



August 10, 2012

Submitted by email to the CAISO at dkirrene@caiso.com

RE: LSA comments on CAISO Intention to Release Transmission Lines and Associated Facilities from Operational Control

The Large-scale Solar Association (LSA) appreciates the opportunity to comment on the CAISO's June 27th Market Notice entitled "CAISO Intention to Release Transmission Lines and Associated Facilities from Operational Control" (Notice). LSA fully supports the CAISO's stakeholder process for this proposed change; this process is consistent with Transmission Control Agreement (TCA) Section 4.7.2. LSA further recommends that the CAISO convene a broader stakeholder discussion concerning how potential facility reclassifications arising from network topology changes that occur after a developer has applied for interconnection—and perhaps well into the interconnection process—should be treated on a grid-wide basis.

The Notice contains the CAISO's proposal to relinquish operational control over certain Southern California Edison (SCE) 115 kV transmission lines and related facilities. This change would convert such facilities from "transmission" to "distribution," and upgrades needed to those facilities to facilitate generation interconnections from "Network Upgrades" to "Distribution Upgrades" under the CAISO Tariff.

However, the Notice provides little information about the impacts to generation projects interconnecting to these facilities. While LSA has no opinion at this time on the appropriateness of reclassifying the subject facilities (and upgrades to them) from transmission to distribution, LSA has significant concerns about the potential impacts of such conversions, on generation projects in operation or under development and on transmission-cost refunds associated with those projects. To the extent that the process for this change sets policy that could impact future reclassifications, LSA reserves the right to provide additional comments going forward.

Generally, LSA has three procedural concerns with the proposed reclassification. These concerns are listed below and described in the remainder of this document.

- **Additional explanation:** The CAISO and/or SCE should provide additional explanation of: (1) how the proposed conversion complies with the applicable TCA provisions and Federal Energy Regulatory Commission (FERC) rulings; and (2) whether it will impact the Resource Adequacy (RA) requirements and status of the planned and operating generation in the area.
- **Transition time:** There must be sufficient transition time to accommodate any necessary changes to CAISO and other bilateral contractual arrangements, CAISO system modeling, and any other affected procedures.
- **Transmission-cost reimbursement:** Participating Transmission Owner (PTO) refunds for Network Upgrade (NU) costs should still be provided (under the pre-conversion rules

or as a one-time mitigation payment) to generation projects that are already operating or in the later stages of the interconnection process.

Additional explanation

The SCE information provided with the Notice states that the subject facilities are to be reclassified “due to the Devers and Mirage 115 separation and will no longer be operated in parallel with the Integrated Network.” This is a somewhat different criterion than that contained in TCA Section 4.7.1, which states that the CAISO must determine that:

- It “no longer requires to exercise Operational Control over them in order to meet its Control Area responsibilities;” and
- “They constitute...lines and associated facilities classified as “local distribution” facilities **in accordance with FERC’s applicable technical and functional test**, or should otherwise be excluded from the facilities subject to ISO Operational Control **consistent with FERC established criteria.**” (emphasis added)

As noted above, LSA has no opinion about the reclassification of these facilities as distribution or the resulting termination of CAISO operational control over them at this time. However, as a purely procedural matter, LSA requests that the CAISO and/or SCE explain the basis for the reclassification with respect to the specific applicable FERC test and criteria, for this conversion and for any proposed in the future.

The CAISO should also clarify the potential impact of the conversion on the RA requirements and status of the planned and existing generation in the area. For example, any potential impacts on generator Net Qualifying Capacity (NQC), the upgrades needed for Full Capacity Deliverability Status (FCDS), or the ability of that generation to meet Local Capacity Reliability (LCR) RA requirements should be explained.

Transition time

The conversion to distribution status of facilities to which generators are or will be connected will necessarily require revisions to other critical agreements and processes. Conforming changes will likely be needed to generator Points of Interconnection (POI), Points of Delivery (PODs), and any related provisions in existing Power Purchase Agreements (PPAs), Generator Interconnection Agreements (GIAs), other contracts, and CAISO system modeling.

