

Stakeholder Process: Decision on Generator Project Downsizing

Summary of Submitted Comments

Stakeholders have submitted four rounds of written comments to the ISO on the following dates:

- Round One: Straw Proposal posted May 7, 2012; comments received May 22, 2012
- Round Two: Revised Straw Proposal posted June 8; comments received July 3, 2012
- Round Three: Draft Final Proposal posted July 19, 2012; comments received August 3, 2012
- Round Four: Addendum to Draft Final Proposal posted August 16, 2012

Parties that submitted written comments: 8minutenergy Renewables, AES Solar (AESS), BrightSource Energy, California Public Utilities Commission (CPUC), California Wind Energy Association (CalWEA), Independent Energy Producers (IEP), K Road Power, Large-Scale Solar Association (LSA), Pacific Gas and Electric (PG&E), San Diego Gas and Electric (SDG&E), Sempra US Gas and Power, Silverado Power, Southern California Edison (SCE), Tenaska, Wellhead

Parties that participated in meetings or conference calls but did not submit written comments on Draft Final Proposal: California Department of Water Resources, City of Anaheim, Clean Line Energy, Customized Energy Solutions, EB Energy Law, Federal Energy Regulatory Commission, First Solar, Geysers Power, LS Power, NextEra Energy, NRG, Phoenix Consulting, SAIC, Sempra USGP, Sun Edison, TES Solar, Thompson Coburn, Telegen Power, Transmission Agency of Northern California, Turlock Irrigation District, ZGlobal

Stakeholder comments are posted at:

<http://www.caiso.com/Documents/Generator%20project%20downsizing%20-%20stakeholder%20comments>

Other stakeholder efforts have included:

- One stakeholder meeting: May 14, 2012 to discuss Straw Proposal
- Three stakeholder calls: June 25, 2012 to discuss Revised Straw Proposal; July 27, 2012 to discuss Draft Final Proposal; and August 23, 2012 to discuss Addendum to Draft Final Proposal
- Numerous client services outreach calls

Management Proposal	Participating Transmission Owner	Other Stakeholders	Management Response
1. Overall support for Draft Final Proposal – Stakeholders were asked to <i>select one of the following options to indicate their organization's overall level of support for the Draft Final Proposal: (1) fully support, (2) support with qualification, or (3) oppose.</i>	PG&E, SDG&E and SCE - Support with qualifications.	CalWEA, CPUC, IEP – Fully supports. 8minutenergy, AES Solar, BrightSource, K Road, LSA, Sempra US Gas and Power, Silverado, Tenaska – Support with qualifications. Wellhead – Opposes. Argues that this is retroactive ratemaking that will harm developers that made decisions based on existing tariff.	Overall, stakeholders support both the initiative's objectives and Management's proposal. Stakeholders acknowledge that the proposal offers significant benefits to facilitate development of viable generation projects while contributing to the ISO's queue management efforts. Management believes it has struck an appropriate balance among diverse stakeholder positions. Management has attempted to address issues qualifying this support, as discussed further in the matrix, including making several modifications to the proposal.
2. Interconnection Restudies – Restudies will be done to determine material impact of each downsizing request on later queued projects. The ISO will determine whether the downsizing project's transmission upgrades are still needed either by downsizing project itself or by later queued projects (and, alternatively, whether network upgrades can be downsized to meeting continuing needs or cancelled)	PG&E – No comments. SDG&E – Supports. SCE – Supports proposal goal to reassess both reliability and deliverability requirements as well as interconnection plan of service for later queued generation projects due to downsizing requests.	Sempra US Gas and Power – Supports. 8minutenergy, IEP, KRoad, Silverado – Does not object or oppose. CalWEA – Supports, but dismayed that proposal scope limits project modification requests to size only. CPUC – No comments. Wellhead – Proposal should include provisions that downsizing customers financial security deposit for upgrades should be increased, partial refund of security deposits and customer should be required to accept-- in return for downsizing opportunity-- restrictions on other existing tariff opportunities for project modifications.	Management notes that stakeholders agree with need for restudies to assess impacts of downsizing generators.
3. Eligibility – Downsizing opportunity is open to any active project in good standing in Cluster 4 or earlier that wants to downsize for any reason	SDG&E – Supports. PG&E, SCE – No comments.	8minutenergy, BrightSource, CPUC, CalWEA, IEP, K Road, LSA, Sempra US Gas and Power, Silverado, Tenaska – Supports. Wellhead – Opposes.	Management notes that there is broad support from most stakeholders for this element of the proposal; i.e., allowing a project to downsize for any reason.
4. Number of downsizing requests allowed – Proposal provides a one-time downsize opportunity for generation projects.	PG&E, SCE – No comments.	CPUC, CalWEA, IEP, BrightSource, Sempra US Gas and Power, Wellhead – Supports. AES Solar, LSA, Silverado, 8minutenergy – Does not object. K Road – By limiting requests to one, ISO misses out on meaningful reform.	Management believes that it is best to provide a narrow, one-time opportunity to downsize for projects that are ready to make a downsizing decision and, having made that decision, are viable and ready to meet generator interconnection

