

# Memorandum

**To:** ISO Board of Governors  
**From:** Neil Millar, Vice President of Infrastructure and Operations Planning  
**Date:** June 6, 2024  
**Re:** **Decision on Interconnection Process Enhancements 2023 - Track 2**

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**This memorandum requires ISO Board of Governors action.**

## EXECUTIVE SUMMARY

The recommended changes in the Interconnection Process Enhancements Track 2 final proposal described here seek to better enable rapid deployment of new generation for reliability, affordability, and decarbonization. Through a robust stakeholder process considering the urgent need to bring historic amounts of new capacity online as quickly and as efficiently as possible, the ISO proposes a package of transformational reforms, which are specifically tailored to the particular circumstances within California, that emphasize up-front project readiness and alignment with local and state resource and transmission planning efforts.

This initiative focused on the specific changes necessary for the ISO's cluster study and queue management processes. With the dramatic increase in projects applying for interconnection and moving into the interconnection queue, existing tools to move projects to commercial operation are insufficient. Upon commencement of this track of the initiative in May of 2023, for example, the ISO had 185 gigawatts (GW) in the queue pre-Cluster 15, and interconnection requests totaled 347 GW in Cluster 15 alone. The ISO interconnection queue now contains more than three times the capacity expected to achieve California's 100% clean energy policy objective in 2045. These volumes reflect the level of competition and interest in developing potential sites, but are decoupled from the number of projects that are expected to be needed by the state and likely to secure power purchase agreements and interconnect to the grid. The ISO, participating transmission owners (PTOs), load-serving entities (LSEs), and industry

need a reformed process to advance the most viable projects toward interconnection and commercial operation, and to prevent stagnant projects from hindering the progress of viable projects in the queue. The ISO's intent is to apply these proposed reforms to Cluster 15 to prioritize consideration and study of the most viable interconnection projects that best align with system need, while maintaining open access to the transmission grid.

This policy initiative builds upon the new requirements established in Federal Energy Regulatory Commission ("FERC") Order No. 2023, issued in July of 2023, which sets new standards for interconnection processes around the country. The ISO submitted a compliance filing on May 16, 2024, and intends to layer additional reforms on the FERC requirements.

This final proposal reflects the strategic direction established by a December 2022 Memorandum of Understanding among the ISO, CPUC, and California Energy Commission (CEC) as part of a broader effort to tighten linkages among resource and transmission planning activities, interconnection processes, and resource procurement. Together, the reforms establish a new process for evaluating and advancing interconnection applications that best align with resource planning, transmission availability, and procurement interests of all off-takers. The ISO's goal is to accelerate progress toward execution of interconnection agreements and commercial operation for the most viable and competitive projects, in areas that align with local and state resource plans.

Under the reformed interconnection request intake process, the ISO commits to providing information that helps stakeholders, particularly interconnection customers, identify areas with available transmission capacity. Generation projects seeking to interconnect outside of the priority transmission plan deliverability (TPD) zones may proceed as merchant projects, and will self-fund their associated network upgrades.

With the introduction of new scoring criteria, the reformed process will emphasize project readiness and competition for projects to advance to the study stage. Project scores will be based on indicators related to commercial interest, project viability, and system need. Notably, in evaluating commercial interest, the ISO will incorporate preliminary feedback on specific projects from participating load-serving entities (LSEs). The ISO also provides an opportunity for non-LSE off-takers, such as commercial entities, to express an interest in specific projects, and will award points to projects that can demonstrate such interest from non-LSE off-takers.

Highest ranking projects will advance to the study phase in descending order of project scores until the available and planned transmission capacity for each constraint is filled to 150% of that capacity. Ties will be resolved by calculating and selecting the project with the lowest distribution factor behind the constraint, and if ties still exist, the ISO will conduct a market-clearing sealed-bid auction to advance to the study process. The study process will align with the process required under FERC Order No. 2023.

The ISO also proposes reforms to its current queue management processes, which are designed to drive viable projects toward commercial operations and to prevent stagnant projects from hindering development of other, later-queued projects. The queue management reforms will apply to all customers in the queue.

