

**DRAFT Sempra Generation Stakeholder Comments:
Generator Interconnection Procedures Straw Proposal
June 22, 2010**

Submitted by	Company	Date Submitted
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Sempra Generation appreciates this opportunity to provide the following comments on the “Generator Interconnection Procedures Straw Proposal” issued by the ISO on May 26, 2010 (the “Straw Proposal”).

Sempra Generation supports the CAISO’s efforts to revise the generator interconnection procedures, particularly with respect to the proposed options for deliverability assessments. Sempra Generation looks forward to participating in this CAISO stakeholder process, in that it is an important initiative for developers of generation facilities in the CAISO footprint.

- Proposed Deliverability Assessments

Sempra Generation supports the concept of an annual deliverability study to allow Energy-Only (“EO”) generation to convert to Full Capacity (“FC”) (Option 1). Because there are a number of reasons why a generator may want to change its deliverability designation from EO to FC , this opportunity should not be limited to a select group for a limited period of time as proposed. The opportunity for a plant to request conversion from EO to FC deliverability status should not be limited only to current operational plants. For example, the option should also be afforded to LGIP projects between Phase 1 and Phase 2 Studies that post a LOC at maximum security (\$7.5 million) and any EO project with a signed IA, etc.

In addition, there is no justification for limiting the Straw Proposal’s Option 1 Deliverability Assessment to a one-time only process. A currently queued project may have initially selected EO status in its interconnection request, but, for legitimate commercial reasons, may decide to switch to FC. Such a project should not be required to re-enter the lengthy LGIP process and be subjected twice to the nonrefundable \$250,000 application fee.

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Sempra Generation also has concerns about certain aspects of Option 1's Deliverability Assessment such that CAISO proposes to apply an "economic test" for a project's identified system upgrades with the result being that only "economic" projects would be constructed. The outcome of such a process could be that a plant may *not* become fully deliverable (i.e., <100%). Deliverability Assessment under Option 1 is clearly inferior to Deliverability Assessment conducted under the LGIP where any project can become fully deliverable without any "economic test" on the identified system upgrades. Moreover, the CAISO's concern regarding ratepayer impacts is likely misplaced, in that regulatory approval of the power purchase agreements for the project in question would already take into account the transmission cost impacts of the project, and the regulator (e.g., the CPUC) would likely not approve of projects that result in excessively exorbitant or unnecessary upgrades.

Finally, the Straw Proposal indicates that, under Option 1 for proposed Deliverability Assessments, the available transmission would be allocated to EO generation to convert to FC generation. The proposal does not appear to contain any details regarding the allocation process, and would benefit from additional details as to the manner in which the available transmission is allocated. In other words, it is unclear how it is determined which projects are allocated this FC transmission, and in what amounts. The next iteration of the Straw Proposal should reflect the CAISO's plans as to how the transmission would be allocated for FC deliverability purposes.

- Coordination With Transmission Planning Process

The Straw Proposal involves coordination with the CAISO's revised transmission planning process ("RTTP"). Although this proposal makes sense at a fundamental level, the CAISO should put procedural protections in place such that the "further evaluation" under the RTTP is not an open-ended process that results in the project being held in limbo for an undetermined period. One possibility would be to allow the generator to enter into an interim large generator interconnection agreement ("LGIA") as a basic EO deliverability project until such time as the RTTP results in additional deliverability findings.

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- Criteria for Enabling Independent Study

In setting forth criteria for a project to qualify for the separate “Independent Study,” the CAISO should be careful not to qualify the option out of existence. The Straw Proposal contains numerous criteria – some seemingly redundant – that must be met in order for a project to avail itself of the Independent Study process. The first two criteria listed in the Straw Proposal – an objective determination that the project timelines cannot otherwise be accommodated, and confirmation that the project is electrically independent of cluster projects (or has negligible impacts) – are sufficient. These two criteria will ensure that only a limited number of projects will qualify for the Independent Study process, yet will not completely foreclose the possibility, as would likely be the case if all the listed criteria are used.

- Transition Plan for LGIP Projects

Sempra Generation understands that any transition from one process to another will involve some uncertainty for those “in-between” projects. In this regard, however, the CAISO can eliminate some of that uncertainty by clarifying how certain Cluster 3 Projects will be treated. Under the process outlined in the Straw Proposal, it appears that all Cluster 3 projects must wait for Cluster 4 projects in order to begin Phase II Studies which will be conducted according to the revised proposal. However, if a project in Cluster 3 qualifies for the Accelerated Phase II Interconnection Study Process pursuant to Section 7.6 of the current LGIP, that project should remain in the Accelerated Process during the transition. This outcome is consistent with the transition process used by the CAISO in the conversion from the previous version of the LGIP, which resulted in the CAISO Tariff Appendix U (Standard LGIP) and Appendix Y (for Interconnection Requests in a Queue Cluster Window).