the CAISO that the insured Affiliate is conducting all of the necessary preconstruction work. Within thirty (30) days prior to the entry of any person on behalf of the Interconnection Customer onto any construction site to perform work related to the Interconnection Facilities or Generating Facility, the Interconnection Customer shall replace any evidence of Affiliate Insurance with evidence of such insurance carried by the Interconnection Customer, naming the Participating TO and CAISO as additional insured only with respect to the LGIA.

18.3.3 Business Automobile Liability Insurance. Prior to the entry of any such vehicles on any construction site in connection with work done by or on behalf of the Interconnection Customer, the Interconnection Customer shall provide evidence of coverage of owned and non-owned and hired vehicles, trailers or semi-trailers designed for travel on public roads, with a minimum, combined single limit of One Million Dollars ($1,000,000) per occurrence for bodily injury, including death, and property damage. ~~Upon the request of the Participating TO, the~~ The Interconnection Customer shall name the Participating TO and CAISO as ~~an~~ additional insured with respect to the LGIA on any such policies.

18.3.4 Excess ~~Public~~ Liability Insurance. Commencing at the time of entry of any person on its behalf upon any construction site for the Network Upgrades, Interconnection Facilities, or Generating Facility, the Participating TO and the Interconnection Customer shall maintain Excess ~~excess~~ ~~public~~ Liability ~~liability~~ insurance over and above the Employer's Liability Commercial General Liability and Business Automobile Liability Insurance coverage, with a minimum combined single limit of Twenty Million Dollars ($20,000,000) per occurrence/Twenty Million Dollars ($20,000,000) aggregate. Such insurance carried by the Participating TO shall name the Interconnection Customer and CAISO as ~~an~~ additional insured with respect to the LGIA, and such insurance carried by the Interconnection Customer shall name the Participating TO and CAISO as ~~an~~ additional insured with respect to the LGIA. The requirements of Section 18.3.2 and 18.3.4 may be met by any combination of general and excess liability insurance.

18.3.6 The Commercial General Liability Insurance, Business Automobile Liability Insurance and Excess ~~Public~~ Liability Insurance policies shall contain provisions that specify that the policies are primary. ~~and shall apply to such extent without consideration for other policies separately carried and shall state that each insured is provided coverage as though a separate policy had been issued to each, except the insurer's liability shall not be increased beyond the amount for which the insurer would have been liable had only one insured been covered.~~ Each Party shall be responsible for its respective deductibles or retentions.

18.3.9 ~~Within ten (10) Calendar Days~~ Thirty (30) Calendar Days prior to the start of any work at the construction site related to Interconnection Facilities or Generating Facility ~~following execution of~~ under this LGIA, and as soon as practicable after the end of each fiscal year or at the renewal of the insurance policy and in any event within ninety (90) Calendar Days thereafter, the Participating TO and the Interconnection Customer ~~each Party~~ shall provide certification of all insurance required in this LGIA, executed by each insurer or by an authorized representative of each insurer.

5.9 Topic 9 - Interconnection Financial Security

5.9.1 *Overview*

The CAISO has found that clarification is needed on the earliest date when Interconnection Financial Security can be posted, as well as the impact that study report revisions can have on Interconnection Financial Security posting dates. In addition, a review of the TP Deliverability affidavit process has revealed the need to recognize that statements made in the affidavit process should ultimately impact potential Interconnection Financial Security refunds.

5.9.2 *Process Clarifications*

5.9.2.1 Stakeholder Input on Process Clarifications

LSA, PGE, SCE, and the Six Cities did not oppose the proposal or updates to the tariff language regarding the first and second postings. LSA requested additional clarification on phasing third postings, releasing second posting amounts after withdrawals where some installments have been made, and meeting criteria showing commencement of construction activities. The CAISO believes these items are out of scope for this initiative, but may address these issues in the future.

PG&E noted that a non-viable project may be able to make a project change that would reduce its financial security obligations before a withdrawal while avoiding other obligations that would occur after withdrawal but before the next financial posting. The CAISO agrees and believes that this issue is addressed in Topic 5 and Topic 10 of this initiative.

