

# Memorandum

**To:** ISO Board of Governors  
**From:** Neil Millar, Vice President, Transmission Planning and Infrastructure Development  
**Date:** April 22, 2025  
**Re:** **Decision on interconnection process enhancements 5.0 initiative**

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*This memorandum requires ISO Board of Governors action.*

## EXECUTIVE SUMMARY

Management requests the ISO Board of Governors' approval of changes developed in the fifth iteration of the interconnection process enhancements (IPE 5.0) initiative.

The ISO made significant reforms to the interconnection intake process, deliverability allocations, and queue management in the 2023 IPE initiative. During that initiative, in both track 2 and track 3, the ISO committed to monitoring and potentially revisiting certain policy items based on implementation during queue cluster 15. The IPE 5.0 revised final proposal reflects the lessons learned from previous reforms and responds to stakeholder feedback. The ISO proposes the following:

1. Modifications to the interconnection request intake process:
  - a. Remove the requirement that projects meet a non-load-serving entity's (LSE's) "corporate sustainability" policy to earn commercial interest points in the intake scoring process;
  - b. Adjust the generator size cap on the "full allocation election" in scoring to enable more meaningful participation by LSEs of all sizes;
  - c. Bring distribution system interconnection requests into the same scoring process and limitations as transmission-level projects;
2. A modification to the deliverability allocation process to allow operational energy only projects to seek deliverability.
3. Stronger focus on project readiness by applying clear commercial viability criteria to all projects and capacity in the queue, including energy only projects, when they seek extensions to remain in queue beyond seven years from their request.

4. Efficiency improvements:

- a. Simplify the “ISO as an affected system process”
- b. Modify the commercial readiness deposit due date
- c. Discontinue the pre-application process to reduce delays, and
- d. Allow an alternate individual to serve on the Executive Review Dispute Resolution Committee.

The proposal demonstrates the ISO’s pioneering commitment to aligning resource and transmission planning activities, interconnection processes, and resource procurement, and, in so doing, supports the strategic direction established by the December 2022 Memorandum of Understanding among the ISO, California Public Utilities Commission, and California Energy Commission.<sup>1</sup>

Management recommends the following motion.

***Moved, that the ISO Board of Governors approves the proposed interconnection process enhancements 5.0 initiative, as described in the memorandum dated April 22, 2026; 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

The IPE 5.0 initiative builds on the 2023 IPE effort by updating elements of the interconnection request intake, deliverability allocation, and queue management processes to create efficiencies and adapt to current interconnection dynamics.

### *Modifications to the interconnection request intake process*

- **Remove the requirement that non-LSE affidavits attest to corporate goals on sustainability:** Cluster 15 scoring showed that projects with non-LSE points were competitive. As a result, the only proposed change is to remove the requirement for non-LSEs to attest to a project meeting corporate sustainability goals.
- **Revise the methodology for determining the load-serving entity cap on the “full allocation election” to provide load-serving entities sufficient capacity for a single project of interest.** In the intake process, LSEs can spread their

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<sup>1</sup><https://www.caiso.com/Documents/ISO-CEC-and-CPUC-Memorandum-of-Understanding-Dec-2022.pdf>

points across multiple projects or give a single project their “full allocation.” The full allocation is currently capped at 150% of the LSE’s points, which are based on its available deliverability. The ISO proposes revising this cap to the lesser of 50% of the load-serving entity’s forecast resource adequacy load or 500 megawatts (MW). This proposed cap should be sufficient to allow smaller LSEs the ability to select projects of sufficient size to meet their future needs. The 500 MW criteria ensures that larger LSEs are not able to use their larger load shares to select large projects that could dominate the scoring and ranking process.

- **Include distribution system interconnection projects in the cluster intake scoring process and 150% study limit:** While distribution-level interconnection requests seeking to provide wholesale energy are governed by participating transmission owners’ tariffs, the ISO performs the studies and allocates deliverability to allow such projects to participate in the resource adequacy process in the same manner as transmission-connected projects. Under this proposal, eligible distributed projects seeking to participate in ISO markets with deliverability will be included in the cluster scoring and ranking process, competing with other projects based on the project’s score ranking. This ensures a level playing field for deliverability.

