2023 Interconnection Process Enhancements

Track 3-A Revised Straw Proposal
Track 3-B Straw Proposal

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Executive Summary

With this paper, the ISO initiates track 3 of the Interconnection Process Enhancements 2023 initiative. The ISO initially set out the Interconnection Process Enhancements 2023 stakeholder process to follow two tracks; track 1 would address the need to postpone the opening of Cluster 16 such that broader reforms could be developed before Cluster 16 opened, and track 2 would address the development of the broader transformational changes that would apply to Cluster 15 and beyond. As the track 2 working group and stakeholder process progressed, the ISO identified in December 2023 the need for a third track to address changes to the Transmission Plan Deliverability (TPD) allocation methodology. The ISO recognized that this topic required additional in-depth discussion that could not be accommodated on the same schedule as the rest of the track 2 major process changes. It was critical that the transformative changes being developed through track 2 remain on schedule, and that the approval of changes to the TPD allocation methodology was not needed as quickly as the other proposals, and should be explored subsequent to completion of the track 2 reforms. Accordingly, the ISO indicated that the TPD allocation discussions would continue in an IPE 2023 track 3, targeting a later Board of Governors meeting.

Continued discussion of Transmission Plan Deliverability in track 3A revised straw proposal

The ISO will now continue to explore modifications to the TPD allocation methodology from where it was parked, with comments and discussion having been held received in the draft final proposal of track 2. The ISO now issuing a revised straw proposal on the topic as ‘track 3A’.

Identification of new issues in track 3B straw proposal

In the course of the stakeholder process, several other issues were identified through stakeholder discussions, focusing on improving the efficacy of the existing process for Cluster 14 and earlier queued projects. The ISO and stakeholders recognized that while the IPE 2023 track 2 proposals would apply to Cluster 15 and later clusters, the challenge of managing the unprecedented volume of Cluster 14 and earlier queued projects remains. These projects have received final interconnection study results but are “log-jammed” behind major network upgrades driven by the excessive number of interconnection projects that moved into the current phase 2 study process. These residual issues, which were not addressed in the transformative track 2 proposal, will be addressed as well in ‘track 3B’:

- Process for intra-cluster prioritization of projects' use of existing short-circuity duty (SCD)/reliability headroom before reliability network upgrades (RNUs) are completed (new)
- Modifications to the priority for awarding interim deliverability (new)

As these track 3B topics have not been the subject of stakeholder discussion to date, they are discussed in this paper as issues and as a straw proposal that will likely require additional opportunities for stakeholder discussion.

In both cases, the proposed revisions align with the strategic direction established by a December 2022 Memorandum of Understanding between the ISO, California Public Utilities Commission (CPUC), and California Energy Commission (CEC), and are part of a broader ongoing effort to tighten linkages among resource and transmission planning activities, interconnection processes, and resource procurement.

The process reforms described in greater detail in this paper are designed to accelerate progress toward execution of an interconnection agreement and commercial operations for the most viable and competitive projects in areas that align with local and state resource plans, with the goal of onboarding the generation and storage resources necessary to meet reliability and policy needs in a timely manner. The ISO looks forward to continuing to work with stakeholders to refine this proposal in the interest of deploying new resources to meet the grid's evolving needs.

1. Introduction and Background

With the release of this paper, the ISO is initiating a track 3 of the Interconnection Process Enhancements 2023 initiative.

The ISO initially set out the Interconnection Process Enhancements 2023 stakeholder process to follow two tracks; track 1 would address the need to postpone the opening of Cluster 16 such that broader reforms could be developed before Cluster 16 opened, and track 2 would address the development of the broader transformational changes that would apply to Cluster 15 and beyond. In its track 2 Revised Straw Proposal, released on December 12, 2023, the ISO acknowledged that it could not reasonably address one specific issue—changes to the Transmission Plan Deliverability allocation methodology—on the same timeline as the rest of the track 2 changes, and approval was not needed on the same level of urgency. The ISO also recognized that the discussion on that issue would be more effective once the direction was clearer for the earlier stages of the interconnection process that were being examined in track 2. Accordingly, the ISO indicated that the TPD allocation discussions would continue in an IPE 2023 track 3, targeting a later Board of Governors meeting.

On June 12, 2024 the ISO Board of Governors approved the 2023 Interconnection Process Enhancements (IPE) initiative track 2 final proposal, as clarified in the Final Revised Addendum to the IPE track 2 Final Proposal. With that established, the ISO has now turned to continuing with the resolution of the TDP allocation issue that was the subject of considerable discussion in earlier consultation and workgroups. That work is continuing from where it was parked, with comments and discussion having been received on a draft final proposal. The ISO is now issuing a revised straw proposal on this particular topic. If possible and necessary, the ISO and stakeholders may accelerate discussions around the TPD allocations relative to the other elements of this proposal.

As well, in the course of the stakeholder process, several other issues were identified through stakeholder discussions, recognizing that while the IPE 2023 track 2 proposals would apply to Cluster 15 and later clusters, there remains the issue of how to manage the unprecedented volume of Cluster 14 and earlier queued projects. These projects have received final interconnection study results but are “log-jammed” behind major network upgrades driven by the excessive number of interconnection projects that moved into the current phase 2 study process. These residual issues, which were not the subject of the transformative track 2 proposal, will also be addressed in track 3. It is imperative that the industry continue to move forward with timely resource

interconnections while the track 2 proposal is considered and implemented, these additional reforms are needed—even if only in the transition—to keep resources in those clusters moving forward as effectively as possible. As those topics have not been the subject of any significant discussion to date, they are discussed in this paper as issues as a preliminary straw proposal. The ISO believes these issues require additional stakeholder discussion.

