California Independent System Operator Corporation

September 30, 2015

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: California Independent System Operator Corporation
Docket No. ER15- ___-000

Tariff Amendment to Implement Interconnection Process Enhancements regarding Downsizing

Request for Waiver of 60-day Notice Requirement

Dear Secretary Bose:

The California Independent System Operator Corporation ("CAISO") submits this tariff amendment to improve its generator interconnection process by closing a loophole that was inadvertently introduced into the annual downsizing process in 2014.[1] Currently, interconnection customers are able to use the existing downsizing process to avoid the financial impact of withdrawing their projects. The financial impact on withdrawing customers is based substantially on the capacity of the withdrawing project. Thus, interconnection customers that would otherwise immediately withdraw instead linger in the queue to downsize their projects and then withdraw at the lowest capacity possible. This tariff amendment closes this loophole by using the pre-downsized capacity to determine the financial consequences of withdrawal. This will prevent interconnection customers from continuing to use the annual downsizing process solely to reduce the amount of financial security at risk upon their withdrawal from the queue, and will assure that similarly situated withdrawing customers are

[1] The CAISO submits this filing pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d. Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the current CAISO tariff and revised or proposed in this filing, unless otherwise indicated.

treated similarly. The annual downsizing process will still be available for its intended purpose of allowing customers to "right-size" their projects to a capacity that can be developed economically.

This amendment represents the first of four planned sets of tariff revisions resulting from the CAISO's 2015 Interconnection Process Enhancements ("IPE") stakeholder initiative. The CAISO is filing this amendment first and separately to provide notice of the proposed revision before the next generator downsizing window opens on October 15, 2015. For this reason, the CAISO respectfully requests waiver of the Commission's 60-day notice requirement so the proposed tariff revisions can become effective on October 14, 2015.

I. Background

A. The IPE Initiative

California's renewable portfolio standard[2] and the associated changes in the generation development marketplace have made it increasingly important over the past several years for the CAISO to identify ways to administer its generation interconnection queue more efficiently.[3] The CAISO's overriding goal has been to tailor its procedures to promote California's energy goals while ensuring that they continue to be grounded in principles of cost-causation, fairness, and non-discrimination. Because of the rapid evolution of generation development in California, achieving these goals has required the CAISO to engage in a process of continuous review and enhancement of its generator interconnection procedures.[4] The CAISO overhauled the generator interconnection process in 2008 to establish requirements of project viability and developer commitment as soon as interconnection customers have an estimate of the costs of their projects. The CAISO therefore requires an initial posting of at-risk financial security for network upgrades following the phase I study results,

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[2] *See* California P.U.C., "California Renewables Portfolio Standard," *available at* http://www.cpuc.ca.gov/PUC/energy/Renewables/.

[3] There were over 260 projects in the interconnection queue as of September 21, 2015. *See* http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx (CAISO website page listing projects in the queue).

[4] The generator interconnection process and related provisions are set forth primarily in section 25 of the CAISO tariff. The interconnection procedures and *pro forma* generator interconnection agreements ("GIAs") are contained in appendices S through FF.

a second posting following the phase II study results, and a third posting at the commencement of construction activities.[5]

In 2012, the CAISO implemented a second major reform[6]—the generator interconnection and deliverability allocation procedures, or "GIDAP"—to integrate the transmission planning and generator interconnection processes.[7] Under the GIDAP, interconnection customers that propose to locate in areas with planned transmission upgrades will have lower costs. On the other hand, interconnection customers with proposed locations that are not supported by the transmission planning process will incur higher costs and may not be eligible for reimbursement of all network upgrades. The Commission approved the GIDAP and reiterated that it (1) provides incentives for generation developers to choose interconnection points that are consistent with public policy-driven transmission development, and limit ratepayer responsibility for inefficient or underutilized upgrades; (2) produces more realistic study result and cost estimates, thereby improving chances that viable projects will achieve commercial operation; (3) provides greater certainty for generation developers that the needed delivery upgrades will be granted permits by relevant state siting authorities; and (4) provides greater transparency into the transmission development process.[8]

More recently, in April 2013, the CAISO launched its first IPE initiative.[9] This initiative represented the next step in a series of stakeholder processes that the CAISO has conducted over the past several years to meet its commitment to improve interconnection procedures. The 2013 IPE initiative resulted in several tariff amendments in 2013 and 2014.[10]

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5 *See California Independent System Operator Corp.*, 124 FERC ¶ 61,292 (2008).

6 In 2010, the CAISO conducted another stakeholder process to harmonize the CAISO's LGIP with its SGIP by establishing integrated cluster study processes for small and large generators. The CAISO also revised its interconnection procedures to expedite study processes for independent or otherwise adroit generators by implementing new independent study and fast track processes. *California Independent System Operator Corp.*, 133 FERC ¶ 61,223 (2010).

7 *California Independent System Operator Corp.*, 140 FERC ¶ 61,070 (2012).

8 *Id*. at P 8.

9 Further background information on the IPE initiative is provided in the CAISO's September 30, 2013 tariff amendment filing in Docket No. ER13-2484 to implement the first set of tariff revisions to come from that initiative.

10 *See, e.g., California Independent System Operator Corp.*, 149 FERC ¶ 61,231 (2014); 148 FERC ¶ 61,077 (2014); 145 FERC ¶ 61,172 (2013).

After the success of the 2013 IPE initiative, the CAISO re-launched the IPE Initiative at the beginning of 2015. The CAISO worked with stakeholders to identify and develop what became 11 topics for improvement: affected systems; time in queue limitations; negotiation of generator interconnection agreements ("GIAs"); stand-alone network upgrades; allowable modifications between initial studies; conditions for the issuance of study reports; GIA insurance requirements; deliverability options for interconnection customers willing to assume cost responsibility without repayment; and the forfeiture of funds upon withdrawal after downsizing, as presented in this filing.[11]

B. Downsizing

1. 2008 Financial Security Reforms

The loophole the CAISO seeks to close resulted from the interaction of two separate, prior tariff amendments. As mentioned above, in 2008 the CAISO imposed financial security requirements as part of the generator interconnection reforms that implemented the cluster study process. These requirements include financial security postings for network upgrades. The financial security postings are non-refundable unless the interconnection customer can meet one of several criteria, in which case the customer is entitled to a partial refund.[12] The Commission found these requirements are reasonable measures to ensure that projects that enter the queue have a good chance of reaching commercial operation, and that these projects are appropriately planned, sized, and capable of obtaining financing.[13]

2. 2012 and 2014 Downsizing Reforms

In 2012, the CAISO filed a tariff amendment to provide a one-time opportunity for certain interconnection customers to downsize or "right-size" their projects.[14] This one-time opportunity facilitated the completion of projects that

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[11] Three other proposed topics have resulted or will result in changes to the CAISO's Business Practice Manuals: oversizing generator inverters with capacity limits, site exclusivity criteria where multiple projects share a common site, and affidavit requirements for the accelerated study process.

[12] *See California Independent System Operator Corp.*, 124 FERC ¶ 61,292 at PP 133-161 (2008).

[13] *Id.* at PP 152-154.

[14] *See California Independent System Operator Corp.*, 141 FERC ¶ 61,219 at P 1 (2012). The CAISO tariff already provided the ability to downsize projects, but only under certain

otherwise would not have been economic because the projects received financing or a power purchase agreement for only a portion of the capacity originally anticipated in the interconnection request.[15] During the 2013 IPE Initiative, CAISO stakeholders requested that this one-time downsizing opportunity expand into an annual process. The CAISO agreed, and the Commission approved the resulting tariff amendments in 2014.[16] The CAISO believed that its annual downsizing process would "promote the completion and commercial operation of projects that would be viable if not for an inability to construct the full generating capacities stated in the customers' interconnection requests."[17] The CAISO also believed that the process would "provide a balanced approach to eliminating non-viable interconnection requests from the CAISO queue while protecting non-downsizing generators from any harm resulting from the downsizing."[18]

3. Resulting Loophole

Unfortunately, the vast majority of interconnection customers recently electing to downsize their projects have used the process contrary to its intended purpose. Instead of downsizing to build more commercially viable projects, many interconnection customers have used the downsizing process *only* as a means to reduce their non-refundable interconnection financial security.[19] These interconnection customers electing to downsize appear to have already decided

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circumstances.

[15] *Id*. at PP 1-2.

[16] *California Independent System Operator Corp.*, 148 FERC ¶ 61,077.

[17] *Id*. at P 6.

[18] *Id*.

[19] The CAISO tariff provides that where an interconnection customer withdraws its interconnection request under certain circumstances, the applicable transmission owner will liquidate the customer's financial security and refund the customer the lesser of (a) the security posted minus any costs incurred for network upgrades, or (b) the security posted minus the lesser of (i) 50% of the security posted for network upgrades or—more commonly—(ii) $10,000 to $20,000 *per requested and approved MW of capacity at the time of withdrawal*. *See* section 11.4.2 of Appendix DD (GIDAP) of the CAISO tariff. For example, if an interconnection customer had an interconnection financial security posting of $1 million for a generating facility of 50 MW, if it were reimbursed according to calculation (b) and (ii) above, the interconnection customer would be reimbursed $500,000, and the remainder would go to incurred and/or still needed costs for remaining network upgrades the interconnection customer originally triggered, or to offset transmission revenue requirements. However, if this same interconnection customer downsized to 0.1 MW prior to withdrawal, it would receive a refund of $999,000.

to withdraw from the interconnection queue, but remain in queue only to downsize and reduce as much as possible the non-refundable portion of their interconnection financial security. The drastic degree to which interconnection customers have downsized their projects unequivocally reflects this intent:

2015 Downsizing Requests

Requested MW Capacity	Downsized MW Capacity	Reduction
90	0.1	99.9%
40	0.1	99.8%
60	0.1	99.8%
20	0.1	99.5%
20	0.1	99.5%
20	0.1	99.5%
20	0.1	99.5%
20	0.1	99.5%
20	0.1	99.5%
20	0.1	99.5%
20	0.1	99.5%
200	1	99.5%
60	1	98.3%
26	2	92.3%
67.5	60	11.1%[20]

With the exception of one, perhaps two, downsizing requests, the downsizing requests currently being processed have defeated the original purpose of the downsizing process, which was to help viable projects "right-size" to achieve commercial operation. This is not what the CAISO or the Commission intended.[21]

Moreover, if interconnection customers can continue to take advantage of the downsizing loophole to reduce their financial risk by reducing their capacity prior to withdrawal, the purpose of the 2008 amendments substantially will be undermined, encouraging poorly planned and speculative project to enter the

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[20] This was the only project that had executed a GIA.

[21] *California Independent System Operator Corp.*, 148 FERC ¶ 61,077 at P 32 (finding that downsizing generators should continue to be responsible for costs of the remaining needed upgrades they triggered).

queue. The CAISO would then face the very problems that led to the 2008 interconnection reforms in the first place.

In addition to evading the financial impact of withdrawal, delayed withdrawal interferes with the efficient administration of the generator interconnection process, which adversely affects other customers and the transmission owners. The longer that nonviable projects linger in the queue until they can use the downsizing process to avoid the financial consequences of withdrawal,[22] the less opportunity for the CAISO and the transmission owner to mitigate the impact of that withdrawal. There are three types of mitigation that delay adversely affects. First, the sooner nonviable projects withdraw, the greater the opportunity the CAISO will have to identify upgrades that are no longer needed. If this identification happens prior to construction, the upgrades can be avoided. If it does not, transmission owners may begin to incur construction costs for ultimately unnecessary upgrades. The longer nonviable project remain in the queue, the more preconstruction costs may be incurred that may not be reimbursable even in cases where construction can be avoided. Second, delay in withdrawing means that the CAISO and the transmission owner continue to work in good faith with interconnection customers to negotiate interconnection agreements unaware of their intent. The time and effort expended—where the customer is merely awaiting the next downsizing window to withdraw—is a further waste of resources that can be better allocated elsewhere. Third, the CAISO makes decisions on modifications based on the impact to other queued customers. If a project intends to withdraw but remains in the queue, the CAISO may deny a modification due to the impact to the customer that is ultimately planning to withdraw.

II. Proposed Tariff Revisions

The CAISO worked with stakeholders to develop a proposal that would close the downsizing loophole that was inadvertently created in 2014, but still allow viable projects to continue to downsize to achieve commercial operation. Accordingly, the proposed tariff revision only impacts interconnection customers that downsize and then withdraw from the interconnection queue. The current tariff already provides that if an interconnection customer withdraws from the queue during the downsizing/reassessment process, its downsizing request also will be withdrawn and it will revert to its pre-downsized amount.[23] Now the

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[22] In many cases the "lingering" is substantial. Some interconnection customers could decide to withdraw, but then have to wait well over a year to enter and complete the next downsizing process.