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		Wellhead – Questions whether this proposal should provide Cluster 4 projects another downsizing opportunity since they have just recently had an opportunity to downsize following their Phase I study a few months ago.	agreement milestones.
5. Magnitude of project downsizing – No limit on downsizing MW amount. (such as a limitation to some percent of existing MW generating capacity size)	SDG&E – Supports. PG&E, SCE – No comments.	8minutenergy, CPUC, CalWEA, IEP, K Road, LSA, Sempra US Gas and Power, Silverado, Tenaska, Wellhead – Supports.	Based on stakeholder input, Management concluded to not limit the amount of downsizing permitted. This is widely supported by stakeholders.
6. Number of request windows and timing to open the window – Limit downsizing opportunity to one window (that would be open for 30 days). Would occur as soon as practical following receipt of an order from FERC approving the downsizing proposal (planning for request window in December 2012).	SDG&E – Supports downsizing request window concept to align with generation interconnection restudies/studies. However, recommends addition of one more downsizing opportunity. Additional opportunity should be available to project with an executed power purchase agreement awaiting regulatory approval. Recommends interconnection customer be allowed to downsize its project if regulatory approval is not obtained within six months of the initial downsizing window. PG&E, SCE – No comments.	Number of windows CPUC, Sempra US Gas and Power – Supports. CalWEA – Supports subject to better information and coordination among requests. Wellhead – Supports with qualification- there is no reason to delay requirement for projects to make decision. LSA, BrightSource, 8minutenergy- Supports timing. Window should be postponed if the Cluster 3-4 Phase II studies and/or the results meetings are delayed. 8minutenergy Renewables, AES Solar, K Road, LSA – Requests annual ‘true-up’ study under new TPP-GIP framework, re-setting base case for Phase II studies to account for downsizing of Cluster 5 and later projects. 8minutenergy Renewables, AES Solar, BrightSource, K Road, LSA, Silverado, Tenaska – Requests a second downsizing window. CalWEA, Tenaska – Requests additional downsizing opportunities for those willing to mitigate for impacts and leave other generators “no worse off.” Sempra US Gas and Power – ISO should not foreclose option of future downsizing opportunities. Timing Silverado – ISO should not open downsizing request window until at least 30-60 days after the results meetings for Cluster 3-4 Phase II studies. EP, K Road – Does not oppose timing.	Management believes that limiting scope to one downsizing request window will simplify completion of the proposal and its timely filing at FERC, to maximize the likelihood of receiving FERC approval and opening window for downsizing requests before end of 2012. Management notes that over the next year, the ISO will implement new processes for the transmission planning process-generator interconnection procedures integration, resource adequacy for distributed generation, and generator project downsizing initiatives. It would not be prudent to commit now to a second window without first reviewing lessons learned from these three efforts. In 2014, if there is a demand and need for second window, Management will consider a second downsizing request window.
7. Deposit – Require a \$200,000 deposit.	SCE, SDG&E – Supports. PG&E – No comments.	CPUC, LSA, K Road, BrightSource, IEP Sempra US Gas and Power – Supports.	Allowing generator project downsizing beyond that already provided in ISO tariff