Since the informational briefing to the Board on May 23, 2024, the ISO has carefully reviewed each of the additional stakeholder comments submitted to the Board and issued a Final Addendum to the Final Proposal on June 5, noting the following modifications and clarifications:

- A new requirement that load-serving entities (LSEs) opt-in to the LSE allocation process and publicly notice selection criteria by a certain date, in order to ensure increased rigor, transparency, and integrity of the process.
- A commitment to monitoring the results of various components of the interconnection request intake process and coordinating with the California Public Utilities Commission (CPUC), local regulatory authorities, and stakeholders to adjust any necessary components for Cluster 16 and future clusters, including:
  - Transparency of LSE allocation process
  - Trends in LSE allocations to LSE-sponsored projects
  - Opportunities to increase coordination with non-LSEs in the scoring process
- Further clarification of the treatment of mixed-fuel resources depending on their deliverability status
- Clarifications to the engineering design plan scoring criterion

These recent developments reflect modifications to the final proposal but do not change the fundamental elements of the proposal. Both the final addendum and final proposal reflect significant ISO and stakeholder engagement, consideration, and problem-solving throughout this initiative.

Management recommends the following motion:

**Moved, that the ISO Board of Governors approves the proposed track 2 interconnection process enhancements, as described in the memorandum dated June 6, 2024; 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**

A central tenet of the ISO's interconnection reform effort is the prioritization of projects that can utilize available transmission capacity. This concept draws from the Memorandum of Understanding with the CPUC and CEC. Under the proposal, the ISO encourages and prioritizes projects that can utilize approved or available transmission capacity, which are located in TPD zones. These zones are the result of state and local regulatory authority resource plans, which then inform the ISO transmission planning process. Generation projects seeking to interconnect outside of the priority TPD zones may proceed as merchant projects, and will self-fund their associated network upgrades.

To effectuate the zonal approach, the ISO will provide information that helps stakeholders identify areas with available transmission capacity prior to each interconnection request application window. The ISO will provide existing information and compile additional information for stakeholders, such as updated queue reports, an interconnection heat map, interconnection area reports from each cluster study, and a review of non-CPUC jurisdictional LSE resource plans.

The ISO will determine whether a zone is a TPD or merchant zone based on the availability of capacity associated with the known constraints within each zone and provide this information to customers prior to each interconnection request window. This method will inform customers of the available interconnection study options based on the zones they are considering for their interconnection request. Upon the close of the interconnection request application window, the ISO engineering team will conduct an initial constraint check to ensure that projects seeking to interconnect in TPD zones are not located behind known constraints where there is no available transmission capability.

To emphasize project readiness and competition for projects to advance to the study stage, the ISO proposes introduction of scoring criteria. Project scores will be based on

indicators related to commercial interest (30%), project viability (35%), and system need (35%).

In evaluating commercial interest, the ISO will incorporate preliminary, non-binding feedback on specific projects from participating load-serving entities (LSEs). Participating LSEs can award capacity—proportionate to that LSE’s load share obligation—to specific projects, which will be translated into “points” for the project, based on the amount of the capacity that is allocated. Projects can receive between zero and 100 points in the LSE allocation process. The ISO proposes limitations on the amount of capacity LSEs can award to their own LSE-sponsored projects to maintain historical ratios of utility-owned generation and independently developed projects in the queue. The ISO also proposes an option for LSEs to elect to allocate 100 points to a particular project even if that project’s capacity exceeds the LSE’s allocation for a given cluster. This is intended to enable LSEs with small load shares to ensure sufficient resource availability in the study process.

In addition, the ISO provides an opportunity for non-LSE off-takers (e.g. commercial entities) to express an interest in specific projects for a total of 25 points, with only one opportunity to apply these points to a project per entity per cycle, regardless of project size. Non-LSE interest will improve the scores of certain projects, increasing the likelihood of those projects advancing to the study process and ultimately competing for transmission plan deliverability (TPD) and off-take agreements.

The highest-ranking projects will advance to the study phase in descending order of project score, until the available and planned transmission capacity for each constraint is filled to 150% of that capacity. The ISO found that 150% of capacity was appropriate because it satisfies near-term and longer-term capacity needs, provides sufficient competition for LSEs to select from, and reduces the number of interconnection requests to an amount the ISO and transmission owners can study without delays. Ties will be resolved by calculating and selecting the lowest distribution factor, which is a commonly used proxy to determine a generator’s impact on transmission constraints, thereby correlating with its costs to relieve the constraint. If ties still exist after the distribution factor tiebreaker, the ISO proposes to conduct a market-clearing sealed-bid auction to advance to the study process.