[23] Section 7.5.6 of Appendix DD of the CAISO tariff (GIDAP) ("If the Interconnection Customer's Interconnection Request is withdrawn or deemed withdrawn after the close of the

CAISO proposes to expand this reversion process so that if an interconnection customer withdraws during or after downsizing, the calculation for determining the refundable portion of the interconnection financial security for network upgrades will be based on the project capacity prior to its downsizing request. Upon withdrawal, the non-refundable interconnection financial security will thus be based on their pre-downsized capacity. This will prevent interconnection customers from using the downsizing process merely as a means of reducing their non-refundable interconnection financial security. Accordingly, any customer that has decided to withdraw will not benefit by lingering in the queue and waiting for the annual downsizing window.

This tariff revision applies to the GIDAP (Appendix DD), which is incorporated by reference in the other generator interconnection tariff appendices. As such, this revision will be effective for all interconnection customers.

III. Stakeholder Process

The stakeholder process that resulted in this filing included:

- A series of three issue papers issued by the CAISO;
- The development of draft tariff provisions and revised draft tariff provisions;
- Five stakeholder meetings and conference calls to discuss the CAISO papers and the draft tariff provisions; and
- Four opportunities to submit written comments on the CAISO papers and the draft tariff provisions.[24]

All but three stakeholders supported this proposal. Independent Energy Producers ("IEP") and NRG Energy Inc. ("NRG") suggest that reversion to pre-downsizing financial security should be limited to situations where the downsizing

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applicable Generator Downsizing Request Window, the Interconnection Customer's Generator Downsizing Request will also be deemed withdrawn and the Interconnection Customer will forfeit its Generator Downsizing Deposit").

[24] Materials regarding the IPE stakeholder process are available on the CAISO website at http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements2015.aspx. A list of key dates in the stakeholder process that are relevant to this tariff amendment is provided in attachment E to this filing.

customers share network upgrades and their withdrawal results in cost impacts on other interconnection customers, but not the participating transmission owner. In cases where there is no cost impact to other customers, they believe that the non-refundable portion of their interconnection financial security should be based on the new downsized capacity. The CAISO disagrees. Although NRG and IEP's suggestion has the potential to mitigate some of the negative effects of the existing loophole, it ignores the basic purpose of the downsizing process and the principal problem with the current process: projects that intend to withdraw remain in the interconnection queue only to reach the annual downsizing window. Moreover, NRG and IEP's suggestion ignores that the CAISO implemented the downsizing process to help viable projects proceed to commercial operation and overcome legitimate issues with partial financing or power purchase agreements. Withdrawing customers would still receive inconsistent financial security refunds depending on whether they withdraw prior to the downsizing window or during or following downsizing, which would only incentivize all interconnection customers to downsize and subvert interconnection financial security processes. Withdrawing customers should not be able to benefit by delaying their withdrawal and thus creating problems for the remaining interconnection customers and the transmission owners.

NRG and IEP's suggestion also seems to be based on the faulty premise that the non-refundable portion of interconnection financial security is meaningless or merely a windfall to the transmission owner. Neither is true. As the Commission found when NRG raised similar arguments to the CAISO's 2008 reforms,[25] interconnection financial security ensures that interconnection customers do not oversize their projects or submit more projects than they actually intend to build. Without this check, the CAISO interconnection queue would overflow and completely speculative projects would engulf genuine projects. Further, the non-refundable portion of interconnection financial security either offsets the costs of still-needed network upgrades or reduces transmission revenue requirements, which benefits ratepayers.[26]

The Sustainable Power Group ("sPower," formerly Silverado Power) also opposed the proposal. sPower makes no substantive argument opposing this proposal, but asserts that interconnection customers should get at least one more opportunity to downsize their projects merely to reduce the non-refundable portion of interconnection financial security upon withdrawal. sPower argues that

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[25] *California Independent System Operator Corp.* 124 FERC ¶ 61,292 at PP 157-161 (rejecting NRG's proposal).

[26] *See California Independent System Operator Corp.*, 149 FERC ¶ 61,231 at PP 26-28 (2014) (approving the distribution of non-refundable interconnection financial security).

the status quo should be maintained because it would be consistent with the CAISO's current tariff and provide developers consistency. The CAISO disagrees. These arguments prove too much, as their acceptance would provide precedent that any tariff provision, even those with unintended, undesired consequences, such as this one should be retained for consistency. As explained above, the current structure has been used to undermine the CAISO financial security requirements. The most recent downsizing requests clearly demonstrate that only one or two of the fifteen downsizing projects actually intend to continue to develop. All of the other interconnection customers downsized to minimize the non-refundable portion of their financial security and then withdraw. Other interconnection customers that withdraw do not receive a similar benefit. The CAISO's proposed tariff amendment restores the tariff to its intended design, consistent with both the 2008 generator interconnection reforms and the annual downsizing opportunity; and, importantly, discourages interconnection customers from unnecessarily lingering in the queue. Further, the CAISO's proposed tariff amendment ensures that all withdrawing customers are subject to similar financial consequences regardless of the time of their withdrawal.

The proposal was presented to the CAISO Governing Board during its public meeting on September 17, 2015. The Board voted unanimously to authorize this filing.[27]

IV. Effective Date

Pursuant to Section 35.11 of the Commission's regulations, the CAISO respectfully requests waiver of the 60-day prior notice requirement, and requests the Commission to assign an effective date of October 14, 2015. Such waiver would be consistent with the Commission's policy that waiver of the 60-day prior notice requirement is appropriate where good cause is shown and the rate schedule is filed prior to the commencement of service.[28] Good cause exists here because an effective date of October 14, 2015 will align the revision with the next downsizing request window, which opens on October 15, 2015, preventing another set of interconnection customers to game the downsizing process and take advantage of this loophole.

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[27] Materials related to the Board's authorization to prepare and submit this filing are available on the CAISO website at http://www.caiso.com/informed/Pages/BoardCommittees/BoardGovernorsMeetings.aspx.

[28] *See, e.g., Central Hudson Gas & Electric Corp.*, 60 FERC ¶ 61,106 (1992), *reh'g denied,* 61 FERC ¶ 61,089 (1992).

V. Communications

Correspondence and other communications regarding this filing should be directed to:

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VI. Service

The CAISO has served copies of this filing on the California Public Utilities Commission, the California Energy Commission, and all parties with scheduling coordinator agreements under the CAISO tariff. In addition, the CAISO has posted a copy of the filing on the CAISO website.

VII. Contents of Filing

In addition to this transmittal letter, this filing includes the following attachments:

Attachment A	Clean CAISO tariff sheets incorporating this tariff amendment
Attachment B	Red-lined document showing the revisions contained in this tariff amendment
Attachment C	Draft final proposal
Attachment D	Board memorandum
Attachment E	List of key dates in the stakeholder process

VIII. Conclusion

For the reasons set forth in this filing, the CAISO respectfully requests that the Commission accept the tariff revisions proposed in the filing effective as of October 14, 2015.

Respectfully submitted,

/s/ William H. Weaver
Roger E. Collanton
General Counsel
Sidney L. Mannheim
Assistant General Counsel
William H. Weaver
Counsel

Counsel for the California Independent System Operator Corporation

CERTIFICATE OF SERVICE

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 30th day of September, 2015.

/s/ Martha Sedgley
Martha Sedgley

Attachment A – Clean Tariff Records

Interconnection Process Enhancements regarding Downsizing and Request for Waiver

California Independent System Operator Corporation

September 30, 2015

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7.5.6 Withdrawal of Generator Downsizing Request

An Interconnection Customer may withdraw its Generator Downsizing Request anytime before the close of the applicable Generator Downsizing Request Window, but may not do so thereafter. Following a timely withdrawal under this Section 7.5.6, the CAISO will refund the Generator Downsizing Deposit of the Interconnection Customer, less any costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO or applicable Participating TO(s) in validating the Generator Downsizing Request. If the Interconnection Customer's Interconnection Request is withdrawn or deemed withdrawn after the close of the applicable Generator Downsizing Request Window, the Interconnection Customer's Generator Downsizing Request will also be deemed withdrawn and the Interconnection Customer will forfeit its Generator Downsizing Deposit. Any partial recovery of the Interconnection Financial Security for Network Upgrades under Sections 11.4.2.1 and 11.4.2.2 will therefore be calculated based on the Generating Facility's most recent MW capacity prior to its downsizing request.

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11.4.2 Determining Refundable Portion of the Interconnection Financial Security for Network Upgrades.

11.4.2.1 Withdrawal Between the First Posting and the Deadline for the Second Posting

If the Interconnection Customer either withdraws its Interconnection Request or terminates its GIA under any of the conditions (a)-(f) of Section 11.4.1 above and at any time between the initial posting and the deadline for the second posting of the Interconnection Financial Security for applicable Network Upgrades, then the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for the applicable Network Upgrades and reimburse the Interconnection Customer the lesser of:

a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer), or

b. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) minus the lesser of fifty (50) percent of the value of the posted Interconnection Financial Security for Network Upgrades or $10,000 per requested and approved, pre-downsized megawatt of the Generating Facility Capacity.

11.4.2.2 Withdrawal Between the Second Posting and the Commencement of Construction Activities

If the Interconnection Customer either withdraws or terminates its GIA under any of the conditions (a)-(f) of Section 11.4.1 above and at any time after the between the second posting of the Interconnection Financial Security for applicable Network Upgrades and

the Commencement of Construction Activities for such Network Upgrades, then the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for the applicable Network Upgrades and reimburse the Interconnection Customer the lesser of:

a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer), or

b. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) minus the lesser of fifty (50) percent of the value of the posted Interconnection Financial Security for Network Upgrades or $20,000 per requested and approved, pre-downsized megawatt of the Generating Facility Capacity.

Attachment B – Marked Tariff Records

Interconnection Process Enhancements regarding Downsizing and Request for Waiver

California Independent System Operator Corporation

September 30, 2015

. . .

7.5.6 Withdrawal of Generator Downsizing Request

An Interconnection Customer may withdraw its Generator Downsizing Request anytime before the close of the applicable Generator Downsizing Request Window, but may not do so thereafter. Following a timely withdrawal under this Section 7.5.6, the CAISO will refund the Generator Downsizing Deposit of the Interconnection Customer, less any costs incurred by the CAISO, applicable Participating TO(s), and/or third parties at the direction of the CAISO or applicable Participating TO(s) in validating the Generator Downsizing Request. If the Interconnection Customer's Interconnection Request is withdrawn or deemed withdrawn after the close of the applicable Generator Downsizing Request Window, the Interconnection Customer's Generator Downsizing Request will also be deemed withdrawn and the Interconnection Customer will forfeit its Generator Downsizing Deposit. Any partial recovery of the Interconnection Financial Security for Network Upgrades under Sections 11.4.2.1 and 11.4.2.2 will therefore be calculated based on the Generating Facility's most recent MW capacity prior to its downsizing request.

. . .

11.4.2 Determining Refundable Portion of the Interconnection Financial Security for Network Upgrades.

11.4.2.1 Withdrawal Between the First Posting and the Deadline for the Second Posting

If the Interconnection Customer either withdraws its Interconnection Request or terminates its GIA under any of the conditions (a)-(f) of Section 11.4.1 above and at any time between the initial posting and the deadline for the second posting of the Interconnection Financial Security for applicable Network Upgrades, then the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for the applicable Network Upgrades and reimburse the Interconnection Customer the lesser of:

a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer), or

b. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) minus the lesser of fifty (50) percent of the value of the posted Interconnection Financial Security for Network Upgrades or $10,000 per requested and approved, pre-downsized megawatt of the Generating Facility Capacity ~~at the time of the withdrawal~~.

11.4.2.2 Withdrawal Between the Second Posting and the Commencement of Construction Activities

If the Interconnection Customer either withdraws or terminates its GIA under any of the conditions (a)-(f) of Section 11.4.1 above and at any time after the between the second posting of the Interconnection Financial Security for applicable Network Upgrades and the Commencement of Construction Activities for such Network Upgrades, then the applicable Participating TO(s) shall liquidate the Interconnection Financial Security for the applicable Network Upgrades and reimburse the Interconnection Customer the lesser of:

a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer), or

b. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) minus the lesser of fifty (50) percent of the value of the posted Interconnection Financial Security for Network Upgrades or $20,000 per requested and approved, pre-downsized megawatt of the Generating Facility Capacity ~~at the time of the withdrawal~~.