#### *Modification to the deliverability allocation process*

In track 3 of IPE 2023, stakeholders asked the ISO to explore whether operational energy only projects should be allowed to seek (or re-seek) deliverability. In response, the IPE 5.0 proposal creates a new pathway for operational energy only projects to come online and later seek deliverability. Any energy only projects that are in commercial operation, regardless of cluster, can seek deliverability in either the “Power Purchase Agreement (PPA) allocation group” or the “conditional allocation group,” as applicable. The ISO also proposes to remove the existing “commercial operation allocation group” to avoid distinguishing among online and new projects, enabling them to compete for LSE interest and deliverability under the same criteria. Once an energy only project reaches commercial operation, it may seek deliverability in the same deliverability allocation process as queued projects. PPAs with non-LSEs will not be eligible for online energy only projects to receive deliverability. In addition, because energy only projects are not eligible to have a deliverability network upgrade constructed if needed, a project will not receive deliverability if it is behind a deliverability constraint. Doing otherwise would tie up deliverability allocations for years and create significant hurdles for greenfield projects to trigger delivery network upgrades.

#### *Application of commercial viability criteria to all projects and capacity in the queue*

Commercial viability criteria ensure that interconnection projects continue to make progress if they stay in the queue beyond the seven years allowed under the tariff. To remain in queue beyond this time, projects must demonstrate they have a PPA and are progressing toward construction. Currently, these criteria only apply to deliverable projects. If they fail to meet these criteria, they are converted to energy only status. This has led to a growing number of energy-only projects in the ISO queue, without any

obligation to withdraw. The ISO proposes that all projects, energy-only and deliverable, will be subject to the commercial viability criteria, and that failure to meet them will result in withdrawal from queue.

Additionally, the ISO proposes to clarify:

- The interconnection customer's PPA must match the interconnection request in terms of deliverability status, technology, capacity (MW), point of interconnection, voltage level, and transacting legal entity (seller of PPA).
- If an interconnection customer meets all commercial viability criteria except provision of an executed PPA, the ISO will maintain the one-year safe harbor to submit the PPA. During this period, the project's withdrawal will be deferred for one year from the day of the modification request, or until eight years after the original interconnection request, whichever is later. Each project may use this safe harbor provision only once.

The ISO notes that an interconnection customer will not be required to demonstrate commercial viability criteria when a commercial operation date extension is imposed by the participating transmission owner or the ISO. Additionally, in the event that a participating transmission owner or ISO extension is applicable after the project demonstrates commercial viability criteria, the project will be exempt from the next annual commercial viability criteria demonstration following issuance of the extension notice.

#### *Process efficiencies*

- **Streamline the "ISO as an affected system" process:** The ISO is identified as an affected system when a neighboring Balancing Authority Area studies a generation project that might impact the ISO system. In these cases, the potentially affected ISO participating transmission owner studies the project for reliability impacts and identifies any necessary network upgrades. To address affected system challenges in the East, FERC expanded the affected system process in Order No. 2023, and the ISO complied. Recently, the ISO and participating transmission owners have observed minor procedural enhancements to this process, described below:
  1. Require technical data and an initial \$1,500 study deposit from the affected system interconnection customer once they are notified that their project requires an affected system study.
  2. Clarify that the deficiency cure process will repeat until all deficiencies are cured.
  3. The start of the maximum 150 calendar day study timeline will begin once all affected system interconnection customers' requests are deemed complete and valid, the study agreement is executed and the increase to the study deposit as outlined in the study agreement has been made by all parties.

4. Allow the ISO and affected participating transmission owners to study the affected system interconnection customer(s) in coordination with the cluster study process.
5. Clarify that the affected system study will only include those reliability study elements deemed necessary by the ISO and participating transmission owner based on the proposed interconnection.
6. Allow affected system interconnection customers to waive the results meeting.

These minor modifications will improve processes for developers and affected systems while preserving quick turnaround for affected system studies.