The merchant option ensures that projects seeking to interconnect in areas/zones with no available deliverability capacity have a path forward to become deliverable by providing the opportunity for such projects to build and fund any required Area Delivery Network Upgrades (ADNUs) as a merchant transmission project. The ISO will not accept merchant option interconnection requests within zones that have available or planned transmission capacity. However, any TPD zone where the available capacity is

less than 50 MW will be studied as a merchant option zone. To prevent gaming, projects will not be allowed to submit an interconnection request as a TPD option project and later switch to the merchant option if they are not selected to be studied through the scoring process. In addition, if a TPD option project is selected and studied, but unable to receive a TPD allocation, it will not be eligible to convert to the merchant option. The ISO proposes a number of changes to the merchant option from the current tariff, to establish a clear pathway for these projects. Merchant projects:

- Will not need to compete for TPD allocations;
- Are eligible for cost recovery of any posted financial security towards the cost of a Local Delivery Network Upgrade (LDNU) in the same manner as Deliverability option projects;
- Are required to pay an additional commercial readiness deposit of \$10,000 per MW (not less than \$500,000 and not to exceed \$5 million) toward the cost of the ADNU with the interconnection request to ensure developer confidence in the project's viability under the merchant option;
- Are required to increase the commercial readiness deposit associated with their merchant ADNU to 50% of cost recovery.

If a future transmission plan determines that an ADNU that a merchant project is funding is needed to support a CPUC portfolio, the ISO provides criteria and a pathway to be released from the merchant project's funding obligation.

The ISO proposes continued alignment with the resource portfolios in its proposed treatment of Energy Only projects by offering two options; the reimbursable option and the non-reimbursable option. Projects that seek to interconnect in zones where the CPUC Integrated Resource Plan base case portfolio and other local regulatory authority resource portfolios identify the need for Energy Only resources will be eligible for reimbursement of the cost of reliability network upgrades (RNUs) funded by the interconnection customer. The ISO proposes to study these projects up to 150% of the Energy Only amount identified by the resource portfolios. All other Energy Only resources seeking to interconnect in zones where the CPUC's Integrated Resource Plan base case portfolio has not identified the need for Energy Only resources or that seek to interconnect in zones that the CPUC has identified the need for Energy Only resources, but opt to be studied and without having to be scored and to interconnect without being eligible for reimbursement of the cost of RNUs funded by the interconnection customer. The ISO does not propose any limitation to the amount of non-reimbursable Energy Only projects studied. The ISO has not received an Energy Only interconnection request in the last several clusters.

The final proposal also includes important reforms to manage the ISO's growing volume of active interconnection requests. In particular, viability criteria for projects in the queue will ensure continued progress toward commercial operation. If projects fail to demonstrate progress, time-in-queue requirements will enable the ISO to withdraw inactive projects. In addition, the ISO will require PTOs to commence network upgrades upon receipt of the first notice to proceed, preventing construction delays that occur today. The proposal also includes elements to streamline the modification process, implement a new interconnection deposit, and require earlier financial security postings for projects with shared network upgrades.

The ISO paused Cluster 15 projects in May of 2023, with the Board of Governor's approval, so that the ISO and stakeholders could establish a new process to manage this volume. Timely re-engagement with Cluster 15 in Q4 of 2024 is essential to maintain progress on interconnection and onboard the resources necessary to meet near-term reliability and longer-term policy needs.

The ISO will initiate track 3 of this initiative this summer, focusing on the TPD allocation process and considering intra-cluster prioritization for Cluster 14 and earlier. The TPD allocation process is important to project developers and is currently linked to procurement activities of the LSEs. It is necessary for the ISO to consider changes to the TPD allocation criteria within the framework of the proposed changes to the interconnection process from track 2 of IPE, as well as the changes required by FERC in Order No. 2023. The ISO intends to bring a track 3 proposal to the board in late 2024.

## **POSITIONS OF THE PARTIES**

The ISO conducted an intensive stakeholder process, beginning with working group discussions to establish principles and problem statements related to interconnection request intake and queue management. Participants proposed concepts and worked with the ISO to explore and refine them throughout the course of the initiative. Many of the concepts in the final proposal were initially developed by stakeholders, however ultimate positions on the final proposal vary.

