

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE



May 23, 2024

Jan Schori, Chair of the Board of Governors  
California Independent System Operator  
Folsom, CA 95630

To the CAISO Board of Governors:

The California Independent Service Operator (ISO) reform efforts through the Interconnection Process Enhancement (IPE) Initiative Proposal are crucial for advancing GHG reduction, accelerating clean energy projects, enhancing grid reliability, and ensuring significant customer benefits.

I appreciate the time and commitment the ISO has spent on the IPE Initiative Process. I support the efforts of the ISO to implement the 2022 Memorandum of Understanding (MOU) between the ISO, California Public Utilities Commission (CPUC), and California Energy Commission (CEC) to tighten linkages among resource and transmission planning activities, interconnection processes, and resource procurement, as the ISO works with stakeholders and local, state, and federal authorities to accelerate development and deployment of critical resources.

Over the past year, CPUC Staff have actively engaged in the IPE reform process, consistently voicing support for the initiative's goals, and collaborating with the ISO to refine the process to ensure the interconnection process better aligns with the CPUC's planning and procurement efforts as well as the ISO's transmission planning process.

As described further below, I too, am pleased to support the ISO's IPE Initiative Process and specifically highlight support for the following parts of the proposal:

1. Use of the Zonal Approach to align with CPUC Transmission planning efforts for Assessing Transmission Availability for Interconnection Projects
2. Use of Commercial Interest Scoring Criteria and the LSE Allocation Process to promote equal competition and consideration of LSE-owned Projects
3. Use of Scoring Criteria for locationally constrained resources and long lead-time resources that are consistent with the CPUC's Integrated Resource Planning (IRP)
4. Alignment of Energy Only projects that are consistent with the CPUC's IRP

### Zonal Approach

I support the ISO's effort through the IPE to align the interconnection process with the CPUC's IRP, including its interaction with transmission planning through the Zonal Approach. Aligning the interconnection process with IRP busbar mapping is an important step for addressing where long-term transmission is needed in our system. The ISOs' use of the zonal approach and heat map will help

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consolidate information to help inform market participants. This approach is consistent with the strategic direction of the CAISO-CPUC-CEC MOU to strengthen connections between resource and transmission planning, interconnection processes, and resource procurement. The CPUC will provide clear direction to load-serving entities to procure to meet the state's reliability and greenhouse gas-reduction needs, and, to the appropriate extent, the information necessary for them to focus energy procurement in key transmission zones, in alignment with the transmission plan.

### Commercial Interest Load Serving Entity (LSE) Allocation Process

Specifically, I would like to highlight strong support for the following areas of the Commercial Interest Scoring criteria. The commercial interest criteria appears to encourage the engagement of LSE and non-LSE/commercial off-takers to directly indicate interest in projects and demonstrates the ISO's innovative willingness to ensure that IPE reforms are aligned with resource procurement needs, a key part of the MOU. Importantly, the IPE Proposal would allow for both LSE (and non-LSE off-takers) to participate in this process which is vital to ensure appropriate consideration of both the CPUC-driven procurement efforts and those of Local Regulatory Authorities.

Notably, I support the limit on LSEs using the LSE allocation process to prevent preferential scoring of "LSE-owned resources". Although the commercial interest scoring criteria already only accounts for 30% of the proposed scoring criteria weight, the ISO's proposal has taken precaution to prevent preferential treatment of LSE-owned resources. My understanding of the ISO proposal is that LSEs will be able to accurately assign value to LSE-owned resources through the point allocation process, while preventing the undervaluing that might occur if LSE-owned resources were excluded from point allocations altogether. Further, it appears that the ISO's proposed process will include restrictions that prevent unfair advantages while ensuring LSE-owned projects are not unfairly discounted. Additionally, all Investor Owned Utilities (IOU) projects will undergo CPUC review and approval, providing an additional layer of oversight to justify and ensure utility-owned resources are only permitted as needed.

### Scoring Criteria for Long lead-time Resources

Recognizing the challenges of planning, developing, and bringing online both long lead-time resources and locationally constrained resources, I strongly support the prioritizing of these resources through the system need scoring criteria.

In a July 2022 CPUC and CEC joint letter to the CAISO, and in subsequent rulings and decisions that have transmitted portfolios for the CAISO TPP, I have noted the importance of studying and accurately representing the transmission needs of long lead-time resources identified in the resource portfolios. The IPE Initiative Process preserves these existing processes and will work together with them to facilitate online dates for new resources necessary to help meet GHG-reduction goals, reliability needs, resource diversity goals, and a variety of other state goals.

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Energy Only Projects

Additionally, I appreciate and support inclusion of the Reimbursement option pathway for Energy Only projects in the study process. The Reimbursement option is aligned with the CPUC IRP base case portfolio and supports the MOU by creating further alignment between the interconnection study process and the CPUC's IRP process.

Thank you for the ISO's dedication to the IPE Initiative Process and working cooperatively to implement the MOU.

Sincerely,

A handwritten signature in blue ink that reads "Alice Reynolds". The signature is fluid and cursive, with the first name "Alice" and last name "Reynolds" clearly distinguishable.

Alice Reynolds  
President, California Public Utilities Commission

cc:

Severin Borenstein, Vice Chair

Joe Eto, Board Member

Angelina Galiteva, Board Member

Mary Leslie, Board Member

Elliot Mainzer, President and Chief Executive Officer

Leuwam Tesfai, CPUC Deputy Director for Energy and Climate