Supplemental Comments on the Revised Straw Proposal on behalf of the Northern California Power Agency and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California

NCPA and the Six Cities submit these joint supplemental comments on CAISO's December 12, 2023 Revised Straw Proposal in the Interconnection Process Enhancements 2023 (IPE23) stakeholder process. These supplemental comments address the Federal Energy Regulatory Commission (FERC) order on the interconnection queue reform proposal of the Midcontinent Independent System Operator (MISO).[1] FERC rejected MISO's proposed cap on the number of interconnection requests to be studied, not because FERC objects to the concept of a study cap,[2] but, in part, due to its concern over the unbounded exemptions to the proposed cap.[3] NCPA and the Six Cities maintain that the automatic inclusion in the study process for projects designated by non-CPUC jurisdictional Load Serving Entities (LSEs) should continue to be an integral part of the CAISO proposal in order to assure that these LSEs have comparable access to the study process, consistent with their authority over resource planning and procurement for their loads. However, use of the automatic inclusion provision should be modified to reflect FERC's concerns about unbounded exceptions.

NCPA and the Six Cities also propose revisions to the LSE-interest scoring criteria that would assure comparable access to the interconnection process for small non-CPUC jurisdictional LSEs, by ensuring that they receive sufficient LSE-interest points to have a meaningful chance to designate needed projects. This set of revisions may provide an appropriate alternative in the event that the CAISO determines that the automatic inclusion of projects proposed by non-CPUC jurisdictional LSEs, even with the more stringent criteria and documentation proposed below, is infeasible.

A. The Need for Meaningful Non-CPUC Jurisdictional LSE Access to the Interconnection Process

The nature of the CAISO's problem with its interconnection queue is clear. Due to the overwhelming number of new generation interconnection requests that have been submitted into the CAISO's interconnection process during recent queue cluster cycles, the CAISO interconnection process has become overrun. The result is an excruciatingly slow and expensive process that deprives new projects of the opportunity to achieve timely interconnection, or even to receive timely and accurate estimates of how much it will cost them to achieve interconnection should they have the resources to spend years in the process waiting. The stakeholder record includes substantial evidence detailing the extent of the problem. Suffice it to say that the current process is not producing good results for anyone, especially for ratepayers.

The stakeholder process developed principles and problem statements that emphasized the important underlying values that must be represented and balanced in the final proposal. These include accommodating the California resource transition, ensuring that CAISO LSEs have access to the necessary and appropriate resources to serve their loads reliably and to meet all

[1] Order Accepting in Part and Rejecting in Part Tariff Revisions, *Midcontinent Independent System Operator, Inc.*, 186 FERC ¶ 61,054 (2024).
[2] *Id*. at ¶ 172.
[3] *Id*. at ¶ 173.

regulatory requirements, inclusion of all LSEs, equity, efficiency and capturing the benefits of competition and open access. Some of these goals are in tension with each other.

CAISO's proposal makes appropriate trade-offs among the values noted above, to reach a workable, feasible process that protects the rights of all LSEs and all stakeholders to the degree achievable. The existing system, which simply does not work, serves no one. At rock bottom, the fundamental role of the interconnection process (or any other part of the CAISO Tariff) is to ensure that all LSEs serving load in the CAISO balancing authority area (BAA) are able to develop and gain access to resources they need to serve their load reliably and at just and reasonable rates. A functional interconnection process that quickly advances the most viable and needed projects to interconnection is necessary to meet this fundamental need and will be critically important in allowing the state to achieve its environmental goals.

California LSEs are subject to some of the most far-reaching environmental mandates in the country. The state and the CPUC have directed jurisdictional LSEs to procure specific types and amounts of new resources. Non-CPUC jurisdictional LSEs are subject to similar and sometimes more stringent requirements imposed by their own Local Regulatory Authorities (LRAs). Given the significant amounts of mandated procurement, it is important that the resource interconnection process provide all CAISO LSEs with comparable access to the types and amounts of resources that they must procure. For example, if generation developers were to propose more storage projects and fewer wind projects than California entities had been directed to procure, the end result would be a mismatch between state requirements and available supply. Whether or not one agrees with the mandates driving toward the California energy transition, the current regulatory construct gives states the right to make decisions about what resources California LSEs must procure. The interconnection process of the future must provide a means for LSEs to access projects that enable them to fulfill those obligations.

CAISO set out to reform its interconnection process with the goal of addressing the significant interrelation of transmission planning, resource procurement and the interconnection process that may be unique to California. CAISO's goal, as originally stated, was to "tighten[] linkages among resource and transmission planning activities, interconnection processes and resource procurement" so that these processes are proactively aligned in ways to help the state meet its reliability and clean-energy policy goals.[4] This goal accords with the Memorandum of Understanding among the California Public Utilities Commission (CPUC), the California Energy Commission (CEC) and the CAISO. Coordinating state agency and CAISO processes with the California energy transition is a laudable goal that inherently subsumes the concept that resource development and selection may have to move beyond the concept of studying all projects in the study queue, without respect to project viability or what projects LSEs need to procure.

