Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal posted on November 13, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due December 6, 2018 by 5:00pm

(*updated from December 3 during the stakeholder meeting*)

The draft final proposal posted on November 13, 2018 and the presentation discussed during the November 20, 2018 stakeholder meeting can be found on the CAISO webpage at the following link: http://www.caiso.com/informed/Pages/StakeholderProcesses/InterconnectionProcessEnhancements.aspx

Please use this template to provide your written comments on the Issue Paper topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Issue Paper for convenience.

High-level comments

First Solar appreciates the opportunity to address the CAISO's revised proposal to reform its cost responsibility framework for interconnecting generators.

We believe that this proposal raises a number of important policy concerns that have not been adequately vetted in this stakeholder proceeding. First Solar sees serious implications for the generators with certain cost impacts and increased uncertainty around potential cost exposure that will make it very challenging to finance projects and give comfort to potential buyers.

Our theme in these comments is events that are extremely rare should not be driving actual or potential cost responsibility for every interconnecting project. Doing so puts the commercial burden on interconnection customers as a matter of course rather than exception. First Solar sees the policy shift in this proposal as a significant commercial burden on all interconnection customers, including those that are attempting to help the state comply with its higher RPS and GHG reduction targets.

We urge the CAISO to rethink these proposals. Our preference would be to strengthen the definitions as CAISO has done for clarity, but not increase the maximum cost exposure or maximum cost responsibility amounts or financial security postings from current practice. We suggest that CAISO could improve the clarity of its cost calculations by improving the BPM rather than seeking further tariff reforms from FERC.

We also believe that CAISO should give time for its other recent reforms to the interconnection process to settle in and evaluate whether those reforms help with queue management. After an evaluation period, if CAISO believes it needs to pursue these reforms to the maximum cost responsibility, we urge the CAISO to set these issues for a workshop so stakeholders can both better understand the basis for the needed reform and participate in crafting a solution that is less burdensome on interconnection customers.

As First Solar has noted in earlier comments in this stakeholder process[1], the drivers for requiring deliverability for renewable developers are shifting. There is a push to evaluate how the grid can support the development of a greener ancillary services product. As the effective load carrying capability assessment gets refined at the CPUC and greater attention is turned to improving the use of renewable resources to supply essential reliability services, the discussion of how best to refine interconnection rules to facilitate the opportunities and retain commercial viability for competitive projects is a critical one. We urge CAISO to not make it

[1] http://www.caiso.com/Documents/FirstSolarComments-InterconnectionProcessEnhancements2018-RevisedStrawProposal.pdf - see page 2.

more commercially burdensome on those interconnecting customers who are supplying these essential reliability resources as part of a greener grid.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

Specific Question regarding the establishment of the Maximum Cost Exposure (MCE). Would stakeholders prefer:

(1) the MCE remain established at the true cost exposure of a project that demonstrates the ultimate cost the project could be responsible for when taking into consideration potential system changes, without opportunity for reduction?

OR

(2) the MCE could be adjusted downward with the MCR, but could ultimately go back up if system changes occur, similar to how the MCR can increase pursuant to Appendix DD, Section 7.4?

First Solar Response:

Any potential cost that is issued in a CAISO study report must be addressed by an interconnection customer when dealing with financing and marketing the project. This means explaining why large amounts may be appearing in the numbers and what may happen with them. It leaves counterparties very nervous to see numbers that have the potential for being driven into actual cost responsibility. As discussed below, First Solar believes that a number of proposed decisions in this Phase 4 proposal are unduly burdensome on interconnection customers because they result in shifting what is likely phantom cost exposure into a number published in a report and forcing the interconnection customer to address it throughout the development and marketing process.

First Solar supports reducing the MCE with the MRC even if unanticipated system changes could raise it later. As the CAISO discussed on the stakeholder call, this has only occurred once in the CAISO history.

Additional Comments on Section 7

1) CAISO proposal to assign 100% cost responsibility for ISNUs

First Solar does not believe it is reasonable to assign 100% of the cost responsibility for interconnection service upgrades to each project in the project's maximum cost responsibility. This is extremely burdensome on interconnection customers when they have to address financing and marketing of the project with these large numbers in CAISO's published studies. It is unclear to us how often an interconnection customer is left with cost responsibility for an entire ISNU such that the actual costs of constructing it would become a PTO cost, and whether the occurrence warrants this shift in policy. What is certain is that putting the full cost of these facilities into each interconnection customers' study results will have a burdensome commercial impact on those interconnection customers.

We are also concerned with the "headroom" defined by the 100% cost responsibility. CAISO notes that when a CANU (which includes the 100% cost responsibility for ISNUs) becomes an ANU it "may create headroom for other ANUs up to the project's MCR." This is an additional concern to First Solar that should be further examined and remedied since it is not clear that the balance between the cost responsibility and utility incentives and burden is achieved with this proposal.