Attachment C – Draft Final Proposal

Interconnection Process Enhancements regarding Downsizing and Request for Waiver

California Independent System Operator Corporation

September 30, 2015

Interconnection Process Enhancements (IPE) 2015

Revised Draft Final Proposal

August 27, 2015

Table of Contents

Interconnection Process Enhancements 2015

Revised Draft Final Proposal

1 Executive Summary

The Interconnection Process Enhancements ("IPE") 2015 initiative is the latest in a series of stakeholder initiatives that the California Independent System Operator Corporation ("CAISO") has conducted over the past several years to continuously review and improve the generator interconnection process and associated generator interconnection agreements. Similar to the previous iteration of the IPE initiative, IPE 2015 includes several topics that the CAISO is proposing to improve or clarify the administration of the interconnection process. There are a total of eleven improvements proposed for this year's initiative. The CAISO is bringing nine of the eleven topics to the Board for approval in September 2015 and hopes to complete the stakeholder process for the remaining two topics and obtain Board approval for those in November 2015.

2 Introduction

The CAISO posted an issue paper/straw proposal on March 23, 2015, a revised straw proposal on May 11, 2015, and a draft final proposal on July 6, 2015 consisting of the eleven items listed in Table 1 below. To help make its proposals more clear, the CAISO included proposed draft tariff language topic in these proposals. [1]

[1] The tariff language is "draft" tariff language. Stakeholders may submit comments or proposed edits and the CAISO may revise it. As with all draft tariff language in the stakeholder process, the CAISO reserves the right to revise the tariff language, including up to the time of filing at the Federal Energy Regulatory Commission.

Table 1 –Scope of topics	
Topic No.	Topic Description
1	Affected Systems
2	Time-In-Queue Limitations
3	Negotiation of Generator Interconnection Agreements
4	Deposits Interconnection Request Study Deposits Limited Operation Study Deposits Modification Deposits Repowering Deposits
5	Stand-Alone Network Upgrades and Self-Build Option
6	Allowable Modifications Between Phase I and Phase II Study Results
7	Conditions for Issuance of Study Reports
8	Generator Interconnection Agreement Insurance
9	Interconnection Financial Security Process Clarifications Posting Clarifications TP Deliverability Affidavit Impacts
10	Forfeiture of Funds for Withdrawal During Downsizing Process
11	TP Deliverability Option B Clarifications

3 Revisions to the July 6th Draft Final Proposal

Below is a brief summary of the CAISO's revisions to Topic 1- Affected Systems, Topic 2 – Time in Queue Limitations and clarification on Topic 5 – Stand Alone Network Upgrades.[2] A complete discussion of stakeholder comments on these topics and the CAISO's response follows. Topics 3-11 of this initiative will be brought to the September Board of Governors meeting for approval. The proposal for Topic 5 being brought to the Board will include clarifications proposed in this paper. Topics 1-2 have been revised and the CAISO hopes to bring these topics to the November Board of Governors meeting for approval.

2 The CAISO received comments on the draft final proposal from EDF Renewable Energy ("EDF-RE"), First Solar, Independent Energy Producers ("IEP"), Large-scale Solar Association ("LSA"), Modesto Irrigation District ("MID"), Pacific Gas and Electric Company ("PG&E"), Southern California Edison ("SCE"), Sempra US Gas and Power ("Sempra USGP"), Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California ("Six Cities"), S-Power ("sPower").

Topic 1 – Affected Systems

The CAISO here proposes to modify the draft tariff language as follows:

- clarify that, absent a legitimate reliability issue, the CAISO will not delay the synchronization or commercial operation of the Generating Facility where an Affected System identifies itself beyond its initial 60-day timeline.
- clarify that the only exceptions to the affected system's initial 60-day timeline are: (i) the CAISO failed to identify a potentially Affected System in the first place; or (ii) the Interconnection Customer modified its project resulting in a material change impacting an Affected System.
- Include a clause that states "An Affected System's mitigation remedies that may be available outside the CAISO Tariff are unaffected by this provision."

Topic 2 – Time-In-Queue Limitations

The CAISO proposes to modify the draft tariff language to clarify that if an Interconnection Customer has declared Commercial Operation for one or more Phases of the Generating Facility, or has declared commercial operation for markets for a portion of its capacity, and the Interconnection Customer elected Full Capacity Delivery Status ("FCDS"), then the CAISO will not convert to Energy-Only the portion of the project that is in-service and participating in the CAISO markets. Rather, the project will be converted to Partial Capacity Deliverability Status ("PCDS") to the extent that undeveloped capacity remains in the queue. If the project downsizes to the capacity that was in-service and participating in the CAISO market, then the facility will have FCDS for that portion of the capacity.

The CAISO has also modified the proposal to require the Participating TO have an obligation to provide notice when Network Upgrade construction timelines have changed.

Topic 5 – Stand-Alone Network Upgrades and Self-Build Option

The CAISO clarifies that for a self-build Stand Alone Network Upgrades ("SANU"), an Interconnection Customer's maximum cost responsibility will be reduced by the cost of the SANU, while both the original and revised maximum cost responsibility will be documented in the Generation Interconnection Agreement. If at any time the responsibility for constructing the SANU reverts back to the Participating TO, the Interconnection Customer's maximum cost responsibility will revert back to the original maximum cost responsibility that included the cost of the SANU.

4 Stakeholder Process Next Steps

Table 2 summarizes the anticipated stakeholder process schedule for the IPE 2015 initiative.

Table 2 – Stakeholder process schedule

Step	Date	Milestone
Revised Draft Final Proposal for Topics 1-2, and clarification on Topic 5	August 27, 2015	Revised Draft Final Proposal Posted
	September 3, 2015	Stakeholder meeting (web conference)
	September 17, 2015	Stakeholder comments due
Tariff Language Review for Topics 3-11	September 14, 2015	Stakeholder meeting (web conference)
Final Proposal to Board for Topics 3-11	September 17-18, 2015	Board of Governors Meeting
Final Proposal to Board for Topics 1-2	November 4-5, 2015	Board of Governors Meeting

5 Topics

5.1 Topic 1 – Affected Systems

5.1.1 *Overview*

In the 2014 stakeholder process to clarify the affected system coordination language in the Business Practice Manual ("BPM") for the Generator Interconnection and Deliverability Allocation Procedures ("GIDAP"), the CAISO committed to the following:

> *The CAISO understands that the Interconnection Customers desire a definitive time by which an electric system operator identifies themselves as an Affected System. The CAISO does not currently have tariff authority to provide this definitive time. The CAISO proposes to include in the IPE a topic that would propose a tariff amendment establishing a timeframe and process similar to the WECC Project Coordination and Path Rating Process.*

This proposal described above is the result of that commitment.

5.1.2 *Stakeholder Input*

The CAISO received nine comments on the draft final proposal for this topic. Two comments supported the revised draft proposal, three comments supported the proposal with qualifications, two comments supported the proposal with reservations, and two comments opposed the draft final proposal.

Affected System coordination requirements

EDF-RE responded that "the more recent CAISO policy change requiring each developer to obtain a waiver or Affected System mitigation agreement from any possible Affected System Operator before the CAISO will allow their project to operate has exacerbated the problem. Since that time, Affected Systems problems have become more numerous and significant, especially since those systems know that generators have only limited recourse to dispute unnecessary and/or costly mitigation payments." This concern is based on a false premise. The Generator Interconnection Agreement ("GIA") requirement for this coordination has existed since FERC Order No. 888 and is specifically stated in section 11.4.2 and Appendix A of the GIA. The Commission stated in FERC Order 888 that while it continues to treat interconnection and delivery as separate aspects of transmission service, and an Interconnection Customer may request Interconnection Service separately from transmission service (delivery of the Generating Facility's power output), in the majority of circumstances, interconnection alone is unlikely to affect the reliability of any neighboring Transmission System. However, in those rare instances in which the interconnection alone may cause a reliability problem on an Affected System, the Commission required network upgrades to protect an Affected System from any reliability problem.[3] Under Order No. 888, the Transmission Provider is required to assist the Transmission Customer in coordinating with the Affected System on any Network Upgrades needed to protect the reliability of that system.[4] FERC went on to state that it would allow the Transmission Provider to coordinate the timing of construction of Network Upgrades to its Transmission System with the construction required for the Affected System.[5] As provided in the pro forma

[3] See Section 21 of the pro forma OATT from Order No. 888. See also Tampa Electric Co., 103 FERC ¶ 61,047 (2003), and Nevada Power, 97 FERC ¶ 61,227 (2001), reh'g denied, 99 FERC ¶ 61,347 (2002); but see American Electric Power Service Corporation, 102 FERC ¶ 61,336 (2003). FERC Order 2003 paragraph 118.

[4] Section 21.1 of the pro forma OATT from Order No. 888 states that: "The Transmission Provider will undertake reasonable efforts to assist the Transmission Customer in obtaining such arrangements, including without limitation, provided any information or data required by such other Transmission System pursuant to Good Utility Practice."

[5] Section 21.2 of the pro forma OATT from Order No. 888 states that: "Transmission Provider shall have the right to coordinate construction on its own system with the construction required by others. The

OATT from Order No. 888, the Commission's Dispute Resolution Service is available should the Interconnection Customer wish to challenge the Transmission Provider's decision to delay construction pending completion of the Affected System's upgrades.[6]

The CAISO's proposal provides a process for Affected System engagement and resolution of impacts as early as possible in the interconnection process. As Order 888 notes if a resolution cannot be timely determined then the Interconnection Customer can use the Commission's Dispute Resolution Service.

EDF-RE also raised concerns that the proposal did not require that the Affected System to explain how it would be impacted, commence or complete any studies by any particular time, address the reasonableness of the assumptions or conclusions of those studies, or constrain the timing or content of mitigation agreements. LSA raised a similar concern. While the CAISO is sympathetic to these concerns, there is little that the CAISO could do to address them as the Affected System is not a party to the CAISO tariff. While the CAISO proposes to proceed with the interconnection, unless there is a valid reliability issue the CAISO cannot mandate specific actions the Affected System must take as Affected Systems are not bound by the CAISO tariff.

Identification of Affected System after 60 calendar days

Nearly all of the parties that commented on this topic expressed concern that the exemption to the initial 60-day timeline in which Affected Systems could identify themselves has the potential to create an exception that would swallow the rule. Commenters proposed various suggestions to limit the exemption. The CAISO generally agrees with these comments. Accordingly, the CAISO proposes to limit Affected System exceptions to the initial 60-day timeline if: (i) the CAISO failed to identify a potentially Affected System in the first place; or (ii) the Interconnection Customer modified its project resulting in a material change impacting an Affected System. In addition, if a project converts from a WDAT interconnection queue to the CAISO interconnection queue, it would start the timeline for Affected Systems.[7]

Some commenters also requested that the CAISO preclude any exceptions to the initial 60-day timeline within a certain period, e.g., within a year prior to Commercial Operation Date ("COD") or after GIA execution. Because the CAISO has narrowed the available exceptions, this is not necessary.

Transmission Provider, after consultation with the Transmission Customer and representatives of such other systems, may defer construction of its new transmission facilities, if the new transmission facilities on another system cannot be completed in a timely manner."

[6] Section 21.2 of the pro forma OATT from Order No. 888.

[7] The Participating TOs do not have an Affected System process for the distribution system.

Another commenter requested that the exception only be allowed for Affected Systems that had previously responded to the CAISO's notice within the window that the Affected System did not believe they were affected. With the CAISO's narrowing of the exception, this request has effectively been met. Because only an entity that was originally not notified is provided the exception, or due to a change in the project by the Interconnection Customer the entity that previous did not believe they were affected is provided the exception.

Additional Affected System requirements

LSA requested that Identified Affected Systems rescind their declarations that the entity is an Identified Affected System if it determines that it is no longer impacted by the generator interconnection and, therefore is not an Affected System. The CAISO believes that this rescission does not need to be specified in the tariff because if an Identified Affected System determines it is no longer impacted, or the impact has been mitigated, then the Identified Affected System so notifies the CAISO and Interconnection Customer. In that instance the Interconnection Customer has met the Affected System obligation, and the notification is a de facto rescission because the entity is no longer an Affected System.

LSA requested that the Affected System should describe how it is affected when it identifies itself. CAISO disagrees as this additional requirement is not realistic. With the revised process, the timeline for the Affected System to identify themselves is now approximately 90 calendar days after the first Interconnection Financial Security posting. The first Interconnection Financial Security posting is 90 calendar days after the Phase I study results are issued. At this point in time, the Affected System may have participated in a scoping and results meeting and, if requested, they have received the Phase I study results. The Interconnection Customer has likely not even contacted the Affected System to perform a study, which they have to pay for, nor is it likely that the Affected System has done any study work. Thus the identification at this early stage is more of an educated understanding of the system and not engineering proof. However, by identifying the Affected System so early in the interconnection process it will give the Interconnection Customer the opportunity to perform their own outreach to identify reliability issues on the affected system caused by their project early, which could then reduce project risk.

Notification process

IEP would prefer that the CAISO be required to notify all adjacent systems, regardless of whether they may be identified as an Affected System, and only allow exceptions to the 60-day timeline in the case of "material and unforeseen facts." The CAISO disagrees.