Yet, as currently structured, the MOU leaves out a significant piece of the CAISO landscape, specifically the non-CPUC jurisdictional LSEs, which are not parties to the MOU, not subject to many of the CPUC and CEC requirements, and which had not been explicitly included in the Transmission Planning Process (TPP) in previous cycles, but that must nevertheless satisfy requirements imposed by their own LRAs in order to serve load reliably and cost-effectively. In order for CAISO's proposal to be just and reasonable, it must accommodate the needs of all LSEs serving load in its BAA.

[4] CAISO, 2023 Interconnection Process Enhancements: Issue Paper and Straw Proposal at 3 (Mar. 6, 2023), http://www.caiso.com/InitiativeDocuments/Issue=Paper-and-Straw-Proposal-Interconnecton-Process-Enhancements-2023-Mar132023.pdf.

CAISO's proposal will now address the planning needs of non-CPUC jurisdictional LSEs and will include non-CPUC jurisdictional LSEs in the TPP going forward. However, such inclusion does not assure that all small, non-CPUC jurisdictional LSEs will have comparable access to the interconnection process necessary to get their projects built. Therefore, the CAISO proposal also includes a provision for the automatic inclusion of projects included in CAISO LSE preferred resource plans approved by the LRA (or where LRA approval is not required) in the cluster study. These projects must still meet standard requirements for site exclusivity and pay all deposits and generally comply with all requirements to enter into and move forward in the study process.

Many of the non-CPUC jurisdictional LSEs are very small and not all of them may be able to participate in the TPP in a timely fashion. Indeed, the TPP beginning in 2024 is the first where CAISO has formally solicited participation from the non-CPUC jurisdictional LSEs, and it remains to be seen how long it will take to adequately reflect non-CPUC jurisdictional needs in that process. Some very small LSEs may have difficulty participating in the TPP, which requires a significant investment of time and resources.

The automatic inclusion of non-CPUC LSE jurisdictional projects in the cluster study remains a necessary route for these entities to ensure that they can build or acquire the resources needed to reliably meet their loads and satisfy the regulatory requirements of the energy transition in a system that was not originally designed with them in mind, and where their relatively small projects otherwise can get lost in the noise of a much larger system, or because the entities are too small to devote the resources necessary for participation.

B. Recommended Parameters for the Automatic Inclusion:

The ISO proposes to include in the interconnection studies for an interconnection cluster requests associated with any project that a non-CPUC jurisdictional LSE serving load in the CAISO BAA demonstrates is a preferred resource in its resource plan that has been approved by its LRA or, where no approval of a resource plan is required, procurement by the LSE is authorized pursuant to applicable practices established by the LRA. To utilize this path for advancement of a proposed project into the interconnection study phase, NCPA and the Six Cities recommend that a non-CPUC jurisdictional LSE must establish the following through an attestation accompanied by supporting documentation:

1. That the project is being developed by the LSE and has been authorized by the LRA to meet the energy, capacity, or policy needs of its eligible loads, or the procurement by the LSE is authorized by the LRA to meet the energy, capacity, or policy needs of the LSE's eligible loads. (If the LRA has approved procurement practices by its LSE(s) that vest project development and/or procurement authority with the senior management of the LSE, then the LSE must provide a description of such practices.)

2. That the project's development or procurement by the LSE is contingent upon the project achieving interconnection to the CAISO-controlled grid.

3. That one or more of the following criteria are met:

    a. The project will be used to meet the LSE's resource adequacy requirements. If so, the LSE must provide documentation of the applicable resource adequacy obligation, the month and year when the obligation is projected to arise under the

LSE's procurement plans, the quantity of capacity from the project that is needed to meet the requirement, and an attestation that the project's development and/or procurement is, at the time of the attestation, contingent on the project attaining full or partial capacity deliverability status within the CAISO.

b. The project is being developed to meet projected energy needs of the LSE. If so, the LSE must provide supporting documentation of the projected energy need, the month and year when the need is anticipated to arise, and the quantity of capacity associated with meeting the anticipated energy need.
c. The project is being developed or procured by the LSE to meet a federal, state, or local policy requirement, such as a renewable portfolio standard requirement, and development or procurement of the project is necessary for the LSE to meet the requirement. If so, the LSE must provide supporting documentation of the applicable legal or regulatory requirement, the month and year when the obligation is anticipated to arise, and the quantity of capacity from the project that is needed to meet the requirement.
d. The project is being developed to meet a specified reliability need as outlined in 4.d. below.

