

Stakeholder Comments Template

Generator Interconnection Procedures Phase 3 (“GIP 3”)

Issue Paper, posted March 1, 2012

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

Submitted by	Company	Date Submitted
Mariam Mirzadeh (858) 654-1673 mmirzadeh@semprautilities.com	San Diego Gas & Electric Company (SDG&E)	3-23-12
Rodney Winter (858) 654-1799 rwinter@semprautilities.com		

SDG&E has ascribed the following definitions to its scores:

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

SDG&E has also identified those topics which it believes may require a long time to address and therefore be candidates for work groups.

SDG&E is providing additional topics that it believes should be considered within the scope of the GIP 3 initiative;

Comments on Items listed in GIP 3 Issue Paper:

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

or to remedy material impact in any way. The objective of this topic would be to identify and explore potential remedies.

Score 0-3:

3

SDG&E identifies this as a topic which it believes may require a long time to address and therefore is a candidate for a work group.

Comments:

This **Downsizing** topic is related to allowing Partial Termination, Project Phasing, and Material Modification topics to which SDG&E has previously provided comments in GIP and GIP Phase 2.

SDG&E believes that a preferred option would be for projects to utilize multiple interconnection requests and that an option to downsize a project could result in a transmission plan that overbuilds. SDG&E believes allowing projects to be phased will lead to delays in completion of the LGIA and provide a perverse incentive vehicle for projects to terminate latter project phases. CAISO should address this on a case-by-case basis in lieu of the GIP tariff revision to detail complicated “multiplier” mechanics that were proposed in GIP Phase II as partial termination provisions to allow an IC to structure its generation project in a sequence of phases.

SDG&E also reiterates its prior comment that considering the possibility of downsizing should be accompanied with provisions for restudy in the tariff. If different phases of a project have a separate COD, CAISO should consider making different phases of a project have separate LGIAs.

Projects that have requested to reduce the capacity of their proposed project have requested that the CAISO evaluate whether such modification is a Material Modification. **Material Modification is defined in the CASIO tariff as a —modification that has a material impact on the cost or timing of any Interconnection Request or any other valid interconnection request with a later queue priority date.** SDG&E suggests that certain level of modification should not be acceptable such as delay in COD beyond the three years allowed by the tariff, or combination of several modifications to the project attributes specifically after all the studies are completed and the report is final. Modifications should be allowed between Phase I and Phase II study period.

SDG&E reiterates its comments provided to the GIP 2 Issues Paper and again to the GIP 2 Straw Proposal. The GIP tariff should clearly state what modifications are permissible at what stage of the process (if to be evaluated at all). The CAISO tariff should be more specific about the parameters for Material Modifications so that evaluation for material modification is not subjective.

SDG&E also reiterates its prior comment that allowing changes in the size of the projects should be accompanied with provision for restudy. Allowing an IC to downsize, terminate, and/or abandon a large portion of a project with large upgrades associated with it could cause unrealistic upgrades to be associated with projects lower in the Queue.

2. **Distribution of forfeited funds** Non-refundable portions of the IC study deposits and financial security postings are distributed in the same manner as are penalties assessed market participants (i.e., distributions are made to scheduling coordinators). Current procedures provide for retention of certain portions of IC study deposits and financial

security postings upon withdrawal from the queue. The objective of this topic would be to investigate/explore whether there is a more appropriate way to distribute these funds.

Score 0-3:

2

Comments:

3. **Independent study process** The determination of independent study process (“ISP”) eligibility heavily relies on cluster study results which can result in delays meeting tariff timelines. Under existing rules, interconnection requests (“IRs”) must satisfy the eligibility criteria set forth in Section 4 of the GIP (Appendix Y). The objective of this topic would be to investigate the potential for improving the ISP determination process to allow projects that are electrically independent to move forward on a faster pace than the annual cluster process would provide.

Score 0-3:

3

SDG&E identifies this as a topic which it believes may require a long time to address and therefore is a candidate for a work group.

Comments:

In the initial GIP stakeholder process SDG&E pushed for and provided very detailed comments for what it considered appropriate criteria for the Independent Study Process.

SD&E commented that the ISP, as designed is too restrictive and could only be utilized in the most limited of circumstances. SDG&E identified that without significant modification, the ISP will have no practical application to PTOs or developers. Consequently, projects that could have quickly and reliably interconnected under the old SGIP framework, were relegated to the cluster process -- a process designed to cure Queue backlog problems.

