Submit comment on Revised straw proposal

Initiative: Interconnection process enhancements 2021

1. Provide a summary of your organization's comments on the Interconnection Process Enhancements (IPE) 2021 revised straw proposal: *

CESA continues to support the intent of this initiative and appreciates the ISO's responsiveness to stakeholder comments and requests. We understand that the goal of this initiative is to streamline the interconnection process, identify ways to manage time and resources of ISO staff, and better align interconnection applications with procurement needs and processes. In some ways, these goals are met, but in one critical way, CESA believes that the ISO may do more harm than good. That is, the current proposal to revise the Transmission Plan Deliverability (TPD) allocation process could actually have the effect of hindering project development and load-serving entity (LSE) procurement efforts. In light of these concerns, CESA recommends that the ISO either identify workable modifications to the current Allocation Group 3 (proceeding without PPA), or to adjust their current proposal to afford flexibility for projects to secure TPD in order to facilitate transactions that could result in power purchase agreements (PPAs), though the end-all, be-all should not necessarily establish PPAs as the primary criteria for allocating deliverability. There is value in merchant generation and the ISO should not play the role of being the arbiter of whether and when merchant generation warrants TPD allocation. In addition to our major concerns with the TPD allocation proposal, the ISO should modify the PPA definition, clarify TPD retention criteria, accelerate grid transparency efforts, and clarify and adjust timelines for the site exclusivity documentation due date.

2. Provide your organization's comments on the ISO's proposal to remove the downsizing window and simplifying downsizing request requirements, as described in section 3.1: *

CESA has no further comment at this time. As expressed in previous comments, CESA is supportive of the proposal to remove the downsizing window and simplify the downsizing request requirements.

3. Provide your organization's comments on the ISO's proposal for revising the Transmission Plan Deliverability (TPD) Allocation process, as described in section 3.2: *

CESA opposes the current proposal as hindering both project development and LSE procurement efforts, as well as for being incomplete and warranting further development. There is a chicken-or-the-egg problem at hand: the ISO is proposing to not allocate deliverability unless the project is contracted or shortlisted for a PPA with an LSE, while the LSE will not contract or shortlist a project unless the project has secured deliverability. At its core, without TPD, developers cannot sell RA to LSEs since showing TPD is an efficient means to finalize a PPA contract. At the February 1, 2022 stakeholder call, however, the ISO expressed its perspective that LSEs could simply shortlist more projects to qualify for TPD allocation in Group 2 and secure deliverability. CESA has major concerns with this proposal and the ISO's view on the matter.

First, there is no evidence or statement from LSEs at this time that they plan to adjust their procurement and evaluation criteria accordingly to implement proposals for Issue 3.2 in time for the 2022-2023 TPD allocation cycle. As a result, the ISO's proposal may only serve to frustrate and/or stall the procurement process, with a greater burden now being put on the LSE to determine which projects to shortlist with less certain or complete information and to conduct some of the analysis themselves, which is likely better placed on developers who have incentives to strategically and cost-effectively site and develop projects. The LSE would also face risks potentially executing a PPA prior to the project signing a generator interconnection agreement (GIA) and receiving notice to proceed (NTP). On the flip side, developers would also have to provide development securities to LSEs without knowing whether the project will be allocated TPD and qualify for RA. Such a process is untenable and will only slow down or deter procurement needed in the near and medium term. While the ISO stated that they want to minimize their role in commercial transactions, the use of a contracted or shortlisted PPA as the primary criteria to qualify for TPD only appears to be digging the ISO deeper into this space. To meet the state's decarbonization goals and reliability objectives, the ISO must modify this proposal to create pathways to secure greater certainty of TPD, which would lead to more signed PPAs and greater RA assurance for the ISO's grid.

Second, CESA believes that the current proposal is incomplete because the ISO does not detail the specific revisions that will be made to the scoring criteria in the GIDAP Business Practice Manual (BPM). With PPAs serving as the primary criteria for TPD allocation, this is an important consideration that is absent in the current proposal. In fact, there may be ways to use the scoring criteria to more granularly score projects that proceed without a PPA for the purposes of TPD allocation, which should be further explored.

Third, there is ambiguity as to whether the current proposal would only apply to QC14 or to all projects, including those in earlier clusters. Applying these new rules to previous clusters raise concerns with retroactive policymaking on the one hand, while creating concerns about discrimination and open access by narrowly applying these new rules only to QC14 on the other hand. These potential dichotomous rules need further consideration and could be readily avoided by maintaining the current Allocation Group 3 (proceeding without PPA) with certain modifications.

