

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Interconnection Process Enhancements Scoping Proposal posted on April 8 and supplemented by the presentation discussed during the April 22 stakeholder web conference.

Submit comments to GIP@caiso.com

Comments are due April 30, 2013 by 5:00pm

The Scoping Proposal posted on April 8 may be found at:

<http://www.caiso.com/Documents/ScopingProposal-InterconnectionProcessEnhancements.pdf>

The presentation discussed during the April 22 stakeholder web conference may be found at:

http://www.caiso.com/Documents/Agenda-Presentation-ScopingProposal-InterconnectionProcessEnhancementsApr22_2013.pdf

Part 1

Please provide your feedback on the 12 topics initially proposed to be in scope in the April 8th Scoping Proposal by responding to the following:

1. If you believe that one or more of these 12 topics should not be in scope, identify those and provide a detailed explanation of why

- **#11 – LGIA negotiations timeline:** The CAISO has proposed to convert the current 120-day negotiations deadline into a “target” date. While the CAISO’s data show that most GIAs take longer than 120 days from issuance of the draft to execution, LSA does not believe that this issue, as currently defined, should be included in the IPE scope for the following reasons:
 - The CAISO’s data cover the time from issuance of the draft to execution, while the 120 days in the tariff covers only the negotiations timing. In LSA’s experience, the PTOs and CAISO together take several weeks to process GIAs once the parties have agreed to all the provisions.
 - The fact that extensions beyond 120 days are common is an indication that the parties are generally reasonable about granting extensions, so there is no problem here that needs fixing.
 - The presence of the 120-day target acts as an incentive to the parties to move the process forward to the extent that they can, and thus it serves a purpose even if it is not always binding.

As discussed further below, LSA believes that this issue could be retained, with a revised scope to address some of the timing issues raised by PG&E on the stakeholder conference call, but only if additional requirements (and potential charges) would apply **equally** to PTOs and the CAISO.

- **Issue #12 – Consistency of suspension definition between serial and cluster:** The CAISO has proposed to make revise suspension provisions for Serial Group projects to make suspension:

- Be limited to “3 years from when the IR was received”
- Apply only to “PTO upgrades” that do not impact other projects
- Not provide “a day-for-day delay of project”
- Not apply to SGIsAs.

LSA does not believe that this issue should be included in the IPE scope, because this change:

- **Would apply to only a limited number of agreements.** The CAISO clarified that already-executed GIAs would not be affected by any change.
- **Could be counter-productive.** As LSA noted on the stakeholder conference call, proposing to apply this significant change to suspension rights for projects already in GIA negotiations or far along in the process would:
 - Be controversial and contrary to past CAISO precedent (and thus likely to raise the suggested “Low” effort-level estimate); and
 - Probably impede, not encourage, conclusion and execution of those agreements.

Moreover, LSA notes that the first proposed revision – limiting suspension rights to three years from IR submittal – would effectively remove suspension rights entirely from any Serial Group project that has not already executed a GIA, because they have all been in the queue for more than that time.

2. If you believe that the description of a topic (i.e., one of the 12) is not accurate, provide your preferred description of the topic

- **Issue #3 – Clarify tariff and GIS provisions related to dividing up GIAs into multiple phases or generating projects:** LSA believes that there are several issues regarding phased projects that still require clarification that should be included in the scope of this item.

For example, non-phased projects are eligible to begin receiving transmission refunds when they reach COD and the project is completed. Phased projects wishing to receive refunds for each phase can begin doing so when a phase reached COD and is completed, and the upgrades are complete. However, phased projects that are completed (all phases) should be treated the same as completed non-phased projects, i.e., be eligible to begin receiving transmission-cost refunds.

It would also be helpful to clarify in the tariff that a developer can phase a generation project at any time. The project interconnection studies even for projects that are phased in the Interconnection Request assume that COD for all phases is at the same time, so later phasing of a non-phased project should not impact the study results.

- **#11 – LGIA negotiations timeline:** As noted above, LSA would favor retention of this item if the scope were revised to consider ways to expedite the GIA negotiation process and make it more efficient, with requirements (and potential penalties) for all parties involved, not just developers. LSA takes note of PG&E’s proposed addition (on the stakeholder conference call) to the scope of this item – charges to developers for negotiation extensions. However, contrary to PG&E’s contention on the stakeholder conference call, in LSA’s experience, PTOs are often responsible for delays in reaching agreement on GIAs, e.g., by:

- **Producing unreasonable studies** – e.g., the recent Fresno/Kern Cluster 3-4 Phase II Study – with unreasonable findings like 12-year construction timeframes that the study itself admits are unlikely to occur. Such study results have required developers to seek additional qualifying language in their GIAs in order to mitigate the damage to their prospects of acquiring a PPA and/or financing their projects of such unreasonable study findings.

