

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)**

Docket No. ER08-1317-000

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION TO
COMMENTS ON AND PROTESTS TO ITS
GENERATOR INTERCONNECTION PROCESS REFORM FILING**

Pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213, the California Independent System Operator Corporation (“CAISO”) hereby files its answer to various comments and moves for leave to answer protests to its Generator Interconnection Process Reform (“GIPR”) tariff amendment.¹ For the reasons explained below, the Commission should accept the GIPR amendment for filing, with only the modifications the CAISO agrees herein to make on compliance.

I. EXECUTIVE SUMMARY

The CAISO appreciates stakeholders’ comments and questions on the GIPR proposal. The CAISO believes the discrete and often narrow nature of the issues raised in these comments and protests is evidence of a successful stakeholder process. In

¹ The CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to the protests. Good cause for this waiver exists here because the answer will aid the Commission in understanding important issues raised in the protests to the GIPR filing and will provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

response to these comments and protests, the CAISO makes the following points, as discussed in more detail below:

- The CAISO continues to believe that the interconnection queue process must be reformed and that the *status quo* is unacceptable. The CAISO disagrees with comments that the Order No. 2003 process is entirely “proven and successful” in its current application.
- The GIPR proposal appropriately balances the burdens and responsibilities on all parties to the interconnection process. Additional burdens on Interconnection Customers serve an important purpose and also come with important benefits.²
- The GIPR study timelines are just and reasonable and are far more likely to result in efficient processing of Interconnection Requests than the current LGIP. Under the GIPR, the most important piece of information, a binding cost estimate, is delivered far sooner than under the current LGIP.
- Various categorical requests for expedited or special treatment would negate the effectiveness of the Clustering approach and actually slow down the interconnection process.
- The timeline for processing the Transition Cluster is just and reasonable and, in any event, the earliest possible timeline. It provides a brief but necessary window for sponsors of Transition Cluster projects to meet the enhanced GIPR requirements.
- The application of the substantive GIPR requirements to the Transition Cluster is necessary to move the Interconnection Process forward. Without them, the Transition Cluster may be populated by projects unlikely to reach the final interconnection phase.
- Protests regarding inclusion in the Serial Study Group are beyond the scope of the GIPR filing. That issue is before the Commission on rehearing in Docket No. ER08-960.
- The increase in required financial commitments is a critical component of improving the efficiency of the interconnection process.
 - Increased financial commitments do not favor utilities.

² Capitalized terms not otherwise defined herein have the meanings set forth in the Master Definitions Supplement, Appendix A to the CAISO Tariff and Appendix A to the CAISO’s Market Redesign and Technology Upgrade (“MRTU”) Tariff, or in the GIPR filing. Although the Commission has approved the current MRTU Tariff, the CAISO has not yet implemented MRTU and therefore the MRTU Tariff is not yet in effect.

- Increased deposit amounts are just and reasonable.
- Enhanced financial security requirements are just and reasonable.
- Distribution of forfeited amounts through the CAISO's Grid Management Charge mechanism is appropriate and has nothing to do with market penalties.
- The enhanced Site Exclusivity Deposit is just and reasonable.
- The CAISO's Site Control/Exclusivity provisions are warranted and fully explained in the GIPR filing.
- The GIPR properly accounts for the deliverability status of renewable generators.
- A departure from participant funding is beyond the scope of the GIPR filing because that issue is unrelated to the inefficiencies in the current LGIP.
- Providing Interconnection Customers with access to Interconnection Base Case Data will help them screen themselves before entering the interconnection process, but the CAISO does not intend to rely on third-party studies.
- The cost cap for Network Upgrades is just and reasonable and a significant benefit to Interconnection Customers that balances the increased financial obligations customers must meet.
- The GIPR's method of calculating Network Upgrade costs appropriately balances the needs of the Interconnection Customers and Participating Transmission Owners ("PTOs").
- The CAISO clarifies certain Network Upgrade cost responsibility issues.
- PTOs are appropriately responsible for Network Upgrade costs resulting from the withdrawal of an Interconnection Customer.
- Changes in technical specifications are best considered on a case-by-case basis in the determination whether they constitute Material Modifications.
- No additional tariff language is needed to confirm that re-evaluation of an interconnection plan of service is appropriate in the Transmission Planning Process.

II. BACKGROUND

In response to emerging concerns about the effectiveness of interconnection queue management in RTOs and non-RTO regions, the Commission convened a technical conference in Docket No. AD08-2-000 on December 1, 2007 in Washington, D.C. The Commission also issued a notice inviting post-technical conference comments.³ In a subsequent order on the technical conference, the Commission set out to remedy what it perceived as pervasive delays in processing interconnection requests, noting that “the speakers at the Technical Conference and the written comments confirm that some Transmission Providers are not processing their interconnection queues with the timeliness envisioned in Order No. 2003, in certain cases greatly exceeding the timelines in their tariffs.”⁴ The Commission further recognized that increases in the volume of new generation development are creating a corresponding increase in interconnection requests and straining the current Order No. 2003 queue management approach. The Commission concluded, “[w]hile [the serial] approach made good sense at the time Order No. 2003 was issued and still works well in many situations, it has led to some unexpected consequences, particularly in transmission systems with numerous interconnection customers and limited excess transmission capacity.”⁵ In the March 20 Order, the Commission opened the door to reforms of the interconnection queue process and invited RTOs to come forward with their specific plans of action. The Commission clarified that it was “open to considering a range of

³ Notice Inviting Comments, *Interconnection Queuing Practices*, Docket Nos. AD08-2-000, *et al.* (Dec. 17, 2007).

⁴ See *Interconnection Queuing Practices*, 122 FERC ¶ 61,252 at P 3 (2008) (“March 20 Order”).

⁵ *Id.* at P 15.

possible variations from Order No. 2003....”⁶

On May 15, 2008, the CAISO filed a petition (“Waiver Petition”) in Docket No. ER08-960, seeking a one-time waiver of certain provisions of the existing CAISO Tariff governing generator interconnection. The central purpose of the Waiver Petition was to commence the process of clearing the existing backlog of pending Interconnection Requests in the CAISO’s interconnection queue. The Waiver Petition facilitated this objective in two ways. First, it allowed the CAISO to focus its resources on completing Interconnection Studies and related activities on pending “late stage” and other priority Interconnection Requests, defined in the Waiver Petition as the “Serial Study Group.”⁷ Interconnection Requests assigned to the Serial Study Group will continue to be studied serially pursuant to existing LGIP timelines. Second, the Waiver Petition proposed to suspend work on other pending Interconnection Requests and include them in either the “Transition Cluster” or the “Initial GIPR Cluster.” The Transition Cluster includes all Interconnection Requests pending as of June 2, 2008, which were not assigned to the Serial Study Group. Finally, the Initial GIPR Cluster consists of all Interconnection Requests to be contained in the first going-forward Queue Cluster Window, which commenced on June 2, 2008. On July 14, 2008, the Commission issued an order granting the CAISO’s Waiver Petition.⁸

⁶ March 20 Order at P 15.

⁷ The Serial Study Group consists of certain “late stage” Interconnection Requests, which the CAISO will continue to study serially and pursuant to existing timelines. The CAISO elected to define late stage Interconnection Requests as those that either: (1) had met specific advanced milestones in the current LGIP Interconnection Study process, (2) had a power purchase agreement (“PPA”) approved, or pending approval, by the CPUC or Local Regulatory Authority, or (3) were next in queue order to interconnect to any transmission project that has received land use approvals from any local, state, or federal entity, as applicable, up to the capacity studied by the CAISO. The CAISO explained that these criteria were logical and consistent with the Commission’s guidance in the March 20 Order.

⁸ *California Indep. System Operator*, 124 FERC ¶ 61,013 (2008).

On July 28, 2008, after a lengthy stakeholder process, the CAISO filed proposed tariff changes to improve its generator interconnection process on a going-forward basis. The GIPR filing proposed, among other things, to modify the Order No. 2003 serial “queue” approach and adopt a “clustering” approach to manage the existing interconnection backlog and more smoothly interconnect future generation projects.

On August 25, 2008, as discussed in detail below, the Commission issued an order regarding the queue reform proposal of the Midwest ISO (“MISO”), in which it reviewed and largely rejected many of same arguments and protests that have been raised in this docket regarding the GIPR proposal.⁹

Thirty-five parties filed motions to intervene, comments, or protests, or some combination thereof. Substantive comments were filed by the following entities: Wellhead Electric Company (“Wellhead”); Macquarie Energy North America Trading (“Macquarie”); SunPower Corporation (“SunPower”); Cogentrix Energy, LLC (“Cogentrix”); Independent Energy Producers Association (“IEP”); Pacific Gas and Electric Company (“PG&E”); Horizon Wind Energy (“Horizon”); Iberdrola Renewables, Inc (“Iberdrola”); LS Power Associates, L.P. and Tenaska, Inc. (together, “LS/Tenaska”); Southern California Edison Company (“SCE”); the Cogeneration Association of California and the Energy Producers and Users Coalition (together, the “QF Parties”); the Metropolitan Water District of Southern California (“MWD”); OptiSolar, Inc. (“OptiSolar”); California Wind Energy Association, Large-Scale Solar Association, and American Wind Energy Association (together, the “Wind and Solar Parties”); GWF Energy LLC (“GWF”); NRG Energy (“NRG”); and Babcock & Brown Infrastructure Group (“Babcock & Brown”).

⁹ See *Midwest Indep. System Operator*, 124 FERC ¶ 61,183 (2008) (“MISO Queue Order”).