Fourth, the proposal to eliminate the current Allocation Group 3 (proceeding without PPA) and define qualifying PPAs as those with off-takers who will use the RA to fulfill its own RA obligation closes the door on merchant generation. While the ISO pointed to the lack of merchant generation as a potential reason to make these changes, it should not be in the position to determine whether there should be any merchant generation as part of the TPD allocation process, which would violate FERC open access rules and non-discriminatory principles. Increased supply resources should be viewed as a good thing, and something that is particularly necessary in today's tight supply market, but the ISO would be closing that door for projects that require 3-4 years to come online but cannot secure deliverability in advance. CESA does not envision any projects coming online without knowing whether they will secure deliverability. In addition, the ISO should allow the market to evolve to allow developers to provide more flexible products to LSEs and not deter the development of deliverable projects to non-LSE parties who have valid reasons to do so (*e.g.*, reduce RA obligations to LSEs, pursue 24x7 carbon-free goals).

Given the above concerns, CESA requests that the ISO modify the current proposal in either of two ways:

- Maintain the current Group 3 (proceeding without a PPA) with some to-be-determined adjustments to scoring weights and criteria in the GIDAP Business Practice Manual (BPM), coupled with the other proposals around commercial viability (*e.g.*, site exclusivity) that will help manage the current supercluster; or

- Modify the currently-proposed Group 3 to allow projects without a PPA to receive TPD allocations and fund/build deliverability network upgrades with the ability to park or maintain TPD deliverability for some period of time.

For the latter, it would afford projects some flexibility and a window to secure a PPA, thus demonstrating before the end of some (to be determined) defined window its status as a Group 1 or 2 project in future TPD cycles.

While appreciative of the ISO adding a definition to a qualifying PPA at the request of CESA and other stakeholders, CESA does not support the ISO's current proposal to define the qualifying minimum contract length at five years. If the goal is to support RA obligations through the structure of TPD allocation priority groups, the qualifying PPA definition should align with the CPUC's RA forward contracting requirements. With System RA contracts typically ranging from a few months or a year at minimum and Local RA contracts requiring at least three years in length, CESA proposes that the ISO define qualifying PPAs based on a minimum contract length of one year. A one-year RA contract with a resource would still support LSE RA obligations, and the ISO should avoid narrowly defining qualifying PPA terms, which may only serve to constrict the RA supply. For various reasons, a new deliverable storage project may contract for RA on a short-term basis or as a bridge until a long-term offtake opportunity is secured.

Furthermore, CESA requests explicit clarification from the ISO on how the PPA eligibility and requirement would apply to the TPD retention process. During the February 1, 2022 stakeholder call, the ISO explained that the TPD allocation groups and PPA eligibility and requirements would take effect for the upcoming 2022-2023 TPD allocation cycle, but it did not yet have a position on how these changes would impact projects in previous clusters that have already been allocated deliverability. To this end, CESA recommends that the ISO *not* subject projects in earlier clusters to the currently-proposed 5-year PPA term requirement to retain previously-allocated deliverability, thus applying the broader Phase I changes on a going-forward basis and avoiding disruptive impacts. However, as discussed previously, CESA has concerns with different rules that apply to QC14 projects versus earlier QC projects, such that the ISO should align the rules as much as possible by retaining the current TPD Allocation Group 3 (proceeding without PPA), not requiring the PPA offtaker have an RA obligation, and lowering the minimum contract term for PPAs to one year. At minimum, if the ISO moves forward with some or all elements of its current proposal, the ISO should not move the goal posts. For example, if TPD allocation is given on a PPA, then executing that PPA within the one-year window must provide retention.

Finally, regardless of whether this proposal moves forward in full or in part, or with modifications, CESA urges the ISO to prioritize the efforts to provide further transparency on where deliverable transmission is available since developers would be interconnecting and developing projects without much certainty regarding whether the project will ever be eligible to provide RA, have an executed generation interconnection agreement (GIA), and be provided written notice to proceed (NTP) on network upgrades needed to interconnect the project. Especially if this proposal moves forward, despite strong stakeholder opposition, the ISO must accelerate solutions to Issue 6.3 to improve grid data transparency.

4. Provide your organization's comments on the ISO's proposal for developing an emergency generation interconnection process, as described in section 3.5: *

CESA generally supports the ISO's proposal to develop an emergency generation interconnection process, which puts reasonable guardrails and upfront processes in place, thereby mitigating the need to use tariff exemptions or out-of-ordinary processes and the risk of negative queue impacts. CESA, however, adds that the interconnection service should be limited to the emergency period, as established by the order or authorization from a state agency, yet no more than three years (as proposed by the ISO). In doing so, any use of the emergency generation interconnection process does not extend beyond what is necessary. Furthermore, alternatives should be explored from projects in the queue (*e.g.*, ISP) that can take advantage of available interim deliverability.

5. Provide your organization's comments on the ISO's proposal for determining if site exclusivity be required to progress into the Phase II study process, as described in section 4.2: a) General comments on site exclusivity topic. b) Provide your comments on the appropriate definition for demonstration of site exclusivity for offshore wind projects to be included in the ISO Tariff Appendix A. *

CESA neither supports nor opposes the ISO's proposal to require site exclusivity to progress into the Phase II study process. Without repeating all the comments made previously to the ISO's Issue Paper and Straw Proposal, CESA expressed how this requirement could impact projects of different technologies and locations, where some portion of the projects opting for a deposit in lieu of site exclusivity can be considered viable, and how a potential alternative solution could be to have higher non-refundable portions of these deposits.