4. That development or procurement of the project is necessary to meet one or more of the following, with respect to amounts of capacity that are eligible for study:

    a. Projected load growth, in which case the quantity of capacity that is eligible must reflect alignment with the LSE's load growth projection as included in resource planning documentation, plus a reasonable margin.
    b. Replacement of an existing capacity resource, in which case the quantity of capacity that is eligible will be limited to the quantity of capacity that is subject to replacement, plus a reasonable margin.
    c. An increase in PRM requirements applicable to or adopted by the LRA, in which case the quantity of capacity that is eligible must be consistent with identified incremental planning needs resulting from an increase in the PRM.
    d. An identified reliability need, such as to mitigate potential supply deficiencies during specific conditions (*i.e.*, to maintain energy supply within the LSE during times of natural gas supply shortages, wildfire risk, extreme temperatures, limited import capacity to the LSE system from the CAISO, etc.) or to serve critical infrastructure within the LSE service territory. The quantity eligible for advancement to studies should be reasonably related to the amount needed to meet the identified condition(s).

5. That the project is commercially viable through one or more of the following:

    a. The resource and its interconnection facilities that are directly assigned to the resource will be funded by the non-CPUC jurisdictional LSE.
    b. The non-CPUC jurisdictional LSE has entered into a power purchase agreement or other contractual arrangement with the resource providing for procurement of the resource by the LSE contingent on the resource achieving interconnection to the CAISO-controlled grid and full or partial capacity deliverability status.

6. The project must meet all other requirements to advance to interconnection studies (*i.e.*, information requirements, site control, deposits, etc.).

These requirements will be included in the CAISO tariff or business practice manual, as applicable.

These projects should not be included in the group of projects comprising the 150% available capacity that move forward to the study process, so as to not reduce the capacity subject to the cap that is available for projects that are being independently developed or are being developed or procured by an LSE pursuant to procurement authority of the CPUC. The total number of MWs of non-CPUC LSE projects that are permitted to advance to the interconnection study phase pursuant to these requirements will be capped at 30% of the coincident peak loads of the non-CPUC jurisdictional LSEs serving load in the CAISO. If the total capacity of the projects requested by non-CPUC LSEs exceeds this cap in a cluster, then the capacity of each project that is permitted to advance to interconnection studies will be reduced on a pro rata basis.

The CAISO will provide transparency regarding the application of its non-CPUC jurisdictional LSE policy by publishing a list of the projects that are advanced to the interconnection study phase through this mechanism and the associated LSE(s). The CAISO will also monitor the use and implementation of this policy, which is subject to revision in the event that it is not accomplishing its intended purpose of facilitating project development by non-CPUC jurisdictional LSEs in alignment with documented needs. This policy is also subject to reopening in the event that a new non-CPUC jurisdictional LSE joins the CAISO BAA and materially increases the total load served by non-CPUC jurisdictional LSEs.

C. Revisions to Scoring Criteria

NCPA and the Six Cities continue to strongly support the auto-include provision, modified as described above. It would allow the non-CPUC jurisdictional LSEs within the CAISO BAA a means of accessing the resources they need to meet load reliably and to comply with regulatory requirements, when their resource needs have not previously been incorporated into the regulatory framework established by the Memorandum of Understanding among the CPUC, the CEC and CAISO.

However, if the CAISO nevertheless decides to remove the auto-include from the final proposal, an adjustment is needed in the proposed LSE interest scoring criteria to provide comparable treatment to small LSEs that are not included in CPUC resource planning processes, and that cannot be assured of receiving a meaningful number of points under the existing arrangement on an unadjusted load ratio share basis.

As described in NCPA's earlier comments of January 9, 2024, there is variability in the number of megawatts of interconnection capacity that CAISO will use as its starting point for the LSE interest point allocation each year. If the number is high enough, a load ratio share calculation should allow all LSEs to designate the projects they need to meet their specific needs. However, if the starting point number drops too low, many non-CPUC jurisdictional LSEs may not receive sufficient points to make a meaningful designation of any projects.[5] The non-CPUC jurisdictional LSEs include some of the smallest utilities in the CAISO BAA. The City of Biggs, for example, is an NCPA member with a peak load of five (5) megawatts. Between their small size and the

[5] Although CAISO has provided sample calculations, it is unclear whether the sample starting point number of available capacity used in the calculation is an actual estimate of what CAISO expects or simply a numerical example. NCPA and the Six Cities therefore cannot tell how frequently the need for this adjustment will arise.

occasional need to seek out larger projects due to the inherent lumpiness of resource planning, these entities might lack effective recourse to designate projects in some years.

It is possible to address this problem without significantly altering the load ratio share point allocation CAISO has proposed by setting a minimum point threshold for such small entities. NCPA and the Six Cities suggest a minimum threshold of twenty (20) LSE interest points. In other words, each CAISO LSE would receive either its load ratio share of LSE interest points or 20 LSE interest points, whichever is larger. This would help assure that small utilities would still receive a useful number of points to participate in the process and continue to serve their ratepayers reliably and in conformance with all environmental requirements.

Small LSEs would still have to comply with requirements of general applicability such as site control and deposits, and their projects could earn additional points for meeting project viability or system need criteria, in the same manner as all other projects. If the auto-include provision is not part of CAISO's final proposal, this adjustment is necessary to protect the interests of small, non-CPUC jurisdictional entities in the CAISO BAA and to provide them with reasonable access to the interconnection process.

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