The CAISO determines which potential Affected Systems to notify based on the region where the project interconnects. It would be unreasonable to require, as an example, Bonneville Power Administration to respond to a request of interconnection to the ECO substation close to the Mexico border. The CAISO is thorough and as broad as reasonable in notifying potentially Affected Systems therefore the CAISO has proposed to limit the 60-day timeline exemption only to initial errors by the CAISO, and changes by the Interconnection Customer (most obviously, for example, changes to the Point of Interconnection). For reference, the Affected System Contact List can be found at: http://www.caiso.com/planning/Pages/GeneratorInterconnection/Default.aspx

Proposed expansion of initiative

LSA requested a robust stakeholder process to discuss better coordination and potential combination of interconnection studies by the CAISO and Affected Systems. While the CAISO is sympathetic to this request, such a process would be premature. First, the CAISO could not require the Affected Systems to participate or agree to any change absent an obligation on the Affected System. Second, the interconnection studies of the CAISO and Affected Systems could not be combined without the CAISO assuming their NERC Planning Authority requirements. The CAISO has implemented an initiative to offer these services to Affected Systems however, to date, the CAISO has not taken on any generator interconnection study obligation.

SCE's preferred path is to have the CAISO amend the Adjacent Balancing Authority Operating Agreement ("ABAOA") or enter into new, legally binding agreements to ensure appropriate, enforceable mechanisms including cost responsibility for the mitigation that will be implemented. SCE wants a clear definition of roles and responsibilities. SCE understands that the Affected Systems need to be willing to negotiate the agreements. As the CAISO stated in the Revised Straw Proposal, the CAISO shares this goal and believes such a proposal could be a long-term objective if the Affected Systems were interested in developing this type of structure. However, to date, the Affected Systems the CAISO has worked with have different timelines and priorities, and have not been interested in developing a binding contract. However, the CAISO is willing to continue to look for ways to improve the affected system process over time.

LSA and sPower requested that the CAISO revise the financial security rules regarding non-refundable portion of financial security in the case of significant late upgrade costs are assigned by Affected Systems to the Interconnection Customer. LSA suggested modifying the posting requirements to allow for higher refunds of the amount of Interconnection Financial Security eligible for refund if the Affected System is identified late and the project wants to withdraw from the CAISO queue due to significant

Affected System costs. The CAISO tariff imposes financial security obligations on Interconnection Customers that apply to e Network Upgrades that the Participating TOs are building in support of their interconnection request and not for the cost of Affected System mitigation. The obligations between the Interconnection Customer and the Affected System are outside of the CAISO tariff. This would be a substantial change to the current construct of forfeiture of funds late in this stakeholder process and, if desired by stakeholders, should be addressed at a future stakeholder initiative.

Existing agreements

LSA requested the CAISO clarify that the "new rules" would be in effect once FERC approves the tariff provisions. Specifically the "new rule" would apply to all Interconnection Customers who's Synchronization Date is after the FERC approval date and if an Affected System identifies itself outside of the notification process proposed here. The notification process is already included in the Business Practice Manual for Generator Interconnection and Deliverability Allocation Procedures (GIDAP BPM) section 6.1.4.[8]

LSA is also requesting that the CAISO confirm that the new rules proposed here would "supersede" agreements between Affected Systems and parties besides the CAISO. On the other hand, MID disagrees that the CAISO rules could supersede such agreements In short, the CAISO agrees with MID. The CAISO tariff cannot impose obligations on entities that are not subject to the CAISO tariff. Nor can the CAISO tariff supersede agreements where the CAISO is not even a party. The CAISO recognizes that this is an area that could benefit from generally applicable rules, such as those that can be developed in a FERC rulemaking. In the event a conflict or disagreement arises, the CAISO would work with all interested parties to try and develop a mutually acceptable solution.

To address this issue and prevent further dispute, the CAISO proposes to add a sentence to the end of the new provision stating that Affected System's mitigation remedies that may be available outside the CAISO Tariff are unaffected by this provision.

5.1.3 *Changes from the Revised Straw Proposal*

The CAISO proposes the following revisions:

- Further clarification of what the CAISO will do if an Affected System identifies itself outside of the 60-day Affected System process.
- Narrow the exceptions to the initial identification process.

[8] The tariff revision proposed here will expand the initial identification window from 30 days to 60 days.

- Confirm that third party agreements are not affected by this provision.

The following edits to Section 3.7 of Appendix DD and Appendix A of the CAISO tariff. Changes from the draft final proposal are highlighted in yellow:

3.7 Coordination With Affected Systems

The CAISO will notify the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study within which the Interconnection Customer's Interconnection Request will be studied. The CAISO will coordinate the conduct of any studies required to determine the impact of the Interconnection Request on Affected Systems with Affected System Operators, to the extent possible, and, if possible, the CAISO will include those results (if available) in its applicable Interconnection Study within the time frame specified in this GIDAP. The CAISO will include such Affected System Operators in all meetings held with the Interconnection Customer as required by this GIDAP. The Interconnection Customer will cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Affected Systems, including providing consent to CAISO's identification to Interconnection Customer's name, Generating Facility project name, and release of information which the Interconnection Customer provided as part of its Interconnection Request to the Affected System, and participating in any coordinating activities and communications undertaken by the Affected System or CAISO. The CAISO will provide notice to the Affected System Operators that are potentially affected by the Interconnection Customer's Interconnection Request or Group Study, within thirty (30) calendar days after determining which projects in each study cluster have posted their initial Interconnection Financial Security. Within sixty (60) calendar days of notification from the CAISO, the Affected System Operator shall advise the CAISO in writing that either: 1) the CAISO should consider the electric system to be an Identified Affected System; or 2) the electric system should not be considered an Identified Affected System. If the electrical system operator does not make an affirmative representation within sixty (60) calendar days of notification, the CAISO will assume that the electric system is not an Affected System.

If an electric system operator comes forward after the established timeline as an Affected System, absent the Affected System identifying a legitimate reliability issue that the CAISO will confirm, the CAISO will not delay the synchronization or Commercial Operation of the Generating Facility due to a mitigation required by the Affected System. The CAISO will work with the Affected System and Interconnection Customer to establish temporary mitigations if possible for the identified reliability issue. Any mitigation the Affected System Operator feels is necessary ~~required for a project identified by the Affected System~~ will be the responsibility of the Affected System and not the CAISO, the Participating Transmission Owner(s), or the Interconnection Customer. ~~except that~~ The CAISO may waive this timeline and deem the electric system operator as an Identified Affected System if ~~facts and circumstances are later discovered~~ (i) the CAISO failed to identify the Affected System; or (ii) if the Interconnection Customer modifies its project such that ~~indicate~~ an electric system operator ~~may~~ becomes a potentially Affected System. In such cases, or where a project converts from a Wholesale Distribution Access Tariff to the CAISO Tariff, the CAISO will coordinate with the Interconnection Customer and the electric system operator to develop an expedited timeline to determine whether the electric system operator is an Affected System. The CAISO will then notify the Interconnection Customer as soon as practical of the new Identified Affected System. If required by the Identified Affected System, the Interconnection Customer will sign~~ing~~ a separate study agreement~~s~~ with the Identified Affected System owners and pay~~ing~~ for necessary studies. ~~An entity which may be an~~ Identified Affected Systems shall cooperate with the CAISO in all matters related to the conduct of studies and the determination of modifications to Identified Affected Systems. An Affected System's

mitigation remedies that may be available outside the CAISO Tariff are unaffected by this provision.

Appendix A – New Definition

Identified Affected System –

An Affected System Operator who, as described in Section 3.7 of Appendix DD, either (1) responded affirmatively to the initial CAISO notification, or (2) was later deemed by the CAISO an Identified Affected System after a change in facts and circumstances.

5.2 Topic 2 –Time-In-Queue Limitations

5.2.1 *Overview*

When Interconnection Customers request an extension to a Generating Facility's COD, the CAISO evaluates the request under the Material Modification Assessment ("MMA") process. Currently, the In-Service Date ("ISD") for Generating Facilities studied in the serial study process shall not exceed ten (10) years from the date the Interconnection Request is received by the CAISO. For Generating Facilities studied in the cluster study process, the COD shall not exceed seven (7) years from the date the Interconnection Request is received by the CAISO.[9] Both study processes allow for extensions beyond the 7 to 10 year limits subject to agreement of both the CAISO and the applicable Participating TO.

In order to support viable Generating Facilities in the Generator Interconnection Queue and avoid unnecessary Network Upgrades, the CAISO proposes requiring Generating Facilities that are holding capacity that could be used by later-queued projects be required to meet and maintain certain commercial viability criteria in order to extend their ISD or COD beyond the 7/10 year thresholds. These criteria will be applied to Generating Facilities that may request milestone extensions beyond the 7/10 year thresholds in the future. The CAISO proposes to approve milestone extensions beyond the 7/10 year thresholds, only on the Interconnection Customer's demonstration that the Generating Facility meets the following commercial viability criteria:

- Having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;

[9] See Appendix U, Section3.5.1; Appendix Y, Section 3.5.1.4; Appendix DD, Section 3.5.1.4; as applicable.

- Having an executed power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;
- Demonstrating Site Exclusivity for 100% of the property (in lieu of a Site Exclusivity Deposit);
- Having executed a GIA; and
- Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

In order to ensure that Generating Facilities maintain the level of commercial viability upon which the COD extension approval was conditioned, the CAISO will perform an annual review of the Generating Facility's commercial viability during the transmission plan deliverability allocation process. Failure to maintain commercial viability will result in loss of Full Capacity Deliverability Service ("FCDS") or Partial Capacity Deliverability Status ("PCDS"), as applicable.

Generating Facilities requesting a COD extension beyond the 7/10 years thresholds, and that either are serial or requested FCDS or PCDS, reserve transmission capacity that could be used by other Generating Facilities. If such Generating Facilities do not meet the commercial viability criteria, they will not be deemed withdrawn from the Generator Interconnection Queue. Instead, the Generating Facility's deliverability status will be changed to Energy-Only. If FCDS or PCDS is still desired for the Generating Facility, the Interconnection Customer will have to pursue that option through the Annual Full Capacity Deliverability Option in accordance with Section 9.2 of Appendix DD.

Generating Facilities studied under the serial study process also will be subject to these requirements. Some of the serial studies were completed prior to the CAISO process of distinguishing Reliability Network Upgrades from Deliverability Network Upgrades. Because the serial study process did not contemplate the separation of Network Upgrades into the categories of Reliability Network Upgrades and Deliverability Network Upgrades, Generating Facilities studied under the serial study process that are subject to the consequences of failure to meet commercial viability criteria may also be required to undergo re-study in accordance with Sections 7.6 and/or 8.5 of CAISO tariff Appendix U to determine what Network Upgrades and corresponding GIA amendments will be required to interconnect their proposed Generating Facility as Energy-Only.

Generating Facilities in cluster 7 and beyond whose Phase II study results identify a longest-lead Network Upgrade required for the project that is beyond the 7-year

threshold are entitled to a limited exception to the commercial viability criteria. Such Generating Facilities requesting COD modification within six (6) months of the CAISO's publishing the Phase II results are eligible for this exception. This six-month timeline allows ample time for TP Deliverability allocation activities, the MMA process, and GIA negotiation, and it places a needed boundary on the exception. Additionally, the exception to the commercial viability criteria explicitly excludes report addendums and revisions to the Phase II that are required as an outcome of customer-initiated modifications to its Interconnection Request.

5.2.2 *Stakeholder Input*

Stakeholders generally support the proposal to apply commercial viability criteria to projects requesting to go beyond the 7/10 year threshold. The CAISO received seven comments regarding the time-in-queue draft final proposal: three comments supported the proposal, three comments supported the proposal with qualifications, and one comment took no position. Stakeholder comments addressed several concepts and suggestions:

1) Restudies for serial projects
2) Allocating cost responsibility when a Generating Facility is converted to Energy-Only
3) Participating-TO requested delays
4) Applying commercial viability only to projects with shared Deliverability Network Upgrades
5) Conditional approval for Generating Facilities without regulatory approved Power Purchase Agreements ("PPA")
6) Increasing the grace period for projects without a PPA to two years
7) Allowing Generating Facility's failing commercial viability to be evaluated for deliverability with a later cluster study group
8) Clarifications to PPA matching requirement
9) Clarifications on the CAISO's current COD extension framework

The CAISO addresses the comments below**:**

Restudies for serial projects

EDF-RE and LSA expressed concern about the proposal's impacts to serial study process projects, specifically, that a project's conversion to Energy-Only may trigger cascading restudies. They also requested clarification on what assumptions are used for serial restudies.

As clarified in CAISO's draft final proposal, assumptions used for the restudy process, established in Appendix U of the tariff, are generally informed by two questions: 1) What generation projects are already online and what are their assigned transmission upgrades? and 2) what generation projects are earlier in the queue that are not online and what are their assigned transmission upgrades?

