TERRA-GEN

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May 29, 2024

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

Subject: Terra-Gen Public Comment on 2023 Interconnection Process Enhancements Track 2 Final Proposal

Dear Board of Governors,

Terra-Gen, LLC (Terra-Gen) appreciates the opportunity to provide comments on the 2023 Interconnection Process Enhancements Track 2 Final Proposal (Proposal). We recognize CAISO's attempts to build consensus during the stakeholder process, however, we believe the Proposal is fundamentally flawed. The Proposal places too much power over the decisions for advancing new projects for interconnection study with Load Serving Entities (LSE) and out of the hands of developers like Terra-Gen and we anticipate that FERC will find that the Proposal runs afoul of the foundations of Open Access.

Terra-Gen is a leader in the clean energy sector having successfully developed over 10 gigawatts (GW) of utility-scale wind, solar, and energy storage assets throughout the United States. Terra-Gen has decades of clean energy development experience, primarily in California. We are one of the largest owner operators of wind generation in California and are among the largest operators of utility-scale battery storage in the United States. We have multiple large-scale projects in the State, including the 1,300 megawatt (MW), 3.2 GWh Edwards Sanborn project, located in Kern County, which is currently the largest hybrid solar-plus-storage project in the world.

We believe elements of the proposal will discourage competition at the early stages of development and result in unjust outcomes that undermine open-access principles. Changes should be made to both the substance and filing process. We respectfully request the Board of Governors to direct CAISO management to make changes to address our concerns as follows:

First, the overall scoring criteria aspect of the proposal is unfair and will limit the study of projects well positioned to meet California's goals towards reducing electric generation sector emissions. Specifically, we have deep concerns regarding the overreliance on prioritizing projects based on LSE Commercial Interest. Terra-Gen requests that the scoring criteria element be eliminated from applying to Cluster 15. While we do not oppose a prioritization mechanism that is equitable to all parties, this proposal is not suitable to meet that goal.

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Terra-Gen believes the Proposal will result in LSE's picking winners and losers based on limited information on project's true costs and viability at the earliest stages of development, even before permitting. The Commercial Interest category is dominated by LSE points assignments to projects at a very early stage, before any studies have been performed. The points for this category would account for nearly half of the possible points achievable for most projects and thus is likely to be the main determinant of which projects are studied. Such outcomes are amplified as we seek to interconnect projects outside of local capacity areas with CAISO demonstrated supply deficiencies. Even if CAISO were to modify its proposal to significantly reduce the weighting of the points allocated based on LSE interest, we are concerned an unreasonable dynamic would still result. Projects situated in these circumstances will be beholden to LSE point allocations to even have a chance of being studied.

The final proposal indicates that LSEs would need to adopt equitable and transparent procedures for assessing and selecting projects for point allocations, prior to the submission of Interconnection Requests (IR). This critical step, however, was not undertaken prior to Cluster 15 and should be removed. The procedures should be available now so all parties can review them and provide meaningful input. As it stands, the LSE's can use any prioritization mechanism without transparency, and as a result we may never know why our projects were selected or not. Moreover, CAISO's final proposal lacks any minimum standards for LSE process and provides LSEs special privileges to select their own self-build projects in disproportion to their requirements. CAISO's Final Proposal significantly relaxes the restrictions around the provisions of commercial interest points to LSE-owned projects while including new restriction on non-LSE commercial interest (to a single project per cluster), which is untenable and discriminatory. Terra-Gen opposes these limitations around non-LSEs commercial interest in the scoring criteria and requests CAISO remove limitations for non-LSEs.

Terra-Gen's concerns on the scoring criteria are rooted in a significant lack of transparency in LSE scoring processes outcomes, discrimination against non-LSE developers with track records of delivering project essential to the state, and undermining principles of open-access. There are already reports of LSEs seeking concessions from developers in exchange for awarding point allocations, with developers likely bearing the full risk of whether LSE's ultimately move forward with projects.

Second, Terra-Gen has concerns about the proposed Zonal Approach, and in particular the treatment of projects in TPD Allocation Zones versus those located in Merchant Deliverability Zones. Projects in TPD Allocation Zones at locations where deliverability is available can compete to be accepted for study. Projects located anywhere in Merchant Deliverability Zones can qualify for study by funding their own Area Delivery Network Upgrades (ADNUs). However, projects in TPD Allocation Zones, but behind sub-zonal constraints with insufficient deliverability currently, would not be accepted for study even if they score very high under the scoring rubric and the ADNUs needed to provide deliverability are relatively economic. We believe this will result in unfair outcomes for some projects that happen to choose an overly prescribed Point of Interconnection in TPD Allocation Zones.

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Third, the CAISO Proposal lacks sufficient consideration on the treatment of hybrid and co-located Mixed Fuel Resources (MFR) for how such projects will be evaluated within the Commercial Interest category by Load Serving Entities (LSEs) and other off-takers. Cluster 15 is comprised primarily of MFRs, with a majority comprised of solar-plus-storage combinations. This configuration allows for shared Interconnection Service Capacity (ISC) between solar and storage components, resulting in increased efficiency and cost-effectiveness for electricity ratepayers. The California Public Utilities Commission's (CPUC) new "Slice of Day" (SOD) Resource Adequacy (RA) framework acknowledges this benefit by exempting solar capacity used for charging storage from deliverability requirements, as it does not directly utilize the grid.

However, the Final Proposal from CAISO lacks sufficient consideration for how MFR projects will be evaluated within the Commercial Interest category by Load Serving Entities (LSEs) and other off-takers. This concern is particularly relevant if the scoring rubric remains in place and applies to projects seeking deliverability within designated TPD Zones. The Final Proposal establishes distinct treatment for projects seeking deliverability compared to those designated as Energy Only. The original MFR scoring method, due to widespread confusion and opposition, necessitated a revision through CAISO's Second Addendum. This revision, however, introduced new inconsistencies.

Initially, CAISO proposed that MFRs would require Commercial Interest equivalent to the combined capacity of both fuel types to achieve the maximum 100 points under the scoring rubric. Stakeholder feedback during the Addendum review meeting highlighted the proposed inconsistency between grid impacts and required Commercial Interest, which then prompted CAISO to issue a Second Addendum to further modify the proposal. The revised approach awards full Commercial Interest points (100) when LSE interest aligns with the MWs of ISC capacity, however the interactions with Energy Only and Deliverable MFR components of combined resource type IRs is still unclear.

Given the predominance of MFRs within Cluster 15, Terra-Gen emphasizes the critical nature of these rules and advocates for a more robust review of this aspect, as opposed to last-minute changes that lack thorough consideration.

Fourth, the proposed Energy Only project treatment is also problematic. In particular, the Reliability Network Upgrade (RNU) reimbursement provisions for EO projects should be removed from the Proposal and deferred for later consideration. This aspect of the Proposal appeared for the first time only in the Final Proposal and the CAISO's Technical Addendum fails to answer many related technical questions. Further, the currently proposed reimbursable Energy Only path, which strongly relies on CPUC resource planning decisions and does not provide redress in the possibility of planning errors.

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Finally, Terra-Gen believes that CAISO's eventual FERC tariff filing should include severable treatment for these controversial intake request screening issues and particularly for the scoring criteria element.

Thank you for your consideration.

Sincerely,

Gustavo E. Luna
Chief Development Officer
Terra-Gen, LLC