

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the 2015 Interconnection Process Enhancements (IPE) Revised Draft Final Proposal that was posted on August 27, 2015 and as supplemented by the presentation/discussion at the September 3, 2015 stakeholder meeting.

Submit comments to InitiativeComments@caiso.com

Comments are due September 17, 2015 by 5:00pm

For each topic that was modified in the Revised Draft Final Proposal please select one of the following options to indicate your organization's overall level of support for the CAISO proposal:

1. Fully support;
2. Support with qualification; or,
3. Oppose.

If you choose (1) please provide reasons for your support. If you choose (2) please describe your qualifications or specific modifications that would allow you to fully support the proposal. If you choose (3) please explain why you oppose the proposal.

LSA appreciates the opportunity to comment on the topics in the Revised Draft Final Proposal (Proposal), on the changes to Topics 1-2 and 5 in that document, as well as other features of the proposals for those topics. LSA is also providing comments again on one small element of Topic 3, even though the CAISO has already begun tariff development for that topic; the CAISO did not respond to LSA's last comments on that element, so LSA requests that the CAISO reconsider LSA's modest recommendation.

Topic 1 – Affected Systems

LSA supports the proposal with reservations.

Comments on changes in the Proposal

The Proposal includes two Topic 1 changes – to time limits for self-designation of Affected Systems as Identified Affected Systems (IAS) and treatment of non-CAISO agreements between Participating Transmission Owners (PTOs) and other entities. LSA supports the first change but can only accept the second with the modifications described below.

- **Time limits for IAS self-designations:** The Draft Final Proposal would have re-set the 60 Calendar Day (CD) time limit for IAS self-designations “if facts or circumstances are later discovered that indicate that a system could be an Affected System.” As LSA pointed out, under this broad and imprecise language, there was no: (1) indication of what kinds of “facts or circumstances” would warrant a CAISO waiver; (2) time limit on the “discovery” of such factors; or (3) limitation on the resulting financial or other impacts on the developer. The Proposal narrows that exception to two possible conditions: (1) The CAISO fails to notify a potentially affected system; or (2) the IC revises its project such that, while the project did not impact another system before, the change causes it to do so.

LSA is not entirely comfortable with the first condition, since developers should not be penalized if the CAISO fails to meet its obligations. However, given the apparently very rare occurrence of this problem – only once in over 1,100 Interconnection Requests, as the CAISO represented on the September 3 conference call – LSA finds these conditions to be generally acceptable. However, for a late declaration under (2) above, the CAISO should require that the effect on the impacted system be significant and material.

The Proposal further states that, if entities do not meet the notice deadlines, the CAISO will not prevent operation of a generation project “absent a legitimate reliability issue.” LSA understands that the CAISO cannot permit a project to operate if there is a legitimate reliability issue. However, LSA recommends that the CAISO better define this situation such that, before the generator’s operation would be delayed or prevented: (1) the Affected System would be required to produce a completed study that documents a likely violation of WECC planning standards; (2) the CAISO would be required to fully vet the study, to ensure consistency with the latest WECC reliability planning assumptions and base cases; and (3) if any operational mitigation on either the Affected System’s or CAISO’s system could mitigate the reliability issue, those entities would be obligated to implement such measures.

- **Treatment of non-CAISO agreements with PTOs**

At the request of some stakeholders (e.g., MID), the Proposal now states that it would not impact “mitigation remedies that may be available outside the CAISO Tariff.” LSA understands that the CAISO does not wish to ask FERC for the new rules to supersede prior applicable rules in agreements to which it is not a party; however, general references (in comments and on conference calls) to other agreements that some entities may have with PTOs have never been explained or provided.

Generation developers cannot assess the impact of such agreements without more information. The terms of such agreements, for example, may negate or undercut the positive effects of the early IAS identification requirements that the CAISO proposes.

The CAISO said on the conference call that these agreements have been filed at FERC, so developers can look them up on their own. While that may be true, developers should not be forced to search the entire FERC Web site for possible agreements between the PTOs and any entity that could be an Affected System that could impact generator interconnection or operation. Moreover, some of these agreements may pre-date electronic posting of such documents.

Instead, if this proposed change is made to Topic 1, the CAISO should require PTOs to identify or provide those agreements, or at least provide the provisions relevant to generator interconnection or operation. This information should then be posted on the CAISO Web site under the respective potential Affected Systems on the list already posted by the CAISO for each geographic area. It would benefit all parties to understand, up front, the “rules of the game” instead of having the developer discover them late in the process.

Other Affected Systems issues

LSA requests that the CAISO reconsider LSA’s prior comments on the issues below. These are simple revisions that only entail voluntary compliance by IAS entities but would help to establish standard best practices for this process.