5.9.2.2 Changes from the Straw Proposal for Process Clarifications

The CAISO did not change the straw proposal regarding Interconnection Financial Security process clarifications. Concerns are duly noted and can be addressed through BPM updates and future IPE stakeholder processes, as appropriate.[14]

5.9.3 *Posting Clarification*

Currently, Phase I and Phase II study report revisions *may* result in an adjustment to the posting dates under Section 6.8.3 of Appendix DD. Several Interconnection Customers recently have expressed concern regarding whether this section pertains to study report changes occurring after the Initial and Second Interconnection Financial Security postings.

The CAISO proposes to revise Section 6.8.3 of Appendix DD to clarify that use of this section only applies to report revisions made prior to the Initial and Second Interconnection Financial Security postings.

5.9.3.1 Stakeholder Input on Posting Clarifications

CESA, IEP, and Six Cities indicated no opposition to the proposal or updates to the tariff language; however, CESA would like clarification regarding what constitutes a substantial error or omission that would warrant a change to the posting dates. Section 6.8.1 of Appendix DD currently defines substantial errors and omissions.

5.9.3.2 Changes from the Straw Proposal for Posting Clarifications

The original straw proposal indicated changes would not apply “after the Initial and Second Interconnection Financial Security postings have been made;” however, the proposal should reflect “after the Initial and Second Interconnection Financial Security posting dates.” The proposed tariff language in the straw proposal accurately reflected that the change is not applicable after the posting due dates, so no changes to the previously proposed tariff language is required for this clarification.

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[14] Stakeholders may propose revisions to BPMs at any time through the CAISO’s Proposed Revision Request process. *See* http://www.caiso.com/rules/Pages/BusinessPracticeManuals/Default.aspx.

5.9.4 *TP Deliverability Affidavits Impacts*

The affidavit requirement for the current queue cluster in the TP Deliverability Allocation process set forth in Section 8.9.2 of Appendix DD has three project elements that the Interconnection Customer must attest to: (1) permitting status, (2) project financing status, and (3) land acquisition. The CAISO assigns points based on the status of each of these categories, then ranks the Interconnection Customers in order to allocate TP Deliverability in the event there is not enough TP Deliverability for all Interconnection Customers in the cluster to receive it.

Projects that attest to balance-sheet financing receive the most points because the Interconnection Customer has declared that the project is willing to self-finance and move forward even without a power purchase agreement. The CAISO believes that Interconnection Customers sometimes game this process by later reversing their attestation and then, upon withdrawal, taking advantage of a higher recovery of Interconnection Financial Security for Network Upgrades pursuant to Section 11.4.1(a) of Appendix DD. Accordingly, the CAISO proposes to add the stipulation that projects that ever attest to balance-sheet financing will be ineligible to receive a partial recovery of their Network Upgrades Interconnection Financial Security upon withdrawal by claiming they were unable to secure a power purchase agreement. These projects would continue to be eligible to qualify for a partial recovery of Interconnection Financial Security for Network Upgrades if they meet any of the conditions outlined in Appendix DD, Section 11.4.1 (b) through (f) or Appendix Y, Section 9.4.1 (b) through (d), as applicable. The Interconnection Financial Security for Interconnection Facilities is refundable except for amounts necessary to pay for costs incurred or irrevocably committed by the Participating TO on behalf of the Interconnection Customer that the Participating TO has not been reimbursed, if any. This concept is outlined in the last paragraph of Appendix DD, Section 11.4 and the last paragraph of Appendix Y, Section 9.4.

5.9.4.1 Stakeholder Input on TP Deliverability Affidavits Impacts

The CAISO received comments from four stakeholders for this process enhancement: two comments in opposition and two comment in support, one of which had qualification. SCE commented that it supports the proposal. Comments submitted by Sempra, CalWEA, and IEP incorrectly characterized the CAISO proposal, indicating that a project selecting balance-sheet financing would be ineligible for partial recovery of Interconnection Financial Security under any circumstances. The CAISO's proposal is that projects that have elected balance-sheet financing will be ineligible to receive partial recovery only for the specific reason of "failure to secure a PPA." However, projects electing balance-sheet financing will remain eligible for partial recovery of the

Interconnection Financial Security for Network Upgrades if they meet one of the other conditions outlined in Section 11.4.1 of Appendix DD, such as the failure to secure a necessary permit or an increase in the cost of Participating TO interconnection facilities.