Accordingly, the paper is divided into:

- Track 3A revised straw proposal:
    - Modifications to the TPD allocation process (carryover from track 2), and
- Track 3B straw proposal:
    - Process for intra-cluster prioritization of projects' use of existing short-circuity duty (SCD)/reliability headroom before RNUs are completed (new)
    - Modifications to the priority for awarding interim deliverability (new)

California's ambitious decarbonization goals and the large quantities of new clean resources required to meet them have caused the ISO to receive unprecedented numbers of interconnection requests from interested resource developers over the past several years. Many of these requests are in areas that have not been prioritized in the state's resource planning. The ISO and its stakeholders seek to re-imagine the grid interconnection, prioritization, and coordination processes to ensure resource procurement and queuing are effectively oriented toward planned and existing transmission and interconnection capacity. These processes must also align with transmission development necessary for longer-term resource expansion. The 2023 IPE initiative is part of a larger set of foundational framework improvements being coordinated among the CPUC, the CEC, and the ISO based on the overall strategic direction is set forth in the joint Memorandum of Understanding (MOU)[1] signed by the three parties. In track 3, the ISO is working with stakeholders to address additional reforms to the interconnection process that will further enhance the improved coordinated planning resulting from the MOU.

The ISO anticipates that track 3, like earlier tracks, will result in tariff changes. The ISO plans for these proposed tariff changes to go only to the ISO Board of Governors, not to

[1] The MOU (http://www.caiso.com/Documents/ISO-CEC-and-CPUC-Memorandum-of-Understanding-Dec-2022.pdf) is an updated version of a similar 2010 MOU between the parties.

the Western Energy Imbalance Market Governing Body, because the changes apply to the ISO-controlled grid and the ISO is not proposing changes to real-time market rules.

In Section 1, the ISO describes the stakeholder working group process that was deployed in track 2 and the agreed-upon principles and problem statements established during the working group meetings. Section 2 includes details of the revised straw proposal elements related to modifications to the TPD allocation and retention processes, considering the earlier discussions and iterations including comments received on previous track 2 proposals on this matter. Section 3 proposes new topics and preliminary straw proposals, recognizing the industry concerns that these topics be addressed expeditiously, but also with ample time for stakeholder feedback and discussion. These topics include new criteria for intra-cluster prioritization of projects seeking to use of existing short circuit duty/reliability network upgrade headroom before RNUs are completed and the priority for awarding interim deliverability. Sections 4 and 5 outline next steps for the initiative and approvals.

1.1. Working Group Process

Recognizing the potential implications of significant interconnection reform on the ISO's stakeholders, the ISO began IPE track 2 by engaging interested parties in an intensive working group process. During stakeholder working group meetings in summer 2023, the ISO and stakeholders developed agreed-upon principles. Once the agreed-upon principles were established, working group meetings focused on proposed concepts and solutions. Stakeholders participated by providing informal survey responses, candid feedback, experience, expertise, and thoughtful proposals that aligned with the agreed-upon principles. The ISO greatly appreciates the time and effort participants spent during track 2 to improve the ISO's interconnection process.

The topic of TPD Allocations being presented as a revised straw proposal for Track 3A, as these topics have been the direct subject of the working group and stakeholder discussion process to date.

The new items presented in Section 3 as Track 3B (the process for intra-cluster prioritization and consideration of modifications to the priority for awarding interim deliverability) have not had the benefit of those discussions. The ISO will therefore look to stakeholder comments to consider the need for additional time for more fulsome discussion of these items.

1.1.1. Principles

1. Prioritize interconnection in zones where transmission capacity exists or new transmission has been approved, while providing opportunities to identify and provide alternative points of interconnection or upgrades;
2. Ensure meaningful study results that take into account system capability, resource planning and procurement. Resource planning includes the CEC, CPUC, and other LRAs engaged in these activities;
3. Align interconnection and transmission plan deliverability processes with resource procurement functions;
4. Enhance procedures, including contracting and queue management, for ensuring projects proceed to commercial operation and determine how to appropriately handle those that do not;
5. Enhance the ability of the interconnection process to support the procurement necessary to meet CPUC resource portfolios and CEC Senate Bill 100[2] portfolios, and portfolios established by non-CPUC jurisdictional LRAs;
6. Enhance public awareness and accessibility of data and information to support and enable the above principles;
7. All parties share increased responsibility to improve the interconnection process.

Parties agreed that the reforms must also:

- Continue to ensure open access and avoid unduly discriminatory or preferential treatment, and
- Result in a process that is manageable, meaningful, and sustainable to the ISO and stakeholders.

[2] California Renewables Portfolio Standard Program. 2018. https://legiscan.com/CA/text/SB100/id/1819458

2. Track 3A: Modifications to Transmission Plan Deliverability Revised Straw Proposal

2.1. TPD Allocation Process Modifications

Background

Because most off-takers require a project to be eligible to meet their resource adequacy (RA) obligations, the TPD allocation process is very important to project developers. Thus, it is necessary to consider changes to the TPD allocation criteria within the framework of the proposed changes to the interconnection process within the IPE initiative.