The CAISO appreciates stakeholders' concerns that projects' conversion to Energy-Only may trigger the need for some restudies, but the CAISO has evaluated the potential effects of this proposal and of the 271 projects in the queue, only 21 are serial projects with FCDS (7%). A review of these projects indicates that:

- All of these 21 projects have executed GIAs (which is one of the commercial viability criteria);
- The projects are situated in diverse locations across the grid (7 different counties and 17 unique Points of Interconnection), mitigating the potential for cascading re-studies; and
- Seven of the 21 projects are already partially online as a result of Phasing arrangements or having declared commercial operation for markets for a portion of its capacity.

Due to the limited impact potential, the CAISO does not believe that this concern merits a change to the proposal.

However, the CAISO notes that this topic has not addressed the implications for projects that have already declared COD for some of their capacity. The CAISO clarifies that if a Generating Facility has declared Commercial Operation for one or more Phases, or has declared commercial operation for markets for a portion of its capacity, the portion of capacity in the market will not be converted to Energy-Only status. Rather the project will be converted to PCDS, retaining deliverability for the portion of the project that is already online. Take, for example, a 200 MW FCDS project developed in 4 Phases of 50 MW. If the first 3 Phases are online (150 MW) and the Interconnection Customer requests a COD beyond the 7/10 year threshold for the final Phase of the project, the CAISO will require evidence of commercial viability for the final Phase. If the Interconnection Customer cannot demonstrate commercial viability for the Phase, the CAISO will convert the project to PCDS where 150 MW has TP Deliverability status and 50 MW is Energy-Only.[10] The CAISO, however, does not expect that these provisions will be frequently applied, as most projects that reach COD for any portion of their projects likely will be able to meet the commercial viability criteria. After their conversion to PCDS, generators may continue on to declare Commercial Operation for

[10] See Appendix DD, Section 8.9.5

the remainder of their Generating Facility, or may enter into the next downsizing window to eliminate the undeveloped portion or Phase of their project, in which case the resource may be considered as having FCDS for the downsized project.

Allocating cost responsibility when a Generating Facility is converted to Energy-Only

EDF-RE, PG&E, and LSA requested clarification on the treatment of cost responsibility and reimbursement for Deliverability Network Upgrades. The commenters requested clarification on two general scenarios posed by PG&E where Deliverability Network Upgrades are removed from project responsibility as a result of converting to Energy-Only or are otherwise no longer needed.

The CAISO appreciates stakeholders' concerns, and agrees that the questions are important, but it is essential to note that these are not new questions. Reallocation of costs for upgrades that are still needed (as a result of withdrawal or downsizing) are addressed in the reassessment provisions.[11] If an upgrade is no longer needed, then these upgrades can be removed from all interconnection customers' plans of service if the construction activities have not begun. Converting from FCDS to Energy-Only will be addressed pursuant to the same tariff provisions.

Similarly, a project that fails to meet or maintain commercial viability criteria and is converted to Energy-Only status is the functional equivalent of a project[12] that fails to meet the criteria for retention of TP Deliverability and is converted to Energy-Only Status.[13] The CAISO processes these changes—and changes to the CAISO transmission plan—in the annual reassessment process. The annual reassessment is an element of the GIDAP approved by FERC in 2012.

After review of the issues identified by stakeholders regarding reallocation, the CAISO's assessment is that the risks identified therein are existing risks of developing a Generating Facility, not risks created by the proposal. As discussed in greater detail below, all projects are only ever assigned costs which they actually trigger in their cluster study group, and cluster projects are further protected from extreme costs increases by their maximum cost responsibility.

[11] See Appendix DD, Section 7.4

[12] Projects in the GIDAP are subject to CAISO Tariff Appendix DD, which requires that, once a Generating Facility is allocated TP Deliverability under Section 8.9.1, the Interconnection Customer annually must demonstrate that the Generating Facility meets certain criteria to retain its Deliverability

[13] The Transmission Plan Deliverability Retention and commercial viability policies are so similar that the CAISO has made use of the existing annual Transmission Plan Deliverability affidavit process to capture the annual verification process for commercial viability, and avoid creating additional or new reporting burdens for Interconnection Customers.

LSA 's comments raise specific concerns that "it would be highly inequitable for other projects in the same cluster as a project losing deliverability to pay more for still-needed upgrades, especially if later-queued clusters benefit from cancellation of their upgrades enabled by the deliverability withdrawal." The CAISO disagrees. As an initial matter, Interconnection Customers' that fund upgrades are paid for doing so at the FERC interest rate. Thus, while these customers may have higher upfront cash requirements, they are not ultimately paying more and may even benefit from the rate of return.

Moreover, this is the foundation of the cluster study approach as updated by the GIDAP. One of the reasons that the CAISO implemented a clustered study approach when it reformed the LGIP is the need to evaluate collective impacts to the grid, and to more equitably allocate the financial responsibility for required network upgrades to generators. If a project in a cluster is converted to Energy-Only, and it is determined that the cluster study group still triggers the Deliverability Network Upgrade, than the costs of the Deliverability Network Upgrade are rightly reallocated to the remaining projects in that study group subject to the maximum cost responsibility adopted by the GIDAP.

As described in the technical bulletin, *GIDAP Reassessment Process Reallocation of Cost Shares for Network Upgrades and Posting*[14], the tariff does not restrict the CAISO and/or applicable Participating TO from reallocating the costs of Network Upgrades among customers in a study group, so long as such reallocation does not result in a customer being assigned costs greater than its maximum cost responsibility[15]. This applies to cluster projects with and without executed GIAs. The purpose of this maximum cost responsibility is to ensure that customers have certainty regarding their maximum cost exposure relatively early in the interconnection process. Provided the project declares Commercial Operation, the costs assigned for Network Upgrades are eligible for reimbursement. To the extent that reallocating the costs of a still needed Network Upgrades among customers in a study group up to their maximum cost responsibilities does not account for the entire costs of Network Upgrades, then the excess costs will be assumed by the applicable Participating TO. This assumption of excess costs by the applicable Participating TO is consistent with the risk that the Participating TOs faces under the current tariff due to defining the maximum cost responsibility as the lesser of

[14] http://www.caiso.com/Documents/TechnicalBulletin_GIDAP-ReassessmentProcessReallocation-CostShares-NetworkUpgrades-Posting.pdf

[15] The CAISO's interconnection procedures define a customer's maximum cost responsibility (often referred to as the "cost cap") as the lesser of the costs assigned to that customer in the Phase I and Phase II interconnection studies.

the costs assigned to customers in the Phase I and Phase II interconnection studies.[16] [17] Upon completion of the Network Upgrade, the Participating TOs is eligible to pursue recovery for these costs.

Changes to serial study group projects are not processed as a part of the annual re-assessment process. Instead, for these projects, the CAISO and Participating TO may identify at any time, pre or post GIA execution, the need for a restudy. LSA's comments raise specific concerns that "it would be highly inequitable for Later-queued serial Group projects to bear additional upgrade costs because the project losing deliverability will no longer pay for a still-needed upgrade, especially if a later-queued project or cluster benefits from cancellation of its upgrade enabled by the deliverability withdrawal." The CAISO confirms that withdrawal of a previously queued serial project (complete withdraw or withdraw of the project's Deliverability) may indeed trickle upgrades down to later queued projects, and cause the need for serial projects to be restudied. This is part of the foundation of the serial study process, and this issue is one of the many reasons the CAISO transitioned from the serial study process to a cluster study process.

LSA also notes that because serial projects do not have cost caps, they are "unfairly" vulnerable to changes and extra costs. The CAISO observes that some Interconnection Customers believe that projects studied in the serial process are a more valuable asset than projects studied in a cluster process because serial projects have certain "grandfathered" rights or protections. The CAISO is agnostic to this value assessment. Projects studied in the serial process are certainly queued before the bulk of the projects in the generation interconnection queue, and in some areas that has benefit, but, for the reasons described above, Interconnection Customers for the 27 serial projects that remain in the generator interconnection queue will always have difficulty ascertaining the exact timing and costs for their project, as their cost responsibility can change and is not capped.

It is possible, in both the serial study process and the cluster study process, that as a result of project withdrawal (complete withdraw or withdraw of the project's Deliverability) Interconnection Customers or Participating TOs may have expended money on the engineering, procurement, or construction for Network Upgrades that are determined to be no longer needed. Stakeholders asked for clarification on recovery for

[16] *See California Independent System Operator Corp.*, 124 FERC ¶ 61,292, at P 180 (2008) (finding that the tariff provisions are "reasonable to establish cost certainty and to equitably share cost responsibilities among interconnection customers and the PTOs [Participating TOs] during the interconnection process.").
[17] GIDAP Reassessment Process Reallocation of Cost Shares for Network Upgrades and Posting, http://www.caiso.com/Documents/TechnicalBulletin_GIDAP-ReassessmentProcessReallocation-CostShares-NetworkUpgrades-Posting.pdf

costs spent on Deliverability Network Upgrades that are no longer needed. There are two potential mechanisms for recovery of costs spent on Deliverability Network Upgrades that are no longer needed; (1) for the Participating TO to seek and obtain abandoned plant recovery and (2) under section 11.4.1 of the LGIA, the Interconnection Customer may recover previously unreimbursed costs if conditions discussed in the GIA are met.

- Abandoned plant
  Participating TOs may petition FERC for abandoned plant recovery for up to 100% of prudently-incurred abandoned plant costs.
- Section 11.4.1 of the LGIA
  Alternatively, in the event that upgrades are not currently needed, but are again identified as needed in future clusters, Section 11.4.1 of the pro forma LGIA provides that the Participating TO will be responsible to reimburse the Project if a future Generating Facility utilizes the Network Upgrade. This provision protects projects with executed GIAs from paying for upgrades used by later queued projects. Projects who terminate their LGIAs are also protected by this provision per section 2.6 of the pro forma LGIA, which states that the LGIA shall continue in effect after termination to the extent necessary to provide for final billings and payments and for costs incurred hereunder, including billings and payments pursuant to this LGIA.

PG&E requested that the CAISO work through a few specific scenarios regarding cost recovery. PG&E does not specify, *but the CAISO assumes in all scenarios that both Project A and Project B have executed GIAs and have provided Written Notice to Proceed.*

Scenario 1: Two FCDS projects (Project A and Project B) that are each allocated 50% of the cost of a Deliverability Network Upgrade. After construction of the Deliverability Network Upgrade is commenced Project A is converted to Energy-Only. Following Project A's conversion to Energy-Only, the Deliverability Network Upgrades are deemed no longer needed

The CAISO confirms that Project A is responsible to pay for invoices for any costs the Participating TO has incurred on its behalf as of the date of conversion that are associated with constructing Deliverability Network Upgrades.

- Further, any financial security may be liquidated to reimburse all Participating TO costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer.

For Project B, which is proceeding towards a COD with FCDS and which has maintained its commercial viability criteria, PG&E asks whether the costs incurred for Deliverability Network Upgrades by Project B can be paid by Project A, either directly through a cash payment or through a withholding of financial security. The answer is no, the recovery of such costs is through Section 11.4.1 of the LGIA for the Interconnection Customer and abandoned plant for the Participating TO. Similarly, withdrawing Interconnection Customers are not responsible for paying for costs incurred by the Participating TO on behalf of other Interconnection Customers for upgrades that are no longer needed

Scenario 1B: Would the answers be any different if the Deliverability Network Upgrades were deemed still needed?

Yes, the process and outcomes for still needed Deliverability Network Upgrades is different, but Project A is no longer responsible for costs of such upgrades beyond costs incurred on behalf of Projects A at the time of the conversion to Energy Only.

Project A is responsible to pay for invoices for any costs the Participating TO has incurred on its behalf as of the date of conversion that are associated with constructing Deliverability Network Upgrades.

For project B, which is proceeding towards a COD with FCDS and has maintained its commercial viability criteria, costs for the still needed Deliverability Network Upgrade will be reallocated, as appropriate, through the existing cluster reassessment process or a serial restudy.

Scenario 2: If a FCDS project fully funded a Deliverability Network Upgrade and later converts to Energy-Only, would that project be reimbursed for the Deliverability Network Upgrade?

Yes, if the project achieves COD and the Deliverability Network Upgrade is placed in-service, the project is eligible for reimbursement of those costs.

Scenario 2 B: Would the answer change if the project withdraws after converting to Energy-Only?

Yes when projects who do not achieve COD may ultimately be reimbursed if the upgrade is identified as needed in a future cluster pursuant to Section 11.4.1 of the LGIA.

