Stakeholder Comments Template

Submitted by	Company	Date Submitted
Adam Foltz Director of Interconnection and Transmission Sustainable Power Group 415.692.7578 AFoltz@Spower.com	SPower	September 24, 2018

Please use this template to provide your written comments on the 2018 IPE stakeholder initiative Draft Final Proposal paper posted on September 4, 2018.

Submit comments to InitiativeComments@CAISO.com

Comments are due September 24, 2018 by 5:00pm

The Draft Final Proposal posted on September 4, 2018 and the presentation to be discussed during the September 17, 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 Draft Final Proposal topics listed below and any additional comments you wish to provide. The numbering is based on the sections in the Draft Final Proposal paper for convenience.

6. Generator Interconnection Agreements

6.2 Affected Participating Transmission Owner

SPower generally supports the CAISO's plan to develop a draft multi-party GIA that would include both the interconnecting PTO and Affected PTOs, for possible use on a voluntary basis if all parties agree, then test the agreement with different new-generation situations and then file it at FERC as a new pro forma agreement. However, SPower is concerned that the need to file at FERC interconnection arrangements using the draft agreement as non-conforming would likely discourage generation developers from using the agreement.

Instead, the CAISO should do its best to develop the new agreement, working with the PTOs (especially SCE, which anecdotally seems to be an Affected PTO most frequently) and other stakeholders to develop an acceptable agreement and file it at FERC, so the initial projects can use it as a pro forma agreement. The CAISO can then file changes as desired afterwards.

SPower supports the other parts of the Affected PTO proposal, e.g., those regarding establishment of a single Maximum Cost Responsibility for all Network Upgrades and proportional Reliability Network Upgrade refunds from each PTO where the RNU costs exceed the reimbursement limit.

6.4 Ride-through Requirements for Inverter based Generation

The CAISO's technical revisions in response to stakeholder comments seem reasonable. However, this proposal should apply only **projects submitting new Interconnection Requests after the new provisions become effective**.

In other words, the new standards should not apply retroactively to projects already operating or in the study process – even if they request a modification to change out their inverters – so they are not forced to change equipment or design. These projects should be required to conform to the standards in place when they applied for interconnection, and not to standards adopted after their designs were complete and their economics were already in place.

SPower does not object to applying the new standards to projects submitting repowering requests after the new provisions become effective. Those projects are already changing out their equipment completely and are effectively in the same position as those submitting new Interconnection Requests.

7. Interconnection Financial Security and Cost Responsibility

7.1 Maximum Cost Responsibility for NUs and Potential NUs

The CAISO's formal definition of the different upgrade types and cost-assignment categories are mostly helpful, and the CAISO's overall framework is much more coherent and reasonable overall than that for this topic in the Revised Straw Proposal.

However, SPower strongly opposes the CAISO's proposed treatment of certain upgrades, namely:

- **Potential Network Upgrade (PNR) costs**, the PNU cost share "allocated" to each project in the current cluster; and
- **Certain Interconnection Service Upgrades (ISU) costs**, i.e., the difference between the directly allocated cost share of an ISU and the full ISU cost (called "Excess ISU Costs" below).

SPower believes that:

- These costs, if included in the MCR:
  - Should be removed once other projects execute GIAs including those costs. For PNRs, that would be a project in an earlier queue cluster; for Excess ISU Costs, that would be a project in the same cluster that is sharing the ISU.
  - Should never be used to allocate additional Directly Assigned Network Upgrade (DANU) costs to generation projects.
- Financial security postings and actual payments for ISUs should never total more than 100% of the cost of those ISUs.

- The proposal options for projects reaching COD before PNUs or Precursor Upgrades are complete should be revised to be consistent with current tariff provisions, e.g., to clarify that: (1) Such projects need only pay the cost to accelerate these NUs, and not the full NU cost; and (2) payments should only be needed after PTOs make "Reasonable Efforts" to accelerate the NU schedule.

These positions are explained further below.

Inclusion of Excess ISU Costs in the MCR: When ISUs are assigned to only one project in a cluster (typical for SCE "Plan of Service" upgrades), then 100% of the cost naturally would be included in the MCR as a DANU cost. However, the Proposal would also include the full ISU cost when ISUs are shared with other projects in the cluster – i.e., the MCR would be increased by the amount of the Excess ISU Cost. This element is not justified in the Proposal.

Arguments have been made in the past that ISUs are "different," because they must be built if even one of the projects needing them is built. However, the same may be said for other RNUs, i.e., they may also be needed if only one project in the cluster is built; the fact that ISUs can be more easily identified as such does not justify such disparate treatment.