The CPUC resource portfolios and non-CPUC jurisdictional resource plans designate the specific resource types and the capacity to be developed, which the TPP uses to determine the transmission projects necessary to support those specific new resource requirements. This can result in the CPUC or an LRA designating an area for significant resource development that would not typically be the focus of large transmission expansion due to the relatively lower load levels and low load growth of the area. When such an area becomes the focus of significant generation development due to an emerging generation technology or an opportunity for resource diversity, a large transmission project may be needed to support the emerging need. In these circumstances, the basis for the TPP project is to serve the specific technologies in the portfolio. In other words, the TPP project would not be needed but for the CPUC or LRA portfolio identifying the technology at the specific location.

In the current environment of accelerated targets for resources in the near-term horizon, there are challenges related to when it is most advantageous for projects to enter the queue. Projects aligned with the recent year's IRP and TPP portfolios will likely need to stay in the queue for a number of years, waiting for required upgrades to be completed. The absence of LRA procurement authorization for projects with potential commercial operation dates that align with long lead-time upgrades adds further uncertainty for project developers. Projects become eligible to seek an allocation after the cluster studies are completed and then have a limited period where they are eligible to seek an allocation before being converted to Energy Only. The TPD allocation process gives highest priority to projects that have executed a power purchase agreement (PPA) or are shortlisted. For projects with longer lead-time network upgrades, the window of opportunity to seek an allocation can be several years before their network upgrades

can be completed and possibly before LSEs are seeking to procure projects with later commercial operation dates (CODs).

In some cases, the transmission planning process develops transmission projects to meet the policy goals of LRAs for specific resource technologies in specific locations. The ISO must ensure such transmission capacity is reserved for the specific technologies a transmission project is designed to serve. It may take many years for the transmission project to be permitted, constructed, and go into service, requiring the associated TPD to not be allocated until the emerging technology is ready to enter the TPD allocation process. An example is transmission being developed to support the significant amounts of offshore wind designated by the CPUC portfolio for Northern California.

The ISO is committed to bringing new, approved, and necessary transmission resources into service as soon as possible to ensure reliability and an affordable pathway to decarbonization. The pace of generation development and procurement, however, must align with the pace of transmission development. California is experiencing heightened levels of competition for new generation, as evidenced by the swelling of the ISO's interconnection queue in Clusters 14 and 15. The ISO has approved many new transmission projects in the last two TPP cycles and is committed to facilitating their on-time completion. But many of these projects will take 8-10 years to finish. Available transmission capacity on the system is finite, which limits the amount of TPD the ISO can allocate to assure generators they can deliver power during stressed system conditions.

The following provides a reference[3] to the existing TPD allocation groups, the eligibility requirements for each group and the order in which the groups are considered for potential allocation of available and planned TPD capacity.

The CAISO allocates TP Deliverability to the following four groups, A – D,

(A) To Interconnection Customers that have executed PPAs, and to Interconnection Customers in the current Queue Cluster that are Load Serving Entities serving their own Load.

[3] Generator Interconnection and Deliverability Allocation Procedures BPM Section 6.2.9.4Second Component of the Allocation Process: Allocating TP Deliverability

(B) To Interconnection Customers that are actively negotiating a power purchase agreement or on an active short list to receive a power purchase agreement.

(C) To Interconnection Customers that have achieved Commercial Operation for the capacity seeking TP Deliverability.

(D) To Interconnection Customers electing to be subject to GIDAP Section 8.9.2.3.

Table 1

Allocation Group	Project/Capacity Status	Commercial Status	Allocation Rank
A	Any project (active IR or achieved commercial operation)	Executed power purchase agreement requiring FCDS or interconnection customer is an LSE serving its own load	Allocated 1st
B	Any project (active IR or achieved commercial operation)	Shortlisted for power purchase agreement or actively negotiating a power purchase agreement	Allocated 2nd
C	Any project that achieved commercial operation	Commercial operation achieved	Allocated 3rd
D	Any active project that meets the allocation group D criteria	See criteria above	Allocated 4th

The following is the ISO's proposal that was included in the track 2 draft final proposal. The stakeholder comments below were based on this proposal.

1. The Parking process will be discontinued. The ISO believes expectations of how projects progress through the GIDAP have changed and the tariff parking criteria may no longer serve their original purpose or the needs of interconnection customers.

    1.1. All projects must make any required increases to their Commercial Readiness Deposits following the completion of the cluster studies on the required due dates. The timing of such posting will be defined in the ISO's FERC Order No. 2023 compliance filing.

2. Projects will have three consecutive opportunities to seek an allocation, beginning with the first affidavit window after the interconnection facilities study.

    2.1. After the third opportunity to seek an allocation, projects that have not received an allocation will be converted to Energy Only.

3. Energy Only projects are only eligible for an allocation through allocation Group C – in commercial operation, regardless of how they became Energy Only.

    3.1. This applies to all new and existing Energy Only projects in the queue. Projects that have a Partial Capacity Delivery Status may seek an allocation for the Energy Only portion of the project.

4. GIA tendering and execution requirements will be based on FERC requirements.

5. Allocation Group D will be discontinued because it would likely hinder new projects seeking to interconnect by reducing the amount of available transmission capacity used to determine the amount of capacity to be studied in zones that have available (unallocated) TPD.