<u>Participating-TO delays</u>

The CAISO proposes to more clearly define, in the BPM, when a COD extension is due to a Participating TO construction delay versus when a COD extension is an Interconnection

Customer-initiated material modification request subject to the commercial viability criteria. EDF-RE and LSA expressed concern that this clarification will create the circumstances for a Participating TO and Interconnection Customer to disagree about which party was responsible for negotiation delays many years before. To resolve their concern, EDF-RE and LSA both recommend that the CAISO limit the determination to only the immediate need for the COD extension. The CAISO disagrees for two reasons 1) a few very old projects have been in negotiations for numerous years, some as long as five years, that have not yet executed a GIA would be at risk of the commercial viability criteria if the project needed another COD extension and the cause of the delay is unclear; and 2) now is the time for such projects to obtain any needed COD extension exercising the existing tariff provisions before the commercial viability criteria is implemented and execute the GIA.

As a matter of customer service the CAISO will reach out to the projects identified as most likely affected by this clarification, and provide information about the forthcoming changes, and how the new time-in-queue polices may affect their deliverability.

Now is the time for projects to obtain COD extensions and/or execute GIAs beyond the 7/10 year threshold under current tariff provisions. It will take at least several months before this proposal could be approved by FERC. This is ample time for projects potentially affected by this proposal to execute a GIA with an achievable COD. The CAISO currently has procedures for approving COD extensions beyond the 7/10 year threshold. The BPM for Generator Management, Section 6, explains this policy:

> *If the Participating TO fails to submit a modification request to the CAISO when changes are needed to the scope of, or schedule for, planned Network Upgrades or Participating TO's Interconnection Facilities, then an impacted Interconnection Customer may submit a Material Modification Request for such modifications. Upon CAISO verification that the requested modification(s) are solely or primarily due to such scope or schedule changes, the Interconnection Customer will not be charged further for the assessment and the $10,000 deposit will be returned to the Interconnection Customer.*

With respect to future projects and modifications, the clarifications proposed in Topic 3 should prevent the GIA negotiation period from going beyond a certain amount of time, which will also help prevent projects remaining in the queue indefinitely without a GIA.

In addition, the CAISO does not necessarily agree that Participating TOs currently have no tariff obligation to provide notice of delay to projects without GIAs, but the CAISO acknowledges that the obligation is not plainly stated in the tariff. As such, the CAISO proposes to clarify that obligation.

Applying commercial viability only to projects with Deliverability Network Upgrades that could be used by later-queued projects

LSA requested that commercial viability criteria should only apply to projects holding deliverability capacity that can be used by later-queued projects. The CAISO disagrees. The purpose of this proposal is to add features to aid the CAISO in administering the queue so as to encourage the timely development of projects and to eliminate the ability of projects to hold capacity that can be used by other projects. The CAISO notes that other ISOs have successfully petitioned FERC to include much less flexible time-in-queue provisions in their generation interconnection procedures.[18]

Conditional approval for Generating Facilities without regulatory approved PPAs

First Solar requested that the CAISO remove its requirement that a PPA have regulatory approval to satisfy commercial viability criteria. The CAISO disagreed, the CAISO has seen projects with executed PPAs fail to obtain regulatory approval or proceed to Commercial Operation and therefore regulatory approval is consistent with the CAISO's standard for TP Deliverability affidavit scoring.

EDF-RE requested that the CAISO grant "conditional approval to the COD extension on the basis of the executed PPA, with the conditional status removed upon regulatory approval." The CAISO agrees that projects failing to meet commercial viability criteria for failure to have an executed, regulatory approved PPA should have the opportunity to obtain regulatory approval of their PPA before being converted to Energy-Only. To that end, the CAISO added a one-year grace period in the draft final proposal. In the event that the sole reason a Generating Facility does not meet the commercial viability criteria is failure to secure a PPA, the CAISO proposes to wait one year before converting the Generating Facility to Energy-Only. The one-year period will allow ample time for regulatory approval of the PPA. The one-year period will begin the day the customer submits the MMA request for the COD extension. It should be noted that during this grace period, customers will still be responsible for payments toward Network Upgrades as outlined in their GIAs.

Increasing the grace period for projects without a PPA to two years

First Solar requested that the CAISO increase the one year grace period to two years to allow for additional time for a project to secure a PPA. The CAISO declines. At the end

[18] For example, FERC Order Nos. ER12-309-000, ER12-309-001, ER12-309-002 approved changes to Midcontent Independent System Operator's (MISO) Generator Interconnection Process that that neither suspension of obligations under a GIA nor extension of GIA milestones is permissible unless a defined "force majeure" event occurs.

of a one-year grace period to secure a PPA, the Interconnection Customer will have had at least 8 years to secure a PPA. The CAISO also notes that procurement cycles are not strictly "once a year" events, but rather, are authorized on an ongoing basis as needs are identified.

Allowing Generating Facility's failing commercial viability to be evaluated for deliverability with a later cluster study group

In its comments EDF-RE proposed an alternative set of consequences for projects that fail to meet commercial viability criteria. EDF-RE requested that the CAISO provide customers an "Option 2":

> *Option 2: Retain FCDS status, continue to pay Deliverability Network Upgrade costs … lose the deliverability for now, but be re-evaluated for deliverability with the last cluster before its COD, based on the GIDAP criteria in effect at that time. If there is insufficient deliverability to accommodate that cluster in the regular study process, the project would be subject to a reduced deliverability award commensurate with other projects in the study cluster with the same viability scoring.*

The CAISO tariff currently does not allow for a single request to be studied in more than one study process. However, the CAISO appreciates the core of EDF-RE's request here, and believes that the draft final proposal addresses EDF-RE's core concern that projects be allowed an opportunity to attempt to preserve their deliverability.

For projects failing to meet commercial viability criteria for failure to have an executed regulatory approved PPA, the CAISO proposes to wait one year before converting the Generating Facility to Energy-Only. During this year projects maintain their FCDS and continue to pay for their Deliverability Network Upgrades as outlined in their GIAs,[19] and have the opportunity to improve their project standing to meet commercial viability criteria.

Additionally, Energy-Only Interconnection Customers may pursue Deliverability through the Annual Full Capacity Deliverability Option in accordance with Section 9.2 of Appendix DD of the CAISO tariff.[20]

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[19] Projects with an open modification request and projects that elect to move forward under the one-year grace period are subject to the terms and conditions of their executed GIAs. As such, failure to meet the milestones (financial or otherwise), if not cured under the GIA, may result in a breach of the GIA.

[20] In the unlikely circumstance that the one-year grace period is ill-matched to the customer's making a Annual Full Capacity Deliverability Option request during the annual request window in April, provided the Interconnection Customer submits the request in the next open request window, the CAISO will

Clarifications to PPA matching requirement

First Solar requested clarification on how closely PPAs need to match GIAs to demonstrate that the project described in the PPA is the same project described in the GIA. First Solar is chiefly concerned that more than one PPA may be attached to one GIA. The CAISO clarifies it is acceptable and somewhat common for larger GIAs to be divided among more than one PPA. The PPA-to-GIA relationship may be many-to-one. The CAISO's intent is to ensure that Interconnection Customers are neither able to use one PPA to reserve capacity in the queue in excess of that PPA's capacity, nor use one PPA to sustain several projects throughout the queue. For example, a 20 MW PPA used to demonstrate commercial viability for a 20 MW cluster 4 project may not be used for TP Deliverability allocation for a 20 MW cluster 9 project. Or, a 20 MW PPA may not be used to demonstrate commercial viability for a 30 MW project, as such a large discrepancy is certainly more than can be reasonably expected to account for differences in transformer and line losses. At this time, the CAISO expects the PPA(s) provided as evidence of a projects commercial viability to align with the project's GIA with respect to the Point of Interconnection, MW capacity (allowing differences in utility defined project size pre-transformation and line losses), fuel type, technology, and site location.

Clarifications on the CAISO's current COD extension framework

In its comments on the draft final proposal, LSA referenced its prior comments concerning whether the CAISO's application of current time limitations to COD extensions were supported in the tariff. The CAISO believes it addressed LSA's concerns with the current time-in-queue framework on page 21 of the draft final proposal; however, the CAISO notes that it did not identify LSA as having made some of the comments. A more detailed response to both items is captured in the draft final proposal, and a summary is provided below.

1) In LSA's comments on the Revised Straw Proposal, LSA raised the concern that the CAISO's current framework COD extension beyond 7/10 year threshold is "in the [tariff] sections addressing the initial submission of Interconnection Requests (IRs) and concern the content of those submittals." In response, in the draft final proposal, the CAISO accepted, with qualifications, the stakeholder suggestion to restructure the proposed tariff language and, rather than adding language to the

extend the grace period to10 Business Days after the project's receipt of the Annual Full Capacity Deliverability Option results.

existing sections regarding IR submission, create a tariff new section. The new section will specifically address milestone modification and time-in-queue.

2) LSA also asserted that "There is no support in the tariff for applying such [the CAISO's current time-in-queue] limitations to later COD revisions, or for imposing additional requirements for COD extensions beyond those timeframes. Instead, the tariff (and relevant FERC rules) requires imposition of the material modification standard, and nothing more." The CAISO disagrees. The CAISO's current time-in-queue procedures are rooted in its FERC-approved tariff and FERC Order No. 2003. COD extensions beyond the 7/10 limit face MMA analysis and require the CAISO and the Participating TO's consent to go beyond the 7/10 limit. The BPM outlines the CAISO's criteria for consent. LSA's interpretation is overly narrow, and FERC precedent does not support it.

At the conclusion of Topic 2 policy development, the CAISO will conduct a stakeholder process to finalize draft tariff language, and take such language to the FERC for approval. Upon FERC approval, the commercial viability proposal will supersede existing time in the queue policies.

5.2.3 *Changes from the Revised Straw Proposal*

The CAISO proposes the following changes to the revised straw proposal.

1) If a Generating Facility has declared Commercial Operation for one or more Phases, or has declared commercial operation for markets for a portion of its capacity, the CAISO will not convert to Energy-Only the portion of the project that has declared Commercial Operation. Rather, the project will be converted to PCDS.
2) The CAISO proposes that the Participating TO's tariff obligation to provide notice that network upgrade construction timelines have changed be plainly stated in the tariff appendices that govern generator interconnection procedures.

5.2.4 *Revised Proposed Tariff Language*

The CAISO proposes to modify tariff language regarding time-in-queue as follows. The language will be added to Appendix, S, U, Y, and DD in a new section that specifically addresses Time-in-Queue and Milestone Modifications. Final determinations on tariff language for this section will be reviewed through the CAISO's tariff development process. Changes from the revised straw proposal are highlighted in yellow:

New Section in Appendix, S, U, Y, and DD as applicable

Milestone Modification, Time in Queue, and Commercial Viability Criteria

The modified Commercial Operation Date of the new Generating Facility or increase in capacity of the existing Generating Facility shall not exceed [ten/seven] years from the date the Interconnection Request is received by the CAISO, unless the Interconnection Customer demonstrates that the Generating Facility is commercially viable. The CAISO's agreement to an extension of the proposed Commercial Operation Date does not relieve the Interconnection Customer from compliance with the requirements of any of the criteria in [Section 8.9.3] for retention of TP Deliverability.

The CAISO's agreement to an extension of the proposed Commercial Operation Date is predicated on the Generating Facility meeting and maintaining the criteria on which commercial viability is based. Commercial viability shall be defined as:

a. Providing proof of having, at a minimum, applied for the necessary governmental permits or authorizations and that the permitting authority has deemed such documentation "as data adequate" for the authority to initiate its review process;

b. Providing proof of having an executed and regulator-approved power purchase agreement, attesting that the Generating Facilities will be balance-sheet financed, or otherwise receiving a binding commitment of project financing;

c. Demonstrating Site Exclusivity for 100% of the property necessary to construct the facility through the Commercial Operation Date requested in the modification request. A Site Exclusivity Deposit does not satisfy this criterion;

d. Having an executed Generator Interconnection Agreement ("GIA"); and

e. Being in good standing with its GIA such that neither the Participating TO nor the CAISO has provided the Interconnection Customer with a Notice of Breach of the GIA (where the breach has not been cured or the Interconnection Customer has not commenced sufficient curative actions).

If the Interconnection Customer fails to meet the commercial viability criteria but informs the CAISO that it intends to proceed with the modified Commercial Operation Date, the Generating Facility's Deliverability Status will be Energy-Only Deliverability Status.

If a Generating Facility satisfies all the commercial viability criteria except criterion [6.9.2.4(b)], the CAISO will postpone converting the Generating Facility to Energy-Only Deliverability Status for one year from the day the Interconnection Customer submits the modification request or one year after the Interconnection Customer exceeds [ten/seven] years from the date the Interconnection Request is received, whichever occurs later. Interconnection Customers exercising this provision must continue to meet all other commercial viability criteria.