The Independent Study Process (ISP) should be designed so that it can adequately handle the need to have multiple opportunities for projects that can demonstrate they are electrically remote and have the ability to get through the CAISO study process on a more expedited track than entering the cluster process.

The current ISP criteria are very sensitive and restrictive. ISP eligibility must be determined using criteria that are meaningful and not too stiff, with the ISO serving as a final, independent and unbiased arbiter.

As stated above, the ISP should be designed so that it can accommodate projects that are truly electrically remote from the other projects in the same cluster..

SDG&E proposes that the ISP should not be inherently Energy Only and projects qualifying as independent should be allowed to have full capacity deliverability status and the deliverability to be evaluated as part of the Deliverability Assessment for the cluster that the project is synchronized with,

What specific aspects of a developer’s project development process make it impossible for a developer to demonstrate eligibility for the Independent Study Processing Track at the time of the Interconnection Request?

Two issues:

- The interconnection point to the PTO's facilities does not require major modification to the PTO's facility which requires a long time to construct. In general reliability network upgrades of large scope that requires a long time to construct will be a good indicator that project can be developed on a fast track.
- The ISP is to accommodate projects that can develop much faster than they have to go through the cluster study process, so, developer must be able to show the project has (or soon will have) all the requirements (regulatory permits and funding) to be developed and the only missing part is the studies to identify the facilities that are needed for the reliable interconnection of the project.

At the close of the Cluster Window, the CAISO and PTO will evaluate the projects based on their point of interconnection on the grid with respect to other proposed projects within the same Cluster Window and develop a cluster study list. A project that is electrically remote, isolated from other projects in the same Cluster Window, and does not have impacts on the same transmission facilities with other projects in that Cluster Window may further qualify for the ISP (if the option for evaluation was not elected on the IR) based on CAISO and PTO engineering judgment and subject to the ISP criteria.

If CAISO and the PTO agree that an Interconnection Request project is qualified for ISP where it will not impact the same transmission facilities as the rest of the projects in the same Cluster Window, the project can proceed to be studied in the cluster study process.

SDG&E disagrees with the current metrics for testing a project to qualify for ISP. It should be noted that ISO's selection of metrics for qualifying a project to go through the ISP is not substantiated and the flow test percentage or short circuit current increase are not based on technical analysis.

Here is SDG&E's proposal for ISP versus Cluster Eligibility:

Grouping Interconnection Requests: A criteria must be developed to identify if a project will be studied independently/individually or if it will be studied with a group of projects as a cluster. CAISO and PTO will evaluate the projects based on their point of interconnection on the grid with respect to other proposed projects within the same cluster window. A project that is electrically remote from other projects in the same cluster window and does not have impact on the same transmission facilities with other projects in that cluster may qualify for Independent Study process if it meets the following criteria:

- Interconnection Requests that electrically affect one another with respect to the analysis being performed without regard to the nature of the underlying Interconnection Service will be studied in a cluster. (as per the existing GIP tariff)
- However, if a project can meet certain required criteria, it would be considered as qualified to be studied independently ("ISP"). The criteria to qualify for "ISP" would include:
 - Must have an approved PPA(s) or can otherwise provide confirmation of adequate financing – otherwise they are unlikely to need an expedited study;
 - Must provide evidence that the project is moving forward in the regulatory approval and permitting process it needs complete in order to begin construction, or that it reasonably expects to get these (approvals/permits) before the end of the study process (e.g., per an approved timeline for obtaining those approvals/permits);

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- Must provide Evidence of Site Control/Exclusivity; and/or
- Must demonstrate that the regular study process timeline will cause them to violate a critical development milestone, e.g., a PPA provision or financing condition.

When a project meets these criteria there is no need for judgment. However, if there is a case that engineering judgment is needed since CAISO is an unbiased (and Independent) entity, a collaborative decision by CAISO and PTO should be acceptable.

4. **Fast track study process** The current eligibility screens were designed for distribution rather than transmission. Under existing rules, an IR must satisfy the eligibility screens set forth in Section 5 of the GIP (Appendix Y). The objective of this topic would be to investigate eligibility screens that may better suit the intent of the fast track study process (i.e., allow qualified projects to move forward on a faster pace than the provided by the annual cluster study process).