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		Silverado, Tenaska – Does not oppose/object. CalWEA – Structure could discourage downsizing. Study deposit should be refunded if requests lead to network upgrade reductions.	triggers new incremental costs that would not otherwise exist. Management's proposal strikes a balance by placing burden for some of these costs on customer that requests downsizing.
8. Cost responsibility – Developers are charged for restudy costs and costs to modify interconnection agreements, but both cost exposures capped.	SCE – Participating transmission owners need to be compensated by downsizing generator for costs to amend impacted generator interconnection agreements. SDG&E – Supports. PG&E – Proposal objectives should reflect that participating transmission owner should not backstop incremental costs or stranded costs resulting from downsizing.	CPUC, IEP, Sempra US Gas and Power, Wellhead – Supports. 8 minutenergy, BrightSource, K Road, LSA – Opposes charging for costs of interconnection agreement modification 8minutenergy, BrightSource, K Road, LSA, K Road, BrightSource, Silverado – Study costs should be capped at higher of the \$200,000 deposit or level indicated by total study costs and number of downsizing requests. CalWEA – Unlimited cost responsibility could discourage requests. 8minutenergy, LSA, BrightSource, K Road – ISO should amend existing interconnection tariff provisions to allow use of forfeited study deposits and financial security to cover costs.	To address stakeholder concerns about uncertainty of restudy costs, Management issued an addendum to the draft final proposal. The addendum capped downsizing generator's share of restudy cost at an amount equal to 150 percent of that generator's share of preliminary estimate of total cost of restudy. This cap on restudy costs will allow interconnection customer to better gauge costs associated with its downsizing request. Modifications to existing rules for use of forfeited funds (study deposit, financial security) are a significant change. Management has identified the matter for consideration in the deferred generator interconnection procedures improvement phase 3 stakeholder initiative.
9. Ability to withdraw a downsizing request – Provide two opportunities to withdraw downsizing request after submittal of such a request to reduce risk to developers.	SDG&E – Supports. PG&E – Does not oppose withdrawal opportunities, provided downsizing request window remains a one-time only opportunity. SCE – ISO will run risk of having to perform multiple iterations of restudies. Opportunity for generator to withdraw its downsizing request should be limited to instances where its network upgrade costs increase by more than 10% of its costs responsibility.	CalWEA, 8minutenergy, K Road, LSA, Tenaska, BrightSource, CPUC, IEP, Sempra US Gas and Power, Silverado – Supports. 8minutenergy, K Road, LSA – Threshold for early withdrawal opportunity should be changed to a dollar and a \$/MW threshold. Tenaska, BrightSource – Criteria for withdrawal of request should include both dollar and percentage thresholds. Silverado – Criteria for the withdrawal opportunity before the study is complete should be revised to be lesser of 5% of network upgrade costs or \$40,000/MW. Wellhead – Opposes. Sees no logic in allowing request to be withdrawn. Withdrawal should only be an option when non-reimbursable cost responsibility increase is more than 10%. 8minutenergy, K Road, LSA, BrightSource, Tenaska – If ISO does not cap study costs, projects withdrawing their requests should still be responsible for their share of study costs, even if	Management modified proposal through addendum to address most of stakeholder concerns. Under the addendum, a downsizing generator will be given five business days to inform the ISO that it either intends to proceed with downsizing or withdraw its downsizing request and receive a full refund of its downsizing request. The addendum also provides that if a downsizing generator's cost responsibility exceeds its cost responsibility by more than five percent or \$5 million, whichever is lower, then the downsizing generator will be provided an opportunity to withdraw its downsizing request and forfeit any unused portion of its \$200,000 downsizing deposit.