The ISO understands the unprecedented impact of these reforms and views reduced queue volumes as a necessary outcome of the process. Importantly, the ISO believes that the final proposal will enable the most viable and needed projects to advance through the study process based on a series of meaningful steps and indicators to ensure sufficient resource

availability and diversity in the queue. The proposal reflects the principles developed by the working group participants at the beginning of this initiative.<sup>1</sup>

Below, the ISO summarizes and responds to public comments from the May 23, 2024 informational briefing on the IPE Track 2 final proposal, as well as letters to the ISO Board of Governors for the May 23, 2024 informational briefing and June 12, 2024 decision. The ISO notes that a stakeholder comment matrix is posted with materials for the May 23, 2024 Board of Governors meeting, summarizing stakeholder comments to the final proposal received during the stakeholder initiative.

### **Urgency of interconnection reform**

Several parties noted the importance of moving forward with the proposed interconnection reforms, including the California Public Utilities Commission (CPUC), Center for Energy Efficiency and Renewable Technologies (CEERT), California Community Choice Association (CalCCA), Northern California Power Agency (NCPA), Pacific Gas & Electric (PG&E), American Clean Power-California (ACP-California), Southern California Edison (SCE), the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities), and 174 Power Global.

Other stakeholders, including the Aypa Power, California Wind Energy Association (CalWEA), Terra-Gen, Large-scale Solar Association (LSA), Engie, Intersect, California Energy Storage Alliance (CESA), Clean Energy Buyers Association (CEBA), Clearway, Independent Energy Producers Association (IEPA), Solar Energy Industries Association (SEIA), and QCells, urged either modifications or significant rollbacks to the final proposal before Board approval.

### **Zonal approach and data availability**

While several stakeholders, including the CPUC, supported the zonal approach as a means to implement the Memorandum of Understanding and incorporate resource and transmission planning inputs into the interconnection process, some stakeholders noted concerns around the impact of the zonal approach in reducing queue numbers. Specifically, LSA expressed concerns that in this next cycle, few if any zones will be designated as TPD zones due to the amount of deliverability that has been allocated to Cluster 14. The ISO understands that Cluster 14 TPD allocations are likely to reduce the number of Cluster 15 projects that will proceed under the TPD pathway. The proposal is designed to right-size the

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<sup>1</sup> [2023 Interconnection Process Enhancements Final Proposal](#). P. 13.



number of projects advancing to the study process with the amount of transmission capacity while ensuring sufficient projects in the queue.

LSA expressed concerns that projects in merchant zones will have to proceed under more onerous rules where interconnection customers will not be reimbursed for Area Delivery Network Upgrades. The ISO agrees that the merchant pathway is more expensive. This is a mechanism for prioritizing interconnections in areas with available transmission capacity. Importantly, however, as discussed above, the ISO made several changes to the merchant pathway to ensure that the pathway is still viable for projects that would like to interconnect outside of the priority zones.

Aypa Power suggested that the ISO remove the zonal, scoring, and auction elements from the current proposal and allow the Order No. 2023 reforms to take effect. The ISO does not see this as a feasible option. Order No. 2023 revisions alone are nowhere near sufficient to address the ISO's overheated interconnection queue. Order No. 2023 addresses national issues. The ISO's proposal addresses its own unique challenges.

Terra-Gen noted that projects in TPD zones but behind sub-zonal constraints with insufficient deliverability would not be accepted for study even if they score very high under the scoring rubric and the ADNUs needed to provide deliverability are relatively economic. Terra-Gen asserts that this treatment would be unfair for projects that chose an over-subscribed point of interconnection in TPD allocation zones. The ISO agrees that such projects would not be accepted for study; however, the ISO has been clear about this treatment and has committed to providing information to interconnection customers so they can avoid Points of Interconnection (POI) that have no available transmission capability prior to the Cluster 15 modification window. The ISO can reconsider such circumstances in the next resource planning and transmission planning process.

CalWEA suggested that TPD capacity data will be inaccurate at the time of study commitments. As described in the final proposal, the ISO is committed to providing up-to-date information on the availability of transmission prior to each interconnection window, and anticipates providing a TPD allocation report by mid-June to account for Cluster 14 TPD allocations. Complete, final information to inform Cluster 15 will be posted in August 2024, prior to the proposed Cluster 15 modification window, which opens on October 1, 2024. Projects also are able to withdraw their requests into early 2025 at no or minimal cost.

