

Stakeholder Comments Template

Subject: Small and Large Generator Interconnection Procedures Draft Final Proposal and Meeting

Submitted by	Company	Date Submitted
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This template was created to help stakeholders submit written comments on topics related to the July 20, 2010 Small and Large Generator Interconnection Procedures Draft Final Proposal and July 27, 2010 Small and Large Generator Interconnection Procedures Stakeholder Meeting. Please submit comments and thoughts (in MS Word) to dkirrene@caiso.com no later than 5:00 pm PDT August 4, 2010.

Please add your comments where indicated responding to the questions raised. Your comments will be most useful if you provide the business case or other reasons why you support particular aspects of the proposal. Any other comments on the proposal are also welcome. The comments received will assist the ISO with the development of the FERC filing of modified tariff language.

Overall Assessment of the ISO Proposal

In September, the ISO Board of Governors will be asked to authorize a filing at FERC of tariff language to implement the elements of the Draft Final Proposal (with possible modifications in response to this round of comments).

1. Do you support ISO Board approval of the proposal? Why or why not?
2. Do you believe the proposal accomplishes the objectives this initiative was intended to address? If not, please explain.
3. Do you believe the proposal reflects an appropriate balance of the various stakeholder interests and concerns raised in this process? If not, please explain.

LS Power thanks California ISO the opportunity to comment on the Draft Final proposal.

LS Power does not support the proposal in its current form, but would support it if it is furthered (i) favorably addressed inequities being created imposed on Cluster 3 projects and (ii) modified the deliverability assessment procedures, as described below.

Inequitable treatment of Cluster-3 projects

LS Power believes that the proposal leads to inequitable treatment for Cluster 3 projects. LS Power does NOT support allowing one-time deliverability assessment for in-process Energy Only (EO) generators to convert to Full Capacity (FC) during Cluster 4. If in process (in the queue) Energy Only projects are allowed to file for EO-FC conversion during Cluster 4, then LS Power is concerned that the quantity of projects applying for EO-FC conversion will make Cluster 4 a huge cluster. Since Cluster 4 will be later combined with Cluster 3 during Phase II studies, the MW size of Cluster 4 will potentially trigger additional transmission upgrades and increase the deliverability costs of Cluster 3 projects and will cause delays in completion of Phase II studies for Cluster 3 projects. Since the Cluster 3 projects applied for Interconnection prior to the GIP reform proposal being finalized and approved by CAISO Board and FERC, these projects should in no way be negatively impacted by the proposed reforms. It is unjustified for Cluster 3 projects to have to bear the additional deliverability cost that will be introduced by previous EO projects.

As a proposal to resolve this inequity issue, LS Power proposes CAISO to either completely separate Phase I and II studies of Clusters 3 from Cluster 4 and EO-FC conversion projects, or if these needed to be studied together, then at least separate the transmission upgrade costs such that Cluster 3 projects do not have to bear the additional burden of Cluster 4 (including EO-FC conversion projects). Alternatively, the one time deliverability assessment for in-process EO projects should begin after Phase II studies for Clusters 3 & 4 are complete.

An additional concern that LS Power has is that an energy only SGIP project proposed after the Cluster 3 is eligible for entry into the Cluster 1 & 2 Phase II study as part of the SGIP transition cluster and then be eligible to gain FC in the deliverability assessment prior to Cluster 3 projects having the opportunity to execute an interconnection agreement. The proposal should protect the integrity of the Cluster 3 process and not disadvantage projects that followed existing procedures.

Annual allocation of available transmission capacity is inequitable for new Full Capacity projects

The Annual Transmission Capacity allocation to existing EO projects is inequitable for new generation projects entering the queue. The proposal calls for an annual transmission capacity allocation for existing EO projects that request deliverability. The proposal requires only \$10,000 flat study fee deposit to test deliverability for these projects. This proposal of testing deliverability for a very small study deposit and allocating any available capacity to existing EO projects is setting up unfair and discriminatory practices. This practice will encourage new projects to apply for

interconnection as EO project and then request deliverability assessment through the annual transmission allocation process. In contrast, a new Full Capacity interconnection project has to take on the costs and credit posting responsibilities to become deliverable. Moreover, if the available transmission capacity gets allocated to the existing EO projects, which may or may not necessarily need this (but since \$10,000 study deposit is such a low number, odds are that most existing EO projects will request this), then the FC projects that request interconnection through the next cluster will be more likely to trigger transmission upgrades, since available transmission capacity will be mostly used up by annual capacity allocation. This may lead to building more transmission than actually needed which will increase cost to ratepayers, increase environmental impacts and increase the cost and schedule to construct new generation that requires FC.