III. MOTION FOR LEAVE TO ANSWER PROTESTS

Pursuant to Rules 212 and 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 385.213, the CAISO moves for leave to answer protests to the GIPR filing. The CAISO requests waiver of Rule 213(a)(2), 18 C.F.R. § 385.213(a)(2), to permit it to make an answer to the protests. Good cause exists for this waiver here because the answer will aid the Commission in understanding important issues raised in the protests to the GIPR filing and will provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in this case. See, e.g., *Entergy Services, Inc.*, 116 FERC ¶ 61,286, at P 6 (2006); *Midwest Independent Transmission System Operator, Inc.*, 116 FERC ¶ 61,124, at P 11 (2006); *High Island Offshore System, L.L.C.*, 113 FERC ¶ 61,202, at P 8 (2005).

IV. ANSWER

A. The *Status Quo* Is Not Acceptable.

As a preliminary matter, the underlying premise of the GIPR filing deserves to be emphasized. There is an overwhelming consensus among the CAISO and its stakeholders that the CAISO's current interconnection process is not allowing for the timely and efficient interconnection of resources, and needs reform. However, the theme underlying the joint protest of LS/Tenaska is that the CAISO should not "undermine the proven and successful Order No. 2003 interconnection framework, frustrate its purposes, and upset the balance of burdens and benefits between

Interconnection Customers and Transmission Providers upon which it is based.”¹⁰ The CAISO agrees that the Order No. 2003 paradigm need not be turned on its head and, with that in mind, has proposed significant, but moderated, reforms to the current interconnection process. However, the CAISO does not agree that the current interconnection process is entirely “proven and successful.” Indeed, experience has shown that without significant modifications, the CAISO’s interconnection process will be unable to achieve Order No. 2003’s fundamental goal of ensuring an efficient, uniform, and non-discriminatory process for interconnecting to the grid. The Commission has heard from many parties in this docket and in Docket No. AD08-2-000 that under the current interconnection process, interconnection queue delays continue to frustrate developers, overwhelm planners, and delay the connection of much-needed new generation, particularly renewable resources. The majority of comments on the GIPR proposal support this fundamental conclusion. LS/Tenaska are outliers in this regard.

B. The GIPR Proposal Appropriately Balances the Burdens and Responsibilities on All Parties to the Interconnection Process.

The CAISO discusses comments regarding specific portions of the GIPR filing below, but wishes to comment on another theme that LS/Tenaska pursue in their protest. LS/Tenaska argue that the GIPR “make[s] no attempt to balance the competing interests of generation developers versus those of CAISO and PTOs” and that the GIPR lacks sufficient obligation on the part of CAISO or PTOs to complete studies or facilities construction on time.¹¹ To the contrary, the GIPR proposal is just and reasonable in

¹⁰ LS/Tenaska at 19.

¹¹ LS/Tenaska at 32.

large part because it appropriately balances the burdens and responsibilities placed on Interconnection Customers, transmission owners, and the CAISO. LS/Tenaska focus on the increased financial commitments that Interconnection Customers must make. However, they ignore the trade-off that developers receive for that increased up-front commitment. One of the fundamental tenets of the GIPR is that Interconnection Customers receive financial certainty at the end of the Phase I Interconnection Study. As detailed in the GIPR filing, the estimate of Network Upgrade costs resulting from the Phase I Interconnection Study serves as a cap. That is, even if actual Network Upgrade costs exceed the Phase I estimate, those costs will be borne by the PTOs, not the Interconnection Customer. This is a significant departure from the current interconnection process and one that required the PTOs to make a significant concession for the overall good of the interconnection process. This exemplifies the balancing that the CAISO and its stakeholders went through to ensure that all responsible parties share in the benefits and burdens of a more efficient interconnection process.

C. The Timelines for Processing GIPR Interconnection Requests Are Just and Reasonable and Will Result in More Efficient Application Processing.

The core objective of the GIPR proposal is to facilitate more timely generator interconnection to the CAISO Controlled Grid. The GIPR study timelines that the CAISO developed with its stakeholders were chosen to achieve that end. Several commenters argue, however, that the timelines contained in the GIPR are too long and that the study process could actually take longer under the GIPR than under the current

procedures.¹² Macquarie asks the Commission to direct the CAISO to complete the Phase I and Phase II Interconnection Studies no later than 120 calendar days after commencement of each study, which it asserts is consistent with the timelines for studies under the current regime.¹³ Others urge that the timelines specified in the CAISO Tariff should be converted into hard deadlines and the “Reasonable Efforts” language should be removed.¹⁴ PG&E raises concerns about the timing of the Initial GIPR Cluster timelines.

The CAISO respectfully disagrees with commenters that argue the GIPR timelines will lead to less timely Interconnection Studies and believes that these commenters overlook key aspects of the GIPR proposal that increase, not decrease, the efficiency of the interconnection process. First, while commenters are correct, as a matter of the calendar, that the total GIPR study timeline (*i.e.* maximum days to an executed LGIA) slightly exceeds the suggested study timeline in the current tariff and the Commission’s standard version of the LGIP, this fact is not indicative of the GIPR’s efficacy because the GIPR includes the necessary procedural reforms to ensure that these deadlines can actually be met. Of particular significance is the elimination in the GIPR of the need for restudies, which under the current interconnection process has contributed greatly to the backlog in processing Interconnection Requests, resulting in timelines that, in practice, have been impossible to meet. Moreover, the time permitted for the Phase II studies was designed to permit close coordination with the CAISO’s

¹² See *generally* Macquarie at 6-7, LS/Tenaska at 32-33, PG&E at 4.

¹³ Macquarie at 8.

¹⁴ LS/Tenaska at 41, NRG at 10.

Transmission Planning Process (“TPP”), a notable enhancement to the current interconnection process, as discussed in detail in the GIPR filing.¹⁵

Additionally, despite these concerns about the maximum timeframe that it might take to study a particular Interconnection Request from start to finish, under the GIPR, Interconnection Customers will be provided the critical piece of information, a *binding Network Upgrade cost estimate*, a mere 180 days after beginning the Phase I Interconnection Study, as compared to 300 days of study (approximately 180 days for an Interconnection Facilities Study plus 120 days for an Interconnection System Impact Study) to provide this same binding Network Upgrade cost responsibility under the current process assuming the customer waived the Interconnection Feasibility Study. This expedited delivery of the key piece of information that developers need to make commitment decisions is a centerpiece of the GIPR and cannot be ignored when discussing the efficacy of the GIPR’s timelines.

Third, the CAISO disagrees with commenters who take issue with the “Reasonable Efforts” legal standard in the GIPR proposal and ask instead for hard deadlines, perhaps with associated penalties. The “Reasonable Efforts” standard exists in the Commission’s *pro forma* LGIP and the CAISO sees no need to depart from that standard in the GIPR. While making the CAISO or PTOs subject to penalties may have the appearance of imposing some additional level of discipline on the CAISO or the PTOs, nothing in the CAISO’s thorough examination of the interconnection queue backlog issue suggested that lack of CAISO or PTO diligence was driving the problem. In other words, no stakeholder alleged that the CAISO simply was not working hard enough. Indeed, the Commission expressly found in response to the CAISO’s Waiver

¹⁵ GIPR Filing Letter at 28-29, Exh. ISO-2 at 21-24.

Petition that staffing was not the problem.¹⁶ As documented in the GIPR, the causes of the interconnection delays in California are the number of Interconnection Requests and the manner in which they are currently processed, not a lack of discipline on the part of the CAISO or PTOs. Moreover, imposing “hard” deadlines or penalties on the CAISO will only lead to increased litigation and other inefficiencies if deadlines are missed for any reason. As the Commission has discovered in its inquiry in Docket No. AD08-2-000, the current *pro forma* deadlines are being consistently missed across the country. This strongly suggests that interconnection processing delays are not due to a lack of effort or resources on the part of RTOs and other transmission providers, but rather, result from a process that in many cases does not provide for the efficient processing and study of interconnection requests.

Finally, with regard to the concerns relating to the processing of the Initial GIPR Cluster raised by PG&E, the CAISO noted in its GIPR filing that the longer timeline for processing of the Initial GIPR Cluster is driven by the fact that projects in the Serial Study Group and Transition Cluster must be studied first in order to effectively clear out the existing queue. Nevertheless, the CAISO appreciates PG&E’s concern, and, as noted in the CAISO’s filing, depending on the number of Interconnection Requests contained in the Initial GIPR Cluster, the CAISO may be able to include the process of identifying final Network Upgrades for the Initial GIPR Cluster in its 2010 Transmission Planning Process. The CAISO will continue to explore this issue as the process of

¹⁶ *California Indep. System Operator Corp.*, 124 FERC ¶ 61,031 (2008) (hereinafter, “Waiver Order”) at P 44 (“We have no evidence to suggest that additional staff would be helpful in processing the CAISO’s queue backlog.... Accordingly, we will not delay useful reforms with the hope that the CAISO will find a solution to the queue backlog through an increase in staff.”).

clearing out the existing backlog of requests moves forward and more information becomes known as to the scope of the Initial GIPR Cluster.

D. Various Categorical Requests for Expedited Treatment Would Negate the Effectiveness of the Cluster Approach and Actually Slow Down the Interconnection Process.

In comments and protests, various entities request expedited treatment for certain categories of projects:

- PG&E requests accelerated treatment for all projects that have an executed PPA or certificate application, approved or pending approval by the CPUC or other Local Regulatory Authority, including several solar projects for which PG&E has entered into PPAs.¹⁷
- The Wind and Solar Parties argue that the CAISO should accelerate the interconnection of projects that can lessen or alleviate the need for transmission upgrades.¹⁸
- LS/Tenaska ask for separate queues for wind and non-wind projects.¹⁹
- Wellhead argues that the CAISO should expedite certain types of projects necessary to protect system reliability but does not state to what types of projects Wellhead intends such an exception to apply.²⁰
- SunPower asks that the accelerated Phase II Interconnection Study process be automatically available to all Interconnection Request projects that, in the judgment of the CAISO, contribute to compliance with California's legal and regulatory obligations and have an executed PPA that is approved or pending approval by the CPUC or other Local Regulatory Authority.²¹
- GWF asks the Commission to require an accelerated option for updates.²²

¹⁷ PG&E at 5.