6. Appendix DD section 8.9.1[4] will be the basis for reserving and allocating TPD for long lead-time projects that align with TPP approved new transmission to meet specific CPUC portfolio requirements for specific resource types, such as offshore wind, out-of-state wind and geothermal. Appendix DD Sections 8.9.1 (b) and (c) allow the ISO to reserve TPD capacity for resources outside the ISO and resources internal to the ISO that are designated as resource technologies and in locations that are needed to meet state policy goals. This tariff language allows the ISO to reserve TPD for resources meeting specific portfolio policy goals when other resource types may be able to utilize that TPD capacity sooner, but do not meet the specific resource needs of the portfolio.

Stakeholder feedback and discussion

TPD for Energy Only projects

AES, CalWEA, Hecate, Leeward, LSA, Prologis, SEIA, Terra-Gen, and Upstream oppose making TPD allocations for EO projects only available through group C. CESA, Clearway and SEIA oppose applying the proposed changes to projects prior to cluster 15, including the restriction of Energy Only projects to Group C. CESA, Clearway, ENGIE, New Leaf, Hecate Leeward, LSA, and NextEra request if the proposed changes move forward in the ISO proposal, the ISO enable various forms of a transition process

[4] Section 8.9.1 of the new ISO Tariff Appendix KK filed with FERC on May 16, 2024, for its compliance for Order No. 2023, is consistent with the same section in Appendix DD.
https://www.caiso.com/documents/may16-2024-compliancefiling-ferc-orderno-2023-er24-2042.pdf

for pre-cluster 15 Energy Only projects to allow that group of projects to continue to be able to seek TPD allocations in allocation groups A, B and C for some period of time. Below are the more specific comments.

New Leaf states that cluster 14 and previously queued Energy Only projects should get three opportunities to apply for a TPD allocation under Groups A, B and C, while ENGIE requested more clarity on the issue. Leeward and LSA state that the policy should be applied prospectively to allow prior clusters to seek an allocation since new TPP upgrades have now been approved. The ISO clarifies that the proposal is for cluster 14 projects to proceed with the existing process of seeking an allocation and parking until their eligibility for parking is finished. All pre-cluster 15 Energy Only projects will be eligible to seek an allocation in allocation groups A, B, and C in 2025 and 2026.

Providing more than three allocation options for some projects

Prologis states that the ISO should apply viability screens to projects after their third attempt to seek an allocation to determine whether they are sufficiently commercially ready to remain in line to receive deliverability. The ISO does not agree. Developing such a screening process would be difficult, and if a project has not secured a PPA or shortlisting after three opportunities, it should move out of the way of projects that still have eligibility to seek an allocation.

Opportunities for Energy Only projects

Hecate stated that the CPUC's IRP process designates an amount of Energy Only projects and there needs to be a pathway for these projects through the interconnection process. The ISO notes that the IPE track 2 process provides a viable path for Energy Only projects, however, the Energy Only projects in the CPUC portfolio are meant to remain as Energy Only.

LSA requests that Energy Only projects reaching COD be allowed to request a TPD allocation under groups A or B if they qualify, and not just group C. The ISO disagrees. Energy Only projects have the potential to trigger local deliverability problems and could hinder the development of FCDS projects that would qualify for groups A or B. Energy Only projects should not pose a risk or jump ahead of FCDS projects that may be posting deposits for Local Delivery Network Upgrades (LDNUs). The purpose of giving Energy Only projects deliverability in allocation group C is because it is available, but would not result in competition for TPD with FCDS projects seeking an allocation through groups A and B.

NextEra states that it is vital that cluster 13 and 14 projects[5] be allocated before less mature projects. The proposal is to use the allocation scoring process proposed to determine the maturity and readiness of projects for the allocation project prioritization process.

Withdrawal option based on reduced amount of TPD

MN8 Energy states that it is possible that the available TPD that was the basis for project selection and is also made available during the TPD allocation processes that occur during any give cluster's study process; this creates a possibility that the same amount of TPD will not be available at the time that projects are eligible to seek an allocation of TPD. MN8 Energy proposes that customers that withdraw because the available TPD their studies was based on was less than what was available at intake, should get their interconnection financial security (commercial readiness deposit) returned in full, with no withdrawal penalty. The ISO responds the changing availability of TPD is inherent to the interconnection process, as are changes in other factors that are used by interconnection customers to make decisions. That is the nature of the interconnection procedures and the transmission planning process that utilizes forecast information and responds to changing policy directives. While there is a chance that a reduced amount of TPD is available at the time studied projects are eligible to seek a TPD allocation, it is also possible there will be more TPD available at that time.

Elimination of allocation group D

CalWEA, CESA and Rev Renewables do not support elimination of allocation group D. The ISO notes that stakeholders have raised concerns that the impact of allocation group D is having a detrimental effect on the available TPD for cluster 15. Interconnection customers have also been critical of the restrictions associated with group D. The ISO is concerned with group D's negative impact on the zonal approach, limiting the available TPD and thus the amount of capacity that could be studied in any given cluster, particularly in light of the tentative nature of group D allocated projects being able to retain their allocation. Moreover, Group D projects lack the hallmarks of potential commercial success, such as shortlisting or executing a PPA. Thus, the ISO continues to propose the elimination of allocation group D.

[5] All Cluster 13 and 14 projects without an allocation are Energy Only.