LS Power would support a process allowing existing EO projects an annual opportunity to convert to FC by applying for FC conversion through the GIP with the cost and security obligations the same as any new projects entering the queue.

Proposed Study Deposit Amounts and/or Processing Fees

1. In general, do you support the proposed study deposit amounts and/or processing fees?

We generally support the proposed study deposits, but do not support the treatment of existing LGIP and SGIP applications. The proposal requires that all existing SGIP projects increase the study deposits to the amounts under the proposal (i.e., an increase in study deposits); however, the proposal does not call for existing LGIP projects to comply with the new study deposits which is inequitable. The proposal should either require all GIP projects to comply with the new proposal (which will result in study deposits refunds for 21-199 MW projects) or it should grandfather all previous GIP projects.

Projects recently submitted in Cluster 3 are particularly disadvantaged because they will be getting Phase II study results and interconnection agreements tendered at the same time as projects that benefitted from lower study deposits in Cluster 4. The proposal does not provide justification why, for example, a 50 MW project in Cluster 3 must post \$250,000 but the same project in Cluster 4 only posts \$100,000.

2. If not, what modifications are needed and why?

LS Power proposes that either all existing GIP projects are grandfathered to existing study deposits or all are required to post in accordance with the new study deposits.

Proposed Annual Cluster Study Track

1. In general, do you support the ISO's proposal to study projects of any size in a single, unified cluster?
2. If not, what modifications are needed and why?
3. If you do not support a single cluster approach in any form, what would be your preferred alternative and why?

Second Application Window – Scoping Meeting

1. In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of receiving a scoping meeting?
2. If not, what modifications are needed and why?

Second Application window – Enter Cluster at Phase II

1. In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of waiving the Phase I study and entering the cluster for study at the Phase II study?
2. If not, what modifications are needed and why?

Second Application Window – Enter Cluster at Phase II Criteria

1. In general, do you support the ISO's proposed criteria to qualify a project to waive the Phase I study and enter the cluster at the Phase II study?
2. If not, what modifications are needed and why?

Coordination with the Transmission Planning Process

1. In general, do you support the ISO's proposal to reevaluate certain network upgrades in the Transmission Planning Process?
2. If not, what modifications are needed and why?
3. If a network upgrade is selected for reevaluation by the Transmission Planning Process should the associated generation project proceed with a Large Generator Interconnection Agreement that contains a provision to allow for later amendment of the Large Generator Interconnection Agreement if warranted by the Transmission Planning Process reevaluation results? Why or why not?

The project should proceed with LGIA, and the cost of network upgrades for this project should stay intact, as per the GIP studies. The project should not be put in a position that it misses its critical deadlines due to the delay in CAISO TPP.

Independent Study Processing Track

1. In general, do you support the ISO's Independent Study Processing Track proposal?
2. What modifications are needed and why?

3. What specific aspects of a developer's project development process make it impossible for a developer to demonstrate eligibility for the Independent Study Processing Track at the time of the Interconnection Request?

Fast Track less than 2 MW

1. Should the ISO remove the 10th screen from the Fast Track? Why or why not?
2. Should the ISO increase the size limit for Fast Track qualification? If so, would you support a 5MW size limit or a different value? Explain your reasons.

Method to Determine Generator Independence

1. In general, do you support the ISO's proposed method to determine generator independence?
2. If not, what approach would you propose for determining generator independence? Explain why your proposed approach is superior to the ISO's proposal.
3. If you prefer completely eliminating the independence criterion to qualify for the Independent Study Processing Track, how would you address the concern about impacts of Independent Study Processing Track projects on other interconnection customers (including cluster projects) in higher queue positions?

Deliverability Proposal

One-Time – Enter Cluster 4

1. In general, do you support the ISO's proposal to allow a one-time deliverability assessment to obtain Full Capacity during cluster 4?
2. If not, what modifications would you support and why?

LS Power supports the ISO's proposal to allow a one-time deliverability assessment for in process Energy Only (EO) generators. LS Power, however, does NOT support allowing this one-time deliverability assessment during Cluster 4. Allowing this assessment during Cluster 4 can potentially negatively impact the Cluster 3 projects. Cluster 3 projects are proposed to be processed using existing tariff procedures, but Cluster 4 projects are proposed to be processed with the new GIP reform process. One time deliverability assessment of in process EO generators during Cluster 4 can potentially trigger more transmission upgrades and increase the Ph-II deliverability costs for Cluster 3 projects. Since the Cluster 3 projects are being processed using existing tariff procedures, it is unjustified for these projects to have to bear the additional deliverability cost that will be introduced by previous EO projects. In addition, an energy only SGIP project proposed after the Cluster 3 projects is eligible for entry into the Cluster 1&2 Phase II study as part of the SGIP transition cluster and then be eligible to gain FC in the deliverability assessment prior to Cluster 3 projects having the opportunity to execute an interconnection agreement. The proposal should

protect the integrity of the Cluster 3 process and not disadvantage projects that followed existing procedures.