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		those costs exceed \$200,000. CalWEA – Provide withdrawal opportunity if request does not lead to any network upgrade size reduction.	
10. Reduced options in return for the new opportunity to downsize – Interconnection customer that has downsized gives up its rights to temporarily suspend work. Interconnection customer's rights to seek an extension of its commercial operation date are not affected under this proposal if the customer exercises the option to downsize.	SDG&E – Supports. SCE – Supports. Suggests financial security and requirement to meet milestones. PG&E – No comments.	Wellhead – Strongly agrees there should be no future ability for a downsized project to voluntarily suspend activities under agreement. Strongly disagrees with proposal on right to change commercial operation date. 8minutenergy, K Road, IEP, LSA, Silverado, CalWEA – Support elimination of commercial operation date extension right restrictions. Sempra US Gas and Power – Opposes reduced optionality. 8minutenergy, LSA, Sempra, Silverado – Oppose removal of suspension rights because suspension rights are not related to downsizing. IEP – Requests reconsideration of suspension rights restrictions. K Road – ISO is discouraging downsizing by requiring customers to sacrifice suspension rights. Silverado – ISO should at least eliminate removal of suspension rights for Cluster 3-4 projects and those with commercial operation dates in 2016 and later. Tenaska – ISO has not justified need to limit a project's suspension rights.	Management believes that it is appropriate for interconnection customers to be asked to accept some reduced options in return for exercising the new downsizing opportunity under this proposal to reduce their project size to maximize their commercial business case. The ISO previously proposed to limit requests for extensions to commercial operation dates and not allow suspension, and now allows commercial operation date extensions but continues to not allow suspension. The downsizing proposal is intended for projects that are ready to go into active development but for need to downsize, and suspension is at odds with that goal. Under proposal developers are required to provide financial security and meet milestones.
11. General guideline of “no worse off” – A downsizing generator's cost responsibilities for upgrades after downsizing should be no greater than the upgrade costs the generator would already be responsible for as outlined in the governing study report or generator interconnection agreement , apart from the potential loss of any participating transmission owner up-front funding. Other parties should also be “no worse off” due to	SDG&E – Supports. PG&E – Supports with caveat that FERC finds it does not run afoul of cost-causation principles. Proposal needs to be strengthened to reflect that participating transmission owner should not backstop incremental costs or stranded costs resulting from downsizing. SCE – All adverse impacts to participating transmission owners should be fully mitigated. Concerned this aspect of proposal might violate FERC's “cost-causation” and result in	CPUC, Sempra US Gas and Power, Silverado, IEP, LSA, 8minutenergy – Support. Tenaska – Does not object. 8minutenergy, LSA, IEP – Criterion should explicitly consider project schedule as well as project costs. BrightSource – Conditionally supports. Proposal should include discussion assuring that non-downsizing generators' progression through queue will not be delayed. The ISO should clarify that original project's obligation to fund should continue as long as later-queued project is a project in good standing in ISO interconnection queue and timing of cost responsibility will not shift unless and until the later-queued project now requiring those	This general guideline has consistently received broad stakeholder support, although some stakeholders sought to expand guideline scope to cover status quo conditions. The basis for this guideline is derived from experience of the ISO and participating transmission owners that in most, if not the vast majority of cases, collective downsizing of a large number of generator projects in a particular electrical area of the grid will tend to result in a general de-scoping of the overall upgrades with a corresponding reduction of cost. Although this may generally be the case, there may be specific instances where this outcome is

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a project's decision to downsize its project.	wholesale shifting of financial responsibility from one party to another, potentially across queue clusters.	upgrades withdraws from the queue. K Road – Opposes. Principle will discourage downsizing. LSA, Silverado, 8minutenergy – Developers that wish to execute their agreements on schedule, subject to later amendment, should be accommodated. Those wanting to await results of downsizing studies should be able to postpone their agreement executions until that time.	not achieved and, in such rare instances, downsizing generator would be required to cover any increased costs. If a downsizing project has responsibility for upgrades needed by a later queued project, downsizing project remains responsible for upgrades as long as later queued project remains in good standing. In such cases, downsizing project must continue to pay for network upgrade(s) per schedule and terms of its Facility Study, Phase II study, or its generator interconnection agreement.
12. Wholesale distribution access tariff projects – Downsizing generators will have to bear cost consequences to mitigate any adverse impacts on projects interconnecting under a participating transmission owner's wholesale distribution access tariff to ensure they are "no worse off." If a downsizing project has impacts on such projects, then the downsizing project must pick up those costs to prevent a project interconnecting under a participating transmission owner's wholesale distribution access tariff from being "worse off."	SDG&E – Supports including wholesale distribution access charge projects in "no worse off" guideline. SCE – Supports proposal that downsizing generators will have to bear costs of effects on wholesale distribution access charge customers. PG&E – No comments.	IEP – Does not oppose. Wellhead – Downsizing projects must take full responsibility to ensure no other projects are financially harmed by their downsizing decision. ISO should take all possible actions to ensure utilities make comparable changes to their wholesale distribution access charge tariff so that within California there is not disparate treatment for projects connecting to the 60/66/69-kV or 115-kV transmission systems. 8minutenergy, LSA – Oppose. Contradicts "no worse off" principle for their projects. Generation projects in ISO queue should not be forced to absorb costs that would otherwise be allocated to wholesale distribution access charge customers. Costs should be allocated to participating transmission owners. Silverado – Opposes. Participating transmission owners should have the choice of making conforming wholesale distribution access charge tariff changes or bearing the costs. CalWEA, LSA – ISO and its participating transmission owners should simultaneously reform their tariff for "identical" downsizing rules. Sempra US Gas and Power – Costs should be recovered from customers.	Because scope of an ISO tariff amendment proposal can only extend to the ISO's interconnection process, downsizing generators will have to bear the cost consequences of effects on wholesale distribution access tariff customers.