ENGIE proposes excluding current group D allocations from computing the available and planned TPD for as long as Category D exists. The ISO is concerned that while continuing group D would hinder future cluster's amount of capacity to be studied, excluding any group D allocations from the available capacity calculation would reduce the capacity available to a given cluster's projects when they become eligible to seek an allocation, a concern raised by stakeholders.

Elimination of parking

Rev Renewables does not support elimination of parking. The ISO continues to propose eliminating the parking process.

Considerations for projects with long lead time upgrades

ACP-California, CESA, Rev Renewables and Terra-Gen suggest that projects that require long lead-time upgrades should have exceptional opportunities to stay in the queue and seek an allocation of TPD. ACP-California suggests stakeholders think through whether long lead-time resources may require additional opportunities to secure a TPD. CESA states that given the long lead-time of certain deliverability upgrades it seems unrealistic that those projects requiring the upgrades will be able to execute a PPA within the three opportunities to seek TPD. Rev Renewables recommends allowing projects with long lead-time upgrades to park until, for example, four years before the expected upgrade online date, at which time the ISO could require a PPA in order to un-park. In response, the ISO states that other than policy driven upgrades approved through the TPP, parking does not allow long lead-time upgrades to move forward and only serves to delay their in-service date. The best solution is for LRAs to allow procurement of projects with CODs that are further out, making those projects fully viable and willing to fund the construction of their required upgrades. For projects seeking to take advantage of TPP projects that increase the available TPD for a zone, the submission of project interconnection requests needs to align with the scheduled in-service dates for those upgrades. Otherwise the queue will become clogged with projects that have parked waiting for those upgrades. Projects that park for extended periods can become outdated as they wait in the queue. Any number of circumstances can change making those parked projects no longer the best or most needed projects.

Clarifications on reserving TPD for long lead-time resources

ACP, ENGIE, NextEra and Prologis requested additional details on reserving TPD capacity for long lead-time resources, such as offshore wind, and what criteria it will use to reserve this capacity, as well as which network resources could be eligible for

reservation. ACP suggested that additional detail could be provided through a business practice or other process document. ENGIE stated that the holding back of TPD for long-lead time projects such as offshore wind takes TPD out of the pool that is available to allocate in a (nearer-term) year. The ISO notes that this process is already a FERC-approved tariff provision, not a change. The upgrades that provide the additional TPD for resources such as offshore wind would not be developed but for those resources being prioritized in the CPUC integrated resource planning (IRP) process.

NextEra states that the ISO's ability to reserve TPD for long lead projects (such as offshore wind) that have been prioritized in the CPUC's resource portfolio provides undue preference to a single resource type. NextEra asks the ISO to confirm whether this language is intended to allow projects with other technologies to use that reserved capacity when long-lead term projects such as offshore wind are not yet operational. And, if so, NextEra requests additional clarification from the ISO regarding how that capacity will be allocated before a long lead project is online. The ISO notes that the annual interim deliverability process handles this process. Otherwise, the ISO disagrees with NextEra's view. Public policy upgrades are approved and constructed specifically to achieve a public policy goal, and achieving that goal is not undue preference.

Prologis asks the ISO to clarify how it will allocate existing deliverability among long lead-time and non-long lead-time resources and maintains that the ISO should not reserve near-term deliverability for long lead-time projects that cannot achieve COD until later. For example, when TPP-approved new TPD capacity is being built for long lead-time resources that won't be available until 2030, and some amount of TPD is available before that upgrade goes into service, a project that can use the existing deliverability starting in 2026 should get that capacity. A long lead time resource wanting to use the existing TPD in 2028 should not have any priority for that existing capacity and must wait until 2030 for its designated TPD to be in service. The ISO agrees that is how the process works. The annual interim deliverability process handles this in that manner. When deliverability is planned to be built for long lead-time resources that will not be available until 2030, for example, and some amount of TPD is available before that upgrade goes into service, any project that can use the existing deliverability starting in 2026 may get that capacity depending on other factors such as TPD allocation date, queue position, and distribution factor. These factors are part of Section 2.2 of this proposal.

Prioritizing resources that provide local Resource Adequacy

New Leaf Energy proposes adding another local resource adequacy component to the TPD allocation scoring by adding a new column to the TPD scoring rubric where a project that the ISO verifies is sited in an LCRA would receive five points. The ISO has determined to not give extra points in the TPD allocation process for projects in deficient local areas and sub-areas for the following reasons.

1. The resources located in deficient local areas and sub-areas already get extra points in the intake scoring process, giving them an advantage in their ability to be studied. Being located in the deficient sub-areas should make it much easier for them to get a contract, a significant advantage towards obtaining an allocation. With these inherent advantages, providing an additional scoring advantage in the TPD allocation process is not necessary.
2. There are very few deficient local areas and sub-areas, and those that are deficient have rather small deficiencies. There is no limit to the number of projects or capacity amount that can get into the study process based on points for local deficiency needs. This could lead to instances where 500 MW are studied to solve a 50 MW deficiency.
3. The ISO believes providing extra points in the TPD allocation process for projects in deficient local areas and sub-areas could complicate the allocation process, while providing no real benefit to the local deficient system.

Concerns with inappropriate contracting behavior

Upstream raises concerns with allocation group A & B. It asks the ISO and stakeholders to determine how best to manage ESPs and LSEs who attempt to profit by entering into contracts that provide the developer with a termination right if they receive deliverability, and LSEs who attempt to profit from this by short-listing projects in exchange for a fee. The ISO is not aware of specific cases of these types of activities, but is willing to discuss the issue to determine if reasonable policy or actions by the ISO could prevent such activity if it is truly warranted.