Aypa Power expressed concerns around the potential elimination of the use of the ISO interconnection queue to drive future resource portfolios from the CPUC. The CPUC participated in the entire IPE initiative and provided a presentation to stakeholders on July

11, 2023 responding to this concern.<sup>2</sup> The interconnection queue is not the only data source used to assess commercial development interest in the CPUC portfolio development process, and the ISO commits to working with the CPUC and local regulatory authorities to continue to tighten these linkages.

The ISO does not recommend any changes to the zonal approach or data availability, but remains committed to providing clear, transparent, and timely data to stakeholders, and monitoring the results of the constraint analysis.

## **Scoring criteria**

### *Load-serving entity allocation process*

Several resource developers and developer trade associations suggested that the scoring criteria—particularly the commercial interest category—is not ready for implementation or should not apply to Cluster 15, citing concerns around a lack of oversight and transparency and an outsized role of LSEs in determining the fate of interconnection projects. The ISO maintains, however, that this is a critical piece of the reformed process. Awarding points for commercial interest will enhance competition earlier in the interconnection process and provide arguably the most useful metric in determining whether a project is ready for study. Without sufficient differentiation of projects based on commercial interest, the ISO would rely on either locational or financial mechanisms to obtain more reasonable queue volumes.

Several LSEs provided support for the scoring criteria and have emphasized the importance of incorporating commercial viability screens early in the process. LSE representatives expressed a commitment to running an open and transparent process, with the oversight of their local regulatory authority, including NCPA, CalCCA, PG&E, SCE, and the Six Cities. CEERT and 174 Power Global both supported the LSE allocation process and expressed confidence in the ability of LSEs to run open and fair processes to select projects prior to the interconnection study process. The CPUC has engaged in and supported the initiative, offering support for the LSE allocation process and expressing a commitment to continued coordination and oversight going forward.

A number of resource developers and trade associations called for increased transparency in the LSE scoring process. The ISO considered stakeholder feedback on this matter and posted a final addendum to the final proposal on June 5, 2024, which proposes that an LSE interested in participating in the LSE allocation process must opt-in to the process by providing notice to the ISO of their intent to participate and contact information for the LSE

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<sup>2</sup> [Presentation – Interconnection Process Enhancements 2023 – Track 2 Working Group – Jul 11, 2023](#)

staff coordinating the LSE allocation process. In addition, the ISO will now require participating LSEs to post selection criteria on a publicly accessible website by a certain date. LSEs that do not opt-in to the allocation process would forego their capacity allocation, which would result in fewer interconnection projects receiving points. The methodology for allocating capacity to each LSE will not change based on LSE participation. The new opt-in requirement and the requirement to post selection criteria will ensure increased transparency and rigor for the LSE allocation process while still respecting jurisdictional authority of the CPUC and local regulatory authorities over procurement.

Some stakeholders suggest that the ISO remove scoring criteria and rely on the zonal constraint analysis and the zonal auctions to study 150% of available transmission capacity. As CalCCA notes, however, by removing the LSE interest scoring criterion, the ISO would sacrifice alignment with resource and transmission planning processes, and “[g]iven that reliability depends critically on having the right mix of resources on the grid, this alignment with planning is important to CAISO’s operations.”<sup>3</sup>

Several resource developers noted concerns that LSEs would be making decisions on projects with minimal data on interconnection costs and timelines. NCPA and other LSEs noted several other factors LSEs can use to assess how a projects will fit with and complement existing portfolios at the time of the interconnection request. The ISO also has addressed this concern directly in the final addendum to the final proposal, noting that LSEs should seek projects that best align with procurement and resource needs, as indicated by integrated resource plans or other relevant planning documents, and emphasizing that it would be premature to expect agreement between LSEs and interconnection customers on contract terms (e.g., contract price, term length, commercial operation date) in the early stages of project development.

The ISO recommends the opt-in requirement for LSE participation in the LSE allocation process, along with a requirement that each participating LSE provide contact information for the person or department coordinating the LSE allocation process and post selection criteria on a publicly accessible website. This approach respects jurisdictional boundaries and bolsters the integrity of the LSE allocation process, which the ISO expects will lead LSEs to make thoughtful and transparent decisions that best align with their individual procurement needs.

