



# Memorandum

**To:** ISO Board of Governors

**From:** Neil Millar, Vice President of Infrastructure and Operations Planning

**Date:** May 10, 2023

**Re:** **Decision on interconnection process enhancements 2023 – track 1**

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*This memorandum requires ISO Board of Governors action.*

## EXECUTIVE SUMMARY

The interconnection process enhancement 2023 (IPE) is the California Independent System Operator Corporation's current stakeholder initiative in its ongoing commitment to improve its Generator Interconnection and Deliverability Allocation Procedures (GIDAP) and make process enhancements as resource interconnection needs evolve.

In recent years, given California's ambitious decarbonization goals and the large quantities of new clean resources it will take to meet them, the ISO has been receiving hundreds of interconnection requests a year from potential resource developers, including 541 in the recent Cluster 15 window alone. Many of these requests are located in areas that are not a priority in the state's resource planning. With the ISO's interconnection application queue inundated with requests, current processes need to be re-imagined to ensure resource procurement and queuing are effectively shaped and informed to take advantage of transmission and interconnection capacity that exists or is already planned and under development. Finally, the interconnection and ultimately procurement processes need to align with the transmission plan that identifies upgrades necessary for longer-term resource development.

The 2023 IPE initiative is part of a larger set of foundational framework improvements being coordinated between the California Public Utilities Commission, the California Energy Commission, and the ISO. The overall strategic direction is set forth in a joint Memorandum of Understanding (MOU) signed by the three parties in December 2022 to tighten linkages between power and transmission planning, interconnection queuing and resource procurement so that California is better equipped to meet its reliability needs and clean-energy policy objectives required by Senate Bill 100. The ISO is now taking on additional reforms to the interconnection queuing process that will leverage the improved coordinated planning resulting from the MOU and help further break down barriers to efficient and timely resource development.

The 2023 IPE initiative is utilizing two tracks:

- Track 1 focuses on immediate adjustments to the Cluster 15 study schedule to allow for the completion of the previous Cluster 14 phase II studies and the completion of the Track 2 portion of the IPE.
- Track 2 will focus on targeted modifications to the interconnection process. The ISO expects the Track 2 modifications will be in place when the Cluster 15 studies resume, so that they can be applied to those studies.

Given the volume of Cluster 15 and the historically low withdrawal rate from Cluster 14, Management proposes to effectively pause existing Cluster 15 study processes and deadlines to allow for IPE Track 2 to consider replacement deadlines, and to finish Cluster 14 Phase II interconnection studies. Management also proposes minor extensions to the current Cluster 14 study deadlines to provide the CAISO's Participating Transmission Owners sufficient time to complete the Phase II studies.

Management recommends the following motion:

***Moved, that the ISO Board of Governors approves the proposed track 1 interconnection process enhancements, as described in the memorandum dated May 10, 2023; 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 track 1 enhancements are designed to put the GIDAP tariff changes in place to allow for the delay of Cluster 15, freeing up resources to complete studies of the large number of Cluster 14 projects now in the phase II study process, and to complete the GIDAP reforms being developed through the IPE track 2 process. Management seeks ISO Board of Governors approval of the following process schedule adjustments:

### **Track 1: Adjustments to the processing of Cluster 15 interconnection requests and Cluster 14 study timeline revisions**

The primary focus of track 1 is on the immediate adjustments needed to the schedule for processing and studying Cluster 15 interconnection requests. The Cluster 15 schedule adjustments are needed to allow time for completing the Cluster 14 phase II studies before beginning the heavy workload of the Cluster 15 interconnection request validation, scoping meeting and study processes. This will also provide time for the

track 2 portion of this stakeholder initiative to develop and put in place the longer-term solutions that will be applied to Cluster 15. The ISO considers completing the Cluster 14 phase II studies a high priority because it will provide load-serving entities with a large pool of projects for procurement. The modified cluster study process developed in track 2 will need to be approved by the ISO Board of Governors and the Federal Energy Regulatory Commission, and the implementation procedures in place prior to studying Cluster 15 projects.

### **Summary of track 1 adjustments to the processing of Cluster 15 interconnection requests**

1. Accept Cluster 15 interconnection requests during the normal April 3 – April 17 open window and perform the request completeness review to determine the requests that are accepted. The Cluster 15 window is now closed in accordance with the standard cluster window schedule. A total of 546 interconnection requests were received.
2. Postpone until May 1, 2024, commencement of the validation of Cluster 15 interconnection requests, the project scoping meetings and the cluster study processes.