¹⁸ Wind and Solar Parties at 30.

¹⁹ LS/Tenaska at 21.

²⁰ Wellhead at 4.

²¹ SunPower at 4-5.

²² GWF at 4. GWF proposes that if an Interconnection Request relates to the expansion of an existing project or is on an existing power plant site and the proposed electrical interconnection will be located either on the same property or contiguous thereto, the generator Interconnection Request should be reviewed independently of a cluster at the generator's option.

- The QF Parties propose that the CAISO proposal be modified to provide that new or incremental combined heat and power projects of less than 100 MW located within the established transmission network be studied as received, rather than holding these requests to be completed with the remainder of the queue.²³

The CAISO does not believe granting any of the categorical requests for accelerated treatment would be beneficial to the interconnection process because the accelerated studies would overwhelm the clustering process and slow down all studies. Efficiency in processing cluster studies will decrease the more the CAISO is required to study “accelerated” projects on a one-off basis. Particularly if a project proposed for an accelerated Interconnection Study has a potentially significant effect on other projects in the same cluster, the acceleration of the Interconnection Study for that one project would delay the commencement of the Interconnection Studies for the other projects until the study for the first project is completed. Eventually, the exceptions would swallow the rule, leading to an unmanageable crowd of one-off expedited studies.

As noted in the GIPR filing, Section 7.6 of the GIPR LGIP does permit accelerated studies for projects that are electrically independent (*i.e.*, those projects that have not been grouped with any other projects during the Phase I Interconnection Studies and that have been identified as interconnecting to a point of available transmission during Phase I studies) and for whom the normal GIPR timelines would be inadequate.²⁴ Beyond this, the CAISO does not believe that there is a clear answer as to which categories of projects are deserving of special treatment and which are not, and therefore, the most appropriate outcome is to treat projects in an equal and non-

²³ QF Parties at 5.

²⁴ Also, GIPR LGIP Section 7.6 provides that the CAISO may apply for a waiver to accelerate any project, at any phase, to meet an executive or legislative order or to meet a California Public Utilities Commission (CPUC) or California Energy Commission (CEC) mandated requirement where the existing GIPR timelines are determined inadequate.

discriminatory manner. The CAISO appreciates, however, that beyond the specific criteria for an accelerated process provided in Section 7.6, there is the chance that circumstances may arise that warrant expedited interconnection of a project. In anticipation of such circumstances, the CAISO included the express recognition that the CAISO might need to apply to the Commission for a waiver of the LGIP timelines in Section 7.6. The CAISO believes that its ability to petition the Commission for a waiver of particular tariff provisions provides a sufficient safeguard.

This outcome is supported by the MISO Queue Order, in which the Commission rejected similar requests for exemptions to the cluster approach. In the Midwest ISO case, LS Power also argued that the Commission should order MISO to create a separate wind-only queue. The Commission held as follows:

We reject LS Power's request for two interconnection queues, one for wind and one for non-wind. Having two separate queues would produce unnecessary competition for the same transmission capacity on the system. Further, this approach would be unduly discriminatory, specifically against other types of generation. It also would not be an effective way to resolve the problems in the queue.²⁵

E. The Timeline for Processing the Transition Cluster Is Just and Reasonable and, In Any Event, the Earliest Possible Timeline.

In the GIPR filing, the CAISO proposed to begin the Phase I Interconnection Study for the Transition Cluster no later than December 1, 2008 or 60 calendar days after the effective date of the GIPR tariff provisions, whichever is later, with results of the Phase I study provided to the Interconnection Customer within 240 calendar days after commencement. Some commenters, however, take issue with the CAISO's proposed dates. The Wind and Solar Parties argue that the timeline to process the

²⁵ MISO Queue Order at P 143.

Transition Cluster is unacceptably long. They assert that the CAISO must complete studies for the Transition Cluster and the Initial GIPR Cluster so that these groups enter into the Transmission Planning Process in 2009 and 2010, respectively, instead of 2010 and 2011 as proposed by the CAISO.²⁶ Macquarie asks the Commission to order the CAISO and the PTOs to take all necessary steps to expeditiously process the pending Interconnection Requests in the Transition Cluster, and, in any event, to direct the CAISO to complete all Phase I Interconnection Studies for the Transition Cluster by April 1, 2009, with all Phase II Interconnection Studies to be completed by August 1, 2009.²⁷

The CAISO continues to believe the timeline for processing the Transition Cluster is just and reasonable. First, as a legal matter, the CAISO cannot implement the Transition Cluster provisions of the tariff until the Commission issues an order accepting the GIPR filing. Second, the CAISO chose the earliest reasonable date for beginning the Transition Cluster study given the CAISO's responsibility for clearing out the Serial Study Group according to the terms of the current tariff. Third, the small window of time between the effective date of the GIPR and the beginning of the Transition Cluster study exists in large part to accommodate Interconnection Customers who, within 60 days of the GIPR's effective date, must satisfy several requirements in order to remain in the Transition Cluster (including providing an additional study deposit, a statement of the requested deliverability status, a preferred Point of Interconnection and voltage level and all other technical data required by the LGIP, and a demonstration of Site

²⁶ Wind and Solar Parties at 24-25.

²⁷ Macquarie at 10. Macquarie also argues that the proposed timeline also unfairly disadvantages Transition Cluster projects vis-à-vis similarly situated projects placed in the Serial Study Group. Macquarie at 10.

Exclusivity or a posting of a Site Exclusivity Deposit of \$250,000).²⁸ Starting the Transition Cluster any sooner than the CAISO has proposed would deny these customers the ability to assemble this data and arrange necessary additional financing to meet these requirements, and is unlikely to produce study results significantly faster.

F. The Requirements to Remain in the Transition Cluster Are Necessary to Move the Interconnection Process Forward.

Some commenters take issue with the requirements placed on Interconnection Customers to stay in the Transition Cluster. LS/Tenaska argue that the CAISO's Transition Cluster provisions should be rejected as unjust and unreasonable, and unduly discriminatory and unduly preferential, although they do not explain why. In any case, any claims of undue discrimination as between projects placed in the Serial Study Group versus the Transition Cluster were put to rest by the Commission's order on the CAISO's Waiver Petition, which found that the CAISO's proposed delineation between the two was just and reasonable.²⁹ As to whether it is just and reasonable to require these additional commitments by Interconnection Customers already in the queue, the CAISO believes that in order to ensure that it can process the Transition Cluster studies as quickly as possible, the Transition Cluster must be made up only of those projects that are likely to reach commercial operation. Accordingly, in his affidavit accompanying the GIPR filing, the CAISO's Stephen Rutty testified, *inter alia*, that these additional requirements "are critical to clearing out the existing backlog."³⁰ These additional

²⁸ LS/Tenaska misstate these requirements in its comments. See LS/Tenaska at 34-35. The additional study deposit to stay in the Transition Cluster takes into account deposits already paid and subtracts them from the required amount.

²⁹ Waiver Order at P 77 ("We find the CAISO has chosen criteria that reasonably target those projects that are in the later-stages of advancement in the current process, and that would be most disrupted by transitioning to the proposed GIPR.").

³⁰ Exh. ISO-1 at 20.

requirements are also consistent with the Commission's order in Docket No. AD08-2-000, in which the Commission noted that different solutions may have to apply to late-stage current interconnection requests as opposed to future and early-stage current interconnection requests.³¹ Accordingly, Interconnection Customers with early-stage current requests were on notice that some tariff changes would apply to them as they would to future Interconnection Requests.

G. Protests Regarding Inclusion in the Serial Study Group are Beyond the Scope of the GIPR Proposal.

In its comments, SunPower requests that the Commission extend eligibility for inclusion in the Serial Study Group to September 29, 2008.³² SunPower also notes its support for PG&E's request for clarification in response to the Commission's order on the Waiver Petition in Docket No ER08-960.³³ OptiSolar also restates concerns it voiced in Docket No. ER08-960. OptiSolar objects to the placement of its project in the Transition Cluster instead of the Serial Study Group. These concerns are beyond the scope of the GIPR because the Commission addressed this issue in response to the CAISO's Waiver Petition, and they are before the Commission on rehearing at this time in Docket No. ER08-960. Accordingly, the Commission should not entertain these issues in this proceeding. In its order on the CAISO's Waiver Petition, the Commission clearly reserved judgment on the merits of the GIPR proposal. However, the justness and reasonableness of the criteria for including certain projects in the Serial Study Group was squarely before the Commission in that proceeding and the Commission

³¹ See *Interconnection Queueing Practices*, 122 FERC ¶ 61,252 at P 11 (2008).

³² Alternatively, SunPower argues that the Commission should implement a "backstop approach" that gives the CAISO the ability and discretion to accelerate the sequencing of studies for certain projects based on specific non-discriminatory criteria. SunPower at 4-5.

³³ SunPower at 5.

found the CAISO's proposal just and reasonable.³⁴ There is no need to re-open that issue in the present proceeding.

H. The Increased Financial Commitments Are Critical Components of Making the CAISO's Interconnection Process More Efficient.

