

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Shannon Eddy, Executive Director eddyconsulting@gmail.com	Large-scale Solar Association (LSA)	September 24, 2018
Tim Mason, Policy Director tim@largescalesolar.org		

Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal paper posted on September 4, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due September 24, 2018 by 5:00pm

The Draft Final Proposal posted on September 4, 2018 and the presentation to be discussed during the September 17, 2018 stakeholder meeting can be found on the CAISO webpage at the following link:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx>

Please use this template to provide your written comments on the Draft Final Proposal topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Draft Final Proposal paper for convenience.

6. Generator Interconnection Agreements

6.2 Affected Participating Transmission Owner

LSA generally supports the CAISO's plan to develop a draft multi-party GIA that would include both the interconnecting PTO and Affected PTOs, for possible use on a voluntary basis if all parties agree, then test the agreement with different new-generation situations and then file it at FERC as a new pro forma agreement. However, LSA is concerned that the need to file at FERC interconnection arrangements using the draft agreement as non-conforming would likely discourage generation developers from using the agreement.

Instead, the CAISO should do its best to develop the new agreement, working with the PTOs (especially SCE, which anecdotally seems to be an Affected PTO most frequently) and other stakeholders to develop an acceptable agreement and file it at FERC, so the initial projects can use it as a pro forma agreement. The CAISO can then file changes as desired afterwards.

LSA supports the other parts of the Affected PTO proposal, e.g., those regarding establishment of a single Maximum Cost Responsibility for all Network Upgrades and proportional Reliability Network Upgrade refunds from each PTO where the RNU costs exceed the reimbursement limit.

6.4 Ride-through Requirements for Inverter based Generation

The CAISO’s revisions in response to stakeholder comments seem reasonable.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

The CAISO’s formal definition of the different upgrade types and cost-assignment categories in the Draft Final Proposal are mostly helpful, and the CAISO’s overall framework is much more coherent and reasonable overall than that for this topic in the Revised Straw Proposal.

However, LSA objects generally to several features of this proposal that would: (1) Include contingent obligations in the MCR above the cost allocated to a specific project; (2) retain those cost amounts even when the contingent obligations no longer exist; and (3) require security postings (and possibly even actual payments) above actual cost responsibility. LSA has two specific concerns:

- **Proposed treatment of Potential Network Upgrades (PNRs) in the Maximum Cost Responsibility (MCR):** LSA objects to retention of PNR costs in the MCR even after execution of a Generator Interconnection Agreement (GIA) covering those upgrades, and use of that amount to then allocate additional Directly Assigned Network Upgrade (DANU) costs.
- **Proposed treatment of Interconnection Service Upgrades (ISUs):** LSA disagrees with the definition and proposed treatment of Interconnection Service Upgrades (ISUs) and proposes an alternative treatment.

These positions are explained further below.

Proposed treatment of Potential Network Upgrades (PNRs) in the MCR

In a limited sense, the CAISO’s proposal is a formalization of the current provisions of GIDAP Section 14.2.2 holding later-queued clusters potentially responsible for the cost of upgrades they need that are assigned to earlier clusters that are not covered in an executed Generator Interconnection Agreement (GIA). Inclusion of the “allocated” cost of these upgrades essentially holds projects at risk for the same amount they would have been allocated had the upgrade been assigned to their cluster.

However, this proposal has conceptual flaws and is more punitive than Section 14.2.2.

Conceptually, the proposal is flawed because Section 14.2.2 now allows assignment of costs only for contingent upgrades, and only if no earlier-queued projects execute GIAs that cover those upgrades. If and when those obligations are no longer contingent due to such GIA execution, the obligation is eliminated, and it can never be used to assign additional cost for other contingent upgrades, or other upgrades assigned to current clusters.

The unfairness of retaining MCR costs for upgrades that are no longer contingent, and cannot become the obligation of the current cluster is compounded by submission of GIAs later in the process than before, per earlier IPE reforms (e.g., parking, and now for up to two years).

This means that upgrade costs could appear in the MCRs of several successive clusters before a GIA execution removes the liability for all those later projects. Generation developers cannot control the GIA execution timing for earlier-queued clusters, and it is unfair to penalize them for that timing even after the payment obligation is eliminated.

In summary, projects assigned PNR costs are already at risk for bearing contingent costs under the current tariff, and they are penalized as appropriate by lenders and off-takers for that risk. They should not be placed further at risk for bearing additional costs assigned to their own cluster just because they need an upgrade assigned to an earlier cluster.

Thus, LSA recommends that, if the CAISO includes allocated PNR costs in project MCRs, the use of that inclusion be limited to allowing for those costs to fall to the project's cluster as DANUs. Those costs should be removed from the MCR if and when GIAs are executed for those PNRs and they become Precursor NUs, and they should not be used for re-allocating additional DANU costs.

LSA also notes that, once they become DANUs, they would be treated like other DANUs, e.g., if they are not needed due to dropouts in the cluster, they would allow for reallocation of other DANU costs. LSA's objection is only to use of the PNR/Precursor Upgrade cost amount to reallocate DANU costs.

