**May 29, 2024**

CAISO Board of Governors
c/o Christina Guimera
Sr. Stakeholder Engagement and Policy Specialist
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630

**RE: 2023 Interconnection Process Enhancements Track 2 Proposal Concerns**

Dear Governors,

The Solar Energy Industries Association (SEIA) is the national trade association for the U.S. solar and storage industries, representing independent power producers and project developers in state and federal proceedings affecting markets across the country. We write today to express our significant concerns about the 2023 Interconnection Process Enhancements (IPE) Track 2 proposal.[1]

SEIA and our members actively participated in the IPE stakeholder process, submitting comments and attending stakeholder meetings. Throughout the process, we urged CAISO staff to develop reforms consistent with the Federal Energy Regulatory Commission's (FERC) open access principles, as articulated in Order No. 2003.[2]

As the IPE scoring criteria began to take shape, SEIA and our members repeatedly warned CAISO staff that the proposal was unclear at best, and likely discriminatory against independent power producers. The proposal would allow Load Serving Entities (LSEs) to control up to 30% of the available points in the cluster. Though the other two indicators of readiness, system need and project viability, were each allotted 35% of the total available points, SEIA and our members stressed that it would be the commercial interest indicator that would likely be the deciding factor as to whether a project will be studied. We offered several alternative proposals and changes to CAISO's proposal. Key recommendations included (1) assigning a lower weight for the LSE Interest factor, (2) increasing the weighting for commercial off-taker interest in the scoring criteria,[3] and (3) expanding the set of scoring criteria that, narrowly defined, are unduly discriminatory.[4]

To their credit, CAISO staff made several incremental revisions to the IPE proposal in response to the stakeholder comments. However, these changes have not addressed our overarching concern that the IPE proposal will result in a process that is unduly discriminatory. At this time, we recommend that CAISO remove scoring from the final proposal and instead determine which projects are studied using *dfax* prioritization and an auction as the first and second tiebreakser.

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[1] CAISO, 2023 Interconnection Process Enhancements, Track 2 Final Proposal (March 28, 2024) [FinalProposal-InterconnectionProcessEnhancements2023Track2.pdf (caiso.com).]()
[2] SEIA June 2023 comments.
[3] SEIA January 2024 comments.
[4] MN8 September 2023 and December 2023 comments.

This letter details our concerns with CAISO's proposal and briefly makes the case for an alternative proposal.

1. **CAISO should not approach interconnection reform with the goal of reducing the number of interconnection requests.**

As an initial matter, it is short-sighted to focus solely on reforms that would limit the number of interconnection requests simply to improve queue processing. The transmission system, and the interconnection queue process, was originally planned to accommodate the operational characteristics of mostly thermal generation resources. Clean energy resources have markedly different characteristics and pose different transmission demands. These resources are generally smaller with respect to output and require more of them to meet the same energy demands. As a result,  more interconnection requests are needed to meet the same amount of energy demanded. Consequently, in order to meet California's aggressive clean energy goals, there must be more clean energy projects, and, therefore, more interconnection requests.

CAISO staff's stated goal throughout this process was to address the workload issues related to reviewing a larger number of interconnection requests. Reducing the workload associated with processing interconnection requests must be balanced against the need to ensure that enough projects are studied and progress through the queue so that CAISO can meet California's renewable energy goals. To that end, developers urged CAISO to include reforms that would streamline the interconnection process through better software and automation.[5]

SEIA reiterates these concerns now and urges the Board of Governors to direct staff to explore software and automation options that would improve queue processing. Developing a process to speed up interconnection processing reduces the need for solutions that would limit interconnection requests.

2. **The IPE Scoring Proposal is unduly discriminatory.**

As written, the IPE scoring proposal is unduly discriminatory against greenfield projects and brownfield projects that are not expansions, short lead time resources, resources that provide system or flexible capacity, independent power producers, and corporate buyers.

The project viability indicator is extremely limited.  Non-expansion projects can only receive engineering design points. There will be no other distinguishing factors. Permitting, zoning, site control, tax incentives, community support, cost, and revenue are all important in determining the viability of a project, but CAISO's rubric measures none of these. Meanwhile, expansion

[5] *See* Comments of NextEra Energy Resources (March 27, 2023); Comments of Large-Scale Solar Association (June 14, 2023); Comments of Avantus Clean Energy LLC (Aug. 15, 2023); Comments of California Community Choice Association (Aug. 15, 2023); Comments of GridStor (Aug. 15, 2023); Comments of Large-Scale Solar Association (Aug. 15, 2023); Comments of New Leaf Energy (Aug. 15, 2023); Comments of Rev Renewables (Aug. 15, 2023).

projects will be automatically awarded 10 to 50 points, without any recognition that certain greenfield and brownfield projects could be comparably viable.

The system need indicator is also extremely limited. Points are allocated to resources under this indicator if a project either provides local resource adequacy or is a long lead-time resource (i.e. offshore wind). Short lead time resources that provide system or flexible capacity (i.e. solar and storage) cannot receive points under this category.

With limited opportunity for points under the project viability and system need indicators and little opportunity for projects to differentiate themselves, the commercial interest indicator will likely be determinative in whether a resource is studied. As many stakeholders indicated throughout the proceedings, the proposal to allow LSEs to control up to 30% of the available points in the cluster can result in unduly discriminatory outcomes.

