



Memorandum

To: ISO Board of Governors

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

Date: January 30, 2019

Re: Decision on Interconnection Process Enhancements – Track 4

This memorandum requires Board action.

EXECUTIVE SUMMARY

The interconnection process enhancement (IPE) 2018 is the California Independent System Operator Corporation's current stakeholder initiative in its ongoing commitment to a continuous improvement process of the Generator Interconnection and Deliverability Allocation Procedures (GIDAP). IPE 2018 included a large number of topics, the majority of which were approved by the Board in 2018. Management now seeks Board approval of proposals for the following three remaining 2018 IPE topics:

1. Network upgrade definitions and cost responsibility
2. Minimum acceptance criteria for interconnection requests
3. Validation procedures for interconnection requests

Management recommends the following motion:

Moved, that the ISO Board of Governors approves the proposed interconnection process enhancements, as described in the memorandum dated January 30, 2019; 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 proposal, including any filings that implement the overarching initiative policy but contain discrete revisions to incorporate Commission guidance in any initial ruling on the proposed tariff amendment.

DISCUSSION AND ANALYSIS

There are currently 288 active projects in the interconnection queue that have not achieved commercial operation. To accomplish the interconnection and queue

management processes effectively in a changing environment, the ISO strives to enhance interconnection processes when needed. To that end, Management seeks Board approval of the following enhancements:

1. Network upgrade definitions and cost responsibility

This enhancement seeks to provide tariff definitions to clarify which network upgrades impact interconnection costs and how those costs are established. Currently, an interconnection customer's maximum cost responsibility is established in the ISO interconnection study reports. An interconnection customer's *current* cost responsibility (*i.e.*, not necessarily its maximum) is then used to calculate its required interconnection financial security posting, which can change over time as the result of customers withdrawing from the queue or other factors, and which can be confusing to interconnection customers. The ISO also has observed confusion with some interconnection customers regarding when and how a given transmission upgrade impacts their maximum cost responsibility, current cost responsibility, and interconnection financial security posting requirements.

To address this ambiguity, Management proposes to establish new cost responsibility terms into the tariff and the ISO studies that will clarify the various levels of cost responsibility and potential financing requirements. These terms are intended to increase transparency without disrupting the ISO's current generator interconnection procedures. Specifically, Management proposes to:

- a. establish terms to the tariff that will clearly distinguish between currently assigned network upgrades and conditional network upgrades the interconnection customer could be assigned;
- b. identify those network upgrades needed to interconnect for reliability; and identify those precursor network upgrades financed by others, but which the interconnection customer needs to interconnect; and
- c. establish terms to the tariff clearly distinguishing among an interconnection customer's current cost responsibility, current maximum cost responsibility, and total financial exposure for financing the network upgrades and interconnection facilities it needs to interconnect and to achieve its requested level of service.

By doing so, the ISO, transmission owners, and interconnection customers will have a clear and thorough understanding of each party's financial responsibilities and risks throughout the interconnection process.

Management also proposes to remove the requirement that projects receiving an allocation of transmission plan deliverability must execute a Generation Interconnection Agreement (GIA) to retain the allocation. Currently, any project that receives an allocation of transmission plan deliverability must execute a GIA by December 31 of the year they receive an allocation to retain it. In many cases, this results in the execution of GIAs very

early in a project's life cycle, increasing the likelihood of projects with GIAs withdrawing. Early execution of a GIA also adds financial risks to Participating Transmission Owners (PTOs) because the PTO assumes financial responsibility for the construction of still needed network upgrades when a project with an executed GIA withdraws. Management believes this proposal will better align the execution of GIAs with a project's lifecycle and the point where projects are more likely to move forward with construction, and in turn, reduces the risk of PTOs having to finance network upgrades.

2. Minimum acceptance criteria for Interconnection requests

This enhancement seeks to establish specific requirements for what must be included in an interconnection request application by the close of the application window. The vast majority of interconnection requests are submitted for inclusion in a group study called the annual cluster study process. The annual cluster application window is open from April 1 through 15 of each year. The current minimum requirements for submitting an interconnection request are a study deposit, site exclusivity documentation (or a deposit), and a completed interconnection request application. However, the current tariff does not clearly define what constitutes a complete interconnection request, and therefore the ISO and the PTOs have found it increasingly challenging to timely validate many interconnection requests because of missing or incorrect information. This has resulted in an inordinate amount of time being used to obtain missing or incomplete information during the limited time period the ISO has to validate interconnection requests. During the last two cluster windows the ISO and PTOs have struggled to begin the study process on schedule because not all interconnections requests have been validated on schedule.