1. Increased Financial Commitments Do Not Favor Utilities.

LS/Tenaska and NRG argue that while the heightened security, deposit, and other requirements included in the GIPR proposal may appear neutral on their face, they are in fact unduly preferential to utility-affiliated generators.³⁵ They argue that, unlike independent developers who normally use off-balance sheet financing, utility affiliated generators can finance projects based on the balance sheets of their regulated parents. The CAISO does not dispute any of the characterizations of LS/Tenaska and NRG regarding how non-utility developers finance their projects. However, the CAISO does not agree with the assumption underlying this argument – that all non-utility generators are, by definition, under-capitalized and therefore unduly disadvantaged as a class. It is the CAISO's experience that quite the opposite is true in many cases.³⁶ Nevertheless, it is true that the GIPR proposal will make it more difficult for under-funded projects to enter the interconnection process. However, the CAISO does not believe that this attribute of the GIPR process is in any way unreasonable. To the contrary, it has been a stated policy goal of the CAISO throughout this process that the interconnection process must no longer be bogged down studying projects that are unlikely to reach commercial operation. It may be that some under-funded projects are

³⁴ Waiver Order at PP 77-83.

³⁵ LS/Tenaska at 23. See also NRG at 9.

³⁶ In fact, NRG, one of the non-utility generators advancing this argument, recently reported first-half 2008 earnings of \$1.2 billion and total liquidity of \$2.6 billion. See Quarterly Earnings Report of NRG Energy, available at <http://www.snl.com/Cache/1001142204.PDF?FID=1001142204&O=PDF&T=&D=&IID=4057436&Y=>.

non-utility projects, but that does not support the conclusion that the GIPR proposal unlawfully discriminates against non-utility generation. Indeed, non-utility projects that are appropriately capitalized will derive particular benefit from the increased efficiencies of the GIPR process, insofar as they will have earlier assurances as to their cost responsibilities as well as greater certainty as to their Commercial Operation Date.

2. Increased Deposit Amounts Are Just and Reasonable.

A core component of the GIPR filing is the CAISO's proposal to increase the study deposit required of Interconnection Customers. Specifically, the CAISO proposes to raise the Interconnection Study Deposit to \$250,000. LS/Tenaska assert that the CAISO's proposed deposits are excessive and that, by making them non-refundable, the CAISO penalizes Interconnection Customers and would provide CAISO with a windfall profit.³⁷ GWF argues that under the two-tiered deposit amount, the reduced deposits for smaller interconnections remain too high and that uprate projects of up to 50 MW should qualify for the lower assessment.³⁸ LS/Tenaska also argue that the deadlines for making the deposits non-refundable are improper because the CAISO would not have performed the Phase I Interconnection Study within 30 days of the Scoping Meeting, and it would likely not have started work on or completed a substantial portion of the Phase II Interconnection Study within 30 days after presenting the results of the Phase I Interconnection Study.³⁹

³⁷ LS/Tenaska at 30.

³⁸ GWF at 7.

³⁹ LS/Tenaska at 30-31.

Notwithstanding these protests, the increased deposit is a just and reasonable component of the GIPR proposal.⁴⁰ The CAISO's rationale for the increased deposit was detailed in the GIPR filing (including noting that the Commission raised the possibility of increased deposits in Docket No. AD08-2-000), but it is important to emphasize that while stakeholders suggested both higher and lower amounts, the CAISO chose \$250,000 because it is not substantially more than the total of the existing LGIP-required deposits for a project that completes the entire interconnection process. One of the most significant changes is that under GIPR, an Interconnection Customer will be required to provide the full \$250,000 up front. As explained in the CAISO's filing, this up-front requirement will serve to appropriately deter speculative projects from entering and remaining in the queue.

The Commission recently found that that the Midwest ISO's significantly increased study deposits were justified in light of its delayed interconnection queue. As part of its queue reform proposal, the Midwest ISO proposed to increase its study deposits to up to \$120,000 for the "application review phase" and up to \$520,000 for the "definitive planning phase."⁴¹ As in its GIPR protest, LS Power argued that the MISO deposit amounts were unduly discriminatory and inconsistent with Order No. 2003.⁴² The Commission approved MISO's increased deposit amounts over LS Power's objection, holding as follows:

We agree with LS Power that the Commission has previously rejected deposits that are higher than the expected costs for studying a prospective interconnection. However, the circumstances here are quite different. First and

⁴⁰ The CAISO also notes that arguments of "windfall profits" at the CAISO do not hold water, as the CAISO is a non-profit corporation that remains revenue neutral.

⁴¹ See MISO Queue Order at P 47. MISO adopted a sliding scale with lesser amounts for smaller projects.

⁴² *Id.* at P 51.

foremost, Midwest ISO's interconnection queue is not working to the satisfaction of the Commission, Midwest ISO, or interconnection customers. Second, the current \$10,000 initial deposit is not effective in preventing speculative interconnection requests from saturating the queue. Finally, the Commission is deeply concerned about the phenomenon of "queue churn" that occurs when an interconnection customer withdraws and causes chain reaction restudies.... We believe that the new methodology will help deter speculative interconnection requests by raising the bar with respect to projects entering the queue⁴³

The reasons driving the Commission's decision in the MISO Queue Order to allow MISO to increase its study deposits are equally valid as applied to the CAISO's interconnection process. The CAISO's current deposit requirements have not been effective in preventing speculative projects from entering the CAISO's queue, and the exodus of such projects after studies have already commenced has resulted in the "chain reaction restudy" phenomenon described by the Commission in the MISO Queue Order.

In response to GWF, the CAISO disagrees that the lower deposit level of \$100,000 is too high. Establishing a deposit amount for small generators that is reasonable, but at the same time requires a significant commitment on the part of the Interconnection Customer, is an important part of the GIPR proposal because small projects that are unlikely to achieve commercial operation can also clog the interconnection process. After considering the issue carefully, in conjunction with stakeholders, the CAISO determined that \$100,000 represented a reasonable middle ground, deterring speculative Interconnection Requests while ensuring that viable small projects were not shut out of the process. As to LS/Tenaska's argument regarding the deadline for recovering the deposit, LS/Tenaska correctly note that the CAISO and PTOs will likely not have completed substantial work on the Phase I Interconnection

⁴³ MISO Queue Order at PP 59-60.

Study within 30 days of the Scoping Meeting, and that is precisely the point. The CAISO's goal in establishing that deadline was to encourage developers to make a commitment to proceed *before* the CAISO and PTOs conduct in-depth studies. This increases the accuracy of the Phase I study and improves the quality of the binding cost estimates that flow from the Phase I study.

The Wind and Solar Parties question the GIPR's proposal to make the deposit non-refundable after 30 days and assert that the GIPR does not say what happens to such forfeited funds. The Wind and Solar Parties further argue that the Commission should require the CAISO to apply forfeited study deposits to future Interconnection Requests by the same customer for the same project.⁴⁴ With regard to distribution of the foregone deposits, the Wind and Solar Parties are mistaken. Section 3.5.1.2 of the GIPR LGIP states that such funds will be distributed to Scheduling Coordinators in proportion to their contribution to the CAISO's Grid Management Charge. The CAISO opposes the Wind and Solar Parties' alternative proposal to credit a customer's future interconnections with the amount of the foregone deposit. This proposal would effectively negate the impact of the 30-day deadline and remove the incentive to make commitment decisions soon after the Phase I Interconnection Study.

3. Enhanced Security Requirements Are Just and Reasonable.

Under the CAISO's current interconnection rules, an Interconnection Customer is not required to provide financing for Network Upgrades associated with its project until construction of those facilities begins. The GIPR changes this regime by requiring the Interconnection Customer, within 90 days after publication of the Phase I Interconnection

⁴⁴ Wind and Solar Parties at 35-36.

Study (120 days for the Transition Cluster), to post Interconnection Financial Security in an initial amount equal to 20 percent of the total cost responsibility for Network Upgrades and Interconnection Facilities determined by the Phase I study. Interconnection Financial Security for the remaining 80 percent of the estimated costs must be posted within six months following the conclusion of the Phase II Interconnection Study. LS/Tenaska oppose these security requirements, arguing they are excessive and will have a chilling effect on generation investment.⁴⁵ NRG argues that the CAISO should revert back to the Order No. 2003 method of withholding financial security until construction.⁴⁶ NRG also argues that the Commission should direct the CAISO to abandon the requirement that financial security be forfeited upon the Interconnection Customer's withdrawal and instead modify Section 9.4.2.1 of the proposed LGIP to return Interconnection Financial Security to the Interconnection Customer, subject to the requirements that: (1) the customer agrees to fund any Network Upgrade necessary to mitigate the impact of its withdrawal on other Interconnection Customers; and (2) the CAISO provide refunds over five years, plus interest, for any Network Upgrades the withdrawing customer is required to fund in order to protect lower queued generators.

The CAISO disagrees that the proposed financial security requirements in GIPR are too stringent. The purpose of the enhanced security requirement is to continue to require projects to be prepared to reach commercial operation, including ensuring that developers of new generation are fully capitalized. As noted in the GIPR filing, the staggered posting requirement was a concession suggested by stakeholders and adopted by the CAISO to

⁴⁵ LS/Tenaska at 24-25.

⁴⁶ NRG argues the requirement in Section 9.4 to post financial security for Network Upgrades after completion of the Phase I Interconnection Study is particularly problematic in California, given the state's lengthy environmental and site permitting process. NRG at 5-6.

balance realistic participation in the interconnection process with the inherent uncertainties of project development. The staggered security posting allows Interconnection Customers time to obtain financing and to assess the ongoing viability of their projects in light of the outcome of pending requests for offers or other licensing proceedings. Moreover, Sections 9.4.1 and 9.4.2 of the GIPR LGIP include several “off-ramps” under which a withdrawing Interconnection Customer may retain a substantial portion of its Interconnection Financial Security.