### *LSE-sponsored projects*

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<sup>3</sup> California Community Choice Association May 22, 2024 Letter to the Board of Governors Re: Interconnection Process Enhancements. [calcca-public-comment-letter-interconnection-process-enhancements-track-2-proposal-may-22-2024.pdf](https://www.calcca.org/wp-content/uploads/2024/05/calcca-public-comment-letter-interconnection-process-enhancements-track-2-proposal-may-22-2024.pdf) (caiso.com)

Developer trade associations and developers expressed concerns that—despite the limitations on LSE-sponsored projects—the scoring criteria would discriminate against independent power producers and potentially favor LSE-sponsored projects. The CPUC noted support for the proposed treatment of LSE-owned resources, noting that 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. The ISO carefully designed limits on LSE-sponsored projects to maintain healthy levels of competition, consistent with the amount of LSE-owned project interconnection requests in the interconnection queue over the past six clusters. The ISO’s intent is neither to create new incentives for LSE-ownership, nor to disrupt utility ownership.

The ISO does not recommend changes to this proposal. However, as recommended by ACP-California, IEPA, and others, the ISO commits to monitoring and adapting to the results of the LSE allocation process and coordinating with the CPUC, local regulatory authorities, and stakeholders to ensure competition and open access for both Cluster 15 (which will not yield new utility-sponsored interconnection request applications because the ISO is not accepting new applications as part of the Cluster 15 modification window) and Cluster 16, when LSEs will be aware of this new limitation prior to the interconnection request application window.

#### *Non-LSE commercial interest*

The ISO has communicated with non-LSEs, specifically CEBA and Amazon, on the commercial interest criteria. Some stakeholders are concerned about the reduced point value for projects with interest from non-LSE off-takers, compared to the maximum points that can be awarded to projects with LSE support. CEBA expressed concern with the differentiation of points between LSE off-takers and non-LSE off-takers, asking the ISO to change the final proposal to ensure that projects with power purchase agreements (PPAs) with non-LSEs are treated equally to those with expressions of LSE interest. ACP-California asked the ISO to monitor the one-project per cycle limit for non-LSE interest.

The ISO notes that the differentiation in process and point eligibility between LSEs and non-LSEs is intentional; LSEs carry an obligation to provide resource adequacy and therefore the ISO must be sure to study sufficient deliverability in the study process. Non-LSEs are not required to provide resource adequacy, however they are actively procuring resources that seek to utilize the available TPD needed for resource adequacy. In response to CEBA’s specific recommendation to award higher points to projects demonstrating PPAs with non-LSEs, the ISO notes that throughout the initiative, the majority of stakeholders strongly opposed the use of PPAs as a means for

projects to acquire points and advance to the study process. Stakeholders expressed concerns that incentives for PPAs early in the interconnection process would be premature without specific data on project price and commercial online dates, which could undermine procurement processes. Therefore, the ISO does not intend to award points on the basis of a PPA with an LSE or a non-LSE. Certainly, however, having a signed PPA with an interconnection customer would influence an off-taker's willingness to express interest in a project through either commercial interest mechanism.

The ISO commits to continued monitoring of the issue in Cluster 15 and exploring opportunities for increased participation of non-LSEs in Cluster 16 and future interconnection cycles, including:

- Ensuring continued alignment of non-LSE procurement needs and load growth with state and local resource planning.
- Understanding the extent to which non-LSEs currently coordinate with LSEs (e.g. energy service providers) on procurement, and to what extent LSEs are able to allocate capacity to projects that with non-LSE interest as part of the proposed LSE allocation process.
- Considering modifications to the one-project per non-LSE limit and the maximum point values for non-LSE projects.

#### *Additional scoring criteria*

Intersect Power suggested that the ISO reinstate the criteria for major purchases of long lead-time equipment, specifically for projects that prioritize equipment that is manufactured domestically. The ISO considered awarding points for large equipment purchases earlier in the stakeholder initiative and ultimately dropped the proposal from consideration based on significant stakeholder opposition. Stakeholders argued that specific equipment purchases would be premature prior to interconnection request applications, and the ISO did not find any means to easily validate that such purchases would be dedicated to specific interconnection projects.

Similarly, Intersect suggested that the ISO include permitting indicators as part of the scoring process, which the ISO considered in earlier proposals and also withdrew in the revised straw proposal. Many stakeholders opposed the use of permitting milestones as indicators because there is no consistent permitting pathway or set of permitting requirements for all projects, and such milestones are currently more appropriately evaluated later in the project development and interconnection process.

