

**COMMENTS OF SILVERADO POWER ON CAISO INTENTION
TO RELEASE TRANSMISSION LINES AND ASSOCIATED FACILITIES
FROM OPERATIONAL CONTROL**

Silverado Power (Silverado) appreciates the opportunity to comment on the CAISO proposal to relinquish operational control over certain Southern California Edison (SCE) 66 kV transmission lines and related facilities. This change would convert such facilities from “transmission” to “distribution,” and upgrades needed to those facilities to facilitate generation interconnections from “Network Upgrades” to “Distribution Upgrades” under the CAISO Tariff.

Silverado is a wholesale solar photovoltaic (PV) development company that provides its customers with low-cost, clean energy from PV projects. Silverado is developing mid- and late-stage PV projects in seven of the most active renewable energy markets in the United States (including 90 projects in California), ranging from 1 to 330 MW in capacity.

Silverado has a strong and direct interest in the terms and conditions of the proposed transmission-to-distribution reclassification in this area. Silverado is developing over 200 MW of renewable projects that plan to connect to the 66 kV network proposed to be reclassified. Of these 200 MW, 165 MW of projects have executed long-term power purchase agreements with different utilities and power authorities.

Silverado’s comments here do not address the merits or provide a technical analysis of the reclassification; instead, our comments address the commercial impacts of such action. Silverado has significant concerns with the potential financial impacts of the conversion and the creation of administrative difficulties to managing and amending existing PPAs and IAs. Silverado believes that these concerns must be addressed by the CAISO through a mitigation plan.

In California, it is common for PPAs to specify a queue number, interconnection point, and delivery point to the CAISO controlled grid. All three IOUs and many municipal utilities commonly put such language into contracts. A change of any of these items must be addressed in the PPA language. The CAISO should not make the re-classification effective until affected generators have had time to amend their necessary PPAs and IAs. The CAISO should therefore take steps to ensure that the reclassification have a transitional period where affected projects have enough time to navigate the contract amendment and governmental approval processes with their PPA counterparties. Silverado believes that the CAISO should seek feedback from the market as to appropriate times and needs, as each project and PPA may vary.

Furthermore, the conversion could create considerable financial harm to developers/generators. Projects may have additional exposure under SCE’s Wholesale Distribution Access Tariff (WDAT) to costs such as Distribution Upgrade Charges, additional exposure to curtailment from the distribution system, and a risk around Network Upgrade reimbursement. (SCE has informed Silverado that, upon a reclassification, SCE may halt reimbursements of Network Upgrade costs. This reimbursement is required under the CAISO tariff, but SCE has stated that the reclassification would convert the Network Upgrades to Distribution Upgrades, and such reimbursement would not apply to Distribution Upgrades, giving SCE an ability to halt reimbursements.) These new costs and risks may have significant detrimental impacts to developers, and these risks should be evaluated fully by the CAISO/SCE as it may cause significant harm to otherwise late-stage generators. This

harm could prevent financing and effectively kill generation projects. The CAISO should take efforts to mitigate the financial harm that developers could incur as a part of this reclassification.

Silverado is not seeking an exemption or grandfathering from the reclassification efforts.

However, we do believe that the CAISO and SCE should take extra effort to identify changes to the projects that may lead to lower total costs, and therefore, lower impacts to generators from a planned reclassification. This would require a special restudy, similar to the process where the CAISO allowed for a one-time downsizing and completed a special study concurrent with its normal study process. It is also similar to a restudy SCE is contemplating to revisit the need for the fiber-optic ring for projects in the Antelope Valley.

As part of the restudy process, Silverado believes that the CAISO and SCE should work with the generator to evaluate several items to make changes to the interconnection method of service to reduce costs. The first step of the evaluation would be a special scoping meeting to discuss different methods of service, with an initial list of potential changes outlined in the table below. (Silverado believes that each item is important for SCE/CAISO to consider. There are several items on this list that may appear to be outside the scope of reclassification, however, excessive costs that are shifted to the generating facility would require a re-evaluation of those cost items to minimize financial burden to the generator.)