Notwithstanding these considerations, if the ISO moves forward with this proposal, CESA recommends several clarifications and modifications. Specifically, the CAISO should explicitly clarify the site exclusivity documentation due date. According to the adopted Supercluster Interconnection Procedures, the initial interconnection financial security (IFS) is due on January 13, 2023;[1] based on the proposal to have site exclusivity paperwork due 10 business days before the initial IFS posting, this requirement will need to be met by December 29, 2022. Not only does this timeline fall within the holiday season, but the schedule to meet this requirement is also very compressed, such that the ISO should consider shifting the timeline to avoid the holiday season and push back the initial IFS posting date to the end of January, thus providing some additional time to secure site exclusivity for projects that require it.

6. Provide your organization's comments on the ISO's proposal for the expanded errors and omissions process to provide criteria and options when changes to network upgrade requirements occur after Financial Security (IFS) postings have been made, as described in section 5.3: a. General comments on errors and omissions topic. b. Provide your comments on including the termination of the project's PPA within the eligibility criteria for allowing projects to withdraw and receiving a full refund of its IFS and any unused study deposit when an error or omission is discovered. i. What specific documentation of a project's PPA termination should be required? *

CESA generally supports the proposal to establish the options and refund policies depending on the party at fault of an error or omission, including the full refund option if an error or omission on the part of the PTO results in PPA termination.

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[1] Supercluster Interconnection Procedure Final Proposal at 7. http://www.caiso.com/Documents/FinalProposal-SuperclusterInterconnectionProcedures.pdf

7. Provide your organization's comments on the ISO's proposal for clarifying the definition of Reliability Network Upgrade (RNU), as described in section 5.4: *

CESA has no comment at this time.

8. Provide your organization's comments on the ISO's proposal for transferring Participating Transmission Owner (TO) Wholesale Distribution Access Tariff (WDAT) Projects into ISO Queue, as described in section 5.5: *

As expressed previously in comments, CESA is supportive of this proposal, which appears to be unchanged from the Issue Paper and Straw Proposal.

9. Provide your organization's comments on the ISO's proposal for changing sites and POIs during IR validation, as described in section 5.6: *

As expressed previously in comments, CESA is supportive of this proposal, which appears to be unchanged from the Issue Paper and Straw Proposal.

10. Provide your organization's comments on the ISO's proposal for should parked projects be allowed to submit any type of MMAs while parked, as described in section 5.8: *

CESA has no comment at this time.

11. Provide your organization's comments on the ISO's proposal for adding due dates for curing deficiencies in Appendix B, to avoid delays in starting Phase II studies, as described in section 6.1: *

CESA has no comment at this time.

12. Provide your organization's comments on making it explicit that when ICs agree to share a gen tie-line, PTO interconnection facilities, and any related IRNUs at a substation across clusters, the shared IRNUs are not subject to GIDAP Section 14.2.2, as described in section 6.2: *

CESA has no comment at this time.

13. Provide your organization's comments on the ISO's proposal for modifications to commercial viability criteria, as described in section 6.4: *

CESA is generally supportive of these modifications and clarifications, which better aligns processes in accordance with the source (either IC or PTO) of any delays.

14. Provide your organization's comments on the ISO's proposal for expanding deliverability transfer opportunities, as described in section 6.6: *

CESA has no comment at this time.

15. Provide your organization's comments on the ISO's proposal for recommending there be a requirement that any IR that proposes to utilize a third party owned gen-tie must provide documentation as part of their IR that demonstrates that the gen-tie owner has agreed to the project using its gen-tie, as described in section 6.9: *

CESA has no comment at this time.

16. Provide your organization's comments on the ISO's proposal for recommending that after the IR validation, the ISO should be consistent in using RIMS for all documents, details, etc. related to projects, as described in section 6.10: *

CESA has no comment at this time.

17. Additional comments on the IPE 2021 revised straw proposal and February 1, 2022 stakeholder workshop discussion particularly focused on any Phase 2 issues. (Please do not re-submit comments on phase 2 issues unless they are new or provide additional clarity. Comments submitted on the Issue Paper and Straw Proposal phase 2 issues will be addressed and considered in the next Phase 2 issues proposals): *

The ISO discussed in the Revised Straw Proposal that a range of issues have been deferred to Phase 2 and will be considered in a future and updated version of a proposal. Some of these issues include the alignment of interconnection applications with procurement interest and policy objectives, various modifications to commercial viability and bars to entry (*e.g.*, fees, deposits), cost allocation methodologies, and various process and queue management changes. Given the substantive nature the issues and proposals, and the target date of November 2022 for ISO Board approval, CESA recommends a timely and quick turnaround to begin discussing and considering these issues upon finalizing Phase 1 proposals.