- **Identified Affected System declaration rescission:** The CAISO should state its expectation that IAS entities update their studies to reflect factors like queue withdrawals and “un-identify” themselves if circumstances otherwise change so that that they are no longer impacted (or not impacted to the extent originally estimated). LSA understands that IAS compliance with this expectation may be voluntary, there is no harm in simply stating the expectation.
- **Identified Affected System declaration rationale:** The CAISO should require, with IAS declarations, a statement (to the best knowledge of each entity) describing how it believes that it is affected. LSA understands that full studies might not be complete by then, and this additional information would not be binding on the Affected System, or limit the upgrades that it could require after studies are complete. However, any information that those systems could provide would greatly assist developers in understanding potential problem areas early in the process, so they can begin considering potential solutions on their own.

Topic 2 – Time-In-Queue Limitations

LSA supports the proposal with reservation.

Comments on changes in the Proposal

The Proposal contains two changes to Topic 2 – application of viability criteria to phased projects and PTO obligation provide notice that COD extension are required due to construction delays. LSA supports both changes but recommends modifications to both.

- **Application of viability criteria to phased projects:** The Proposal states that, If some phases of a phased project have reached COD or otherwise meet the viability criteria but other phases do not, only the phases failing the viability criteria would lose their deliverability, and the project overall would be converted from Full Capacity Deliverability Status (FCDS) to Partial Capacity Deliverability Status (PCDS).

LSA agrees with this change generally but, as stated on the conference call, reclassification of the project as PCDS could cause a breach of the PPAs applicable to the phases meeting the requirements, because an FCDS designation is required under most PPAs. The CAISO said on the conference call that it would ensure that the phases retaining deliverability will continue to be listed as FCDS on the CAISO NQC list, and LSA requests that the CAISO make that assurance a formal part of the proposal.

- **PTO obligation to notice construction delays:** The Proposal retains the helpful provision that viability criteria would not apply if the need for a COD delay stems from PTO construction delays. The Proposal now also states that PTOs would be obligated to provide notice when its construction timelines have changed, so the CAISO can confirm that this is the reason for the milestone extension.

LSA strongly supports this PTO notice obligation. Such notices will be helpful for processing of both regular COD modification requests and for those where the extension would subject the generator to the viability criteria.

However, LSA still objects if the CAISO plans to retain the requirement that the viability-criteria exemption would only apply if the PTO also certifies that the milestone extension past the tariff deadline is “not caused by the Interconnection Customer’s failure to execute a GIA or begin payment for the construction of Network Upgrades.”

Based on statements in the Proposal that “now is the time” for such modifications to be made, and for projects to execute their GIAs, cause LSA to be concerned that the CAISO may not fully understand the nature of the issue. First, this issue is not limited to projects that have not yet executed their GIAs but could also apply to those that executed their GIAs many years before (i.e., may impact more projects than the CAISO thinks). Records for those old negotiations may be spotty at best and, as LSA stated before, this provision is likely to place the CAISO in the middle of disagreements between the PTO and developer based on vague or incomplete documentation.

In addition, the need for such modifications may not become apparent until later. The statements in the Proposal that “now is the time” to make modifications are not helpful or relevant in those situations.

LSA’s position is not that developers have not contributed to or caused some delays, but that delays have also arisen due to actions or inactions on the part of CAISO and PTOs , including last-minute language additions, GIA appendix “template” changes, queue-restructuring initiatives (e.g., Tehachapi cluster study and Transition Cluster creation), and long-lead-time construction duration estimates (e.g., West of Devers). In many or most cases, there is likely to be fault on both sides, and it is not clear how the CAISO will decide in those situations what to do, given limited and conflicting information on events from years past.

At a minimum: (1) if the PTO notices a delay, the presumption should be that the milestones should be extended unless that PTO notice also attributes fault to the developer; and (2) the CAISO should have some process for resolving disputes that will likely occur as a result of such notices. For example, it is not acceptable for the CAISO to simply take the word of the PTO that the delays are the developer’s fault and refuse the viability-criteria exemption on that basis.

Other Time-in-Queue Limitation issues

LSA requests that the CAISO reconsider LSA’s prior comments on the issues below.

- **Clarification that the proposed viability criteria would only apply to projects holding capacity that can be used by later-queued projects.** As noted before, LSA agrees that, while existing provisions regarding time-in-queue might apply, it would not be reasonable to apply more stringent criteria for COD extensions where no other project would benefit.

However, LSA does not understand the CAISO’s refusal to limit applicability of viability criteria to Delivery Network Upgrades (DNU). If a project is holding Reliability Network Upgrade (RNU) capacity that can be used by others but DNU capacity that cannot, removing deliverability would shift DNU costs to other projects in the same cluster but not help any other project.