- **Taking unreasonable negotiation positions that impede agreement**, like the recent DTT classification for a particular PTO. The PTO itself was responsible for this problem by changing its Phase I (and prior) position in the Phase II Study, and then the CAISO took an additional month (which delayed all affected GIA negotiations by that amount) just to confirm the previous PTO/CAISO position.
- **Failing to address issues raised in Results Meetings in a timely fashion afterwards**. It is difficult to proceed with negotiating a GIA when there are still significant outstanding issues that are fundamental to the agreement.
- **Failing to turn around GIA drafts in a reasonable time**, perhaps because of workload issues. LSA members have experienced numerous situations where PTOs have taken a month or more to return draft mark-ups.

Instead of adopting PG&E's suggestion verbatim – which LSA believes has the potential to degrade into a finger-pointing exercise – LSA prefers to work with the CAISO and PTOs to develop productive recommendations about how the process can be shortened and made more efficient.

For example, some developers are highly motivated to conclude GIAs and proceed with construction, e.g., because of PPA deadlines. Perhaps the CAISO and PTOs could allow such developers to self-identify and then to direct CAISO/PTO efforts to concluding those agreements quickly; this would give other developers who do not have such urgent timelines additional time to address issues that might otherwise impair their ability to conclude and execute their GIAs.

Similarly, it may be more efficient to separate out difficult issues common to multiple projects and focus attention on resolving those issues quickly while resolving remaining issues in individual negotiations. This would probably be more efficient than trying to address those difficult issues in numerous separate negotiations that hold up conclusion of all those agreements.

Finally, LSA would like to discuss how to shorten the several-week PTO/CAISO processing time for completed agreements.

• **Issue #6 – Provide for ability to charge customer for processing a Material Modification Assessment (MMA) request:** This issue should also include:

- **Transparency about study charges generally.** LSA has long maintained that transparency should be increased for CAISO/PTO interconnection study costs. With the exception of the Generator Project Downsizing Study (where developers pushed strongly for cost estimates), the CAISO never provides study-cost estimates in advance;

Moreover, it is very difficult to get timely study-cost information even after the fact (e.g., at a Results Meeting), and the CAISO never releases even average or ranges of costs for different types of studies, or any information on hourly or other study charges. LSA believes that charges for CAISO/PTO interconnection studies should be at least as detailed as similar studies by third-party consultants, for example including the hourly charges for different kinds of work and total hours expended. There should also be a timeline in the tariff for study-cost statements and release of unused Study Deposit money.

- **Assurances about study-cost reasonableness.** LSA does not object to reasonable charges for assessing MMA requests, but those charges should only be imposed after changes that would assure a developer that the study would make sense given the nature of the changes, i.e.:
 - Advance cost estimates or, preferably, a standard MMA study cost amount; and
 - Cost cap, e.g., 10% over the cost estimate.

- **Ways to minimize the need for MMAs**, for example determining project changes that could be made without a MMA. Such changes could include project phasing or splitting (see above), as long as the POI stays the same, and inverter or transformer changes that do not change the electrical properties of the equipment or original study parameters.

Part 2

Please select five topics of greatest importance to you from (i) the 49 topics included in the April 8th Scoping Proposal and (ii) any additional generation interconnection process related topics not already included in the 49 topics, and rank them in order of importance using the table provided below (a rank of “1” being most important). Note: Numerical rankings are informative but the detailed explanations you provide below the table will be critical for the ISO as we assess the scope of this initiative.

Top 5 topics selected by stakeholder

Topic No. <i>(if one of the 49 topics; otherwise use N/A)</i>	Topic Name <i>(either the topic name used in the Scoping Proposal or, if a new topic provide your own name for the topic)</i>	Rank
1, 2, 3, & 6	Suggest renaming the combined item “Options for Structuring Projects”	1
N/A	Transmission-Cost Reimbursement Issues	2
11	LGIA negotiations timeline (see above)	3
N/A	Coordination with Outside Entities (Affected Systems & CPUC)	4
N/A	Forfeits for Financial Security & Study Deposits	5

Detailed explanations

1. Provide a detailed description of each topic. Use the topic description in the Scoping Proposal if you believe it is an accurate description of the issue; otherwise provide your preferred description of the topic. For new topics, provide your own detailed description.