Generating Facilities in cluster 7 and beyond whose Phase II Interconnection Study report requires a timeline beyond the 7-year threshold are exempt from the commercial viability criteria in this section provided that the COD modification is made within six (6) months of the CAISO's publishing the Phase II Interconnection Study report. This exemption is inapplicable to report addendums or revisions required by a request from an Interconnection Customer for any reason

[New subsection:] Alignment with Power Purchase Agreements

An Interconnection Customer with an executed GIA and an executed regulator-approved power purchase agreement may request to automatically extend the GIA Commercial Operation Date to match the beginning of the power purchase agreement Commercial

Operation Date. Such requests are not exempt from the commercial viability criteria provisions in [Section #]. The CAISO will consider the power purchase agreement Commercial Operation Date to be the Commercial Operation Date provided for in the executed power purchase agreement, inclusive of all extensions provided for per the terms of the power purchase agreement. To exercise this provision, the Interconnection Customer must (1) provide a copy of the power purchase agreement and evidence of regulatory approval, and (2) confirm the power purchase agreement's standing and details in the annual TP Deliverability affidavit process.

[New Subsection] Treatment of capacity that has already declared Commercial Operation

If a Generating Facility has declared Commercial Operation for a portion of a Generating Facility, or one or more Phases of a Phased Generating Facility, the CAISO will not convert to Energy-Only the portion of the project that is in-service and operating in the CAISO markets. Instead, the portion of the Generating Facility that has not been developed will be converted to Energy-Only Deliverability Status, resulting in Partial Capacity Deliverability Status for the Generating Facility unless and until the Generating Facility has gone through the downsizing process to reduce its capacity to the amount in in-service and operating in the CAISO markets, in which case the Generating Facility will have Full Capacity Deliverability Status..

[New subsection:] Annual Assessment
The CAISO will perform an annual review of the Generating Facility's commercial viability. If the Interconnection Customer fails to maintain the level of commercial viability on which the Commercial Operation Date approval was based, the Deliverability Status of the Generating Facility corresponding to the Interconnection Request shall convert to Energy-Only Deliverability Status.

5.3 Topic 5 - Stand-Alone Network Upgrades and Self-Build Option

5.3.1 *Overview*

When an Interconnection Customer is assigned one hundred percent of the cost responsibility of a Network Upgrade and no other Interconnection Customer has the Network Upgrade identified as a requirement for its project, the Network Upgrade may qualify as a Stand Alone Network Upgrade ("SANU").

Current policy allows for an Interconnection Customer building SANUs to forgo posting Interconnection Financial Security ("IFS") for the SANU because only the Participating TO is able to draw from IFS postings. The CAISO proposes language intended to clarify the process and outline explicit financial obligations for Interconnection Customers that elect to self-build a SANU.

5.3.2 *Stakeholder Input*

Only four comments were received regarding the draft final proposal. EDF-RE, commenting for the first time, opposes the proposal. LSA opposes the proposal but

would support it in concept without the clarification that there would be no changes to the maximum cost responsibility included in the draft final proposal. PG&E and SCE supported the draft final proposal.

EDF-RE and LSA expressed concerns that the clarification of allowing an Interconnection Customer to build a SANU will have no impact on the Interconnection Customer's maximum cost responsibility could hurt the developer during the annual reassessment process by leaving more "headroom" for the reallocation of other upgrade costs in that process. The CAISO agrees with EDF-RE's and LSA's comment that there is a potential for unintended consequences related to the clarification in the Draft Final proposal. Not reducing the maximum cost responsibility for SANUs could in some cases be seen as an opportunity to increase an Interconnection Customer's cost allocation for a Network Upgrades beyond what is intended in the reassessment cost reallocation process. The CAISO's proposal to correct this is described under "Changes from the Revised Straw Proposal" below.

EDF-RE and LSA also had concerns that an Interconnection Customer would be required to make the initial and second IFS posting for the costs associated with the SANU (i.e., the Interconnection Customer would only be allowed to reduce the amount of the second posting related to the SANU after the GIA is fully executed). This requirement was added to the Revised Straw Proposal based on stakeholder concerns related to project withdrawals. PG&E had commented that when an Interconnection Customer elects to build a SANU and is allowed to reduce its IFS posting, the lower posting amount could be substantially less than the avoided posting amount for the SANU. In this case, if the Interconnection Customer withdraws without ever posting for the SANU, it could be difficult to recover any forfeiture that would be associated with the avoided posting. PG&E recommended that the second financial security posting never be reduced below the first financial security posting amount, thereby removing any potential opportunity for gaming the IFS process. SCE in its comments on the draft final proposal agreed with the requirement to only allow the IFS to reduce the amount of the second posting related to the SANU after the GIA is fully executed. SCE stated that doing so would mitigate situations where an interconnection customer electing to self-build a SANU withdraws and the actual posted IFS is lower than the IFS posting amount related to the SANU. Considering current and past comments, as well as CAISO experience with this issue, the CAISO believes the current proposal strikes the right balance.

5.3.3 *Changes from the Revised Straw Proposal*

The CAISO proposes that the Interconnection Customer's maximum cost responsibility will be reduced by the cost of the SANU and both the original and revised maximum cost responsibility will be documented in the GIA. If at any time the responsibility for

constructing the SANU reverts back to the Participating TO, the Interconnection Customer's maximum cost responsibility will revert back to the original maximum cost responsibility.

5.3.4 *Revised Proposed Tariff Language*

The following is a revised new subsection appended after section 11.3.1.4.3 of Appendix DD. The changes from the previous version are highlighted in yellow:

11.3.1.4.4 Posting Related to Interconnection Customer's Opting to build Stand Alone Network Upgrade(s)

If an Interconnection Customer's Phase-II study report identifies Stand Alone Network Upgrades and the Interconnection Customer desires to self-build the Stand Alone Network Upgrades, the Interconnection Customer must post the Interconnection Financial Security for the Stand Alone Network Upgrades in its second posting. The Interconnection Customer may request to build the Stand Alone Network Upgrades in the Generator interconnection Agreement negotiation process, and if the Participating TO and the CAISO agree, the second posting will be reduced accordingly. The Interconnection Customer will not be allowed to revise its second posting amount until the Generation Interconnection Agreement documents the Stand Alone Network Upgrades and has been fully executed. If the Participating TO and the CAISO agree to allow the Interconnection Customer to build a Stand Alone Network Upgrade in an executed Generator interconnection Agreement the Interconnection Customer's maximum cost responsibility will be reduced by the cost of the Stand Alone Network Upgrade and both the original and revised maximum cost responsibility will be documented in the Generation Interconnection Agreement.

If at any time the responsibility for constructing the Stand Alone Network Upgrade reverts back to the Participating TO, the Interconnection Customer will be required to revise its second Interconnection Financial Security posting back to the second posting amount prior to the execution of the Generator Interconnection Agreement within thirty (30) calendar days of determining that the Participating TO will build the Stand Alone Network Upgrade and the Interconnection Customer's maximum cost responsibility will revert back to the original maximum cost responsibility. Failure to make a timely posting adjustment will result in the withdrawal of the Interconnection Request in accordance with Section 3.8. If an Interconnection Customer has been allowed to reduce it second posting following the execution of its Generator Interconnection Agreement and subsequently withdraws, the amount of the Interconnection Financial Security that is determined to be refundable under Section 11.4.2 will be reduced by the amount of the Interconnection Financial Security posting the Interconnection Customer avoided through the self-build option.

The following are proposed edit for Section 11.4.2.2 (a) of Appendix DD:

a. the Interconnection Financial Security plus (any other provided security plus any separately provided capital) less (all costs and expenses incurred or irrevocably committed to finance Pre-Construction Activities for Network Upgrades on behalf of the Interconnection Customer, and less any posting amount reduction due to Interconnection Customer's election to self-build Stand Alone Network Upgrades.), or…

The following are proposed edits to Article 5.2 of Appendix EE:

5.2 General Conditions Applicable to Option to Build.

If the Interconnection Customer assumes responsibility for the design, procurement, and construction of the Participating TO's Interconnection Facilities and Stand Alone Network Upgrades, or assumes responsibility for any stand-alone task, such as telecommunications, environmental, or real-estate related work,
(1) within six (6) months of the execution of this GIA, or at a later date agreed to by the Parties, the Interconnection Customer shall submit to the CAISO and the Participating TO a milestone schedule for the design, procurement, and construction of the Stand Alone Network Upgrades, or any stand-alone task assumed by the Interconnection Customer. The milestone schedule will be required to support the Interconnection Customer's Commercial Operation Date. The Appendix B Milestones will be amended to include the milestone schedule for the Stand Alone Network Upgrade.

Attachment D – Board of Governors Memorandum

Interconnection Process Enhancements regarding Downsizing and Request for Waiver

California Independent System Operator Corporation

September 30, 2015

Memorandum

To: ISO Board of Governors

From: Keith Casey, Vice President, Market and Infrastructure Development

Date: September 10, 2015

Re: **Decision on interconnection process enhancements**

This memorandum requires Board action.

EXECUTIVE SUMMARY

California's ambitious renewable portfolio standards and environmental goals have resulted in significant development of new generation projects in recent years, especially new renewable solar and wind projects. The majority of project developers request interconnection to facilities under the operational control of the ISO. Over the years, the ISO has made numerous policy and process improvements to how it manages the interconnection study process and queue. These changes, many of which were designed to address specific concerns of renewable energy developers, have resulted in a very effective interconnection process. The ISO is now in a position of continuous improvement where certain refinements and clarifications to the interconnection process are required to manage projects in the current interconnection queue and to provide additional structure and clarification for projects seeking to interconnect in future queue clusters.

The ISO and its stakeholders identified a total of eleven (11) topics for inclusion in the interconnection process enhancements initiative this year. Two topics, "affected systems" and "time-in-queue limitations" are still being finalized in the stakeholder process and are expected to be brought to the Board in November. The other nine (9) topics have reached successful conclusion in the stakeholder process and are being presented here for Board consideration. The majority of these proposed tariff changes are i) clarifications consistent with ISO implementation; ii) changes to streamline processes and be more responsive to project needs; iii) changes to close some identified gaps in the current interconnection process; and iv) changes to reflect management of projects since the Generator Interconnection and Deliverability Allocation Procedures were put in place in 2012. The bulk of these proposed tariff changes are broadly supported by stakeholders. Remaining stakeholder concerns are

discussed later in this memo and summarized in the accompanying stakeholder matrix (Attachment A). The specific nine topics being presented here for Board consideration include the following:

1. Align the timeline for negotiation of generator interconnection agreements with interconnection customer proposed commercial operation date and construction timelines for network upgrades.
2. Provide interconnection customers with greater study cost certainty by modifying interconnection request study deposits to $150,000 for both small and large generators from the current deposit requirement of $50,000 plus $1,000 per megawatt up to $250,000 and adding study deposit requirements of $10,000 for limited operation studies, repowering studies, and modifications requested after the commercial operation date.
3. Mitigate cost-shifting risks to participating transmission owners and interconnection customers by requiring security for self-build stand-alone network upgrades until the generator interconnection agreement is signed.
4. Expand project changes allowed between phase I and phase II studies to include in-service date, trial operation date, commercial operation date, and point of interconnection.
5. Allow the ISO to issue updates to the phase II study results for changes due to interconnection customer or participating transmission owner modification requests.
6. Update generator interconnection agreement insurance requirements and language to be consistent with current insurance industry standards.
7. Clarify the earliest date interconnection financial security postings may be made, when study report revisions associated with errors and omissions may adjust posting dates, how the ability to obtain interconnection financial security refunds associated with failure to secure a power purchase agreement applies to interconnection customers that have attested to balance sheet financing.
8. Clarify that the non-refundable portion of funds from withdrawn interconnection customers during the downsizing process is based on the pre-downsizing capacity of the project.
9. Clarify that projects electing transmission plan deliverability option B can proceed as energy-only deliverability status or withdraw.

Management recommends the following motion:

Moved, that the ISO Board of Governors approves the proposed interconnection process enhancements, as described in the memorandum dated September 10, 2015; and

Moved, that the ISO Board of Governors authorizes Management to make all necessary and appropriate filings with the Federal Energy Regulatory Commission to implement the proposed tariff change.

DISCUSSION AND ANALYSIS

The ISO currently has 273 active projects in the interconnection queue that have not achieved commercial operation. Ninety-nine (99) of these were submitted during the open application window in April of this year. The ISO has been more successful in moving projects to completion or withdrawal over the past several years with the formation of the queue management team. However, the queue continues to grow at a rapid pace given California's aggressive clean energy policies, particularly Governor Brown's 50% renewable energy goal by 2030. Continuous improvement in the form of policy modifications and clarifications to the interconnection process are required in order to maintain the ISO's ability to effectively manage the queue. To that end, Management is seeking Board approval of the following items:

Negotiation timeline: Currently the start of interconnection agreement negotiation is based on interconnection study timelines. The agreement is tendered within 30 days of the final results and intended to be negotiated and executed within 120 days. This timing often conflicts with the interconnection customer's actual need for an effective agreement because they typically have not secured a power purchase agreement or a commitment for financing at the time the interconnection study is completed. Currently the ISO has 38 projects that are in the queue (some since 2007), that have long ago received their study results and have yet to execute their generator interconnection agreement because the negotiations can be extended indefinitely by mutual agreement of the ISO and participating transmission owner, and such agreement cannot be unreasonably withheld. To address the conflict between the current timing of agreement tendering and negotiation versus when the interconnection customer needs an executed agreement for financing and construction of the project, Management proposes to start the negotiation timeline based on the project's in-service date and transmission construction timeline rather than so many days after posting of its final study report.