IEP also suggested dropping this topic completely if the problem is not a material concern. The CAISO feels that this modification is necessary so that projects electing to attest to self-finance and proceed without a power purchase agreement grasp the full ramifications of their decision if they choose to withdraw after making an Interconnection Financial Security posting for Network Upgrades. IEP further suggested removing the incentive offered via the ranking methodology and have balance-sheet financed projects proceeding without a PPA receive the same score as a project that is project financed. The CAISO feels that this difference in ranking between the two finance types is valid because the project that is self-financing should have less uncertainty and risk.

Sempra suggested increasing Interconnection Financial Security for those projects that accept TP Deliverability, then allowing self-funded and project-financed to be treated equally. CalWEA also suggested to allow projects electing to balance-sheet finance to receive a refund of the entirety (or portion) of their Interconnection Financial Security for Network Upgrades within a year of attesting to self-financing. While novel, the CAISO believes that these suggestions are outside the scope of this initiative and this proposal alone should suffice. In the event that issues persist, the CAISO may consider Sempra and CalWEA's suggestions.

5.9.4.2 Changes from the Straw Proposal

The CAISO did not change the straw proposal regarding TP Deliverability Affidavit impacts on Interconnection Financial Security.

5.10 Topic 10 - Forfeiture of Funds for Withdrawal during Downsizing Process

5.10.1 *Overview*

The current tariff provisions on the Generator Downsizing Process set forth in section 7.5 of Appendix DD have resulted in conflicting interpretations regarding when an Interconnection Customer may withdraw its Interconnection Request based upon the downsized capacity it applied for in the Generator Downsizing Process. To clarify this perceived ambiguity, the CAISO proposes to bolster its current language to more explicitly require Interconnection Requests in the Generator Downsizing Process to remain in the downsizing process until completion of the downsizing study. This approach is consistent with the CAISO's original intent, and it allows time for the technical analysis needed to determine which Network Upgrades are still necessary for remaining Interconnection Customers. Of course, to avoid unnecessary costs for Network Upgrades, the CAISO will continue its practice of notifying the relevant Participating TO once a downsizing request has been validated so that, to the extent possible, work on Network Upgrades can be suspended.

5.10.2 *Stakeholder Input*

The CAISO received two comments regarding the changes to the downsizing process: one comment supported the proposal with qualifications, and one comment opposed the proposal.

IEP asked that the CAISO explain the need to capture potentially (considerably more) forfeited dollars from the pre-downsizing size of the project. In addition, IEP wanted the CAISO to quantify the cost of rework caused by those downsizing customers that exit the queue before the study process is complete. The CAISO believes that the purpose of this language is to ensure that Participating TOs and generators are not left with any Network Upgrade costs that may be needed and cannot be determined until the reassessment is complete. The CAISO cannot quantify the cost of Interconnection Customers' exiting the queue. This quantification is captured in the reassessment study.

PG&E supported the proposal with suggested changes. PG&E suggested that the current downsizing tariff language may lead Interconnection Customers to believe that financial obligations may be reduced at the expense of other parties by entering the downsizing process and subsequently withdrawing the corresponding Interconnection Requests. PG&E requested that language be added to clarify this ambiguity and to further explain that the downsizing study concludes with the completion of the reassessment. The CAISO agrees with PG&E's comments and has revised the proposal accordingly.

5.10.3 *Changes from the Straw Proposal*

The straw proposal implies that projects may reduce their Interconnection Financial Security based on the project's downsized capacity once the downsizing study is complete, and any partial recovery of the Interconnection Financial Security will be based on the downsized capacity. The revised straw proposal has been modified to reflect that any partial recovery of the Interconnection Financial security will be based on the pre-downsized capacity even if the project has completed the downsizing study.

5.10.4 *Revised Proposed Tariff Language*

The CAISO proposes to revise Section 11.4.2.2 of Appendix DD in addition to the previous proposed edits to section 7.5.6 of Appendix DD reflected in the straw proposal:

11.4.2.2 Withdrawal of Generator Downsizing Request

b. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) minus the lesser of fifty (50) percent of the value of the posted Interconnection Financial Security for Network Upgrades or $20,000 per requested and approved, pre-downsized megawatt of the Generating Facility Capacity ~~at the time of withdrawal~~.