LS Power recommends CAISO complete studies, as necessary, to separate the deliverability costs of Cluster 3 & 4 projects from those of the in-process EO-FC conversion projects. Since Cluster 3 projects are being processed under the existing LGIP tariff, they should not bear the burden of additional costs posed by in-process EO-FC conversion projects that are being allowed to enter the queue through Cluster 4 process for Energy to Full Capacity conversion. Further, LS Power is concerned that the quantity of projects entering through EO-FC deliverability assessment will delay the completion of Cluster 3 Phase II Studies.

LS Power also recommends that projects should be required to request to have the deliverability assessment completed and be required to post study deposits in the amount equal to new GIP projects. This will screen whether or not specific projects value FC and should help limit the studies needed to be conducted by CAISO and the PTO's.

Annual – Available Transmission

1. In general, do you support the ISO's proposal to provide an annual opportunity for qualified projects to request and obtain Full Capacity using available transmission?
2. If not, what modifications would you support and why?

LS Power does not support ISO's proposal to provide an annual opportunity for existing projects to obtain Full Capacity using available transmission. This proposal will cause barriers to entry for new generation.

The proposal calls for an annual transmission capacity allocation for existing EO projects that request deliverability. The proposal requires only \$10,000 flat study fee deposit to test deliverability for these projects. This proposal of testing deliverability for a very small study deposit and allocating any available capacity to existing EO projects is setting up unfair and discriminatory practices. This practice will encourage new projects to apply for interconnection as EO project and then request deliverability assessment through the annual transmission allocation process. In contrast, a new Full Capacity interconnection project has to take on the costs and credit posting responsibilities to become deliverable. Moreover, if the available transmission capacity gets allocated to the existing EO projects, which may or may not necessarily need this (but since \$10,000 study deposit is such a low number, odds are that most existing EO projects will request this), then the FC projects that request interconnection through the next cluster will be more likely to trigger transmission upgrades, since available transmission capacity will be mostly used up by annual capacity allocation. This may lead to building more transmission than actually needed which will increase cost to ratepayers, increase environmental impacts and increase the cost and schedule to construct new generation that requires FC.

LS Power would support a process allowing existing EO projects an annual opportunity to convert to FC by applying for FC conversion through the GIP with the cost and security obligations the same as any new projects entering the queue.

Financial Security Postings

1. In general, do you support the ISO's financial security postings proposal?
2. What modifications are needed and why?

The proposal calls for a cap of \$25 million for second financial posting for Cluster 4 projects. This cap should equally apply to Cluster 3 projects since they are proposed to be processed in the same Phase II study. Alternatively, the Cluster 3 and 4 projects could be divided into to separate Phase II studies.

Transition Plan

1. In general do you support the ISO's proposed transition plan?
2. What modifications are needed to all you to support the ISO's transition plan?

Based on the current proposal, a SGIP project could potentially still file for Interconnection between now and October 1st, 2010, and this project would be part of the SGIP Transition Cluster and would get its studies completed by July 31, 2011. The remaining Serial projects have no target completion dates for studies in the proposal. In fact, the proposal mentions that it is likely that a significant number of remaining serial projects will get their studies done after July 31, 2010. Also, per the proposal a Cluster 3 LGIP project is expected to have its Phase I & Phase II studies complete by Nov 1, 2012 – in contrast, a new SGIP project that has not even filed for Interconnection yet, but files by 10/1/2010, will have all of its studies done by July 31, 2010. This is not justified – the proposal as it stands right now, is proposing to have studies for some projects that have not even filed application yet done sooner than the projects that have been in the queue for a period of time.

What aspect of the ISO's Draft Final Proposal do you find most favorable?

What aspect of the ISO's Draft Final Proposal do you find least favorable? Please provide the business case or other rationale for your answer.

Do you have any additional comments that you would like to provide?

Additional Comments:

(1) Site Exclusivity Requirements

The proposal enforces the requirement for site control up to COD for projects. LS Power supports the site control requirement, but recommends that this requirement should not

be up to COD, but should require that projects have site control through the expected length of the GIP process. Many ICs use options to purchase or lease to secure site control. The terms of these options usually cover the amount of time that it takes to permit a project (including the GIP process), but do not cover the length of time to COD. Most developers would exercise the right to purchase the property prior to construction which is well before the expected COD.