The Revised Addendum to the Final Track 2 Proposal outlines CAISO's expectations for LSEs to allocate points in an open, fair, and competitive way.[6] CAISO expects participating LSEs to communicate clear evaluation criteria for this process to prospective interconnection customers. CAISO believes LSEs should seek projects that best align with procurement and resource needs, as indicated by integrated resource plans or other relevant planning documents. While there are principles in place that would encourage LSEs to refrain from self-selecting projects, the fact remains that there is no way for CAISO to ensure that the LSE assigns points in a non-discriminatory, or even economically efficient, manner. Further, it is nearly impossible to assess the commercial viability of a project at the beginning of the interconnection process, as key variables like interconnection costs, financing costs, and deliverability awards are unknown.[7] This begs the question, *on what grounds will LSEs be awarding points?* This is a question that has gone unanswered in the IPE and amplifies concerns about this process violating open access principles.

LSEs control most of the points available under the commercial interest indicator, meanwhile, large corporate buyers, who are often responsible for a significant amount of load, have virtually no control over their ability to ensure the clean energy resources they need to fulfill their corporate climate goals are studied in the interconnection queue. CAISO staff claims that it is impractical to allow corporate buyers to assign points, due to the potentially large number of these buyers. However, it is possible for CAISO to identify and limit the number of corporate buyers and, in fact, CAISO has done so already. SEIA recommends that CAISO use the same standard under which interconnection customers that have power purchase agreements with corporate buyers may qualify for a TPD allocation under Appendix DD, Section 8.9.2 of the CAISO Tariff. That provision states that an interconnection customer may qualify for a TPD allocation if the corporate buyer can "demonstrate it has a contract to provide the capacity for at least one (1) year to a Load Serving Entity for a Resource Adequacy obligation." If CAISO seeks to use a form of the scoring criteria for cluster 16 and beyond, in order to stay consistent with the

[6] *See* Revised Addendum to the Final Track 2 Proposal at 7-9.
[7] SEIA January 2024 comments.

TPD rules, SEIA recommends defining a corporate buyer as: "An entity that can *attest* to selling Resource Adequacy obligations to an LSE for a minimum of one year."

### 3. CAISO risks unnecessary delays to its interconnection reform efforts if it files the IPE proposal in its current format.

SEIA understands that the Board of Governors may be concerned that the quest for perfection in the IPE process will stand in the way of progress in interconnection reform. SEIA and our members do not view the IPE proposal as merely an imperfect proposal—we view it as a proposal that will not pass muster under section 205 of the Federal Power Act. There will be no progress with this proposal because it faces the threat of rejection by FERC.

Recently, FERC rejected a proposal from the Midcontinent Independent System Operator, Inc. (MISO) to impose a cap on its interconnection queue.[8] While the proposals are somewhat different, FERC's reasoning in rejecting MISO's proposal is instructive here. In the MISO case, MISO proposed to cap the number of interconnection requests that it would study in a particular queue cycle based on a formula that reflects the amount of shoulder season peak load and the minimum generation of existing and prior-queued resources for each queue study region. In addition to the cap, MISO proposed four exemptions that would allow certain projects to be included in the study group without regard to the group size limitation for the queue cycle. These exemptions included (1) where the applicable relevant electric retail regulatory authority for the location in which the generating facility in an interconnection request is to be located requests that MISO include such project in the DPP cluster study; (2) where an interconnection customer seeks to convert Energy Resource Interconnection Service for an existing generating facility to Network Resource Interconnection Service without an increase in service levels; (3) where an interconnection customer seeks to add incremental new service to a replacement generating facility; and (4) for a generating facility seeks a provisional generator interconnection agreement. It is under that first exemption that MISO's proposal failed. In the order, FERC found that MISO's proposal violated FERC's open access principles because "the cap exemptions create priority access to the generator interconnection process for the exempted classes of interconnection requests."[9]

The CAISO IPE proposal will result in a similar open access violation. Under the IPE scoring proposal, with little ways for projects to differentiate themselves under the project viability and system need indicators, and little opportunity for projects to differentiate themselves, the commercial interest indicator will likely be determinative in whether a resource is studied. The process for determining whether projects will be studied will be controlled by the LSEs. CAISO will have no way to ensure that the LSE assigns points in a non-discriminatory manner. The IPE scoring process already creates priority queue access to local resource adequacy and long lead-

[8] *See Midcontinent System Operator, Inc.*, 186 FERC ¶ 61,054 (2024).
[9] *Id.* P 176.

time resources (e.g. offshore wind). With the LSEs controlling the rest of the point allocation, the IPE scoring proposal will also create priority queue access for LSE preferred projects.

CAISO's scoring proposal violates fundamental FERC principles, and because it violates these fundamental principles, there will be no progress in interconnection reform with this imperfect proposal.

### 4. Recommendations and Conclusions

SEIA requests that CAISO not file the scoring criteria proposal with FERC, as the proposal violates open access principles due to preferential treatment. There is plenty of time for CAISO and stakeholders to develop a nondiscriminatory proposal before the Cluster 16 window opens. During this time, SEIA urges CAISO to explore reforms that would streamline the interconnection process through better software and automation.

SEIA also urges CAISO to process Cluster 15 using a *dfax* tiebreaker and, if necessary, auctions to determine which projects advance under the 150% cap. This proposal will achieve CAISO's goal of ensuring that an aggregate interconnection request capacity of no more than 150% of available TPD is advanced for study. This proposal alleviates all major concerns regarding undue discrimination introduced by CAISO's current proposal. Finally, this proposal has significantly more support from the many developers SEIA represents.

Thank you in advance for your consideration of our input. We welcome the opportunity to discuss the concerns and proposed solutions with you and look forward to developing a solution that addresses the interconnection request processing concerns of CAISO staff in a just and reasonable, and not unduly discriminatory manner.

Sincerely,

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