CalWEA expressed concerns around the lack of a definition of "long lead-time resources" and unresolved questions that will be explored in track 3. The ISO has committed to working

with the CPUC and local regulatory authorities to determine eligibility for these resources, and has committed to providing details on eligibility for points in this category prior to the opening of the interconnection application window. Regarding track 3 and the question of whether to reserve capacity for specific resources, the ISO encourages stakeholder comment on that issue as a track 3 matter, however the issue is outside of the scope of the track 2 final proposal.

The ISO does not propose any changes to scoring criteria.

### **150% limitation**

Some developers expressed fundamental disagreement with the concept of the 150% cap based on available transmission capacity, arguing that it undermines open access requirements.

A percentage-based cap is necessary to ensure more reasonable study volumes, which will result in more meaningful and accurate study results. The ISO designed the 150% limitation because use of a percentage ensures scalability with resource portfolios from the CPUC and local regulatory authorities, and can therefore align with system need and procurement in a given cluster, even if the need fluctuates from year to year. In addition, the 150% value ensures sufficient supply of interconnection projects advancing through the study process to be competitively procured. Furthermore, the ISO has developed the merchant option, which will not be subject to the 150% limitation and will enable continued open access to the transmission system.

The ISO does not propose any changes to the 150% limitation.

### **Auction**

Aypa Power notes that the auction process will increase interconnection costs while other stakeholders suggest removing the scoring process and proceeding with the auction. The ISO believes that each element of the proposed interconnection request intake process is critical to ensuring resource diversity, reliability, competition, and meaningful study results. Specifically, the ISO developed the proposed intake process in a manner that would first emphasize alignment with resource and transmission plans and project readiness, only relying on the auction to break ties. This is consistent with stakeholder feedback we heard from the majority of stakeholders throughout the process.

The ISO does not propose any changes to the auction.

### **Treatment of Energy Only resources**

Stakeholders also noted concerns with the Energy Only proposal described above. LSA and Terra-Gen argued that the proposed treatment of Energy Only projects was new in the final proposal and suggest that the proposal will lead to inequities between Energy Only projects depending on the location of the projects.

LSA and Terra-Gen also highlighted a lack of clarity in how of mixed-fuel resources (e.g. hybrid and co-located solar and storage) are scored whether they are Energy Only or seeking deliverability. In response to clear and consistent stakeholder feedback during the May 16<sup>th</sup> stakeholder workshop, the ISO revised the first addendum to clarify that projects will be scored based on their interconnection service capacity. If an interconnection customer seeks any deliverability in any amount, it will need to go through the TPD or merchant option process rather than be treated as an Energy Only resource. This will ensure Energy Only capacity is genuine and not meant to circumvent the screens for deliverable projects. The ISO has included this clarification in the final addendum.

The ISO developed the Energy Only proposal based on stakeholder feedback throughout the initiative and finds it to be an essential component of interconnection reform and an important means to enable continued flexibility for project developers. The CPUC noted that the proposal aligns with the MOU by incentivizing Energy Only resources in areas where the CPUC or local regulatory authorities have indicated a need for such resources.

The PTOs suggested that the ISO should cap the study of non-reimbursable Energy Only projects to ensure more reasonable numbers of projects to study. The ISO notes that it has witnessed zero interest in Energy Only projects in the last five cycles, however future CPUC portfolios do show some Energy Only resources. As such, the ISO believes the risk of too many Energy Only projects is *de minimis*.

The ISO will continue to monitor trends in Energy Only interconnection requests for alignment with resource portfolios, and will address any necessary changes to the treatment of Energy Only projects in future initiatives if necessary.

### **Consideration of additional streamlining proposals**

CalWEA suggests that the ISO revisit proposals from earlier in the initiative that would study a “reasonable fraction” of interconnection capacity in each study zone based on applications to achieve reasonably accurate interconnection cost and timeline estimate. The ISO has been clear throughout the process that this pathway would not address the established principles of the Interconnection Process Enhancements initiative, nor is it consistent with FERC Order No. 2023, which sets clear timelines and requirements for the study process. Implementation of Order No. 2023 is a critical first step toward interconnection reform, but it

will not sufficiently address the ISO's need to reduce study volumes. Further, Order No. 2023 requirements provide no assurance of alignment with state and local resource or transmission plans, a central underpinning of the IPE reform effort.