Finally, CAISO indicates it is addressing a "potential gaming opportunity" where interconnection customers would deliberately submit projects into the queue that they don't intend to pursue in order to "dilute" the Phase I CANU costs. The process for entering the queue is expensive and burdensome, in part by design. In First Solar's experience, an interconnection customer only does so, at great expense, if there's an intent to pursue the project. If the CAISO has some documented evidence that a customer has deliberately added projects for the purpose of diluting its cost responsibility, First Solar suggests that CAISO address the issue with that customer rather than imposing a costly burden on all interconnection customers.

In sum, First Solar believes that reflecting the cost of ISNUs on a pro rata allocation basis to all interconnection requests selecting full or partial capacity deliverability status, consistent with Appendix DD, sections 8.3 and 8.4, is a better approach. First Solar would also support the alternative approach described in LSA's comments, although we believe that any solution should be subject to further process and discussion before it is presented to the Board.

2) <u>Fully allocated approach to Phase I cost responsibility</u>

For the reasons articulated above, First Solar also strongly disagrees with the proposal to fully allocate all CANUs to a project's Phase I cost responsibility.

3) <u>Interconnection Financial Security for CANUs</u>

In addition to the commercial burden on interconnection customers of reflecting full costs of upgrades in each customer's study results, the issue of financial security postings and potential for forfeiture upon withdrawal is a significant one for developers. While the CAISO has recently improved its rules around forfeiture, the postings remain a large financial responsibility for interconnection customers, with very real consequences if the customer must withdraw the project. We understand the foundation for the postings to be driven by 1) the need to finance actual utility expenditures associated with the engineering design and construction process and 2) the need to ensure that interconnection customers have a serious financial commitment to the process so that they do not engage in speculative development that clogs the queue. First Solar does not see that the CAISO's proposal demonstrates a need to either increase financial security postings or put interconnection customers at risk of forfeiture of higher postings that may be driven by phantom costs in the event of withdrawal. We would like to renew the comments we offered last year around CAISO's forfeiture's being unduly punitive, and to the balance FERC is striking between the financial commitments needed to manage the queue and the burden on customers as not designed to impose sanctions.[2] We would also like to renew our earlier suggestion that forfeiture funds be used to fund yearly reassessments and restudies.[3] If there is a need to place additional burden on interconnection customers, we believe the driver for that need should be better understood by stakeholders and the solution re-examined in light of those drivers.

4) PTO request to shift cost risk from GIA execution to the third posting

First Solar is very concerned about how the triggers for cost responsibility and risk will work if the shift is made from GIA execution to the third posting. As LSA notes in its comments, it is not clear what concern is being addressed by the proposal, and it is unclear where the risk and burden shifting would fall. CAISO has made recent revisions that require interconnection customers to execute GIAs earlier in order to qualify for retention of transmission plan deliverability, so CAISO's own policies may be shifting the timelines and equities. First Solar does not believe that the dynamic is well understood by stakeholders and suggests that further review of this question be conducted before any further changes are made.

5) Reliability Network Upgrade Reimbursement

Interconnection customers that choose locations where available capacity exists on facilities being planned as a result of earlier projects entering the queue should not be burdened with non-reimbursable reliability network upgrade costs should the earlier-queued customer later drop out. CAISO should be encouraging interconnection customers to locate in areas where planned transmission facilities have room to accommodate new generation. Where a customer does not trigger an upgrade but is later responsible for the costs, that customer should receive full reimbursement of the RNU even if it exceeds the cap. This proposal should be reformed to

[2] http://www.caiso.com/Documents/FirstSolarInitiativeTopicSuggestions-InterconnectionProcessEnhancements2018.pdf - see pages 5 – 6.

[3] http://www.caiso.com/Documents/FirstSolarComments-InterconnectionProcessEnhancements2018-IssuePaper.pdf - see page 6.

provide the right incentives for orderly development and use of existing and planned transmission infrastructure. We believe more thought should be put into how best to achieve this goal before taking a proposal to the CAISO Board.

In addition, First Solar has previously made a suggestion that an interconnection customer that funds a large upgrade where the RNU cap is exceeded and later customers benefit from the upgrade should receive reimbursement beyond the cap.[4] We renew this suggestion and also support LSA's renewed suggestion regarding RNU reimbursement under this circumstance.

11. New Topics – Interconnection Request Acceptance and Validation Criteria

11.1 Interconnection Request Acceptance

First Solar supports LSA's comments related to interconnection request acceptance.

11.2 Validation Criteria

First Solar supports LSA's comments related to validation criteria.

[4] http://www.caiso.com/Documents/FirstSolarComments-InterconnectionProcessEnhancements2018-RevisedStrawProposal.pdf - see page 8.