- **“Options for Structuring Projects:”** This issue will explore ways to provide more flexibility to developers in sizing and structuring their projects without unreasonably adding to workload or financial risks for PTOs. Such opportunities could be provided through:
 - Explicit project downsizing opportunities, e.g., specific studies/windows or incorporating annual opportunities in the cluster-study pre-validation process (*current Issue #1*);
 - Allowing a project to retain a GIA if all project phases are not built (*current Issue #2*);
 - Providing developers flexibility to split projects into multiple phases and/or GIAs (*current Issue #3*), with the ability to withdraw one or more phases or projects from the interconnection queue;
 - Allowing certain project revisions (e.g., inverter/transformer manufacturer changes) without the need for a Material Modification Assessment (*see comments above on Issue #6*).

- **“Transmission-cost reimbursement:”** This issue will address three aspects of the current transmission-cost reimbursement framework:
 - Clarify that completed phased generation projects would be treated the same as completed non-phased projects (see above), i.e., would be eligible to commence refunds once the last phase is completed and reaches COD.
 - Clarify refund timing when a non-phased generation project reaches COD before all its Network Upgrades are complete.
 - Consider revising the interest rate for refunds, e.g., from the current FERC rate to the PTO’s actual interest rate of rate of return.
- **Issue #11 – LGIA Negotiations Timeline:** This issue would be a cooperative effort between the parties to develop productive recommendations about shortening the GIA negotiations process and making it more efficient. This effort could include, for example:
 - Phase II Study content or format changes to better facilitate the GIA development process;
 - GIA negotiation prioritization, to allow projects with PPA deadlines or other urgent deadlines to proceed more quickly with their GIA negotiations (and, potentially, construction sequencing);
 - Separate expedited process for resolving difficult issues common to multiple projects, while resolving remaining issues in individual negotiations; and/or
 - Changes to shorten the several-week PTO/CAISO processing time for completed agreements.
- **“Coordination with Outside Entities:”** This issue would involve a CAISO effort to engage key outside entities in a cooperative effort to coordinate and streamline their activities concerning generator development and interconnection. These outside entities would include, at least:
 - **Common Affected Systems:** These entities include the City and County of San Francisco, Modesto Irrigation District, Turlock Irrigation District, Imperial Irrigation District (*add others as appropriate*). The goal would be to better define: (1) Affected System participation in the CAISO process; (2) their own process and timing for studying affected generators (perhaps with revisions to their own tariffs, which typically only address direct interconnection to their systems) and developing least-cost solutions for mitigating any project impacts; and (3) the applicable process for resolution if CAISO and Affected System study results are different.
 - **CPUC:** The goal would be to better coordinate the timelines for procurement activities under CPUC jurisdiction and the CAISO study process (e.g., for financial-security postings).
- **“Forfeits for Financial Security & Study Deposits:”** This issue would address the following two topics related to funds forfeited by generation developers, in light of the time that has passed since the related provisions were established:
 - **Financial-security postings:** This would include re-consideration of the current rules – set many years ago – about forfeit amounts and reasons for releasability (including the need for those restrictions); and
 - **Disposition of forfeited funds:** This would allocate such funds to mitigate their impact, e.g., use forfeited financial security to mitigate transmission costs and forfeited Study Deposit funds to offset later study costs.

2. Provide a detailed explanation of the rationale for your selection of these five topics and your rankings

- **“Options for Rightsizing Projects:”** LSA’s concern generally, consistent with its past comments, is that developers need more flexibility to adjust their project structure and size after Interconnection Requests (IRs) are submitted. Because transmission construction has a longer lead time than nearly any other generation-project activity (e.g., longer than PPA acquisition, permitting, or financing), the ability to restructure and/or downsize generation projects later is critical to project success.

Likewise, as noted above, the tariff should provide that developer can phase or split a generation project at any time. The project interconnection studies even for projects that are phased in the Interconnection Request assume that COD for all phases is at the same time, so later phasing of a non-phased project should not impact the study results. Similarly, splitting a generation project into different GIAs would not impact any interconnection studies, and this process can be used to develop standard guidelines to ensure that all pre-split financial and other obligations are covered after the split. These options can simplify the PPA and financing process and reduce the number of unnecessary MMAs that must be processed.

Finally, as noted above, it should be possible to allow developers to make some equipment changes – specified in advance through this process – without going through the MMA process, to facilitate normal project adjustments (e.g., changes to transformers or inverters). It is difficult to know so far in advance of construction exactly the kind of equipment and manufacturers that will be used, and more efficient or economical alternatives might become evident well after IR submission. Standardizing allowed modifications would give developers more flexibility while relieving the burden on CAISO/PTOs and not disadvantaging other projects.