It also bears repeating that this increased financial commitment is not a one-sided obligation. In exchange for the posting of Interconnection Financial Security, Interconnection Customers have the new and valuable benefit of knowing their total exposure to Network Upgrade costs far in advance of construction. Unlike the current CAISO Tariff, where security requirements can rise and fall as estimates change, the GIPR eliminates that uncertainty. Moreover, the GIPR retains a primary safeguard of Order No. 2003, that financial security requirements are reduced dollar-for-dollar when payments are made to the PTO for construction costs. This, according to the Commission, “protects the Interconnection Customer against providing too much security....”⁴⁷ In addition to this historical protection, the GIPR adds the cap on Network Upgrade liability which tells customers exactly how much security they will be required to provide, far in advance of the date such security must be posted in total. This is a marked improvement for Interconnection Customers over the current proposal.

In response to NRG’s proposal that withdrawing generators would not forfeit their security but would instead hold other generators harmless of the impacts of its withdrawal on restudies, the CAISO opposes this approach as almost impossible to administer while

⁴⁷ Order No. 2003 at P 594.

doing nothing to discourage late-stage withdrawals. Any obligation on the CAISO to have to determine precisely how other generators and Interconnection Customers would truly be held harmless by a withdrawing Interconnection Customer (e.g., by conducting several additional studies to isolate the effects of the withdrawal) would be a substantial administrative burden that would absorb resources that could otherwise be devoted to processing Interconnection Requests, thereby adding to the delays in clearing the interconnection queue. Moreover, the CAISO is concerned that the determination whether all other affected parties are held harmless could be the source of substantial additional disputes and uncertainty for the finality of Interconnection Studies. The CAISO urges the Commission to reject NRG's proposed alternative approach.

4. Distribution of Forfeited Amounts Through the Grid Management Charge Mechanism Is Logical and Appropriate.

As part of the GIPR, the CAISO proposed to distribute any forfeited security amounts to Scheduling Coordinators in proportion to their contribution to the Grid Management Charge. In their protest, LS/Tenaska highlight the fact that the CAISO proposes to make this distribution according to Section 37.9.4 of the CAISO Tariff, which happens to be the same mechanism used to distribute penalty proceeds. They argue, therefore, that distribution of forfeited security equates to a penalty even though an Interconnection Request is not an "offense" that needs to be deterred and penalties are justified only where a market participant has violated some identifiable rule, regulation, or tariff provision.⁴⁸ LS/Tenaska's hyperbole is misplaced. Section 37.9.4 of the tariff is only referenced because that is the tariff mechanism through which Scheduling Coordinators can receive a credit against their Grid Management Charges.

⁴⁸ LS/Tenaska at 25-26.

Contrary to LS/Tenaska, the CAISO's proposal has nothing to do with penalties and nothing to do with the 2000-2001 energy crisis.

NRG suggests that any excess monies collected by the CAISO should be returned to the customer class that contributed to the excess – in this case, Interconnection Customers – *i.e.* it should be applied to transmission system planning that will benefit Interconnection Customers in a non-discriminatory manner.⁴⁹ NRG provides no details on how, exactly, such a methodology would be designed and implemented. The CAISO is concerned that attempting to perform such an allocation on a non-discriminatory basis would prove to be nearly impossible in practice. If funds were applied to actual planning activities, parties would likely view such an allocation as constituting a windfall to the CAISO and PTOs. On the other hand, if the CAISO were to attempt to apply excess funds to offset project costs, the question would naturally arise as to which projects would receive what funds. The CAISO is not aware of a reliable proxy on which to base such determinations. As such, the CAISO continues to believe that distributing excess security through an offset to the Grid Management Charge is the most logical and efficient solution.

LS/Tenaska assert that if the Commission ultimately decides to accept the GIPR security provisions, the Commission should require the CAISO and the PTOs to provide something in exchange for the security posted and/or forfeited security. First, LS/Tenaska assert that the CAISO and PTOs should be required to return posted security if they fail to timely complete studies or construction, and/or should pay some form of penalty for late studies. Second, LS/Tenaska assert that where a generation project has to be withdrawn from the queue, the CAISO should provide the developer

⁴⁹ NRG at 11.

tradable Congestion Revenue Rights (“CRRs”) in exchange for the forfeited security.⁵⁰

This issue was raised in the stakeholder process but ultimately not adopted for incorporation into the GIPR filing. As the CAISO noted in the GIPR filing, given that the proceeds of any surrendered security or deposits are not going directly to finance transmission investment, the CAISO has not incorporated this element into the GIPR. The CAISO declined to adopt the CRR proposal because allowing CRRs could possibly allow for gaming opportunities, in that a customer could use the interconnection process as an avenue to obtain CRRs. It would also remove the risk and incentive for a project to be well-vetted and viable. Accordingly, the CAISO concluded that the most appropriate allocation of the funds was to offset the CAISO’s Grid Management Charges.

SCE requests clarification that the condition of Section 9.4.1(c) (which allows recovery by an Interconnection Customer of a portion of the financial security upon withdrawal if the PTO’s Interconnection Facilities estimated costs increase by the greater of 30 percent or \$300,000 between the Phase I and Phase II Interconnection Studies) should not hold if the revised estimate for the PTO’s Interconnection Facilities is a result of modifications made by the Interconnection Customer under Section 6.7.2.1(c), which allows modifications by the Interconnection Customer to “modify[ing] the interconnection configuration.”⁵¹ The CAISO agrees that this clarification is warranted and will make the necessary tariff changes on compliance.

SCE believes Section 9.1 is unclear regarding in whose name the Interconnection Financial Security should be provided. SCE requests that the

⁵⁰ LS/Tenaska at 29.

⁵¹ SCE at 9.

Commission modify this Section so that the security provisions are all in favor of the applicable PTOs.⁵² Consistent with current practice, SCE is correct and the CAISO will make the necessary tariff changes to GIPR LGIP Sections 9.1(d), (e), and (f) on compliance.

5. The Enhanced Site Exclusivity Deposit Is Just and Reasonable.

LS/Tenaska urge the Commission to reject the proposed Site Exclusivity Deposit because it “bears no relation to actual costs incurred and therefore cannot be justified on cost causation grounds.”⁵³ LS/Tenaska seemingly ignore the fact that the Site Control deposit is a creature of the current tariff and the Commission’s *pro forma* LGIP. The GIPR only raised the amount, for reasons detailed in the GIPR filing. The Site Exclusivity Deposit is also fully refundable if the Interconnection Customer withdraws or obtains Site Exclusivity. Accordingly, LS/Tenaska’s request should be rejected.

I. The CAISO’s Site Control/Exclusivity Provisions Are Warranted and Fully Explained in the GIPR Filing.

The GIPR did not change the timeframe under which Site Control or Site Exclusivity must be demonstrated. However, LS/Tenaska argue that it is unreasonable to require merchant developers to prove site control so early in the process.⁵⁴ Developers, LS/Tenaska argue, should not be required to make the substantial commitment in terms of time and money to secure a site before the interconnection study process has even begun and without any knowledge of what interconnection costs may be. LS/Tenaska’s comment illustrates one of the issues that the GIPR seeks

⁵² SCE at 9.

⁵³ LS/Tenaska at 31.

⁵⁴ LS/Tenaska at 31-32.

to cure with respect to the interconnection process. Entering the interconnection process should no longer be used as a sounding board for speculative projects. The GIPR allows Interconnection Customers to have access to Interconnection Base Case Data so that developers can make preliminary assessments without the need to formally enter the interconnection process. The demonstration of Site Control/Exclusivity or the provision of a Site Exclusivity Deposit in lieu of Site Exclusivity is just one way in which projects will be required to reach a certain maturity point before entering the interconnection process. In addition, this deposit is fully refundable.

In the GIPR, the CAISO proposed to define “Site Exclusivity” differently from the definition of “Site Control” in part specifically to address concerns raised by the federal Bureau of Land Management (“BLM”) about site control for generators on federal land. Several parties allege that the definition of Site Exclusivity is overly burdensome as it applies to projects on federal land.⁵⁵ Several of these parties argue that a “Type II” Right of Way on federal land should suffice to satisfy the definition of Site Exclusivity. Iberdrola further argues that the Site Exclusivity requirement should not restrict an Interconnection Customer’s ability to optimize available land during the interconnection process without jeopardizing its ability to satisfy the Site Exclusivity requirement.⁵⁶

In the CAISO’s discussions with BLM regarding this matter, BLM has represented to the CAISO that it currently does not have provisions for exclusive rights to a particular site on BLM land short of a final use permit. In the absence of such a mechanism, BLM representatives have proposed that the CAISO simply require all Interconnection Customers proposing to locate their projects on BLM land to provide the

⁵⁵ See, e.g., IEP at 3, Horizon at 4, Iberdrola at 4-5, Wind and Solar Parties at 32-35.

⁵⁶ Iberdrola at 4-5.

Site Exclusivity Deposit. Rather than make the Site Exclusivity Deposit an absolute requirement for Interconnection Customers in that situation, however, the CAISO has proposed in the GIPR definition of “Site Exclusivity” to preserve the option that BLM may in the future develop a mechanism for assigning project developers some form of exclusive right to proceed with development activities for a particular site on BLM land. Developers are free to deal directly with BLM to establish some form of rights they might be able to obtain from BLM that might provide some advance assurance that they will be able to develop their projects on a particular site on BLM land.