Moreover, the greater the number of projects sharing the ISU, the less the likelihood that any one project will be the only one using the upgrade, and the more unfair an assignment of 100% cost inclusion in the MCR for each of those projects would be. If other projects sharing an ISU assigned that upgrade are actually built, then under the CAISO proposal, the inclusion of the full Excess ISU Cost in the MCR serves no purpose other than to allow other DANU costs to be imposed on the project in question (see below).

Treatment of allocated PNU and Excess ISU Costs in the MCR: If these costs are included in the MCR, SPower strongly opposes the CAISO's proposal to retain them in the MCR even when other projects execute GIAs taking responsibility for them, and to then use those costs to allocate additional DANU costs.

- **Retention in the MCR:** The rationale for including the allocated cost of PNUs, and the Excess ISU Costs, would be solely to "leave room" in case they someday become Directly Allocated Network Upgrades (DANUs), though that may never occur. In a limited sense, with respect to PNRs, this proposal is a formalization of the current GIDAP Section 14.2.2, which provides for allocation of Network Upgrade costs to later-queued clusters needing them if those upgrades are not covered in an executed Generator Interconnection Agreement (GIA).

  However, this proposal is more draconian than GIDAP 14.2.2, because these costs would not be removed from the MCR even if the upgrades could no longer become DANUs (i.e., if other applicable generation projects assigned those costs execute GIAs to cover those costs), and its coverage would be expanded to Excess ISU Costs.

  Once an earlier-queued project executes a GIA, for example, PNUs become Precursor Upgrades, and their cost cannot be assigned to later-queued clusters. If the GIA had been executed earlier, the upgrade would not even have been identified as a PNR at all; there is no justification for imposing additional risk on later-queued clusters simply due to the timing of GIA execution, over which those later projects have no control. This is a particular risk because recent GIA reforms (e.g., extended parking) have led to GIA tender and execution later in the interconnection process, increasing the contingent risk on later-queued projects.

The same GIA benchmark should apply to inclusion of Excess ISU Costs in the MCR. Once any other project assigned a share of an ISU executes a GIA, the CAISO should assume (as with PNRs) that other projects will not bear the full ISU costs, and the Excess ISU Cost in the MCRs of other projects also assigned costs for that ISU should be removed (or at least reduced) in the MCR.

- **Use of these contingent costs to allocate actual costs:** As noted above, the sole rationale for including allocated PNR and Excess ISU Costs in the MCR is to "leave room" for those costs in case they are allocated to a project. The CAISO's proposal, though, would go beyond that by allowing additional DANUs (actual costs) to be assigned to a generation project simply because it has a contingent liability for potential costs that may never materialize (or, as noted above, no longer even has that potential liability).

  This is essentially a triple blow: (1) The costs are included in the MCR, increasing potential risk to a project; (2) the costs are retained in the MCR even though the contingent liability no longer exists; and (3) the risks of additional allocation of actual costs is increased even if the contingent liability will or may never materialize.

  As with the inclusion of these cost items in the MCR, discussed above, there is no justification for imposing these additional costs and risks on new generation projects just because they have a contingent liability, and the CAISO should remove this provision from its proposal.

Other ISU issues: SPower also objects to any ISU posting or payment provisions in the proposed Current Cost Responsibility (CCR) that would exceed 100% of ISU costs across all active projects in the queue.

- **ISU costs in CCR – security postings:** The Proposal would include 100% of ISU costs (i.e., include Excess ISU Costs) in the CCR, which would be used to set security postings.

  Thus, multiple projects sharing an ISU would be forced to post 100% of the entire cost of the ISU. This is directly contrary to the CAISO's earlier statements in the Straw Proposal regarding Stand Alone Network Upgrades (SANUs), the most obvious and (usually) expensive ISU. For example, the CAISO stated, at p.45 of that document that, "The CAISO's proposal is to only require a project's posting to be based on a 100% cost allocation when the project is truly the only project needing the SANU."

  The Proposal contains no rationale for the CAISO's apparent change in position for this important element; SPower maintains that the CAISO's earlier statement made sense and should still apply.

- **ISUs in CCRs – Actual payments:** A project's DANUs typically determine project payments; under no circumstances should multiple projects sharing an ISU be required to each pay the full cost of the ISU. This seems like an obvious statement, but it is not given the proposed inclusion of Excess ISU Costs in the CCR.

Liability for PNU or Precursor Upgrade costs due to earlier project COD

Under the CAISO proposal, projects are generally not required to post security for or fund PNUs or Precursor Upgrades unless the PNUs become Direct NUs. However, they must do both of these ("in lieu of the earlier queued cluster") if they want these NUs completed before the scheduled date for the clusters funding them – i.e., if:

- The PNUs or Precursor Upgrades are Reliability Network Upgrades (RNUs), and the projects want to declare COD before completion of these NUs by the assigned earlier-queued cluster; or

- The PNUs are Delivery Network Upgrades (DNUs), and the projects want to declare COD with their requested "permanent" (FCDS/PCDS) deliverability before completion of these NUs by the assigned earlier-queued cluster.