Stakeholders supporting the proposal

Southern California Edison supports the ISO's TPD allocation process modifications described in the track 2 Draft Final Proposal.[6]

Proposal

The ISO will provide more definition to the term Full Capacity Delivery Status (FCDS). FCDS will be broken into categories to provide greater clarity on that current status of a project as it progresses through the queue. The letter "R" will be used to designate that a project has requested FCDS (FCDSR), and the letter "A" will be used to designate that a project has been allocated TPD (FCDSA). This will apply as well to PCDS (PCDSR and PCDSA). FCDS will continue to be used for projects that are in operation with FCDS. Projects will maintain an FCDSR status until they receive an allocation or are converted to EO.

The ISO proposes the following:

1. Rename allocation groups A, B and C to represent their actual eligibility requirements – PPA group, Shortlist group and Commercial Operation group, respectively.

2. For the reasons stated in the Stakeholder feedback and discussion above, the ISO proposes discontinuing TPD allocation group D. Continuing to allow group D allocations would hinder new projects seeking to interconnect by reducing the amount of available transmission capacity used to determine the amount of capacity to be studied in zones that have available (unallocated) TPD. Group D would also reduce the capacity available to a given cluster's projects when they become eligible to seek an allocation, a concern raised by stakeholders.

3. Any project that did not receive an allocation and is or has been converted to Energy Only and later provides a PPA to modify its COD, must provide a PPA that specifies an Energy Only product. Energy Only projects cannot remain in the queue based on a PPA that is contingent on receiving or that requires TPD.

4. Discontinue the parking process. Current restrictions put on projects that are parked have, in some circumstances, come under question by interconnection customers. With the FERC order requiring removal of key components of the parking process,

[6] PG&E supports the ISO's proposal to further explore modifying the TPD allocation process during a new Track 3 in this initiative.

such as deferral of posting and the inability to negotiate a GIA, the ISO believes the current parking criteria no longer serves its original purpose or the needs of interconnection customers. Under this proposal, projects will have three TPD cycles to receive an allocation, as explained below.

4.1. All projects must make any required increases to their Commercial Readiness Deposits following the completion of the cluster studies on the required due dates. The timing of such posting is defined in the ISO's compliance filing for FERC Order No. 2023, which generally requires execution of the GIA and a GIA deposit within 90 days of the interconnection facilities study. That way, projects that do not receive an allocation in their first attempt, must execute their GIA and submit a GIA deposit before their second TPD cycle.

4.2. Projects will remain as FCDSR status until an allocation is received, at which point the status will change to FCDSA. Once a project receives its requested TPD allocation, it must accept it or withdraw. It may not decline the allocation to re-seek TPD the following year.

5. Projects will have three consecutive annual opportunities to seek an allocation, beginning with the TPD allocation affidavit window for projects seeking an allocation that closes March 15 during the cluster's interconnection facility study. March 15 of each year will be the seeking affidavit due date for projects seeking an allocation of TPD.

   5.1. After the third opportunity to seek an allocation, projects that have not received an allocation will be converted to Energy Only.

6. Energy Only projects will only be eligible for an allocation through the Commercial Operation group, regardless of how they became Energy Only. From cluster 10 forward, only one project has gone into commercial operation as Energy Only, and only one Energy Only project has gone into commercial operation as FCDS after receiving an allocation having a PPA or initially being shortlisted. While many Energy Only projects remain in the queue hoping to obtain a PPA that requires a TPD allocation, that has been proven to be an unsuccessful strategy. Even if an Energy Only project were to obtain such a PPA, there is no guarantee that the TPD studies will show them to be eligible because a Delivery Network Upgrade (DNU) could be found to be necessary. Allowing projects to remain in the queue after having been converted to Energy Only has proven to be a failed strategy and should no longer be allowed.

6.1. This will commence with the 2026 TPD allocation year for all cluster projects in the queue. Projects in clusters prior to cluster 15 that are Energy Only will have one additional opportunity during the 2025 TPD allocation year to seek an allocation under all allocation groups.

6.2. Energy storage system additions, added through the modification process, will be Energy Only and remain Energy Only and only be permitted to seek a TPD allocation through the Commercial Operation group, regardless of whether the requested energy storage addition is before or after COD (via an Material Modification Assessment (MMA) or Post-COD modification). Generating Facilities that complete a TPD transfer that result in a portion of a project becoming Energy Only may only seek a new allocation through the Commercial Operation group.

6.3. Projects that have a Partial Capacity Delivery Status may seek an allocation for the remaining “FCDSR” portion of the project within the three opportunities noted in section 5 above. For example, if a project receives a partial allocation in the first cycle, it may seek an allocation in the PPA or Shortlist groups in the second and third cycles. If a project receives a partial allocation in the third cycle, it will be considered Partial Capacity Delivery Status (PCDS) and will not have additional opportunities to seek an allocation for the Energy Only portion until the Energy Only portion of the project achieves COD.

6.4. For Energy Only generating units that have achieved COD, the ISO will require a flat fee of $5,000 to seek a TPD allocation in the cycle, due with the TPD affidavit.

7. GIA tendering, execution, and associated financial requirements are as defined in the ISO’s FERC Order No. 2023 compliance filing, irrespective of TPD cycles.