J. The GIPR Properly Accounts for the Deliverability Status of Renewable Generators.

Under the GIPR, the Interconnection Customer must specify its requested deliverability status, either “Full Capacity” or “Energy-only.” The CAISO's Interconnection Studies for an Interconnection Customer electing “Full Capacity” will examine the need for Delivery Network Upgrades and Reliability Network Upgrades, while the studies for an Interconnection Customer selecting the Energy-only option will only examine the need for Reliability Network Upgrades. Macquarie asks the Commission to direct the CAISO to modify Section 6.7.2 of its GIPR LGIP to clarify that Interconnection Customers may change their requested deliverability status from “Full Capacity” to “Energy-only” prior to the commencement of the Phase II Interconnection Study.⁵⁷

MWD expresses concern that facilities selecting Energy-only deliverability could cause thermal overloads, but that they would not be required to mitigate such overloads

⁵⁷ Macquarie at 12.

because they do not qualify as Reliability Network Upgrades.⁵⁸ MWD is concerned that Energy-only facilities will cause severe and chronic congestion, endangering the reliable operation of the transmission system. MWD suggests adding tariff language to clarify that thermal overloads will be mitigated as Reliability Network Upgrades. In contrast, the Wind and Solar Parties argue that the Commission should require the CAISO to treat upgrades needed to relieve thermal overloads as Delivery Network Upgrades and not Reliability Network Upgrades.⁵⁹

The Wind and Solar Parties also suggest that the Commission should reject the Off-Peak Deliverability Assessment as unsupported. The Wind and Solar Parties argue that the CAISO has not adequately explained the purpose of these studies, which the Wind and Solar Parties contend could shift upgrade costs to wind developers.⁶⁰ The Wind and Solar Parties further suggest that the CAISO specify that when a Commercial Operation Date is delayed solely as a result of the unavailability of Delivery Network Upgrades, the generator can interconnect as an Energy-only resource and function under Congestion Management rules.⁶¹

In response to Macquarie's requested clarification that Interconnection Customers be able to change their requested deliverability status from "Full Capacity" to "Energy-only" prior to the commencement of the Phase II Interconnection Study, the CAISO has already included this provision directly in the *pro forma* Large Generator Interconnection Study Process Agreement ("LGISPA") as an option available to the Interconnection Customer when it submits the information specified in Appendix B to the

⁵⁸ MWD at 7-10.

⁵⁹ Wind and Solar Parties at 29.

⁶⁰ Wind and Solar Parties at 27-28.

⁶¹ Wind and Solar Parties at 29-30.

LGISPA required prior to the Phase II study. However, in order to provide additional clarity, the CAISO would also be willing to repeat this option in the GIPR LGIP tariff language, if the Commission directs the CAISO to file such a tariff change on compliance.

In response to MWD's and the Wind and Solar Parties' conflicting concerns about thermal overloads, the CAISO chose to address the substance of MWD's concern through a revision of the definition of "Reliability Network Upgrades" contained in the GIPR proposal, in order to make this clarification more generally applicable throughout the CAISO Tariff, rather than the alternative of incorporation of this clarification into a specific section of the GIPR LGIP. That definition now includes thermal overloads as a condition to be addressed by Reliability Network Upgrades, but provides (in part in recognition of the concerns of the Wind and Solar Parties) that such overloads will only require Reliability Network Upgrades where they cannot be adequately mitigated through Congestion Management, Operating Procedures, or Special Protection Systems based on the characteristics of the Large Generating Facilities included in the Interconnection Studies, or limitations on market models, systems, or information, or other factors specifically identified in the Interconnection Studies. The CAISO believes that this is a reasonable resolution of this issue that ensures that thermal overloads caused by Energy-only facilities are properly addressed without over-burdening renewable resource developers with Network Upgrade costs.⁶²

In response to the Wind and Solar Parties' concern about Off-Peak Deliverability Assessments, such an assessment is triggered only after a sufficient number of Location Constrained Resource Interconnection Facilities have sought "Full Capacity"

⁶² See GIPR Transmittal Letter at 35.

deliverability. However, because of the off-peak deliverability problems historically associated with wind generation that could prevent them from meeting state mandated RPS requirements, the CAISO believes the Off-Peak Deliverability Assessment is a necessary augmentation to the On-Peak Deliverability Assessment. The CAISO further notes that wind developers will be reimbursed over a five-year period for their investment in Network Upgrades and, as noted, can choose the Energy-only option to avoid the Off-Peak Deliverability Assessment if total cost exposure for Network Upgrades is a continuing concern. Finally, regarding the Wind and Solar Parties' suggestion that a generator can interconnect as an Energy-only resource when a Commercial Operation Date is delayed solely as a result of the unavailability of Delivery Network Upgrades, this is the intent of the GIPR proposal. In fact, included within the scope of the Phase II Interconnection Studies are assessments that would determine the necessary operating procedures during this interim period. This is another reason that the CAISO needs the time provided for in the GIPR proposal to complete the Phase II studies.

K. A Departure From Participant Funding Is Beyond the Scope of the GIPR Filing.

The Wind and Solar Parties criticize the GIPR proposal for its failure to reverse existing Commission policy on the issue of participant funding. The Wind and Solar Parties contend that the process of asking Interconnection Customers to fund the upgrades necessary to interconnect them (subject to later credits) is no longer just and reasonable, and that, instead, PTOs should be required to fund Network Upgrades because PTOs have a number of ratemaking tools available to them at the Commission to ensure timely recovery of all just and reasonable costs incurred to meet their utility

service obligations, and if PTOs are unwilling to construct Network Upgrades identified through the TPP, then merchant transmission developers would welcome the opportunity to construct them.⁶³ The Wind and Solar Parties further argue that the assumptions upon which the Commission established participant funding no longer apply to California. Regardless of the merits of the Wind and Solar Parties' arguments, they are beyond the scope of the GIPR proposal. Participant funding is a policy issue unrelated to the management of the queue. As a result, the CAISO declined to take this issue up in developing the GIPR proposal, and the Commission should likewise decline to consider this issue in the context of the instant proceeding.

L. Providing Developers with Access to Interconnection Base Case Data Will Assist Them in Making Determinations as to the Viability of Their Projects Before Entering the Interconnection Process.

Under the GIPR proposal, developers will be able to rely on the release of updated Interconnection Base Case Data, in lieu of a formal Interconnection Feasibility Study, to perform preliminary assessments regarding the viability of their projects. This change will speed up processing of the interconnection queue by eliminating one study and permitting Interconnection Customers to conduct their own preliminary assessments aimed at determining whether they are ready to enter the interconnection process.

PG&E expresses concern that having a preliminary study conducted by an entity other than the CAISO or PTO may make it difficult for the procurement departments of a Load Serving Entity ("LSE") to evaluate the independence and credibility of the study

⁶³ Wind and Solar Parties at 11-23. See also Babcock & Brown at 3-5.

results.⁶⁴ LS/Tenaska state that the problem with this proposal to provide Interconnection Base Case Data is that preliminary studies conducted by developers would be of little value because the CAISO and the PTOs likely would not accept the results of these studies. Thus, without some assurance from the CAISO and PTOs that Interconnection Customers will be able to rely on the results of such preliminary studies, LS/Tenaska argue it is not reasonable to expect merchant developers to make the financial commitments necessary to begin the interconnection process and submit an Interconnection Request on the basis of preliminary studies that may not be used.⁶⁵ LS/Tenaska also argue the CAISO should also either compile a list of preferred consultants or develop a certification process for such consultants. Alternatively, LS/Tenaska seek clarification that if PTOs and other load-serving entities will require generators to be in the interconnection queue as a condition for participating in an RFO, generators should be able to exit the queue without penalty if their bids are not selected in the RFO.⁶⁶

In response to PG&E and LS/Tenaska, the CAISO believes both parties misunderstand the purpose of the preliminary assessment based on CAISO-provided Interconnection Base Case Data. The purpose of this informal analysis is for generation developers to take it upon themselves to conduct preliminary studies and gain a first-hand understanding of what interconnection costs they might face if they apply to interconnect at a particular point. The results of such a preliminary study are for the informational use of the customer only. To be clear, the CAISO will not rely on such

⁶⁴ PG&E believes the Commission should accept the proposed tariff change, subject to the CAISO “continuing to refine its processes to better align the solicitation process should experience dictate the need for greater coordination.” PG&E at 6.

⁶⁵ LS/Tenaska at 44.

⁶⁶ LS/Tenaska at 45.

studies and does not expect that its PTOs will have to rely on them. Interconnection Base Case Data will be made available to permit prospective Interconnection Customers to screen themselves (and therefore forego the need to provide the study deposit, site control deposit, etc.), and decline to enter the interconnection process if they determine from modeling their generation using the Interconnection Base Case Data that it would likely be cost-prohibitive to interconnect at a particular point.

The CAISO also disagrees with LS/Tenaska's request for an RFO exemption to the interconnection rules, largely because it would be unmanageable by the CAISO, as the CAISO does not control utility-sponsored RFO processes.

Finally, PG&E requests that the definition of "Interconnection Base Case Data" include the following language (in bold):

*Data including, but not limited to, base power flow, short circuit and stability databases, underlying Load, Generation, and transmission facility assumptions, Contingency lists and **automated contingency files**, including relevant Remedial Action Schemes, **Operating Procedures**, per unit costs, and transmission diagrams used to perform Phase I Interconnection Studies and Phase II Interconnection Studies. . . .*

The CAISO agrees with PG&E's suggested modification, and commits to make this change in a compliance filing.