The statement in the Proposal that “the purpose of this proposal is to add features to aid the CISO in administering the queue...and to eliminate the ability of projects to hold capacity that can be used by other projects” does not make sense when the capacity usable by others is RNU capacity but the penalty is removal of deliverability.

- **Cost-shift issues:** LSA appreciates the CAISO’s efforts to address the cost-shifting question raised by PG&E and LSA in their respective comments. However, some aspects of these questions were not addressed. LSA’s understanding of the CAISO’s general responses is as follows:

For NUs still needed when deliverability is removed from a project failing viability criteria:

- Costs would be reallocated within the cluster originally assigned those costs up to the respective project costs caps, and refunds would be provided starting at COD; and
- The PTO would pick up the difference. The PTO would recover its costs as the project is entered into its rate base, including as any applicable refunds are made to the remaining cluster projects. The withdrawing project would be able to recover costs paid before the DNU removal if the upgrades were usable for those later in the queue.

For NUs no longer needed when deliverability is removed from a project failing viability criteria:

- Generators cannot recover their costs unless the same upgrades are triggered later by other clusters.
- PTOs cannot recover their costs unless they apply for Abandoned Plant Treatment.

There are some missing elements from this framework, especially if the upgrades are far along in construction or have been completed.

First, if the PTO recovers its costs through Abandoned Plant Treatment, it should be required to refund costs to developers. Otherwise, the PTO would recover its costs twice.

Second, this framework does not address what would happen if an upgrade is determined not to be needed when it is partly constructed. Would the PTO be allowed to continue to bill remaining projects, and would those projects be obligated to continue paying without ever receiving those costs back? Or, would construction cease (to the extent possible) and would developers and PTOs have to manage their remaining cost recovery from that point?

Third, this framework does not address what would happen if one or more projects in the cluster have already reached COD and are receiving (or are finished receiving) their NU cost refunds (not impossible if the project(s) losing deliverability have been in the queue for a long time). In those situations, would they be forced to refund their refunds, potentially inflicting considerable damage to their project economics?

In conclusion, these issues need to be examined in further detail, and LSA requests that the CAISO allow for additional discussion and development of this framework.

- **Re-study issues:** The Draft Final Proposal stated that Serial Group projects seeking COD extensions beyond the 10-year period that fail to meet the viability criteria may have to be re-studied (at developer expense) in accordance with CAISO Tariff Appendix U (Sections 6.4, 7.6, and/or 8.5) to determine which NUs (and corresponding GIA amendments) will be needed to interconnect them as Energy-Only.

LSA requested that the CAISO explain how it will perform these studies. In response, the Proposal states that the studies will consider: (1) generation projects already on-line and their assigned transmission upgrades; and (2) generation projects earlier in the queue and their assigned transmission upgrades.

LSA appreciates the CAISO's response but continues to have questions about the methodology and assumptions that would be used. For example, how would generation projects later in the queue that are already on-line, and their transmission upgrades, figure into re-study of a Serial Group project?

LSA requests additional information on the CAISO's study process. However, this information could be provided as part of the BPM development process.

Topic 3 – Negotiation of Generator Interconnection Agreements

LSA supports this proposal, with reservations.

As noted in its comments on the Draft Final Proposal, LSA fully supports the “GIA Tender” part of the proposal, as clarified – i.e., with the added features allowing IC to request a GIA tender before the date in the proposal, and providing that the “longest lead-time upgrade” could be needed by the subject project or another “dependent” project.

LSA requests that the CAISO respond to its suggestion to add the term “impasse,” as defined below, to CAISO Tariff Appendix A, perhaps using an appropriately modified term (e.g., “GIA Negotiations Impasse”) if the CAISO is still concerned about terminology confusion.

A situation where the parties have proposed their final terms and conditions, the other parties have had reasonable time to fully consider those terms and conditions, but the parties cannot reach agreement on those terms and conditions.

Topic 5 - Stand-Alone Network Upgrades (SANUs) and Self-Build Option

LSA supports this proposal with the “clarification” in the Proposal that the project maximum cost responsibility will be reduced to reflect the SANU and other tasks assigned to the Interconnection Customer in the GIA that are normally performed by the PTO.

However, LSA is still concerned that developers funding SANUs would have to post potentially millions of dollars in security for upgrades that it plans to construct itself, for the considerable time between the posting deadlines and GIA execution. As LSA stated in its last comments, the CAISO should consider other options for penalizing developers that fail to follow-through on their SANU construction commitments that would not also penalize developers that do fulfill those commitments. LSA asks the CAISO to commit to considering such issues in the next round of interconnection-process enhancements.