8. Beginning in 2025, the “TPD seeking affidavit” due date will be March 15, and the “TPD retention affidavit” due date will be February 1, 45 days prior to the TPD seeking TPD affidavits. The February 1 due date for retention affidavits will allow interconnection customers that are not able to retain their TPD through the retention process to seek a new allocation in the March 15 process for seeking an allocation (if the cluster has not exhausted its three opportunities to seek an allocation).

9. Affidavits and substantiating documentation will be assessed based on the documents submitted by the TPD-retention or TPD-seeking affidavit due dates.

Documents required in the affidavit processes that are not received by the affidavit due date will not be accepted.

10. Modifications to the TPD scoring criteria:

10.1. **Table 2** below modifies the scoring methodology described in the GIDAP BPM for prioritizing the projects seeking a TPD allocation. This prioritization is used to determine the order that projects are considered for receiving TPD within each allocation group.

Table 2

Points (select one per category)	**Permitting** (existing process)	**Power Purchase Agreement Status (PPA group)**	**Shortlist Status (Shortlist group)**	**Expansion of a Generation Facility**
10	Has Final government permit to construct			
7				Expansion of a facility that is under construction or in operation, where the Gen-Tie already has sufficient surplus capability to accommodate the additional resource
5	Draft Environmental Report w/no significant impact that cannot be mitigated	Has a regulatory approved PPA[7]		Expansion of an operating facility
3	Data adequate	IC is a load-serving entity constructing its project to serve	IC is actively negotiating a power	Expansion of a generation facility that is currently under construction

[7] Non-LSEs are not eligible to claim this scoring item.

		its own Load pursuant to a regulatory requirement	purchase agreement	
1	Applied			
0 (Min. Req.)		Has an executed PPA	No power purchase agreement, included in shortlist	

10.2. **Table 3** provides additional points where a total of 9 points are available from the GIA category.

Table 3

Points (additive, for all eligible item)	**GIA Related Scoring** (tariff references from ISO's FERC Order No. 2023 compliance filing)
2	Has provided to the ISO the required GIA Deposit (Appendix KK, Section 13.3)
2	The Participating TO has received written authorization to proceed with construction from the Interconnection Customer in accordance with Article 5.6.3 of the LGIA (Appendix LL). Performance of these obligations under SGIA (Appendix MM) shall be as defined in Article 5.6.3 of Appendix LL (LGIA).
3	The Interconnection Customer has provided payment and security to the Participating TO in accordance with Article 5.6.4 of the LGIA (Appendix LL). Performance of these obligations under SGIA (Appendix MM) shall be as defined in Article 5.6.4 of Appendix LL (LGIA).

The prioritization of allocations for the Commercial Operation group is proposed to be in the following order:

1. Projects that demonstrate having a RA contract
2. Date commercial operation achieved
3. Lowest Distribution Factors (DFAX)

11. Section 8.9.1 of the GIDAP and RIS will be the basis for reserving and allocating TPD from public policy network upgrades in the TPP to the long lead-time resources those upgrades were intended to support, namely, the resources that meet specific CPUC portfolio requirements. Currently, such resources include offshore wind, out-of-state wind, and geothermal. Sections 8.9.1(b) and (c) allow the ISO to reserve TPD capacity for resources outside the ISO and resources internal to the ISO that are designated as resource technologies and in locations that are needed to meet state policy goals.

    11.1. The ISO's proposed TPD modifications incentivize projects to come into the queue when there is a realistic ability to secure a PPA or be shortlisted. However, projects such as offshore wind projects may need to enter the interconnection process prior to any realistic opportunity for procurement of their resource.

    An April CPUC Ruling[8] on long lead-time procurement in the Integrated Resource Planning proceeding contemplates whether it is prudent to pursue centralized procurement of long lead-time resources. The CPUC discussion in the IRP docket on long lead-time procurement remains open with a decision on the discussion of the latest Ruling expected in August. The ISO will review the CPUC ruling when available and determine if it provides any relevant guidance on further TPD allocation modifications for long lead-time resources.

3. Track 3B: Additional Streamlining Initiatives

In the course of the track 2 stakeholder process, several issues emerged related the unprecedented volume of Cluster 14 and earlier queued projects. These projects have received final interconnection study results but are "log-jammed" behind major network upgrades driven by the excessive number of interconnection projects that moved into the current phase 2 study process. The ISO is seeking to address these residual issues, which were not the subject of the transformative track 2 proposal, in track 3, as it is imperative that the industry continue to move forward with timely resource interconnections. While the ISO works to resolve and implement the track 2 proposal, these additional reforms are needed—even if only in the transition—to keep resources in those clusters moving forward as effectively as possible. As these topics have not

[8] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M530/K323/530323853.PDF

been the subject of any meaningful discussion to date, they are discussed in this paper as new issues as a straw proposal that will likely warrant significant stakeholder feedback and discussion.

3.1. Intra-cluster prioritization of ability for projects' use of existing SCD/RNU headroom before all RNUs are completed

Background

The Cluster 14 Phase II report identified several long lead-time short-circuit mitigation projects. It is likely that the need for some of these mitigation projects will be eliminated as natural attrition results in project withdrawals from the queue. However, until that happens, the in-service dates for the affected generation projects will need to reflect the time it will take to complete the short circuit mitigation. It is expected that many of the generation projects could interconnect without triggering the need for the short-circuit mitigation. In other words the existing system may be able to accommodate some, but not all of the similarly queued projects in an area.