M. The Cost Cap for Network Upgrades Is Just and Reasonable and a Significant Benefit to Interconnection Customers.

The single largest benefit to Interconnection Customers under the GIPR proposal is the ability to receive a binding estimate of Network Upgrade cost exposure much earlier in the process than under the current tariff. LS/Tenaska, however, are concerned that the CAISO's proposal to provide an estimate of costs for Network Upgrades in the Phase I Interconnection Study would only establish a *maximum* amount

of costs, with no obligation to provide an *accurate* estimate of costs. LS/Tenaska assert that the GIPR will encourage the CAISO and PTOs to inflate their estimates of the maximum costs to ensure that actual costs come in under the estimated maximum.⁶⁷ The CAISO has proposed several checks on any such actions by PTOs. First, the CAISO is an integral participant in the development of all cost estimates. Under the CAISO's process, PTOs cannot unilaterally inflate any costs without the CAISO's scrutiny, and the CAISO certainly has no incentive to inflate costs, thereby undermining confidence in its participation and the process as a whole. Another important control is that the PTOs will be using the published per-unit costs that have gone through stakeholder review, and the PTOs must explain any deviations from these per-unit costs. In addition, the dispute resolution procedures of the CAISO Tariff are available if any Interconnection Customer reaches an impasse with either the CAISO or a PTO as to cost estimates under the GIPR LGIP.

N. The GIPR's Method of Calculating Network Upgrade Costs Appropriately Balances the Needs of the Interconnection Customers and PTOs.

On an annual basis under the GIPR, prior to the commencement of the April 1 Queue Cluster Window, each PTO will publish "per-unit" costs for facilities generally required to interconnect generating facilities to its system. These per-unit costs will be used to develop the costs of Reliability Network Upgrades, Delivery Network Upgrades and Participating TO's Interconnection Facilities under Section 6 of the GIPR LGIP. LS/Tenaska and SCE voice opposing concerns about how per-unit costs will be implemented in practice.

⁶⁷ LS/Tenaska at 45.

LS/Tenaska urge the Commission to require the CAISO to provide greater detail regarding the proposed stakeholder review process for these proposed per-unit costs under GIPR LGIP Section 6.4.⁶⁸ In particular, LS/Tenaska believe stakeholders should have access to all of the underlying data and have the right to contest the use of any estimates, cost data, or assumptions that they believe to be erroneous. LS/Tenaska also want the CAISO and PTOs to explain and justify deviations from these benchmark costs.⁶⁹

SCE disagrees with the requirement under Section 6.4 of the LGIP that it must publish per-unit costs for facilities generally required to interconnect generation to its system.⁷⁰ SCE does not object to using per-unit costs *per se*, but it does object to making these unit costs public and subjecting them to a stakeholder review. SCE also contends that per-unit costs contain confidential vendor information that PTOs cannot disclose for competitive reasons. In addition, SCE believes that, due to the unique geography of California, which includes high mountains, sparsely populated deserts, and densely populated urban and suburban areas, developing effective per-unit costs that capture the unique cost characteristics of constructing Interconnection Facilities and Network Upgrades in such diverse geographic areas would likely make such per-unit costs necessarily generic so that they would lose their value as estimating tools.⁷¹ In sum, SCE requests that the Commission remove the requirement for the PTOs to publish per-unit costs and allow for the cost estimates to be developed during the Phase

⁶⁸ LS/Tenaska at 46.

⁶⁹ LS/Tenaska at 46.

⁷⁰ SCE at 4-5.

⁷¹ SCE at 5.

I Interconnection Study to take into consideration all of the factors needed to develop accurate cost estimates.⁷²

In response to LS/Tenaska's request for the CAISO and the PTO to justify deviations from benchmark per-unit cost, this was the intent of the GIPR and such a provision was included in the GIPR whitepaper. However, upon review, it appears that the GIPR tariff language does not reflect this requirement. Therefore, the CAISO will include tariff language on compliance to reflect the final GIPR whitepaper in this respect.

Regarding the conflicting requests by LS/Tenaska for additional stakeholder process on per-unit costs and SCE's request for no stakeholder process at all, Section 6.4 of the GIPR LGIP already provides that, "[p]rior to adoption and publication of final per-unit costs for use in the Interconnection Study Cycle, the CAISO shall publish to the CAISO Website draft per-unit costs, including non-confidential information regarding the bases therefore, hold a stakeholder meeting to address the draft per-unit costs, and permit stakeholders to provide comments on the draft per-unit costs." The CAISO believes this tariff language strikes the appropriate balance by assuring that the calculation of per-unit costs will be thoroughly reviewed by stakeholders and transparent, and at the same time not overly burdening PTOs. Because the tariff language explicitly provides that only non-confidential information need be released, SCE has not shown why it would be harmed by this level of transparency. Finally, in response to SCE's concern that per-unit costs would be too generic to be useful, it is the CAISO's view that different sets of per-unit costs may be developed to reflect

⁷² SCE at 5.

different types of conditions applicable to proposed projects, including the general types of geographic areas listed by SCE. While this would impose a small additional effort on the PTOs, this would minimize the concern that the per-unit costs would be too generic to be useful. In addition, as the CAISO noted above, on compliance it will clarify that deviation from benchmark per-unit costs will be permitted when appropriately justified, further providing the PTO with flexibility to account for special circumstances.

NRG raises concerns about the accuracy of the Network Upgrade cost estimates. NRG asks the Commission to direct the CAISO to: (1) include incentives for PTOs to accurately determine Network Upgrade costs; and (2) require that cost estimates are provided in a timely manner.⁷³ In order to ensure that cost estimates developed in the Phase I Interconnection Study are accurate and timely, NRG urges the Commission to impose financial penalties on PTOs that miss their study deadlines or over-estimate Network Upgrade costs by more than 20 percent.

The issue of study timelines and deadlines was addressed in Section IV.C above. On the issue of accuracy, the CAISO believes that Interconnection Customers are adequately protected by the transparency of per-unit costs, the three-party (PTO, CAISO, and customer) collaboration throughout the study process, and the cost cap on Network Upgrade liability. The fact that the effect of under-estimates will not be borne by Interconnection Customers is also a significant advantage for developers over the current tariff. In addition, because the ultimate solution determined in the TPP/Phase II Interconnection Study may be different from the Phase I Interconnection Studies depending on the level of project withdrawals, it is likely to be impossible to determine if the original Phase I estimates were accurate. Therefore, no additional changes to the

⁷³ NRG at 10.

GIPR proposal are necessary in order to ensure the accuracy of Network Upgrade cost estimates.

O. PTOs Are Appropriately Responsible for Network Upgrade Costs Resulting from Withdrawal of an Interconnection Customer.

While the GIPR did not fundamentally change the allocation of Network Upgrade costs, some comments request clarification on certain related issues. Regarding Section 12.2.2 (which addresses the construction of Network Upgrades that are or were an obligation of an entity other than the Interconnection Customer), SCE believes it contains ambiguity such that it could be read to require a PTO to finance the entire upgrade if this section is triggered, which SCE does not believe was the intention of the CAISO when it drafted this section, and is not consistent with the financing obligations as they are set forth in the GIPR proposal.⁷⁴ SCE seeks certain clarifications limiting the scope of this provision. SCE also seeks clarification regarding LGIP Sections 7.3 and 7.4, which provide that the Interconnection Customer's estimated financing obligation for its share of Network Upgrades following the Phase II Interconnection Study could be lower than the maximum Interconnection Financial Security requirement established based on the Phase I Interconnection Study. SCE believes that providing an updated financing estimate is reasonable, but requests clarification that the information provided by these updated studies is for informational purposes only, and that it does not change the amount of financial security required or permitted to be drawn upon by the PTO as required by the results of the Phase I Interconnection Study.⁷⁵

⁷⁴ SCE at 6-8.

⁷⁵ SCE at 8-9.

Regarding SCE's concerns about Section 12.2.2, the CAISO expressly provided in the GIPR filing that, under certain circumstances, any shortfall in the funding for Network Upgrades due to the withdrawal of an Interconnection Customer should be assumed by the PTO, but only after the CAISO and PTO determine that the Network Upgrade is still needed to accommodate other remaining Interconnection Requests. Specifically, Section 12.2.2 provides that the PTO will be required to assume financing responsibility where the Network Upgrades are needed, but (1) the facility is the responsibility of an Interconnection Customer with a pre-GIPR LGIA or predecessor agreement (*i.e.*, no Interconnection Financial Security requirements) and the Network Upgrade is not, or will not be, under construction in a timely manner because the Interconnection Customer withdraws or has suspended its project and therefore has not commenced financing the needed Network Upgrade or (2) an Interconnection Customer required to post Interconnection Financial Security withdraws. In this latter regard, the scope of the PTO's financing obligation is limited to the difference between the amount of the surrendered Interconnection Financial Security and the cost of the Network Upgrade.

The CAISO considers this approach to be the only practical way to handle the potential impact of the withdrawal of an Interconnection Customer and maintain the integrity of the cost cap on the Network Upgrade cost responsibility for other Interconnection Customers. The PTO is the only practical source of funding in this situation. However, any adverse impact on the PTO will be mitigated in part by the ability of the PTO to recover the costs of the Network Upgrades through transmission rates. If the concern is that the withdrawal of an Interconnection Customer might make

the specified Network Upgrades unnecessary, Section 12.2.2 expressly provides that the CAISO and PTO shall evaluate the continued need for the project and address this possibility through the Transmission Planning Process, as discussed in Section IV.Q below.

In response to SCE's requested clarification about LGIP Sections 7.3 and 7.4, the CAISO clarifies that the Phase II Interconnection Study does not change the amount of Interconnection Financial Security required or permitted to be drawn upon by the PTO as required by the results of the Phase I Interconnection Study.

P. Changes in Technical Specifications Are Best Considered in the Determination Whether They Constitute Material Modifications.

