SCE Comments on CAISO's Revised Discussion Paper on Deliverability Requirements for Clusters 1 and 2 ("Revised Discussion Paper")

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Summary:

SCE appreciates the CAISO's effort to develop a proposal to address concerns regarding the excessively large deliverability network upgrades that would be required to meet all QC1/QC2 generation interconnection requests. SCE agrees that it is not likely that all of the generating facilities which would trigger these deliverability network upgrades actually will be needed to meet California's aggressive 33% Renewables Portfolio Standard target by 2020. As detailed below, SCE supports the CAISO's general approach for QC1/QC2 reform (remove "major" deliverability upgrades from the QC1/QC2 study process) but urges the CAISO to establish certain additional critical elements and make necessary modifications to the proposal so that its implementation will be feasible. In particular the CAISO should fully describe the rules that will be used to determine potential NQC reductions in its January 31 technical bulletin. SCE urges the CAISO to indicate that resources with a signed PPA will be exempt from potential NQC adjustments. SCE agrees that the CAISO should continue to evaluate the need for deliverability network upgrades in the transmission planning process.

Specific Comments:

1. SCE supports the CAISO's proposal to reflect more realistic deliverability upgrades in the QC1/QC2 interconnection studies. The approach proposed by the CAISO – removal of major delivery network upgrades from QC1 and QC2 interconnection process based on capital costs criteria plus the separate criterion involving instances where funding for the network upgrade is at risk because the triggering generator is in jeopardy of being developed - seems reasonable. However, SCE has identified some concerns with the approach and provides recommendations to address in the comments below.

2. The Revised Discussion Paper states that "One remaining risk that LSEs and developers would need to recognize is the potential for some generating resources in this circumstance to receive less net qualifying capacity (NQC) for one or more resource adequacy compliance years than the full value of their deliverability status would imply."[1] In such circumstances, the CAISO's proposal is to reduce the NQC of generators in areas which are over-subscribed and ration insufficient deliverability to those generators seeking to be fully deliverable. This approach, while simpler from a CAISO study perspective, pushes the risk of deliverability to the generators and/or LSEs without a clear path for them to mitigate that risk (i.e., get assigned some of the existing deliverability capacity). While contracting parties can work to incorporate this risk into future PPA negotiations, such risks may have already been addressed in executed PPAs based on current QC1/QC2 interconnection rules. To address this issue, SCE recommends that the CAISO adopt its suggestion on page 10 of the Revised Discussion Paper and indicate that resources with a signed PPA will be exempt from potential NQC adjustments. The CAISO should also clarify its definition of "new" resources (e.g., are resources in the serial queue with a signed PPA a "new" resource?).

3. The Revised Discussion Paper also states that "It is important to recognize that LSEs and their regulatory authorities can minimize the likelihood of this (over-building of generation in an area) situation occurring by coordinating their procurement activities so as to avoid aggregate procurement that exceeds the threshold to trigger the removed DNU in any grid area."[2] While the CAISO can support contracting parties by providing information (e.g., remaining deliverability capacity in a given area), it is difficult to imagine that information would be sufficient to advise LSE's on multi-billion dollar decisions regarding PPAs. It is difficult enough mapping PPA

[1] Revised Discussion Paper, page 4.
[2] Revised Discussion Paper, Page 10.

agreements to interconnection request as the latter is usually larger than the former. Moreover, there are regulatory and other concerns that may be associated with LSEs "coordinating" procurement activities. The CAISO should not, therefore, base its proposal on any unrealistic expectations of “coordination” and instead should focus on providing public information to support procurement activities and recognize that LSE procurement practices will need to be conducted independently pursuant to applicable legal and regulatory requirements.

4. Acknowledging that the CPUC’s actions are beyond the control of the CAISO, in order for the QC1/QC2 requirements proposal to be effective and fair to contracting parties, the CPUC will need to be amenable changes in standard contract PPAs as well as program changes to reflect the CAISO’s revised approach to identifying needed deliverability network upgrades.

5. During the CAISO’s January 17 stakeholder meeting, some stakeholders suggested that deliverability associated with the existing grid should somehow be allocated based on queue position. SCE does not support this position. Queue position is only useful for the purpose of allocating and identifying costs, but should have no use in the allocation of deliverability.

6. In addition to exempting QC1/QC2 generators from NQC reductions, the CAISO should further define the rules that will be used to revise NQC. In general, generators that progress toward meeting LGIA milestones, (e.g. permitting, site control, and financing) should be less likely to have NQC reduced than those that are not progressing towards their milestones. The CAISO should use the annual transmission planning process (TPP) to propose and approve additional delivery upgrades as policy-driven projects as necessary.

8. In the Revised Discussion Paper the CAISO proposes criteria to determine "major" deliverability upgrades (Section 2.1.1). The CAISO's proposed criteria states that a delivery network upgrade identified in Phase II of the interconnection study process may be removed from the Phase II study results if it is *not* needed in the current transmission plans and is either (a) 200 kV and above and has a capital cost of $100 million or greater or (b) has a capital cost of $200 million or more. SCE believes that these criteria are reasonable for purposes of determining "major" deliverability upgrades for QC1 and QC2. SCE urges the CAISO to review these criteria before applying it to QC3 and QC4 to determine if adjustments are necessary.