At a minimum, LSA suggests that the CAISO formally group the current Issue #s 1, 2, and 3 into one process, under this suggested title, to avoid inefficiencies in the stakeholder process and problems with potential overlaps.

- **“Transmission-cost reimbursement:”** Here are the business reasons for the proposed topic:
 - **Clarify that completed phased generation projects would be eligible to commence refunds once the last phase is completed and reaches COD:** This would give developers of such project certainty about the timing of their refunds and remove the potential for a discriminatory result from the tariff.
 - **Clarify refund timing when a non-phased generation project reaches COD before all its Network Upgrades are complete:** This is a cause of much confusion among stakeholders and has become a critical cost question as the timing for Network Upgrade construction has gotten longer and longer.
 - **Converting the interest rate for refunds to the PTO’s actual interest rate or rate of return:** Use of the former measure would treat developer transmission-cost funding like other similar sums under the CAISO tariff, removing a discriminatory distinction. Use of the latter measure would remove unreasonable developer subsidization of network transmission costs that ultimately benefit the entire system.
- **#11 – LGIA negotiations timeline:** This issue is addressed at length above. Although some generation developers may be less ready to proceed with GIA execution than others following the completion of interconnection studies, many LSA members have complaints about the slowness of PTOs to move forward and the internal PTO (and to some degree, CAISO) processing times for completed agreements. LSA favors process reforms that would allow faster processing of more urgent GIAs and would consider reasonable rules and limitations (and potentially penalties) on all parties to the negotiations.

- **“Coordination with outside entities:”** LSA understands that the CAISO has no authority over Affected Systems (AS) or the CPUC for their respective activities related to generator interconnections on the CAISO system. However, the CAISO should understand that the actions of these entities can greatly impact developer actions in the CAISO interconnection process. For example, developers are understandably reluctant to execute GIAs (or post security) when they do not yet know whether they will be on a procurement short list or while possibly costly AS negotiations are still unresolved.

The current CAISO interconnection process appears to give Affected Systems the ability to self-identify and impose financial (and other) requirements on developers, with no specific provisions in their own tariffs (which typically only govern interconnection to their own systems. Likewise, there are numerous instances (e.g., current Cluster 3-4 and 5 posting deadlines) where the timelines for procurement activities under CPUC jurisdiction do not match those in the CAISO interconnection-study process.

LSA like the CAISO to work with these entities and to least attempt to reach at least some mutual agreements about timelines and other coordination issues. Any progress in this area would also facilitate the ability of developers to move forward in the CAISO process.

- **“Forfeits for Financial Security & Study Deposits:”** Considerable time has passed since the CAISO first established the current rules for the amounts and conditions for forfeits of financial security and Study Deposit amounts, and LSA believes that it is time to reconsider these rules in light of experience since then and changes in the interconnection-study process.

For example, it is not clear whether placing half of the posting at risk is really fair under the new GIDAP process, since there is far less certainty about project viability that early in the process than under the prior rules, given the lack of information at that point about whether a project will ever achieve Full Capacity Deliverability Status. Moreover, the need for the reasons applicable to partial security release is not clear; LSA suspects (though there is no transparency from the CAISO on this point) that most project dropping out after posting security have been able to meet them, since developers would be extremely cautious about making that financial commitment if the project had not advanced to that point by then.

LSA has long advocated using any forfeited security and deposit funds specified under the tariff to offset any costs imposed by project withdrawals from the queue. Basic fairness dictates that these funds be used to mitigate specific harm, and not returned to Scheduling Coordinators generally.

LSA notes that the CAISO designated this proposal as a “High” effort item in the Scoping Proposal. LSA disagrees and believes that the effort required for this change would be Low, or at most Medium if the allocation formula is more complex.

3. Identify which of the 12 topics initially proposed to be in scope you recommend your selected topics should replace

The first LSA topic (“Options for Structuring Projects”) should replace the Scoping Proposal Issue #s 1, 2, 3, and 6. (Alternatively, the issues raised by LSA could be include in the scope of those issues if they are retained as is, though LSA believes that this would be a less-efficient course of action.)

The second LSA topic (“Transmission-Cost Reimbursement Issues) should replace the Scoping Proposal Issue #12.

The third LSA topic (“GIA Timing Issues”) is an enhancement/refinement of Scoping Proposal #11.

The fourth and fifth LSA topics (“Coordination With Outside Entities” and “Forfeits for Financial Security and Study Deposits”) should be added. The effort for these additional items should be facilitated by the efficiencies from combining Issue #s 1, 2, 3, and 6, as recommended above.