These changes will take time and may not be simple; for example, POI or POD changes:

- Could impact pricing or other key contract elements; and
- Will increase risk to sellers, because PPAs typically require give sellers curtailment risk before the CAISO grid POD, and conversions will likely move those PODs downstream.

Thus, in order to avoid commercial or operational problems that could otherwise result, the CAISO should: (1) identify the agreements and processes likely to be impacted by the changes, and the time likely to be required for each; and (2) ensure that enough time is allowed for the conversion to facilitate those changes.

Transmission-cost reimbursement

This issue is LSA's most serious concern about this and other future proposed conversions. Reclassification of transmission facilities to distribution status should not impair the ability of generation projects that are already operating, or in the later stages of the interconnection process, to receive the refunds for transmission costs that they are otherwise entitled to under the rules in effect when they submitted their Interconnection Requests (IRs).

While Distribution Upgrade costs are usually not refundable, there are significant equity and precedential arguments in favor of providing reimbursement to generators for the cost of the reclassified Network Upgrade facilities despite the proposed new status of those facilities as Distribution. Maintaining the current refund policy for operating projects or those advanced in the interconnection process is fully warranted as a transitional policy.

Certainly, once a project executes a GIA and then achieves Commercial Operation – i.e., once it has fully satisfied its obligations in those areas under the GIA –the PTO should have the obligation to reimburse the project for the cost of facilities that were classified as Network Upgrades when the GIA was executed. PTO ability to spread reimbursement over five years should not be used to deprive developers of operating projects of their reimbursement rights, or impair those rights by prematurely terminating those payments.

Similarly, generation projects that have executed GIAs but are not yet operational, and other projects in late stages of development, will have made significant financial and other commitments based on the rules when their IRs were submitted, i.e., assuming refunds for such costs. Such significant changes to those rules late in the interconnection process would be extremely disruptive to their development and could impair their financial viability.

Aside from these equity issues, the concept of preserving existing rules for generation projects that are advanced in the interconnection process is well-established in both FERC and CAISO policy. The CAISO Generation Interconnection Queue contains numerous different “Study Processes” under which IRs are being processed: Pre-Amendment 39, Amendment 39, Serial LGIP, Transition Cluster, SGIP, SGIP-Transition Cluster, and Clusters 1-4. Each study process has its own unique features. Whenever significant changes were made, projects far along in the then-existing procedures are/were allowed to complete their interconnections under those rules when rules for later-queued projects were changed.

The CAISO has made numerous filings (which FERC has approved) that supported continuation of existing interconnection rules for late-stage generation projects. In recent interconnection-reform filings, the CAISO established milestone-based criteria for classifying generation projects as late- vs. early-stage projects, e.g., distinguishing between LGIP and (later) SGIP Serial Group and Transition Cluster projects, and for differentiating those projects from those submitting IRs after the changes.

Even more recently, the CAISO steadfastly maintained, throughout the stakeholder process and later FERC filing in the Transmission Planning Process-Generator Interconnection Process (TPP-GIP) integration initiative, that new rules should only apply to projects not yet in the interconnection queue, even though several stakeholders urged the CAISO to apply them to Cluster 3 and 4 projects also. Those projects are much further along in the process now, and if

continuation under existing rules was appropriate then, it should be even more so now; that argument is even stronger for earlier-queued projects.

With respect to this and other future conversion processes, LSA recommends that the CAISO apply criteria below to determine which projects should be classified as late-stage projects and entitled to continue under the currently applicable rules for transmission-cost reimbursement:

- **Generation projects that are already operating;** and
- **Generation projects that have posted Interconnection Financial Security (IFS).** The CAISO used a System Impact Study (SIS) milestone for the earlier LGIP and SGIP “Serial Group” classifications to denote a project’s right to continue under then-current rules. Receipt of a Phase I Study and posting of IFS (which is partly or completely forfeitable upon any subsequent withdrawal) should be considered to be at least the equivalent of the simple earlier commitment to an SIS. Typically, developers with projects at this stage of development would have spent considerable additional funds on other project-development activities, like land or land-rights acquisition, environmental and other permitting processes, and perhaps, and perhaps PPA execution (including additional security postings for those agreements) and financing commitments to lenders and/or investors.