Management is also proposing to change the impasse clause in the tariff. The current tariff only allows the interconnection customer to declare that negotiations of the interconnection agreement are at an impasse, which then requires the participating transmission owner and ISO to file the agreement unexecuted with the Federal Energy Regulatory Commission. This is problematic because these agreements are three-party agreements among the ISO, participating transmission owner, and the interconnection customer, so the ISO and participating transmission owner also should have the same rights. Management therefore proposes to clarify that any party may declare that negotiations are at an impasse. The ISO and participating transmission owner may declare an impasse only after the 120-day negotiation period, and the interconnection

customer will have three weeks' notice before the participating transmission owner or the ISO files the agreement unexecuted at FERC.

The last clarification proposed for negotiating generator interconnection agreements is that the interconnection customer must keep its project's in-service date and commercial operation date viable. In many cases the interconnection customer remains in the interconnection queue with milestones or a commercial operation date that has already passed or has become infeasible. Management proposes to hold interconnection customers responsible for requesting extensions to their in-service date and commercial operation date, as appropriate, while in the ISO interconnection queue. The ISO will notify the interconnection customer that its project milestone dates are outdated and allow it time to enter the modification assessment process to request new dates. If the interconnection customer does not timely request a modification assessment, then based on existing tariff authority the ISO will notify the interconnection customer that the project will be deemed withdrawn. The proposal includes a thirty day cure period, after which the project will be withdrawn from the queue.

Study Deposits: With the implementation of the cluster study process, and the generator interconnection and deliverability allocation procedures, the current deposit for interconnection requests of $50,000 plus $1,000 per requested megawatt is insufficient to cover the actual interconnection study costs that are charged to interconnection customers at the end of the study process. This is particularly problematic for new developers with small generator projects that need significant guidance from the ISO and the participating transmission owner, resulting in a surprise invoice at the end of the study process because the developer posted a smaller deposit but ended up being charged a larger amount that reflects the actual study and consultation costs incurred for its project. Additionally the current deposit structure does not accurately reflect the current study cost allocation, which assigns costs equally to each project in a cluster. For these studies, size is irrelevant to, regardless of whether they are a small or large generator because the engineering work performed by the ISO and participating transmission owner staff is no different for a small versus a large project. The average study costs of a project for the most recently completed queue cluster was $156,500, with a range of $60,339 to $233,749. The cost difference is not driven by the size of the project, it is driven by the length of time the project is in the study process (e.g. phase I or phase I and phase II) and the interconnection customer support provided by the ISO and participating transmission owner. Therefore, there is no justification for a lower deposit for small projects. Accordingly, the ISO proposes changing interconnection request study deposits to $150,000 for all projects entering the queue. While slightly less than last year's average, the ISO believes this figure is reasonable based on efficiencies gained from the ISO and participating transmission owner's recent experience in cluster studies.

Current tariff provisions require the interconnection customer to pay for study costs based on the actual cost incurred by the ISO and participating transmission owner, including those for limited operation studies, repowering studies, and modifications that

are requested after the commercial operation date has passed. However, the ISO can only invoice interconnection customers after the studies have been completed. To provide consistency with the study deposit requirements for all other study work, the ISO proposes to require a $10,000 study deposit for limited operation studies, repowering studies, and modifications after the commercial operation date.

Self-build stand-alone network upgrades: Self-build stand-alone network upgrades are upgrades that the interconnection customer itself may construct if they are not required for any other project and will not affect ISO operations. The ISO and the participating transmission owner must provide consent to any self-build stand-alone network upgrade. Current policy allows the interconnection customer to forgo posting financial security for self-build upgrades; however, this has proven problematic in two ways. First, interconnection customers often have used this ability to avoid posting financial security for the self-build stand-alone network upgrade, which results in a lower posting and therefore, if the project withdraws there is a lower amount of non-refundable security.

Second, if later queued projects are relying on the self-build stand-alone network upgrade as a critical base case assumption for their interconnection requirements and the interconnection customer that elected to self-build stand-alone network upgrade withdraws, the participating transmission owner must then upfront finance the network upgrade for the subsequent cluster without sufficient forfeited funds.[1] Therefore, the ISO proposes that the interconnection customer be required to post financial security for self-build stand-alone network upgrades until an interconnection agreement is executed. The ISO will incorporate in the interconnection agreement the cost responsibility for both the self-build stand-alone network upgrade and the participating transmission owner's financing the stand-alone network upgrade. This will allow the ISO and participating transmission owner to allocate financial risk and contemplate resolution in the agreement in case this issue should arise. This change creates a more level playing field among interconnection customers that propose to self-build stand-alone network upgrade and other interconnection customers.

Allowable changes between phase I and phase II generator interconnection studies: Currently, interconnection customers can only make limited types of changes between the phase I and the phase II study results without the need to enter into the material modification process. Management proposes to expand the scope of allowable changes to include in-service date, trial operation date, commercial operation date, and point of interconnection. This will allow the information going into the phase II studies to more accurately represent the project that will ultimately be built.

Updates to the phase II study results: The ISO currently does not have explicit authority to issue updates to the phase II study results for changes that are due to

[1] This has been very problematic when the initial project is building its own switchyard to interconnect to the participating transmission owner facilities and a project in a subsequent cluster selects the switchyard as its point of interconnection.

interconnection customer or participating transmission owner modification requests, including project scope changes that happen after the study results have been published. The ISO only has the authority to issue updates for errors or omissions, and for system changes associated with the annual reassessment. This is problematic because changes resulting from an interconnection customer or participating transmission owner request can impact a project's maximum cost responsibility and financial security requirements. Without the ability to issue an update to the final study report, the ISO is not able to capture these cost changes in the agreement. Management therefore proposes to modify the tariff to allow updates to the phase II study results for changes due to interconnection customer or participating transmission owner modification requests.

Generator interconnection agreement insurance: Some of the existing insurance coverage provisions of the large generator interconnection agreement are commercially outdated or no longer available. The ISO proposes to update insurance terms and conditions that reflect current insurance industry standards.

Interconnection Financial Security: A number of changes have been requested by interconnection customers to clarify the security posting process. While the tariff is clear that postings are due no later than a specified number of date after study results are issued, there has been some confusion as to the earliest date that the posting can be made.[2] Management proposes to clarify that the earliest date a financial security posting can be made is upon issuance of the associated study report.

When interconnection studies are found to have errors or omissions, they can affect a project's maximum cost responsibility and financial security requirements or posting dates. There has been some confusion as to whether adjustments to the posting date applies to study report changes that occur after the initial and second postings have been made. Therefore, Management proposes to allow modification to financial security posting dates if errors or omissions are identified prior to the initial or second posting dates. The third (and final) posting occurs when construction of the network upgrades or interconnection facilities is started by the participating transmission owner and consequently the associated posting date cannot be impacted by report revisions.

Further, the amount of non-refundable interconnection financial security upon withdrawal is adjusted if an interconnection customer is unable to obtain a power purchase agreement. In reviewing the transmission plan deliverability process, Management has identified a gap in the tariff that has allowed interconnection customers to obtain higher refund amounts by claiming that they were unable to obtain a power purchase agreement when in fact they had previously attested that they were willing to self-finance the network upgrades and interconnection facilities for their project and proceed without a power purchase agreement. The ISO proposes to close this gap

[2] The first posting is due on or before 90 days after issuance of the final phase I interconnection study report, and the second posting is due on or before 180 days after issuance of the final phase II interconnection study report.

by eliminating the ability of an interconnection customer that has attested to balance sheet financing in the transmission plan deliverability affidavit from obtaining interconnection financial security refunds associated with failure to secure a power purchase agreement.

Forfeiture of funds for withdrawal during the downsizing process: Current tariff language associated with the generator downsizing process has resulted in an unintended loophole regarding the amount of refundable financial security when an interconnection customer withdraws during or after the downsizing process. Consequently, some interconnection customers have used the downsizing process merely as a means to reduce their financial security before they withdraw. Management proposes to modify the tariff language to explicitly state that projects may not withdraw during the downsizing process, and refunds of interconnection financial security if a project withdraws after the downsizing study is completed will be based on the pre-downsized capacity of the project. This tariff change closes an unintended loophole and ensures that all withdrawing customers are treated similarly.

Transmission plan deliverability option B clarification: Before their phase II study, generators must elect to move forward only if they receive deliverability transmission planning deliverability allocation (Option A); or to move forward with the obligation to fund all deliverability upgrades if a transmission plan deliverability allocation is not received (Option B). Option A interconnection customers who do not receive deliverability are able to withdraw, convert to energy only, or park for one year until the next deliverability allocation. Currently, there are limitations on interconnection customers electing Option B that force them to withdraw under certain circumstances. Management proposes to relax some of these limitations and allow Option B interconnection customers also to proceed as energy only.

POSITIONS OF THE PARTIES

The ISO conducted several rounds of stakeholder outreach on these topics consisting of an issue paper/straw proposal, revised straw proposal, and draft final proposal. Stakeholders were able to provide comments at each phase. Attachment A provides the specific dates of the initiative activities along with the final specific comments received from stakeholders and the ISO's response.

The bulk of the proposals that are the subject of this memo received broad stakeholder support. There was initial opposition to the self-build stand-alone network upgrade proposal from EDF Renewable Energy and the Large Scale Solar Association, who indicated that there should be cost cap modifications upon execution of the generator interconnection agreement. The ISO agreed and has provided this clarification in a revised draft final proposal.

Several parties, including S-Power, Large Scale Solar Association, Independent Energy Producers, and NRG Energy oppose the proposal for basing refundable portion of financial security based on pre-downsizing capacity in the event the customer withdraws

from the queue. These parties would prefer that the capacity be based on the post-downsizing capacity in certain situations and that implementation be delayed until after the 2015 annual downsizing process. The intent of the annual downsizing process—as developed in a past stakeholder process—is for projects to use the downsizing process to "right size" their projects and develop them and not merely to reduce the non-refundable portion of financial security prior to withdrawal. However, the tariff did not strictly preclude this practice and some customers used the downsizing process for the purpose of reducing the non-refundable portion of their financial security prior to withdrawal. Management is proposing to close this loophole so that all customers that withdraw will be subject to the same impact regardless of whether they have elected to go through the downsizing process. Accordingly, Management believes that implementation for the 2015 annual downsizing process is appropriate.

CONCLUSION

Management recommends that the Board approve the nine changes proposed in this memorandum. These changes are generally supported by stakeholders and were refined to address many of their comments and concerns throughout the stakeholder process. The proposed modifications will greatly improve the ISO's ability to administer the queue more efficiently as we move closer to meeting California's ambitious renewable energy and environmental goals.

Attachment E – List of Key Dates in Stakeholder Process

Interconnection Process Enhancements regarding Downsizing and Request for Waiver

California Independent System Operator Corporation

September 30, 2015

List of Key Dates in the Stakeholder Process for this Tariff Amendment[1]

Date	Event
March 23, 2015	CAISO publishes Issue Paper and Straw Proposal
March 30, 2015	CAISO hosts stakeholder conference call and web conference on Issue Paper
April 13, 2015	Stakeholders submit written comments to Issue Paper
May 14, 2015	CAISO publishes Revised Straw Proposal
May 18, 2015	CAISO hosts stakeholder conference call and web conference on Revised Straw Proposal
June 2, 2015	Stakeholders submit written comments to Revised Straw Proposal
July 6, 2015	CAISO publishes Draft Final Proposal[2]
July 13, 2015	CAISO hosts stakeholder conference call and web conference on Draft Final Proposal
July 28, 2015	Stakeholders submit written comments to Draft Final Proposal
August 21, 2015	CAISO publishes Draft Tariff Language[3]
September 4, 2015	Stakeholders submit written comments to Draft Tariff Language
September 14, 2015	CAISO hosts stakeholder conference call and web conference on Draft Tariff Language
September 16, 2015	CAISO publishes Revised Draft Tariff Language
September 17, 2015	Public CAISO Board of Governors CAISO Board of Governors meeting at which Board approves interconnection process enhancements

[1] *See* http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements2015.aspx for links to all documents.

[2] The CAISO also published a Revised Draft Final Proposal (for which it received comments and held a conference), but that paper only modified other topics in the Interconnection Process Enhancement Initiative

[3] Draft tariff language had already been included in all previous papers, but the CAISO still conducts a tariff development process after policy is settled.