Following the scoping meeting, the generator would have the option to participate in a special study that would consider any mutually agreed changes identified in the scoping meeting. Under this proposal, if the Interconnection Customer (IC) elects to participate, it pay an additional study fee, not to exceed \$20,000 per project, and SCE would complete the study based on agreed-to changes to the interconnection design. The IC would retain its current queue position (the queue number is specified under many PPAs) while the restudy is completed. At the end of the study, the generators would have a limited time to accept the changes resulting from the one-time study option or to stay at their current plan of service. This proposal would allow generators a free option to change plans and would help mitigate many of the risks of a potential reclassification. ***Silverado believes that this one-time option to participate in a restudy would be the fairest method to mitigate the cost and contract management impacts of the reclassification.***

Table 1. Items for Consideration in Special Restudy

No.	Item for Consideration in Restudy
1.	Allowing generators that are tapping lines to move the POI to substations to avoid switching station builds
2.	Change 3-break ring-bus switching stations to single breaker taps of lines
3.	Allow generators to build switching stations on already-permitted land to avoid high Corporate Environmental Health and Safety (CEHS) costs.
4.	Allow generators to self-perform all interconnection construction work, including switching station builds
5.	Removing the fiber-optic ring and replacing with a cheaper method of service for communication
6.	Allow generators on the 66 kV network to connect at 220kV to avoid the reclassification entirely
7.	Provide clear backup for cases where individual project per-unit costs exceed standard and accepted per unit costs

Equity of Mitigation Plan by CAISO

Generation projects in the late stages of development have made significant financial commitments based on representations in the interconnection studies. Generators and developers have paid significant dollar amounts to have these studies completed, in the tens or hundreds of thousands of dollars per project. Vague footnote statements in interconnection studies that certain facilities *could* be reclassified *sometime in the future*, or speculative classification of such facilities as distribution ahead of any formal proposal, is not an acceptable level of detail, and should further not constitute grounds for a PTO to unilaterally change the financial impacts as represented under an IA or study.

Given the large magnitude of these costs, it would be extremely disruptive to change these rules late in the interconnection process, when projects are going through financing activities and the changes may adversely impact financing documents and/or PPAs, and not provide a path for developers to minimize impacts of such a change. In many cases, the Interconnection Customer and its investors are relying on information and studies provided from the CAISO and the PTO.

Furthermore, it is now standard practice in California for investor-owned utilities such as SCE to include cost of reimbursement of Network Upgrades in their evaluation of a levelized cost of energy during power procurement activities. There are many cases where SCE engineering identified the costs as Network Upgrades (notwithstanding a vague footnote on potential reclassification) and requested IFS postings as if the upgrades were Network Upgrades. This same study information was interpreted by IOUs' power procurement teams as reimbursable Network Upgrade costs, effectively double counting the costs to the generator's detriment.

SCE "transmission" group's statements that clear signals were sent about the termination of Network Upgrade reimbursements is incorrect. SCE's "procurement" group, and other utilities' procurement groups, identified these same transmission costs as reimbursable Network Upgrades. Such confusion resulted from ineffective communication about the potential reclassification, proving that the market signals were not in fact clear. Based on unclear communication, the CAISO should provide a mitigation plan, and Silverado believes that a restudy to reduce costs is the simplest and fairest way of doing so.

FERC and CAISO policy precedents

The concept of adjusting a project's POI is allowed under both CAISO and WDAT rules, and the CAISO has previously undertaken special one-time study processes such as the one-time generator downsizing. CAISO Tariff Generator Interconnection Procedures (and current GIDAP) allow for the Interconnection Customer, the applicable Participating TO, and the CAISO to identify changes to the planned interconnection that may improve the costs and benefits of the interconnection. Silverado's proposal would allow for such changes to a project's POI in order to provide for a lower-cost method of service under the new proposed classification. Silverado's proposal is merely attempting to prevent harm to generators that may have received misleading or ambiguous studies by allowing them to maintain their status on the CAISO grid.

The concept of mitigating financial impacts for generation projects that are far along in the interconnection process is well established in both FERC and CAISO policy; the CAISO should rely on this precedent to enact mitigation measures under this conversion.

Conclusion

In summary, the impacts of a reclassification on late stage generation projects would irrevocably harm such projects. However, the CAISO has an ability to mitigate damages to affected generators. Silverado is proposing two items that would strike a fair balance between the Interconnection Customer's needs and those of the PTO and CAISO. Silverado believes that the CAISO should mitigate damages to Interconnection Customers by:

1. Providing generators with sufficient time to amend PPAs and IAs, and obtain necessary governmental approvals, prior to the reclassification becoming effective.
2. Allowing affected Interconnection Customers a one-time option for a restudy, addressing several factors, in order to avoid many of the financial and contractual impacts of the reclassification.

Once again, Silverado appreciates the opportunity to submit comments.