

## 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 Straw Proposal posted on July 18 and as supplemented by the presentation and discussion during the August 8 stakeholder meeting.

Submit comments to [GIP@caiso.com](mailto:GIP@caiso.com)

**[Comments are due August 22, 2013 by 5:00pm](#)**

The Straw Proposal posted on July 18 may be found at:

[http://www.caiso.com/Documents/StrawProposal-Topics1-5\\_13-15\\_InterconnectionProcessEnhancements.pdf](http://www.caiso.com/Documents/StrawProposal-Topics1-5_13-15_InterconnectionProcessEnhancements.pdf)

The presentation discussed during the August 8 stakeholder meeting may be found at:

[http://www.caiso.com/Documents/Agenda\\_Presentation-InterconnectionProcessEnhancements080813.pdf](http://www.caiso.com/Documents/Agenda_Presentation-InterconnectionProcessEnhancements080813.pdf)

Please provide your comments following each of the topics listed below.

### **Topic 1 – Future downsizing policy**

#### **Comments:**

LSA supports the CAISO's proposal for this topic, which includes many of the features that LSA recommended previously. However, LSA believes that the CAISO should consider revising the proposal in two areas:

- **Removal of downsizing requests from Material Modification Assessment (MMA) requests:**

LSA has no objection to this proposal generally but believes that it should not be implemented until the first downsizing window opens in late 2014. This would address IEP's concerns (stated at the August 8<sup>th</sup> stakeholder meeting) about lack of any downsizing option between now and then. In addition, the CAISO should still consider downsizing requests through the MMA process if the developer can demonstrate a valid reason why it cannot wait until the next window.

- **Applicability to C5+ projects:** LSA sees no reason why GIDAP projects should be excluded from the annual downsizing opportunity. While developers can downsize their GIDAP projects if they are not awarded the requested level of deliverability, they may need to downsize for the same other reasons as other developers – e.g., loss of a Power Purchase Agreement (PPA). If the CAISO does not make this option available to those projects at this time, that position should be re-evaluated after the first GIDAP study cycle is complete.

## **Topic 2 – Disconnection of first phase of project for failure to build later phase**

### **Comments:**

LSA supports the CAISO’s proposal for this topic, which includes many of the features that LSA recommended previously. However, LSA believes that the CAISO should consider revising the proposal in these areas:

- **The CAISO should better define “adverse consequences,”** e.g., cost increases to and/or Commercial Operation Date (COD) delays of other projects.
- **The Interconnection Customer (IC) should not be responsible for security postings and costs for upgrades that are no longer needed,** if that determination can be made without additional study.
- **The IC should be entitled to reimbursement for transmission** to the extent that:
  - The facilities are clearly needed for the capacity that was or will be built (e.g., Reliability Network Upgrades needed for interconnection and operation of the first project phase); and/or
  - The facilities will be used for later-queued projects. Some guidance for this approach can be found in LGIA Article 11.4.1.4 (Failure to Achieve Commercial Operation), which states as follows (emphasis added) for projects that are cancelled entirely:

If the Large Generating Facility fails to achieve Commercial Operation, but it or **another Generating Facility is later constructed and makes use of the Network Upgrades, the Participating TO shall at that time reimburse Interconnection Customer for the amounts advanced for the Network Upgrades...**

The CAISO could use the same methodology for determining whether another project later “makes use” of transmission associated with a failed generation project to assess whether another project later “makes use” of transmission associated with cancelled/project capacity or phases.

LSA understands that MISO has addressed this issue in a satisfactory manner and recommends that the CAISO investigate MISO’s policies in this area.

- **LSA does not see the need for the 25% downsizing limit,** since a 10 MW downsizing of either a 100 MW project or a 15 MW project would likely have the same financial and operational impact.

### **Topic 3 – Clarify tariff and GIA provisions related to dividing up GIAs into multiple phases or generating projects**

#### **Comments:**

LSA supports the CAISO's proposal for this topic, which includes many of the features that LSA recommended previously. However, LSA believes that the CAISO should consider revising the proposal in these areas:

- **The CAISO should clarify in the tariff that project phasing can be added as one of the changes allowed after the Phase I Study** without submission of a Material Modification Assessment (MMA) request, as discussed at the August 8<sup>th</sup> meeting.
- **The CAISO should remove the condition that the last project phase reach COD by the latest approved COD for the project**, since that is likely to be physically impossible. More often than not, the COD for the project is dependent on completion of the Interconnection Facilities and RNUs for the project; thus, if the project is then phased, it is not possible for the last project phase to come on-line by that date unless all the phases have the same COD – a conceivable scenario, but not a very likely one.
- **The CAISO should reconsider allowing splitting of a project into multiple GIAs**, and without “joint and several liability” provisions as long as all obligations to the CAISO and PTO are covered. In fact, this approach could be simpler than the current multiple-LLC structure and could also address the problems associated with cancellation of later project phases above (since an entire LGIA for that project/phase could be canceled). While the CAISO has stated its reluctance to consider this alternative, it has not adequately explained its objections, and it should do so to allow stakeholders to consider those objections and address them.

In making this suggestion, LSA asks CAISO to recognize that the CAISO itself is responsible, in part, for the high level of developer interest in this potential option. The CAISO has indicated that restrictions may be placed on the number of separate CAISO meters and/or Resource IDs for phased projects. Splitting projects into phases can make projects more viable by allowing separate PPAs and buyers for each phase, but those benefits would be substantially impaired if the phases cannot be scheduled and settled separately.