The CAISO clarified at the last stakeholder meeting that this provision was intended to be a reference to the existing GIDAP Section 14.2.2 (Construction of Network Upgrades that are or were an Obligation of an Entity other than the Interconnection Customer), and presumably it could also apply to GIDAP Section 14.2.3 (Advancing Construction of Network Upgrades that are Part of the CAISO's Transmission Plan.) However, this proposal (and to some degree, the tariff) must be revised to reflect those tariff provisions.

First, these tariff sections only address situations where the timing of NUs assigned to earlier clusters will not accommodate a later-queued project's COD. They should be revised to also address situations where the COD can be achieved but an NU is needed for RA deliverability (e.g., FCDS).

Second, these tariff sections require the PTOs to first use "Reasonable Efforts" to accelerate the upgrade construction. Reasonable Efforts are defined in CAISO Tariff Appendix A as follows:

> With respect to an action required to be attempted or taken by a party under the GIDAP, efforts that are timely and consistent with Good Utility Practice and are otherwise substantially equivalent to those a party would use to protect its own interests.

Certainly, this should include any efforts the PTO can make to re-prioritize or reschedule construction schedules (potentially even including cost increases to do so), as long as system/local reliability or other generation projects are not adversely impacted.

Third, these tariff sections assume that is even possible to accelerate construction of the NUs, e.g., using PTO efforts beyond Reasonable Efforts, and that may not be the case.

Finally, these tariff sections say that projects seeking acceleration must only pay the acceleration cost, not the entire cost of the upgrade, e.g., Section 14.2.2 does not remove any cost responsibility from the earlier-queued clusters originally assigned the NU costs and Section 14.2.3 does not remove ratepayer obligations to pay for TPP-approved upgrades.

Thus, in addition to revising the tariff to include DNU costs, the final CAISO proposal (and implementing tariff language) should clarify that generation projects seeking acceleration must fund only acceleration costs (not the full NU costs), and only if PTOs' Reasonable Efforts are not sufficient to meet the project COD or deliverability needs but could do so with the additional cost payment.

7.7 Reliability Network Upgrade Reimbursement Cap

SPower supports the CAISO's decision to refrain from modifying the RNU reimbursement provisions to address potential gaming behavior that has not been observed. The CAISO's earlier attempts to address this issue would have resulted in complex and punitive measures that are not justified if no problems have occurred.

As with other potential gaming behaviors, SPower believes that the CAISO's statement that it will be watching for such gaming will itself discourage it. SPower also notes that the CAISO can refer suspected gaming behavior to FERC under current rules, should any Market Participant engage in it.

SPower also supports the CAISO's proposal to index the RNU reimbursement cap, starting in 2012, as a matter of basic fairness. As PTO costs increase, the "reasonable" reimbursement amount should increase as well. In addition, the index mechanism that the CAISO selects should be shared with stakeholders and open to comment, and the index should be monitored (e.g., compared against PTO Per Unit Cost changes) to ensure that it continues to be representative of PTO costs.

However, SPower believes that one addition to the RNU reimbursement provisions is warranted. Often a project will finance an RNU (e.g., a switching station) that is later used by other projects. (This possibility is increased by PTO requirements to over-build such facilities beyond the need of the funding generator, e.g., requirements for Breaker And A Half (BAAH) configuration.) SPower believes that generation projects should be reimbursed for RNU costs above the limit (e.g., for a switching station) to the extent that this occurs.

For example, using the $60K/MW 2012 limit, if 100 MW Project A funded a $10 million switching station, it suffered a $4 million forfeit ($10M – (100MW * $60K/MW)). However, if later-queued 100 MW Projects B and C later interconnect using the switching station, clearly the cost was not excessive by this standard (since 300MW * $60K/MW = $18M).

In other words, if the Project A had a 300 MW capacity, Project A would have fully recovered the switching-station cost. There is no rationale for limiting reimbursement simply because the capacity using the RNU comes in three projects instead of one, or because the RNU is used by two or three clusters instead of one. Project A should thus be able to recover some or all of the forfeited amounts later, to the extent that additional projects later make use of the RNU, lowering the cost per MW.

This proposal is consistent with current LGIA provisions allowing a project that withdraws from the queue without reaching COD to nevertheless be reimbursed if upgrades it funds are later used by other projects. If projects that do not even reach COD can be reimbursed for upgrades used by others (and there is no cost limitation for such reimbursement), surely it would be fair for projects that do reach COD funding such upgrades to be similarly reimbursed.

10. Additional Comments