To address this problem, Management proposes to clarify and document the minimum requirements for a complete interconnection request application and the associated timelines with verifying that an interconnection application is complete. When the ISO receives an interconnection request, it will perform an initial review to verify completeness. The ISO's completeness review will confirm, for example, that all components of the applications have been submitted. Only once an interconnection request is deemed complete will the ISO and PTO proceed to the technical review for validation.

Management also proposes adding a 5 business day timeline for the ISO to review an interconnection request for completeness and inform the interconnection customer of the results. The ISO will, however, make a good faith effort to complete the review in less than 5 business days from the receipt date of each interconnection request. If the ISO fails to inform the interconnection customer within the 5 business day requirement, and the interconnection customer should have been informed prior to April 15, the ISO will grant a day-for-day extension to the interconnection customer beyond the April 15 window closure. Given this 5 business day review time, interconnection customers that submit applications before April 7¹ and are determined by the ISO to be incomplete will have an opportunity to resubmit their application before the window closes on April 15. Submittals received after

¹ For certain calendar years, April 8 and 9 would be the last date to guarantee having a second opportunity to submit.

these dates are at risk of not having their review completed until after the window closes, which risks having their application found incomplete with no opportunity to correct for missing items and therefore not being able to participate in that year's cluster study process.

This risk should be easy to manage as interconnection customers have months, if not years, to prepare for the April 1 through April 15 annual open window period. Customers wanting an opportunity to cure an incomplete application simply need to submit it prior to April 7. Moreover, the proposed specific list of submittal requirements provides clear expectations for developing a complete interconnection request.

Management believes that clarifying interconnection request requirements will provide more time for the ISO and PTO to review and validate credible interconnection requests and does not disadvantage those interconnection customers that made the appropriate effort to submit a complete interconnection request by April 15. Clearer requirements also will benefit the ISO, PTOs, and interconnection customers by eliminating much of the back-and-forth communication on data and document deficiencies.

3. Validation procedures for interconnection requests

This enhancement seeks to modify the interconnection request validation process by extending the validation period and by providing flexibility in meeting validation timelines. Even with complete interconnection requests, the ISO and the PTOs have been challenged to meet the validation timelines currently established in the tariff. This has been the result of more interconnection requests, increased complexity of the proposed generating facilities, and the complex reliability requirements they must meet. To provide the ISO and PTO sufficient time to work with interconnection customers to ensure that their interconnection requests are valid and ready for the Phase I study process, the ISO proposes to adjust the interconnection request validation timelines. This will be achieved principally by extending the validation deadline by one month, and by allowing some flexibility for extensions to what previously were rigid deadlines. The proposal extends the deadline for deeming an interconnection request valid from May 31 to June 30.

In recent cluster windows, the ISO and interconnection customers have found it beneficial in certain circumstances to hold scoping meetings prior to an application being deemed completely valid. Therefore, this proposal removes the requirement that scoping meetings must be held only after an interconnection request is deemed valid.

The proposal also provides flexibility by easing the current rigid validation timelines and enabling the ISO to give interconnection customers more time if the ISO or PTO misses its expected timelines due to an extremely large volume of interconnection requests or a large number of highly complex interconnection requests. In these cases, the ISO will grant a day-for-day extension to the interconnection customer beyond the June 30 validation deadline for every day the ISO or PTO exceeds their expected response time. Management believes the proposed modifications to the interconnection request validation procedures will

provide increased efficiency and flexibility, benefiting interconnection customers, the ISO, and the PTOs.

POSITIONS OF THE PARTIES

A majority of stakeholders generally support Management's proposal to clarify network upgrade definitions and cost responsibility, though some caveated their support with a request for certain clarifications or by raising a concern with one specific component. PG&E and SCE fully supported topics 2 and 3 and no other stakeholder raised objections to them. A comprehensive summary of all stakeholder comments with Management's response is provided in Attachment A.

CONCLUSION

Management recommends that the Board approve the three proposals in this memorandum. These changes are generally supported by most stakeholders and were refined through a yearlong stakeholder process that addressed the majority of stakeholder comments and concerns. The proposed modifications improve the effectiveness of the interconnection process, improve transparency, and improve the balance of risk between participants in the process. The proposed modifications will continue to improve the ISO's generator interconnection procedures to help California and the West to have robust capacity and meet their public policy goals while protecting ratepayers from undue costs.