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Re: Comments on the Interconnection Standards Review Initiative – April 26 Version

Sempra Generation appreciates this opportunity to provide comments on the CAISO’s Interconnection Standards Review Initiative, including the Draft Final Straw Proposal issued on April 26, 2010 (“Straw Proposal”).

In the comments below, Sempra Generation addresses three broad areas of the Straw Proposal: (1) the CAISO’s expedited timing of the Interconnection Standards Review Initiative in consideration of similar efforts by the Federal Energy Regulatory Commission (“FERC” or “Commission”), as well as similar efforts within NERC and WECC, (2) the CAISO’s seemingly casual assumption that FERC will *carte blanche* change its Order No. 661-A¹ in a piecemeal fashion to accommodate changes to the well-developed FERC Large Generator Interconnection Agreement (“LGIA”); and (3) the potential implications of a rushed stakeholder process.

Consistency With the Ongoing FERC VER Proceeding and NERC/WECC Requirements

The CAISO is likely well aware that FERC earlier this year issued a Notice of Inquiry (“NOI”) relating to the integration of variable generation.² The Commission seeks comment on the “extent to which barriers may exist that impede the reliable and efficient integration of variable energy resources (VERs) into the electric grid, and whether reforms are needed to eliminate those barriers.” NOI, FERC Summary at p. 1. FERC explains that it “seeks to explore whether reforms

¹ *Interconnection for Wind Energy*, 111 F.E.R.C. ¶61,353, FERC Stats. & Regs., Regulations Preambles 2001-2005 ¶ 31,186 (2005) (“Order No. 661”); *order on reh’g*, Order No. 661-A, 113 F.E.R.C. ¶ 61,254, FERC Stats. & Regs. ¶ 31,198 (2005).

² *Notice of Inquiry, Integration of Variable Energy Resources*, 130 FERC ¶ 61,053 (2010).

are necessary to ensure that wholesale electricity tariffs are just, reasonable and not unduly discriminatory,” as related to meeting the challenges posed by the integration of increasing numbers of VERs, while “ensur[ing] that jurisdictional rates are just and reasonable, eliminat[ing] impediments to open access transmission service for all resources, facilitate[ing] the efficient development of infrastructure, and ensur[ing] that the reliability of the grid is maintained.” *Id.* Given the Commission’s interest in encouraging the development of renewable generation facilities, as evidenced most recently by the issuance of the NOI, the CAISO should make every effort to ensure throughout the Straw Proposal process that the requirements it may consider or adopt do not run counter to the Commission’s policies that may ultimately be put into place as a result of the FERC NOI proceeding.

In addition, as noted in the Straw Proposal, the CAISO requirements “may be subject to change in the event that NERC or WECC adopt requirements covering the same subject matter and the ISO and/or generation facility are required to comply with such NERC or WECC standards.”³ It would be especially inefficient for the CAISO to undertake tariff modifications now, and then later embark on another effort to amend its tariff to make it consistent with the outcome of the NERC/WECC process. In short, the CAISO should not start the process of changing its tariff when the same issues are being addressed in concurrent stakeholder processes within NERC and WECC.

Assumption of Changes to FERC Order No. 661-A for Proposed CAISO LGIA Changes

The Straw Proposal makes a number of references to FERC Order No. 661-A, using it to justify the proposed standards, while seemingly under the impression that the Commission will not only modify the generally-applicable Order No. 661-A to fit the CAISO’s liking, but will also adopt the Straw Proposal’s “cherry-picked” version of Order No. 661-A. Specifically, the Straw Proposal makes the blanket assumption that extension of Order No. 661-A from wind resources to all VERS is a “logical progression” in regard to power factor requirements (.95 lag to .95 lead), yet at the same time disregards the underlying premise for this particular aspect of the Order (i.e., demonstration of need by the Transmission Provider on a case-by-case basis).

In other words, the CAISO proposal in this regard is directly contrary to the intent of the FERC Order 661-A, which sought to minimize opportunities for undue discrimination by Transmission Providers and to remove unnecessary obstacles to the development of wind generation, while protecting system reliability. *Id.* at P 11. Order No. 661-A recognized “the unique design and operating characteristics of wind plants, their increasing size and increasing level of penetration on some transmission systems (in terms of the wind generating capacity’s percentage contribution to total system generating capacity), and the effects they have on the transmission system.” *Id.* (footnote omitted). By implementing a case-by-case approach in requiring the Transmission Provider first to demonstrate the need for reactive power capability in the appropriate studies for the project, the Commission explained that this would ensure that the “Transmission Provider does not require a wind plant to install costly equipment that is not needed for grid safety or reliability,” and that such a case-by-case approach would “limit the opportunities

³ Straw Proposal at p. 3.

for undue discrimination; a wind plant Interconnection Customer will not have its interconnection frustrated by unnecessary requirements that are not necessary to maintain safety or reliability.” *Order No. 661* at P 28 and P 51.

In this regard, the Straw Proposal is misplaced to the extent that it claims that the CAISO’s blanket “2007 Integration of Renewable Resources Study,” which concluded that “[a]ll new wind generation units must have the capability to meet WECC requirements of a +/- .95 power factor,” serves as a demonstration of need for all generators under Order 661-A. A generic, blanket proclamation of this type does not meet the intent of FERC Order No. 661-A, nor would it suffice as the case-by-case approach called for by the Commission. Again, it is unnecessarily broad conclusions such as this that the Commission sought to address when it explained that the case-by-case approach called for in Order No. 661-A would “limit the opportunities for undue discrimination” so that an Interconnection Customer “will not have its interconnection frustrated by unnecessary requirements that are not necessary to maintain safety or reliability.” *Id.* at P 51.

Potential Implications of a Spontaneous Stakeholder Process

It is well understood not just by CAISO but also by the industry as a whole (e.g., FERC, NERC, WECC, TOs, generators, stakeholders, etc.) that changes will be required to traditional methods of planning and operation of the bulk power system to accommodate a higher penetration of variable generation. This recognition has prompted the various stakeholder processes to identify these changes and to guide the industry process. Simply because the CAISO currently has substantial MW of variable generation capacity in its Interconnection Queue does not justify an expedited three-month stakeholder process. This brief period provides the CAISO and stakeholders with too little time to understand – much less address – among other issues: (1) the commercially available equipment for the various VER technologies that might meet the desired standards; (2) the impacts of setting arbitrary compliance deadlines when the called-for equipment is not yet available to the industry; (3) the implications of new LGIA standards subject to retroactive changes in the event of different outcomes resulting from the current FERC/NERC and WECC stakeholder processes; and/or (4) implications to the proposed standards if FERC does not change its Order No. 661-A as suggested throughout the Straw Proposal.

Put simply, the CAISO should not rush the process. In light of the rate that renewable projects are actually coming on-line, the additional time to consider the above implications would be well spent, rather than conducting the current expedited and narrowly-focused stakeholder process, which will likely result in unforeseen and/or unintended consequences.