Aypa Power claims that the ISO dismissed early developer proposals to restructure, streamline, and automate the interconnection study business practices. The ISO is considering tools and processes internally to assist with the interconnection management process; however, this is an internal discussion intended to complement and enable broader reforms. Further, FERC Order No. 2023 established new, prescriptive requirements to streamline the interconnection study process, which rendered some of the initial stakeholder proposals inconsistent with new baseline requirements. When Order No. 2023 was issued, the ISO prioritized compliance with the Order to enable additional transformational reforms to proceed on top of the new foundation laid by FERC.

The ISO has submitted its compliance filing for FERC Order No. 2023 and does not propose to withdraw the IPE reforms described in this memo, as transformational change is critical now.

### **Severability of the interconnection request intake elements**

Several parties suggested that the ISO's eventual tariff filing propose severable treatment for various elements of the interconnection request intake process, specifically the scoring process. The ISO intends to make severable a number of the elements of this final proposal to enable FERC to rule on the various elements of the filing without delaying other impactful reforms.

### **Contract and queue management**

Developers, LSEs, and PTOs were all largely supportive of the proposed contract and queue management provisions; however one stakeholder raised concerns around the proposed interconnection deposit and the commercial viability criteria. Clearway suggested that the new interconnection deposit should not apply to projects with signed Generator Interconnection Agreements (GIAs). The ISO's intent is to collect a deposit from all projects that have not signed a GIA 90 days after the FERC Order implementing the requirement. This will preserve current rights while shifting project-specific costs to the projects and away from the grid management charge assessed to all ISO market participants.

Clearway also noted support for the commercial viability criteria requirements in concept but noted that in instances where a project's commercial online date (COD) is delayed due to the PTO, commercial viability criteria should not apply. The ISO generally agrees that



projects should not be impacted by unilateral delays caused by the PTO, but should instead be allowed a day-for-day delay in any requirements. The final proposal includes a footnote that addresses this concern, noting “If a PTO construction delay changes the COD or construction schedule beyond the limit, commercial viability criteria does not apply. Consistent with today, PTO construction delays are caused unilaterally by the PTO, and do not result from any customer action or election.”<sup>4</sup>

The ISO does not propose changes to these contract and queue provisions but clarifies that the interconnection deposit would not apply to projects that have already signed GIAs and that projects with known, verifiable PTO delays would not be automatically withdrawn from the queue.

### **Stakeholder process**

The ISO greatly appreciates stakeholder engagement and perspectives and understands the magnitude of these changes on clean energy development in California and the west. Notably, most stakeholders expressed appreciation for the ISO’s process, regardless of their position on the final proposal. A few stakeholders noted that the ISO rushed the proposal or issued revised documents in a manner that suggested that the details were incomplete or not fully considered. The ISO team worked very hard to provide clarity to stakeholders in response to concerns, particularly before moving the final proposal to the Board of Governors. The addendum and subsequent revisions to the addendum provide important clarifications for stakeholders as they develop final positions on the proposal and potentially prepare for a new interconnection process. The ISO is grateful that stakeholders have asked detailed questions that led to the clarifications included in the addenda, and views the revised addenda as an opportunity for stakeholders to receive clear responses to questions and concerns.

While positions on the final proposal cover a broad spectrum, the ISO believes it has developed a process that will provide greater transparency, certainty, and competition early in the interconnection request process while aligning with state reliability and policy needs. The ISO commits to continued stakeholder communication and monitoring of Clusters 15 and 16 should the need for additional reform arise.

### **CONCLUSION**

The ISO recommends Board of Governors approval of the Interconnection Process Enhancements Track 2 Final Proposal, with the clarifications provided in the Final

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<sup>4</sup> 2023 Interconnection Process Enhancements Track 2 Final Proposal. P. 89

Addendum to the Final Proposal. If approved by the ISO Board of Governors, the ISO intends to file changes with FERC this summer to facilitate re-engagement with Cluster 15 by October 2024.

This package of reforms is essential for the ISO to adapt to the increased levels of need and competition for new interconnections to the ISO grid, and to ensure the ISO's continued demonstrated ability to interconnect large quantities of new generation to the grid to meet near-term reliability needs and longer-term policy requirements.