May 29, 2024

Board of Governors  
California Independent System Operator  
250 Outcropping Way  
Folsom, CA 95630  
Via Email

RE: 2023 Interconnection Process Enhancements (IPE) Track 2 Final Proposal

Dear Board of Governors,

The Clean Energy Buyers Association (CEBA) wishes to provide additional commentary on the Interconnection Process Enhancements (IPE) Track 2 Final Proposal before next week’s Board of Governors meeting. CEBA is concerned that treating interconnection customers differently in the process, based on who the project offtaker is, can slow and adversely impact project development for carbon-free energy the state needs to meet its clean energy and reliability goals.

CEBA is a membership association for energy customers seeking to procure clean energy across the United States. Our membership of over 400 includes commercial, industrial, and institutional buyers of clean energy as well as developers, financial institutions, and service providers. More than 140 CEBA members have operations in California, 24 members have headquarters in the state, and many CEBA members are among the state’s largest energy customers.

Since 2019, CEBA members have collectively executed more than 60 gigawatts (GWs) of clean energy power purchase agreements (PPAs) across the country, including in CAISO territory, to facilitate the development of clean energy. CEBA strongly supports the CAISO’s efforts to reform and improve the generator interconnection process, which has been a key bottleneck in developing new projects across

1 CEBA member company, Amazon Energy, provided written comments on April 17, 2024 and CEBA has a subsequent call with CAISO staff on May 9, 2024.

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independent system operators (ISOs) and regional transmission organizations (RTOs), including the CAISO.

Regarding the IPE Track 2 Final Proposal, CEBA is concerned about the proposed prioritization in the Interconnection Study Process for projects that can demonstrate commercial interest from load serving entities (LSEs) before those that show non-LSE commercial interest. CEBA’s members are committed to developing carbon-free, deliverable capacity in California, and this prioritization in the interconnection process could impede the development of projects that sell their output to non-LSEs.

The proposed LSE prioritization is reminiscent of the CAISO’s 2021 IPE efforts to preferentially allocate Transmission Plan Deliverability (“TPD”) to interconnection customers with LSE offtakers ahead of non-LSE offtakers. Following consideration of comments including those from a CEBA member, the CAISO modified its approach so interconnection customers that contracted with non-LSEs still had the opportunity to obtain an allocation of TPD.

Under the current IPE proposal, the CAISO will base points for commercial readiness on expressions of interest from LSE or non-LSE offtakers, with expressions of commercial interest from LSEs receiving four times as many points as non-LSE interest (100 vs. 25 points).

Under this approach, the CAISO would rank a renewable project that enters into a PPA with a corporate buyer as a lower priority than one that has a mere expression of interest from an LSE. This approach doesn’t recognize important distinctions in commercial readiness.

Corporate PPAs are often executed well in advance of project operational dates and are routinely financed by investors and banks. Expressions of interest from LSEs are not financeable on their own. If the CAISO seeks to advance the study process for projects that are more commercially viable, then projects with non-LSE offtakers should weigh comparably or even ahead of those with lower degrees of actual commercial interest from LSEs.

As highlighted by CEBA member Amazon Energy in comments during the IPE stakeholder processes, if project developers that contract with corporate offtakers are effectively unable to receive the same or higher priority than a project with an LSE expression of interest, the end result could be an inadvertent
reduction in the overall deployment of clean energy resources. This would also reduce the supply of resource adequacy-eligible resources being developed, as non-LSE offtakers might instead contract for energy-only resources. The reduced supply of resource adequacy-eligible resources could lead to potentially higher prices for resource adequacy and therefore higher prices to California consumers, with the additional energy-only resources contributing to additional congestion on the transmission system.

CEBA recognizes that the CAISO is looking for ways to streamline the interconnection study process for Cluster 15. Given Cluster 15’s size, CEBA appreciates and encourages this effort. CEBA also appreciates that LSEs typically do not sign PPAs so far in advance of project commercial operation dates. To that end, CEBA understands enabling LSEs to prioritize a limited number of specific projects that are important to that LSE can serve as a reasonable proxy for actual PPAs, even if such expressions of interest may not be financeable.

However, scoring projects with LSE commercial interest significantly above those with actual PPAs with non-LSEs sends the wrong signal to corporate offtakers and developers and fails to provide a useful metric for commercial viability.

Given California’s ambitious objective to decarbonize the power grid while maintaining system reliability, CEBA urges the CAISO Board of Governors to consider making a narrow change in the IPE proposal so projects with actual PPAs are treated at least on par with those that have expressions of interest from LSEs.

Thank you for your consideration of these comments.

Sincerely,

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