- **Modify the commercial readiness due date:** Rather than requiring commercial readiness deposits for every interconnection request, the ISO proposes to require them from projects that have successfully completed the scoring and ranking steps and are proceeding to interconnection request validation.
- **Discontinue the pre-application process:** Currently, developers of projects under 20 MW may request a “pre-application report, which requires the participating transmission owner to compile information well before the actual interconnection request materializes. Much of this data is available in public base cases, but pre-application reports quickly become outdated, and the information can be misleading to interconnection customers. Because the ISO now provides interconnection data prior to the interconnection request application window, the ISO proposes to remove the pre-application report option.
- **Modification to the composition of the Generator Interconnection and Deliverability Allocation Procedures (GIDAP) Executive Dispute Resolution Committee:** Projects withdrawn from the queue have the option to appeal their withdrawal to the “GIDAP Executive Dispute Resolution Committee,” which is currently comprised of the Vice President responsible for administration of interconnection, the Vice President responsible for customer affairs, and an additional Vice President. The Committee has five business days to uphold the withdrawal or restore the interconnection request. The rapid timeline coupled with the strict definition of the committee can be challenging for the ISO to administer when one of the named Vice Presidents is unavailable. Thus, the ISO proposes to enable the named Vice Presidents on the Committee to appoint another ISO Vice President as a Delegate if the named Vice Presidents are unavailable in order to minimize the risk of non-compliance with the five-business day requirement and to ensure swift resolution of any disputes.

#### *Consideration of additional enhancements*

The ISO will continue to monitor the efficiency and efficacy of the reformed interconnection process throughout the cluster 16 cycle and will consider additional changes to the interconnection process in a future stakeholder initiative.

## POSITIONS OF THE PARTIES

The ISO posted a final proposal on December 22, 2025, which received general stakeholder support and some requests for clarification, particularly on the section allowing energy-only projects to seek deliverability and the broadened application of commercial viability criteria. In response to these requests for comments, the ISO posted a revised final proposal on February 25, 2026. The IPE 5.0 revised final proposal also received broad stakeholder support, with some stakeholders asking the ISO to enable additional flexibility in future IPE initiatives.

A vast majority of stakeholders supported the modifications to the interconnection request intake process, recognizing the rationale for these changes. While stakeholders were generally supportive of the modifications to the cap on the full allocation election, two larger load-serving entities expressed concerns that the 500 MW limit to projects may be arbitrary and overly restrictive. The ISO notes that the 500 MW limit is based on the 95th percentile of the interconnection service capacity of all projects shown in the current queue report that have reached commercial operation. Further, this limitation only applies in instances when an LSE wants to dedicate its entire commercial interest allocation to one project. Large LSEs with higher point allocations are otherwise not prevented from allocating commercial interest points to a project larger than 500 MW and can allocate points to multiple projects summing well beyond 500 MW.

Stakeholders were broadly supportive of incorporating distribution-level projects into the interconnection request intake and study process.

All stakeholders supported the ISO's responsiveness and willingness to allow operational energy-only projects to seek deliverability, viewing this modification as an elegant solution and a step in the right direction. However, a few stakeholders asked the ISO to commit to exploring additional enhancements to make more energy only projects fully deliverable by allowing them into the deliverability study process, so they have the option to fund network upgrades. The ISO has discussed these requests with stakeholders and will consider additional opportunities for energy only projects to seek deliverability in future initiatives. Two stakeholders objected to the ISO's proposal to limit transfers of deliverability from one project to an operational energy only project. The ISO has been firm that such limitations on transfers of deliverability are intended to prevent other projects from acquiring deliverability for the purpose of transferring it to projects that otherwise would not have received an allocation, which would deprive ratepayers of the benefit of the transmission capacity.

Stakeholders were generally supportive of the broader application of commercial viability criteria. One stakeholder, however, opposed the one-time limit for the PPA exception, asking that the ISO clarify that it would only apply going forward, i.e., that projects that have exercised this option in the past would be allowed to do so one more time, if they must request a commercial operation date extension again. The ISO notes that a second use of the one-year PPA exception should not be necessary, as projects that meet commercial viability criteria are then subject to demonstration that they have an active PPA on an annual basis. No projects have utilized a second use of the one-

year exception to date. The ISO is expressly clarifying policy that the exception may not be used a second time.

Nearly all stakeholders expressed comfort with or support for the efficiency enhancements to ISO interconnection processes. One stakeholder expressed opposition to the removal of the pre-application process unless the ISO provides additional information on substation access and physical feasibility data. The ISO is continuously considering how to improve data available to stakeholders in advance of the interconnection application window.

A comprehensive summary of stakeholder comments and ISO responses is included in Attachment A.

## **CONCLUSION**

Management recommends approval of the IPE 5.0 reforms. These reforms are designed to clarify and simplify elements of the interconnection request intake process, improve access to deliverability, expand queue management practices, and promote efficiency in the ISO's interconnection processes.