

Stakeholder Comments

Subject: 2017 Policy Initiatives Roadmap

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First Solar appreciates the opportunity to comment on the 2017 Policy Initiatives Roadmap. In the first round of comments on the Stakeholder Initiative Catalog, First Solar identified the need for an initiative to address the misalignment between the deliverability allocation rules and the procurement process. First Solar's comments are aimed at valuing the initiative correctly for its benefits to grid reliability and market efficiency, as well as its minimal implementation impact. Additionally, First Solar urges the ISO to score the initiative in the Desired by Stakeholders category at a 10.

The current generator interconnection rules that designate deliverability status to generation projects do not provide sufficient time for the projects to compete in procurement cycles before depriving them of deliverability, which strips the projects of their commercial viability under current procurement frameworks. The system needs to be designed with a realistic appreciation for the timelines required to bring a project to the point that it can compete, and a realistic opportunity to compete in successive solicitations for a reasonable period of time.

The transmission deliverability timelines should be aligned with the time-in-queue limitations, which require a showing of commercial viability to remain in the interconnection queue beyond seven years. Doing so will provide benefits to grid reliability, improve market efficiency, and will require minimal effort.

Grid Reliability

We urge the ISO to score the initiative with a 7 in this category. First Solar believes that the GIDAP initiative would enhance grid reliability in ways not reflected in the score it received. First, full capacity projects pay for network upgrades and are desired by load serving entities to meet reliability requirements. LSEs benefit from robust competition for deliverable supply from diverse locations because locational needs vary from year to year as new reliability issues are identified through the ISO's transmission planning process.

Additionally, the California ISO has not yet determined how energy-only projects will fit into the plan for reliable delivery of renewable energy projects. It is premature to push all projects that have not yet been short-listed after 3-4 years in the queue to energy-only status without understanding the implications for reliable deliverability of green energy. CPUC and California ISO rules for studying and accounting for energy-only projects are still under development. A project without deliverability cannot ensure that its capacity is available in the locations and time periods needed to serve load, meet appropriate reserve requirements, and support reliable operation of the ISO controlled grid.

Improving Market Efficiency

We urge the ISO to score the initiative with 10 points in this category. Aligning the deliverability allocation rules with the procurement process is more efficient than the current process. Under the current rules, viable, cost-effective projects are removed from competition when they lose the opportunity to compete for deliverability on an equal footing with other post-Phase II studied projects. When projects are not forced to convert to energy-only, more projects will qualify to compete in solicitations. Load serving entities will have more choice, and the more robust competition will serve to keep procurement costs down.

Adjusting the deliverability allocation rules will also result in more accurate data collection, allowing LSEs to make more informed decisions. Currently, generators are expected to answer questions in their TP Deliverability Affidavit that are reliant on Phase II Study results, creating problems with accurate data.

Deposit forfeitures were not designed originally to kick in if a project had to leave the queue because it couldn't compete with an energy-only designation. Punitive forfeitures are not just and reasonable. They add to the ultimate cost to ratepayers and disrupt the efficiency of the interconnection process. In addition, ratepayer investment in policy-driven transmission projects could be undermined if deliverability is restricted for renewable generation projects.

TP deliverability reform would not prolong the existence of "zombie projects" in the interconnection queue. The ISO introduced new commercial viability criteria to strengthen its time-in-queue limitations just this year. Additionally, this initiative would not prohibit the state from moving to more energy-only projects as part of the procurement design; it just allows for more competition. However, an added adverse result going forward may be that generators would not select the option for deliverability initially due to the punitive deposit forfeiture rules, further reducing the pool of deliverable supply for LSEs.

Implementation Impact

We urge the ISO to score the initiative with 10 points in the Market Participant Implementation category. Alignment primarily requires a minor tariff change and thus the initiative will have minimal impact to all parties. Now that one cycle of the new deliverability allocation process has been completed, it has become clear that moving projects into energy-only status as the only alternative to withdrawing from the queue, forfeiting deposits and having to re-enter a later queue, prematurely curtails that project's ability to compete in procurement processes, causing additional burdens on generators. With only one cycle of the

new deliverability allocation process completed, it is the appropriate time to address this issue now, as the process has not yet become entrenched and problems are now becoming apparent. Once the processes are aligned it will be easier for generators to participate in the interconnection process, resulting in a decrease in expenditure later.

Conclusion

First Solar urges the ISO to address this urgent issue in the upcoming policy initiative year, as the solution is straightforward and a fix will have significant benefits to both the grid and the market.