Comments Template for July 29, 2011 Stakeholder Call
Generation Interconnection Cluster 4
Phase 1 Study Methodology

This template was created to help stakeholders structure their written comments on topics detailed in the *Generation Interconnection Procedures Potential Revision to Cluster 4 Study Methodology* paper located at http://www.caiso.com/Documents/GenerationInterconnectionCluster4Phase1MethodologyDiscussionPaper.pdf. We ask that you please submit your comments in MS Word to regionaltransmission@caiso.com no later than the close of business on **August 5, 2011**.

Your comments will be most useful if you provide the reasons and the business case for the issue(s).

Submitted by	Company	Date Submitted
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Please respond to the question, "Do you generally support the proposal?"

Yes, SDG&E supports the CAISO's effort to introduce a revised methodology for the generation interconnection cluster studies.

If yes, please provide comments on the details of the proposal.

SDG&E supports the CAISO's conclusion that the "volume of generation requests received in Cluster 4 will produce unrealistic results if the current study methodology is applied." SDG&E also agrees with the CAISO's proposal to limit the amount of studied generation in each area to no more than "the maximum identified in any of the CPUC's generation portfolios."

SDG&E suggests the revised approach proposed here be expanded to include Cluster 3 projects. The CAISO's assumption that the current methodology was appropriate for Cluster 3 and produced meaningful results is not accurate. SDG&E believes using the $$/MW cost of Network upgrades from Cluster 3 and applying that to Cluster 4 would not provide the right cost signal for the developers. As in the previous cluster studies, the Phase I study results tend to produce excessive or uneconomic Network Upgrades costs. This results in projects downsizing, electing an energy only option, or dropping out of the queue all together In other words, the Phase 1 process generally whittles down the queue, leaving more manageable and realistic MW injection estimates to drive the Phase 2 studies. In contrast, simply using Cluster 3 $$/MW for Cluster 4 (a cluster that, using SDG&E's queue for comparison, contains over twice the amount of MWs) will not correct or right-size the proposed MW injections figures for Phase 2 studies.

Below are SDG&E's recommendations:

The CAISO's proposal that the results of Cluster 3 Phase 1 studies be "carried forward," will undermine the benefits that the CAISO expects its proposal to achieve. Specifically, the Cluster

3 Phase 1 studies already include far more renewable generation than is needed to satisfy California's 33% Renewable Portfolio Standard (RPS) requirement in year 2020. The magnitude of the generation in the Cluster 3 Phase 1 studies has resulted in the identification of "unrealistic dispatch scenarios," the same concern that the CAISO has for the Cluster 4 studies if the existing study approach were used.

SDG&E believes the CAISO needs to seek a waiver from the FERC that will allow the CAISO to suspend the due dates applicable to Cluster 3 as well as the due dates for Cluster 4. The two clusters should be combined and studied under the revised process proposed by the CAISO for Cluster 4. By limiting the amount of studied generation in the combined Cluster 3 and Cluster 4 queues to that which corresponds to what is needed to satisfy California's 33% RPS requirement, any identified network upgrades would be reasonably consistent with the amount of renewable generation that is likely to get built by year 2020.

Regarding the Deliverability Assessment, SDG&E has previously recommended that CAISO consider evaluating the entire CAISO BAA as one area and perform the Deliverability Assessment (separate from the GIP) by dispatching generation in a tiered MW level/limit. The GIP should study how to interconnect resources reliably and produce Reliability Network Upgrades projects that facilitate the interconnection. This method will identify transmission facilities needed per each level of injection at each renewable location, as identified by the CPUC generation portfolio. The associated cost derived from this approach will then signal to the developers that beyond a certain level of MW, at a specific location, cost of upgrades may be prohibitive.

The next step would be to re-evaluate these projects through TPP, which assumes the 33% RPS portfolio as renewable resources in the base case, and projects can be categorized as either policy driven or economic (if economically justified). The costs of the network upgrades that will meet the RA deliverability requirements of the adopted RPS portfolio(s) then would be defined in the TPP as either economic or policy driven transmission elements.[1] Following CAISO Board approval of the transmission plan, the costs of these elements are eligible to be recovered from CAISO ratepayers via the CAISO's Transmission Access Charge (TAC) mechanism; i.e., interconnecting generators would not be obligated to advance construction funds for these upgrade elements.

If you have other comments, please provide them here.

SDG&E recommends that to the extent practical, this initiative be combined or considered in parallel with the recently begun Transmission Planning and Generator Interconnection Integration Initiative. There is considerable overlap between the issues under review in both processes, and efficiency suggests that both should be considered in tandem.

[1] By definition, the network upgrades necessary to provide RA deliverability are not reliability upgrades. Reliability upgrades are limited to the upgrades necessary to interconnect a generator and allow the generator to operate at full output assuming all other generation in the area is dispatched down or is off line.