In other words, if CAISO does not allow splitting a project into multiple GIAs, it should at least clarify that each project phase can be separately metered and scheduled/settled under its own unique Resource ID.

- **The CAISO should allow projects to combine** (e.g., to facilitate construction of Stand-Alone Network Upgrades), if all obligations to the CAISO and PTO are covered – an options discussed earlier in this initiative but dropped in the Straw Proposal.

In addition, as stated earlier, LSA recognizes PG&E's concerns with potential large numbers of phases and has no objection to 20-50MW or smaller minimum phase sizes, given commercial considerations (e.g., RFO participation limits). LSA notes the procurement policies of the large utilities are, in large part, driving the desire for smaller phase sizes.

## Topic 4 – Improve Independent Study Process

### Comments:

LSA has no comments on this issue at this time.

## Topic 5 – Improve Fast Track

### Comments:

LSA has no comments on this issue at this time.

## Topic 13 – Clarify timing of transmission cost reimbursement

### Comments:

**Option 1 vs. Option 2:** LSA adamantly opposes Option 2, which would extend the same treatment to non-phased projects that LSA opposed for phased projects. The reason why reimbursement is not provided until COD is to ensure that the upgrades are used and useful, and not to provide PTOs with low-cost financing. There is no justification for retention of IC funds for years after COD (as much as 8-12 years, if recent interconnection-study timelines are to be believed), especially when the IC has no control over the timing of transmission-upgrade construction.

Moreover, this issue was only recently decided by FERC. Though LSA does not agree with the decision with respect to phased projects, LSA does not see any purpose in raising it again so soon. Therefore, given the two options provided by the CAISO, LSA supports Option 1.

If any change is made, it should not apply to any project that has posted financial security at the time that the change is approved, since the change could greatly impair project economics.

**Clarification regarding completed phased projects:** As LSA has stated before, phased projects with all phases completed should be treated the same as completed non-phased projects, i.e., the former should be eligible to begin reimbursement upon the COD of the last phase, without waiting for Network Upgrade completion. These two kinds of projects would be similarly situated at that point, and there is no reason to treat completed phased projects in a discriminatory manner by delaying their reimbursement commencement.

**Clarification regarding completed projects:** PG&E raised a relevant question during the August 8<sup>th</sup> stakeholder meeting – the process applicable to projects whose transmission-cost reimbursement will begin at COD (non-phased projects and (if LSA’s position adopted) completed phased projects), especially if the upgrades will take longer than the 5-year maximum reimbursement period to construct. PG&E seemed to state that it would even be willing to begin reimbursement at COD for phased projects, if there was a continuing obligation to fund upgrade construction after the generation project reaches COD.

LSA agrees that the tariff is ambiguous. LSA believes that the main purpose of up-front funding by generators is to demonstrate that the project is viable and the upgrades will be used and useful – both of which are proven at COD – and not to provide cheap funding to PTOs. Thus, a good argument can be made for both starting refunds and stopping payments for unfinished NUs when a project is complete, since the project has clearly demonstrated its viability.

However, as a compromise, LSA would be willing to accept PG&E's proposal. LSA suggests the following interpretation, for all completed projects (phased and non-phased):

- Reimbursement would begin at the COD of the project, i.e., of the entire project (for non-phased projects) or no later than the last phase (for phased projects), for the amounts paid up to that point. Unless the PTO agrees to faster reimbursement (e.g., SDG&E's policy), reimbursement would be spread on a levelized basis over the next five years.
- The IC would continue to pay NU invoices each month for new construction. Starting in the following month, the amount paid the prior month will begin to be refunded over the next 5 years. This process would continue for payments made each month until 5 years after all the NUs are completed.

## Topic 14 – Distribution of forfeited funds

### Comments:

LSA continues to believe that forfeited funds should be distributed as follows:

- **Forfeited Study Deposit funds should be used to offset study costs for the projects remaining in the same study cluster.** Since the CAISO divides study costs by the number of projects in each study cluster, the dropout would like cause those remaining projects to pay more for the remaining studies in the interconnection process. The CAISO's Option 7 is closest to this position.
- **Forfeited Interconnection Financial Security should be used to reimburse ICs that exceed the new limits on RNU reimbursement under the new GIDAP process.** As LSA has stated in the past, differences in PTO cost estimates for the same equipment can subject ICs to financial exposure simply based on the PTO constructing the upgrades. Moreover, the CRRs that the CAISO would provide in place of reimbursement would likely be worth little or nothing on RNUs, which are largely localized and might even be specific to the particular project.

The CAISO's Options 4 and 5 are closest to this position, assuming that the lower NU costs are reflected in the financial-security and cost responsibility of projects remaining in the queue.

## Topic 15 – Inverter/transformer changes (material modification process)

### Comments:

As noted above, LSA believes that changes in project phasing (dividing into phases, adding phases, splitting projects into multiple projects/GIAs, or combining projects) should be allowed without an MMA study, assuming that no applicable CODs are moved forward.

COD delays of up to three years should not require a MMA study.

Minor changes to inverters and transformers (e.g., vendor changes), and perhaps other equipment, should be allowed without an MMA study, if the electrical properties assumed in the interconnection studies are not impacted. LSA suggests a small working group (which LSA would volunteer for) to develop a list of applicable equipment changes, with "checklists" for each, that would be exempted from MMA studies.

As noted under Issue #6 above, LSA also supports development of standard MMA timelines, and timelines for resulting GIA revisions, to ensure prompt study results and contract modifications.