California Wind Energy Association

CalWEA

September 12, 2012

Board of Governors
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Via Email

Re: <u>Generation Project Downsizing Proposal</u>

Dear Governors:

The California Wind Energy Association ("CalWEA") provides this letter to comment upon the California Independent System Operator Corporation's ("CAISO") Generation Project Downsizing (GPD) proposal, which will be considered by the Board at its September 13, 2012, meeting. CalWEA broadly supports CAISO's current GPD proposal and urges the Board of Governors to approve it subject to critical and essential modifications.

CalWEA commends CAISO for running an effective stakeholder process on this proposal. CAISO showed an openness to ideas from all stakeholders and developed a proposal that is responsive to those ideas. The proposal, which covers a one-time opportunity for all generation projects to downsize, is a welcome feature not only for the renewable development community but also, from what we understand, for all CAISO stakeholders.

However, the fluidity of the renewable energy market is such that the need to downsize generation projects is not a one-time issue. In fact, any renewable generation developer could face the prospect of reducing the size of its interconnecting project on an ongoing basis regardless of how carefully it specified its original generation size in its interconnection application. Hence, it is imperative that the CAISO also offers effective tariff and business protocols to address the more relevant and prevalent condition of ongoing generation downsizing. Fortunately, the CAISO's existing protocols can easily be modified to cover the ongoing potential need for project downsizing. In its memo to the Board on the proposal before you, CAISO management states that it allows generation projects to downsize on an ongoing basis under, among other conditions, the following condition:

> *"If there is no impact [on other customers] and the ISO and participating transmission owner agree that the capacity can be downsized, then, because it is not material to other customers, the modification request can be approved. (Footnote: "Alternatively, if the modification review identifies a material impact on later queued project costs or schedule, then the request is determined to be a material modification and denied.")*

There are two major concerns with the above condition for allowing the downsizing of a generation project:

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1. If the project downsizing causes no material impact to other customers (material impact is clearly defined by FERC-approved CAISO tariff provisions and protocols), there should be no requirement to obtain the permission of the participating transmission owner; and

2. If the project downsizing does cause material impact to other customers, but the project is willing to fully mitigate the identified impact, the downsizing should be allowed.

On the first concern, we understand that the CAISO should consult with the participating transmission owner when determining whether material impact is present. We have no concerns with that. However, we do not see any reason for the CAISO to give the participating transmission owner any final say on the downsizing request, which would be contrary to the CAISO tariff. As such, we request that the provision regarding participating transmission owner agreement be stricken from this memo.

On the second concern, the problem for the renewable energy industry is much broader and more profound given that a member of the CAISO's legal staff has publically stated that if a project, even one that is partly completed and is in operation, does not complete all of its phases, CAISO would consider terminating the project's generation interconnection agreement in its entirety, potentially leading to disconnecting an operating project from the grid. While we do not consider the probability of such a draconian CAISO action to be high, this statement by CAISO staff has caused serious concerns with the financing of phased renewable projects, a common form for such projects. Therefore, a modest change to the CAISO existing tariff explicitly allowing a downsizing project to mitigate for any material impact would go a long way to allay the concerns of the renewable development community. Such an addition to the CAISO tariff would be completely consistent with FERC policies and practices.

Thank you for your attention to these concerns.

Sincerely,

Nancy Rader

Nancy Rader
Executive Director

cc: Steve Berberich, President and CEO, CAISO
Keith Casey, Vice President, Market and Infrastructure Development, CAISO
Karen Edson, Vice President, Policy and Client Services, CAISO
Saeed Farrokhpay - Federal Energy Regulatory Commission, Folsom Regional Office