Score 0-3:

Comments:

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

Score 0-3:

Comments:

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

Score 0-3:

Comments:

This issue should be addressed under the regional planning scope of the TPP. This issue should not be addressed or considered in the scope of the GIP.

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

Score 0-3:

Comments:

Other Comments:

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

Additional GIP Phase 3 Topics:

1) From SDG&E's 6-10-11 comments to the **GIP Phase 2 Revised Final Draft Proposal, SDG&E's 4-21-11 and 5-5-11 comments to the **GIP Phase 2 Straw Proposal**:**

Improve process for interconnection customers to be notified of their required amounts for IFS posting.

SDG&E suggests and supports development of a procedure to alleviate confusion as experienced in the past financial security postings following Cluster 2 Phase I and most recent security postings following Clusters 1&2 Phase II and current Cluster 4 Phase I. SDG&E proposes that the CAISO should in advance of or at the Phase I and Phase II Results Meetings provide to Interconnection Customers a summary of the required financial security amounts due, the due date, and details of calculations and any cost allocations between PTOs for network upgrades and also the summary of next steps.

2) CASIO to Identify Permitting Responsibilities for Shared NUs

SDG&E also supports CAISO efforts to develop a procedure and roles and responsibilities document in coordination with the PTO for IC Network Upgrade Permitting Responsibilities for Network Upgrades where costs are allocated to several projects in a cluster, where each is allocated less than 100% of the total Network Upgrade cost. This would apply to upgrades that are in proximity of the project location. Funding/permitting and construction of the Network Upgrades that are remote from the project's development site and their costs are shared among several projects should also be addressed in a general manner.

3) From SDG&E's 4-21-11 comments to the **GIP Phase 2 Straw Proposal: Regarding **LGIA Article 5.16 Suspension****

SCE Comments on the Straw Proposal:

Gary Holdsworth for SCE: "...Lastly, they would like the suspension provisions removed from the Generation Interconnection Agreement ("GIA") as this could cause delays and uncertainty building transmission for non-suspending entities."

SDG&E agrees with SCE's comments. SDG&E would also add that if these suspension provisions are not removed, the language in this section of the LGIA needs to be modified/clarified to include when the suspension can become applicable. For example, if an IC provides to the CAISO and SDG&E a written request to suspend work on their project per Article 5.16 of the LGIA, however if this IC has not yet provided the required security for the Interconnection Facilities and Network Upgrades per Article 5.5.2 and has not yet provided the required written authorization to proceed with the work per Article 5.5.3, then the interconnection work the IC is requesting to suspend has never been started. SDG&E argues that work cannot be suspended pursuant to the Article 5.16 of the LGIA if work was never started per Articles 5.5.2 and 5.5.3 of the GIA (no security posted and no written authorization to proceed with the interconnection work). This is merely a loop hole in the process used as a delay tactic by the IC.

4) LGIA Negotiations

The GIP tariff, Appendix Y, at 11.2 states "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 ninety (90) calendar days after the CAISO provides the Interconnection Customer with the final Phase II Interconnection Study report". Because CASIO has not adhered to this 90 calendar day negotiation limit, SDG&E suggests the tariff should be modified to identify this is a suggested guideline rather than a firm deadline. SDG&E suggests the tariff language should be reworded to include the term "best efforts, ""The applicable Participating TO(s) and CAISO and the Interconnection Customer shall **use best efforts to** negotiate concerning any disputed provisions of the appendices to the draft GIA for not more than ninety (90) calendar days after the CAISO provides the Interconnection Customer with the final Phase II Interconnection Study report".

5) SDG&E believes that increases to project MW size should be allowed as long as there are not material impacts to other projects in the Queue.

This especially true when the increase is for an existing plant and the amount of increase is a very small percentage in comparison to the main project.

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

SDG&E would like to fully participate in all of the work group meetings in the GIP Phase 3 Stakeholder process. In prior GIP Stakeholder processes the scheduling of two 3.5-hour workgroup meetings on the same day on last minute/very short notice made it extremely difficult for SDG&E to participate. SDG&E proposes that CAISO schedule work group meetings as far in advance as possible, and that **only** schedule a single 3.5 hour workgroup meeting per day rather than multiple meetings per day would be more efficient.