This effectively means the ISO will postpone commencement of the Cluster 15 interconnection request validation and scoping meetings until the Cluster 14 phase II studies and results meetings have been completed. Both the validation and the scoping meeting processes take significant time and resources of the ISO and Participating Transmission Owners, even for a typical-sized cluster. Once the Cluster 14 phase II studies and results meetings are complete, the Cluster 15 interconnection request validation and scoping meeting processes can begin.

3. Cluster 15 interconnection customers may withdraw interconnection requests any time prior to April 1, 2024, and receive a refund of their study or site exclusivity deposits, including interest earned, minus any costs expended.
4. Interconnection customers may modify their interconnection requests between May 1, 2024, and the September 26, 2024, validation due date. Interconnection customers may not increase the amount of interconnection service capacity they requested.

### **Summary of track 1 revisions to the Cluster 14 study timeline and Independent Study Process**

1. Target January 31, 2024, for publishing the Cluster 14 phase II interconnection study reports.

The current Cluster 14 supercluster scheduled date for publishing the phase II

interconnection studies is November 24, 2023. Out of the initial 373 interconnection request applications initially received in Cluster 14, which due to its size drove the need to conduct phase I interconnection studies over a two-year period, there are 205 projects being studied in the Cluster 14 phase II study process. In discussions with Participating Transmission Owners, the ISO determined that additional time is needed to complete the phase II studies and for the ISO to publish the study reports. The proposed revised due date for publishing the phase II interconnection studies is therefore January 31, 2024, for all Participating Transmission Owners.

2. The due date for interconnection customers to post their required second interconnection financial security has been postponed an equal number of days as that of the study report delay.

This allows interconnection customers the same length of time as the current tariff allows to make their financial postings.

3. The next transmission plan deliverability allocation cycle has been postponed to allow Cluster 14 to participate.

This allows Cluster 14 projects to participate in the upcoming transmission plan deliverability allocation process, which can advance their ability to compete for a power purchase agreement.

4. The ISO will not accept Independent Study Process (ISP) interconnection requests until Cluster 15 has received its phase I study results.

Because the ISO tariff and GIDAP Business Practice Manual requires any new ISP projects to wait for the Cluster 15 study results to perform the electrical independence tests, this is a minor clarification. However, reaffirming that the ISO will not accept new independent study requests prevents a separate independent study “queue” from forming while the ISO studies Cluster 15, and prevents the ISO from holding unused study deposits for excessive periods.

## **POSITIONS OF THE PARTIES**

The ISO initiated the IPE 2023 initiative with an issue paper and straw proposal on March 6, 2023. Through stakeholder input the topics addressed in track 1 were reduced to those discussed above. The track 1 final proposal was published on April 13, 2023, with stakeholder comments due April 24, 2023, followed by a stakeholder meeting on May 1, 2023.

The vast majority of stakeholders support this proposal. Most stated that while the delay to Cluster 15 is not ideal, adjusting the schedule to Cluster 15 in order to prioritize Cluster 14 Phase II studies is appropriate given the record number of requests moving

from phase I to phase II studies.

Some commenters were concerned with the ISO not accepting new independent study requests until after the Cluster 15 interconnection customers receive their phase I study results. However, the tariff already requires that those requests would have to wait until the completion of the Cluster 15 phase 1 studies to proceed. Furthermore, it is possible that the independent study process could be significantly changed in the track 2 discussions.

## **CONCLUSION**

Management recommends that the ISO Board of Governors approve the modifications proposed in this memorandum. Overall, the modifications have received broad support, and Management believes the modifications are appropriate for addressing the issues presented in this memorandum. The proposed modifications ensure that the track 2 stakeholder process can proceed in developing the changes needed to the processing and study of interconnection requests and allow for the timely completion of the Cluster 14 phase II studies. Giving priority to Cluster 14 will advance 205 projects towards meeting the large amount of new generation mandated to meet clean energy goals and ensure the future reliability of the system. Finally, the proposed modifications will facilitate the ISO's initiative to improve the generator interconnection procedures' ability to manage large numbers of projects coming into the queue and help California and the West obtain the robust capacity levels needed to meet their public policy goals.