In response to proposed Sections 6.7.2 and 6.7.2.1 regarding modification of an Interconnection Request based on "technical parameters," Iberdrola requests that the Commission clarify that an Interconnection Customer may replace its wind turbine or solar technology at any time if the replacement technology is reasonably equivalent to, or better than, the original equipment, or there are otherwise no reliability impacts on the system that cannot be mitigated.⁷⁶ If a proposed change in equipment would impact reliability, Iberdrola proposes that the Interconnection Customer have the option to engage, at its own expense, a reputable engineering company to conduct any applicable restudies necessitated by such change in equipment. These restudies would be provided to the CAISO and the applicable PTO(s) for review and consideration. NRG similarly argues that the Commission should clarify that the Interconnection Customer is expressly permitted to alter the facility to take advantage of new technology, delay the facility's Commercial Operation Date, or alter the facility

⁷⁶ Iberdrola at 5-6.

configuration in response to a ruling by a regulatory body.⁷⁷ NRG urges the Commission to require that the CAISO permit any modification so long as (1) the change does not adversely affect other Interconnection Customers in the cluster; or (2) the customer agrees to pay for any additional upgrades necessary to prevent harm to other customers in the cluster.

The CAISO is sensitive to the fact that solar and other renewable technology presents these unique concerns but does not believe it is wise or necessary to pre-judge what is or is not a Material Modification that would impact a generator's position in the interconnection process. If in practice the GIPR appears to be unnecessarily restricting flexibility in the development of renewable generation, the CAISO will revisit this issue in a timely manner in conjunction with its stakeholders. In addition, the Commission seemed to accept a similar answer to Iberdrola on the same issue in the Midwest ISO queue reform case.⁷⁸

Moreover, the CAISO is concerned that it would be almost impossible to determine the appropriate payments to prevent harm to other Interconnection Customers, as proposed by NRG, in addition to which the NRG proposal would have to be expanded to include "harm" to PTOs that would have to finance Network Upgrades in the event the cost cap on the exposure of other Interconnection Customers to costs for Network Upgrades resulted in the PTO having to bear the cost of those upgrades. The imposition of any additional obligation on the CAISO to have to determine whether other Interconnection Customers and PTOs will truly be held harmless by a modification

⁷⁷ NRG at 4-5.

⁷⁸ See MISO Queue Order at P 76. The Commission did not expressly rule on this question but seemed tacitly to accept the Midwest ISO's explanation that when a solar developer wants to change its turbine technology, "if the change can be shown to be immaterial, Midwest ISO will allow it." *Id.*

by an Interconnection Customer would be a substantial administrative burden that would absorb resources that could otherwise be devoted to processing Interconnection Requests, thereby adding to the delays in clearing the interconnection queue. Moreover, the CAISO is concerned that the determination whether all other affected parties are held harmless could be the source of substantial additional disputes and uncertainty for the finality of Interconnection Studies. The CAISO urges the Commission to reject NRG's proposed alternative approach.

However, in its review of this issue, the CAISO has determined that the definition of "Material Modification" in Appendix A of the CAISO Tariff needs to be updated to remove the reference to impacts on Interconnection Requests with "a later queue priority date" to reflect that the GIPR will now group Interconnection Requests into clusters. The CAISO proposes to revise this definition to refer to impacts on other Interconnection Requests in the same Queue Cluster Window and will do so on compliance.

Q. No Additional Tariff Language Is Needed to Confirm that Re-evaluation of an Interconnection Plan of Service Is Appropriate in the Transmission Planning Process.

Despite the elimination of re-studies from the GIPR process, SCE argues there are circumstances under which a "re-evaluation" of the interconnection plan of service resulting from the Phase II Interconnection Studies would be prudent and should take place to mitigate against building a more costly set of facilities that may be required.⁷⁹ SCE asserts that allowing the CAISO to make reasonable adjustments to the plan of service will help prevent unnecessary delays in the required environmental studies

⁷⁹ SCE at 5-6.

and/or preparation of the Certificate of Public Convenience and Necessity filings at the CPUC for the required Network Upgrades, without requiring costly and time-consuming restudies. SCE believes that most late-stage adjustments of the plan of service should not materially change the cost responsibility or construction schedules of said upgrades.⁸⁰ SCE requests that the Commission clarify that the PTOs and the CAISO will retain the authority to conduct such a re-evaluation of the plan of service following the completion of the Phase II Interconnection Study and make adjustments as needed.

The CAISO did include this flexibility in the final version of its GIPR proposal provided to stakeholders, which provided: “Changes to the final plan of service may be allowed during the TPP if a superior alternative is identified and the COD specified after Phase I is not expected to be delayed.” In the course of the stakeholder process, the CAISO advised stakeholders that it would consider this matter in the Transmission Planning Process pursuant to the coordination specified in GIPR LGIP Section 7.2, but that it did not consider this a matter that required additional tariff language to implement. The CAISO continues to believe that this is a matter generally within the scope of the coordination required by Section 7.2 and that no additional tariff language is needed.

R. Miscellaneous Issues.

Relationship to Small Generator Process. SCE believes that the GIPR introduces uncertainty as to how the Small Generator Interconnection Procedures (“SGIP”), which will remain a serial process, will interface with the grouped Phase I and Phase II Interconnection Studies under GIPR. SCE believes the lower barrier of entry to the interconnection process for small generators under the SGIP (*i.e.*, \$1,000

⁸⁰ SCE at 6-7.

application deposit and site control) as compared to large generators under the GIPR (*i.e.*, \$250,000 deposit and site control or an additional \$250,000 in lieu of site control) could result in greater numbers of small generators seeking interconnection.⁸¹ The CAISO submits that the Small Generator Interconnection Procedures are beyond the scope of the GIPR stakeholder process, largely because the large generator queue is the source of the most problematic delays. If SCE continues to have concerns about small generator interconnections, it can raise such concerns with the CAISO in a stakeholder process.

Alternatives to the GIPR. LS/Tenaska suggest several wholesale alternatives to the GIPR.⁸² LS/Tenaska would create a separate queue for wind generation, introduce the use of an open season process as part of the solution to CAISO's wind interconnection problems, and decouple the deliverability analysis from the Interconnection Study process. LS/Tenaska submit that the fundamental cause of the CAISO interconnection queue backlog is not the ease of queue entry, but rather the requirement that a generator must be deemed deliverable in order to qualify as a "Network Resource." According to LS/Tenaska, it is the coupling of interconnection and transmission, and not the number of Interconnection Requests, which has made the CAISO queue unmanageable.

For the reasons set forth in the GIPR filing, as well as this response, the CAISO does not agree with LS/Tenaska's assessment of the origin of the queue delays, and therefore declines to adopt its alternatives to the GIPR proposal. However, the CAISO notes that during Phase II Interconnection Study there will be an opportunity to consider

⁸¹ SCE at 3-4.

⁸² LS/Tenaska at 37-40.

transmission upgrade alternatives proposed through the open season process. Naturally, as the CAISO gains experience with the GIPR, if any of these or other alternatives appear that they would further enhance the interconnection process, the CAISO will explore them and file tariff changes as needed.

Scope of the Phase II Interconnection Study. SCE does not believe that it is reasonable for the PTOs and the CAISO to be obliged to identify the Interconnection Customer's Interconnection Facilities, or costs of the facilities that the Interconnection Customer will construct and own. SCE requests that this provision be removed from Section 7.1. SCE at 8. The CAISO agrees with SCE. The CAISO proposes that the phrase "and Interconnection Customer's Interconnection Facilities" be removed from items (vi) and (vii) of the first paragraph of GIPR LGIP Section 7.1 on compliance.

Definitions. SCE recommends that the definition of "Applicable Reliability Standards" in the GIPR LGIA be revised in order to clarify the Commission's authority to promulgate reliability standards to read:

Applicable Reliability Standards shall mean the requirements and guidelines of NERC, the Applicable Reliability Council, and the Balancing Authority Area of the Participating TO's Transmission System to which the Generating Facility is directly interconnected, including the requirements pursuant to Section 215 of the Federal Power Act.⁸³

While the requested revision does not appear to the CAISO to be necessary to the substance of the definition, nor particularly objectionable, the CAISO did not revise this definition as part of the GIPR filing and therefore SCE's request is beyond the scope of this proceeding. If the Commission agrees that this definition should be revised in this proceeding, the CAISO would propose that the added language be modified slightly to

⁸³ SCE at 10.

read “including requirements adopted pursuant to Section 215 of the Federal Power Act.” If the Commission does direct this change, the CAISO also agrees with SCE that the same change should be made in the LGIA in the current version of the CAISO Tariff for the sake of consistency.

Request for Technical Conference. LS/Tenaska request that the Commission convene a technical conference to permit the parties to explore modifications to CAISO’s proposal and alternative proposals to reform CAISO’s interconnection queue.⁸⁴ Because this issue has already been the subject of one Commission-sponsored technical conference in Docket No. AD08-2-000 and a thorough and deliberate stakeholder process, the CAISO does not agree that another technical conference would serve CAISO Market Participants. Rather, it would likely only delay real queue reform. The Commission similarly declined to order a technical conference in the Midwest ISO queue reform order, finding that it was willing to later revisit these issues after experience with the new interconnection process, but that it is more “important to start operating under the new procedures as soon as possible so that generating facilities can be interconnected promptly and safely.”⁸⁵ The Commission should do so again here.

⁸⁴ LS/Tenaska at 1, 37.

⁸⁵ MISO Queue Order at P 161.

V. CONCLUSION

For the reasons explained above, the Commission should accept the GIPR filing as filed, with the modifications the CAISO proposed herein to make on compliance.

Respectfully submitted,

/s/ Michael Kunselman

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Dated: September 2, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 2nd day of September, 2008.

/s/ Daniel Klein
Daniel Klein