5.11 Topic 11 –TP Deliverability Option B Clarifications

5.11.1 *Overview*

The interconnection process requires Interconnection Customers requesting TP Deliverability to select allocation Option A or B after their Phase I Interconnection Study Results Meeting. Option A allows Generating Facilities that have requested but who do not receive TP Deliverability to withdraw, convert to Energy-Only, or park their Interconnection Request pursuant to Section 8.9.4 of Appendix DD. An Interconnection Customer choosing Option B, on the other hand, represents that if it does not receive its deliverability allocation, it will assume cost responsibility for all Delivery Area Network Upgrades (both Area and Local) without cash repayment under section 14.3.2 of Appendix DD.

Recently, several Interconnection Customers have chosen TP Deliverability Option B even though there were no Area Delivery Network Upgrades (ADNUs) identified in their Phase I Interconnection Study reports. The ability to select Option B in such a case may be misleading, because the selection will not provide value to the Interconnection Customer, and actually limits its ability to move forward if the Generating Facility does not qualify to receive a TP Deliverability allocation in their cluster's allocation cycle following the Phase II studies.

The CAISO proposes to clarify that if Interconnection Customers select Option B in cases where their Phase II Interconnection Study reports show no ADNUs and their Generating Facilities receive no TP Deliverability allocation, they should have the allocation option to change their deliverability status to Energy-Only ("EO") or withdraw. The CAISO further seeks to clarify that all Generating Facilities must still meet the minimum criteria identified in section 8.9.2 of Appendix DD to be eligible to receive a TP Deliverability allocation.

5.11.2 *Stakeholder Input*

Two stakeholders, PG&E and SCE, fully supported the proposed changes. Wellhead supported the changes with qualifications. Both IEP and LSA opposed the changes. LSA proposed allowing Option B Interconnection Customers to change their deliverability status to partial capacity deliverability status if withdrawals result in cost increases above a threshold. LSA's proposal is more restrictive than what Section 8.9.5 of Appendix DD already allows (no cost threshold). The CAISO does not agree that this should be made more restrictive. The other two proposals by LSA—reimbursing transmission costs subject to a systems benefit test and applying forfeited ADNU funds to remaining projects—are out of scope for this initiative.[15] Wellhead suggested that Interconnection Customers choose Option A or Option B on their original Interconnection Request and allow Option A projects to park and enter the phase II studies of any subsequent cluster. This is beyond the scope of this initiative because it would require modifying a significant portion of the interconnection process.

5.11.3 *Changes from the Straw Proposal*

Based on the stakeholder comments, the CAISO is modifying its proposal. Interconnection Customers will be permitted to select Option B regardless of any ADNUs being identified on the Phase I study report. Should a Generating Facility fail to qualify to receive an allocation, the Interconnection Customer shall be permitted to change the Generating Facility's deliverability status to Energy-Only as an alternative to withdrawing. Based on comments received, the CAISO no longer proposes providing Option B Interconnection Customers the choice to park.

5.11.4 *Revised Proposed Tariff Language*

Following are the revised proposed edits to paragraph 4 of Section 7.2 of Appendix DD. The other sections remain unchanged from the straw proposal. The changes from the previous version are highlighted in yellow:

7.2 Full/Partial Capacity Deliverability Options for Interconnection Customers

Option (B), which means that the Interconnection Customer will assume cost responsibility for Delivery Network Upgrades (both ADNUs and LDNUs, to the extent applicable) without cash repayment under Section 14.2.1 to the extent that sufficient TP Deliverability is not allocated to the Generating Facility to provide its requested Deliverability Status. ~~Only Generating Facilities where ADNUs have been identified in the Phase I studies may select Option (B).~~ If the Interconnection Customer selects Option (B) then the Interconnection Customer shall be required to make an initial posting of Interconnection Financial Security under Section 11.2 for the cost responsibility assigned to it in the Phase I Interconnection Study for RNUs, LDNUs and ADNUs. To qualify to receive any allocation of TP Deliverability, Interconnection Customers selecting Option (B) must still meet the minimum criteria identified in Section 8.9.2.

[15] Section 7.6 of Appendix DD may already address this reimbursement scenario.