Proposed treatment of Interconnection Service Upgrades (ISUs)

The Proposal defines these DANUs as “Reliability Network Upgrades at the Point of Interconnection to accomplish the physical interconnection of the generator project to the CAISO controlled grid.” Though the Draft Final Proposal says these are the same as “Plan of Service” upgrades, that term is only used by SCE currently and is not defined in the CAISO tariff.

ISUs are not well-defined here either, but at a minimum appears to include switching stations. LSA maintains that the definition in the Draft Final Proposal is inadequate, as it could apply to any upgrade, shared or not.

It appears that this term is only defined separately from other DANUs so that more onerous Maximum Cost Responsibility (MCR), Current Cost Responsibility, and payment requirements can be imposed, and that switching stations are included because they can be expensive.

LSA objects specifically to several features of this proposal, as described below.

- **ISU cost in MCRs:** The Proposal would include 100% of ISU costs in project MCRs. When ISUs are assigned to only one project in a cluster (typical for SCE Plan of Service upgrades), then 100% of the cost naturally would be included in the MCR.

However, the Proposal would also include 100% of ISU costs in the MCR when the ISUs are shared with other projects in the cluster. This element is not justified in the Proposal.

SCE has argued before that these upgrades are “different,” because they must be built if even one of the projects needing it is built. However, they can sometimes be true for other RNUs, i.e., they may also be needed if only one project in the cluster is built; the fact that ISUs can be more easily identified as such does not justify such disparate treatment.

Moreover, if other projects sharing an ISU assigned that upgrade are actually built, then the inclusion of the full INU cost in the MCR serves no purpose other than to allow other DANU costs to be imposed on the project in question (see below). The greater the number of projects sharing the INU, the less the likelihood that any one project will be the only one using the upgrade, and the more unfair an assignment of 100% cost inclusion in the MCR for each of those projects would be.

A compromise position would be inclusion of 100% of allocated ISU costs in the MCR, but with the additional “headroom” treated the same as LSA’s recommendation above for PNRs, i.e., if the cost is included in the MCR, the cost above the allocated cost to a project should be:

- **Available only for additional costs for that upgrade**, and not for assignment of other DANU costs; and
 - **Removed from the MCR once at least one other project assigned the upgrade executes a GIA**, or at least reduced by the amount assigned to the project executing the GIA.
- **ISU costs in Current Cost Responsibility (CCR) – security postings:** The Proposal would also include 100% of ISU costs in the CCR, which would be used to set security postings.

Thus, multiple projects sharing an ISU would be required to post security for 100% of the entire cost of the ISU. This is directly contrary to the CAISO’s earlier statements in the Straw Proposal regarding Stand Alone Network Upgrades (SANUs), again the most obvious and expensive ISU. For example, the CAISO stated, at p.45 of that document, that, “The CAISO’s proposal is to only require a project’s posting to be based on a 100% cost allocation when the project is truly the only project needing the SANU.”

The Proposal contains no rationale for the CAISO’s apparent change in position for this important element; LSA maintains that the CAISO’s earlier statement made sense and should still apply.

- **ISUs in CCRs – Actual payments:** A project’s DANUs typically determine project payments; under no circumstances should multiple projects sharing an ISU be required to each pay the full cost of the ISU.

7.7 Reliability Network Upgrade Reimbursement Cap

LSA supports the CAISO’s decision to refrain from modifying the RNU reimbursement provisions to address potential gaming behavior that has not been observed. The CAISO’s earlier attempts to address this issue would have resulted in complex and punitive measures that are not justified if no problems have occurred.

As with other potential gaming behaviors, LSA believes that the CAISO’s statement that it will be watching for such gaming will itself discourage it. LSA also notes that the CAISO can refer suspected gaming behavior to FERC under current rules, should any Market Participant engage in it.

LSA also supports the CAISO’s proposal to index the RNU reimbursement cap, starting in 2012, as a matter of basic fairness. As PTO costs increase, the “reasonable” reimbursement amount should increase as well. In addition, the index mechanism that the CAISO selects should be shared with stakeholders and open to comment, and the index should be monitored (e.g., compared against PTO Per Unit Cost changes) to ensure that it continues to be representative of PTO costs.

However, LSA believes that one addition to the RNU reimbursement provisions is warranted. Often a project will finance an RNU (e.g., a switching station) that is later used by other projects. (This possibility is increased by PTO requirements to over-build such facilities beyond the need of the funding generator, e.g., requirements for Breaker And A Half (BAAH) configuration.) Reimbursement of RNU costs above the limit (e.g., for a switching station) should be made to the extent that this occurs.

In other words, if other generation projects use an RNU where a forfeit was previously incurred, the total capacity (original and new project) using it would reduce the cost per MW. That would reduce (and perhaps eliminate) the amount of the forfeit, and the project constructing the RNU should be allowed to recover the forfeited amounts to that extent.

There is no rationale for limiting reimbursement simply because the capacity using it is in two or more clusters instead of one.

This proposal would reduce or eliminate, over time, the “first mover” cost for a project locating in a promising area with additional development potential. It is also consistent with current LGIA provisions allowing a project that withdraws from the queue without reaching COD to nevertheless be reimbursed if upgrades it funds are later used by other projects. If projects that do not even reach COD can be reimbursed for upgrades used by others, surely it would be fair for projects that do reach COD funding such upgrades to be similarly reimbursed.

10. Additional Comments