Proposal

The ISO proposes an allocation process to allow generators to interconnect up to an amount that would not trigger the need for the long lead-time short-circuit mitigation. The process could be similar to the TPD allocation process. The process would only apply to Cluster 14 and earlier clusters because it should not be necessary thereafter given the intake scoring procedures for new interconnection requests developed in track 2 for Cluster 15 and subsequent clusters.

For example, short circuit duty RNUs identified in the Cluster 14 Phase II report with an estimated time to construct of more than four years, and delaying the in-service date of multiple generation projects by more than two years, could be considered in this process. The RNUs to be considered would be identified by the ISO and PTOs and posted on the ISO website. Affected generation projects could then submit affidavits with similar information as those submitted for the TPD allocation process as described in section 8.9.2.1 of GIDAP and around the same time. The ISO could score those projects, similar to the TPD allocation process, and provide those scores to the PTOs so they could perform an assessment to allow the highest scoring projects to come online prior to completion of the upgrade. Remaining projects would have to wait for the

remaining assigned RNUs to be completed and placed in service. Cost responsibility for the upgrades would not be affected by this process.

Stakeholder input is needed as to whether the scoring used for the TPD allocation process would be appropriate, or if some other scoring process should be employed.

3.2. Modifications to the priority for awarding interim deliverability

Background

When multiple generation projects behind a common transmission constraint become operational before all required delivery network upgrades are in service, available deliverability is allocated on an interim basis for the following operational year. Currently, earlier queued projects have a higher priority than later queued projects. An issue arises when, for example, a battery facility is added to an existing queue position through the MMA process and inherits the queue priority of the original project, thereby jumping ahead of a later queued project already established in the interconnection process for years before the battery facility was added.

Stakeholder feedback and discussion

While not discussed in the IPE 2023 track 2 initiative, the issue was discussed in an earlier BPM change management process. In that process, one stakeholder expressed concern with changing the current priority because the stakeholder had already made business decisions based on the current priority order. Although the ISO has the ability to make changes through BPM specifications, the ISO proposes to clarify the policy in this initiative for consensus and transparency.

Proposal

The ISO proposes to prioritize interim deliverability allocations based on the date the generating unit received the TPD allocation rather than its interconnection request date. If the TPD allocation date is the same, then interim deliverability would be allocated by queue position. If the queue position is the same, the allocation would be by the lowest distribution factor. And if the distribution factor is the same, the allocation would be by the lowest flow impact.

Stakeholder input is needed on this proposal.

4. WEIM Governing Body Role

This initiative proposes certain tariff amendments to enhance the process for studying and approving interconnection requests. ISO staff believes that these proposed tariff changes need to be considered only by the Board of Governors and that the WEIM Governing Body has no role in the decision.

The Board and the WEIM Governing Body have joint authority over any

> *"proposal to change or establish any CAISO tariff rule(s) applicable to the WEIM entity balancing authority areas, EIM Entities, or other market participants within the EIM Entity balancing authority areas, in their capacity as participants in EIM. This scope excludes from joint authority, without limitation, any proposals to change or establish tariff rule(s) applicable only to the CAISO balancing authority area or to the CAISO-controlled grid."*[9]

Charter for EIM Governance § 2.2.1. The tariff changes proposed here would not be "applicable to EIM Entity balancing authority areas, EIM Entities, or other market participants within EIM Entity balancing authority areas, in their capacity as participants in EIM." Rather, they would be applicable "only to … the CAISO-controlled grid." Accordingly, these proposed changes to implement these enhancements would fall outside the scope of joint authority.

The WEIM Governing Body also has an advisory role that extends to any proposal to change or establish tariff rules that would apply to the real-time market but are not within the scope of joint authority. This initiative, however, does not propose changes to real-time market rules.

Stakeholders are encouraged to submit a response in their written comments to the proposed classification as described above, particularly if they have concerns or questions.

5. Stakeholder Initiative Schedule

The schedule for stakeholder engagement is provided below. The ISO presented its proposal for track 1 to the Board of Governors in May 2023 and presented its track 2 enhancements to the Board of Governors in May and June 2024, with the Board of

[9] Charter for EIM Governance § 2.2.1.

Governors approving track 2 on June 12, 2024. Track 3-A is targeting the December Board of Governors meeting for approval. The schedule for track 3-B is provided with the flexibility forego one paper if stakeholder consensus is obtained quickly, which would allow 3-B to go to the December Board of Governors meeting for approval. Alternatively, 3-B could be deferred until early 2025.

Date	Track 3-A Revised Straw Proposal	Track 3-B New Process Streamlining Initiatives
July 15, 2024	Stakeholder workshop on revised straw proposal	Stakeholder workshop on straw proposal
July 29, 2024	Comments due on revised straw proposal	Comments due on straw proposal
August 27, 2024	Draft final proposal posting	Revised straw proposal or draft final proposal posting
September 3, 2024	Stakeholder workshop on draft final proposal	Stakeholder workshop on revised straw proposal or draft final proposal
October 17, 2024	Final proposal posting	Draft final proposal or final posting
October 24, 2024	Stakeholder workshop on final proposal	Stakeholder workshop on draft final proposal or final proposal
Dec. 2024	Board of Governors Meeting	Possible Board of Governors Meeting (if final proposal is issued by October.)