Submit comment on Draft Final Proposal - Phase 1

Initiative: Interconnection process enhancements 2021

1. Please provide a summary of your organization's comments on the Interconnection Process Enhancements (IPE) draft final proposal for Phase 1: Near-Term Enhancements: *

CESA appreciates the ISO staff's collaboration with stakeholders on the various proposals under consideration, particularly the responsiveness to stakeholder feedback and concern. CESA is mostly supportive of multiple proposals in the Draft Final Proposal, including the reasonable balance struck with the proposal around site exclusivity as described in Section 4.1. Furthermore, we welcome the modifications to the ISO's proposal for revising the Transmission Plan Deliverability (TPD) Allocation process, as described in Section 3.2, which are directionally positive with the establishment of a new Allocation Group 4 and reduce the risk of hindering procurement efforts in the near term. However, the primary focus of our comments on the Draft Final Proposal are focused on revisions to the TPD allocation process, which require further refinement and clarification.

Importantly, the ISO should carefully consider incremental changes to the newly proposed Allocation Group 4 to create pathways for projects to be allocated deliverability and be able to come online without a PPA and to avoid situations where projects are forced to withdraw if projects have a viable Energy Only (EO) pathway. In addition, we seek specific clarifications around parking rules, the impact to Allocation Group 4 projects that only receive partial TPD, and the categorization of certain project types. Finally, while the one-time exception for Queue Cluster (QC) 14 projects is helpful, we seek clarification on the retention criteria for QC14 projects and continue to urge the ISO to reconsider its position on a 5-year minimum term length of PPAs for Allocation Group 1 or 2 projects.

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 generally supports this proposal and appreciates the clarifications provided. We have no further comment at this time.

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 greatly appreciates the CAISO's responsiveness and receptivity to stakeholder feedback on the proposal related to the TPD allocation process. The modifications made represent significant improvements on the Revised Straw Proposal that would eliminate the current Allocation Group 3 (proceeding without PPA), which as proposed at the time would only serve to hinder project development and load-serving entity (LSE) procurement. Under this process, if a project has not attained TPD, it puts undue risk on the offtaker to engage in a contract, risk they are likely to pass on to the developer. By contrast, the changes to add a new Allocation Group 4 would afford projects some flexibility and a window to secure a PPA, thus providing opportunities in two TPD allocation cycles to market their projects to LSEs and secure a PPA.

Overall, CESA welcomes this change. Generally speaking, CESA shares the ISO's goals of better aligning the various processes (procurement, transmission, and interconnection) and supporting the interconnection of new resources to meet near- and mid-term reliability needs. The ISO should be aware that projects are increasingly being built without PPAs when entering the TPD allocation process, likely in the hopes of securing a PPA at a later time (*e.g.*, moving toward COD and operating as a merchant facility in the near term). As expressed previously, CESA also believes that a large interconnection queue in itself is not necessarily an undesirable outcome, so long as the projects in the queue are highly viable and create a more competitive marketplace of projects needed to meet reliability needs not only in the near and medium term but also in the long term. With pathways to have greater certainty of TPD as projects are being developed or come online, it will mitigate the burden of LSEs having to assess earlier or risker projects using only Phase I study results that bid into their Request for Proposals (RFPs) and competitive solicitations.

As such, while the changes in the Draft Final Proposal are directionally positive, the ISO should carefully consider incremental changes to the newly proposed Allocation Group 4 to create pathways for projects to be allocated deliverability and be able to come online without a PPA and to avoid situations where projects are forced to withdraw if projects have a viable EO pathway. Otherwise, the ISO's current proposal as-is does not necessarily encourage more viable projects, leads to potential wasting of TPD allocation when projects are prone to greater failure risk, and closes out continued development markets for projects, especially considering the financial risks that developers face with land acquisition and construction. Notwithstanding our support for the directional change and our general comments on the issue at hand, we offer several areas of further comment and clarification.

First, CESA recommends a modification to the proposed withdrawal rules for Allocation Group 4. The ISO proposes to give projects two consecutive opportunities to seek, secure, and/or retain an allocation in Allocation Group 4, and if unsuccessful, be required to withdraw. CESA believes that the withdrawal requirements are disproportionate to the intent of enabling the development of new resource capacity that could be later positioned to secure a PPA. Rather than being forced to withdraw and lose queue position due to the inability to be allocated deliverability, the ISO should allow these projects to proceed with the interconnection and development process as EO projects, which in some cases could be sold to LSEs and have a PPA executed, thereby positioning it for Allocation Group 1 or 2 in future TPD cycles. Forcing a withdrawal does not support the continued project development of otherwise viable and good projects.

Second, CESA requests clarification on how the parking rules would apply for Allocation Group 4 projects. For example, if projects park in the first TPD cycle and does not obtain TPD in the second subsequent cycle, will the project be required to withdraw? As discussed above, projects should be allowed to convert to EO status instead of being forced to withdraw.

Third, CESA requests clarification on what the ISO proposes for projects that only receive partial TPD for the fully requested TPD amount. For example, if a 10-MW project receives 1 MW in the first TPD cycle and 2 MW in the second cycle, will the 8 MW of unallocated TPD be forced to withdraw? How would that work? Could the project just be deemed a Partial Capacity Deliverability Status (PCDS) project, with the 8 MW treated as EO? Again, as discussed above, projects should be allowed to convert to EO status instead of being forced to withdraw.

Fourth, CESA greatly appreciates the ISO making an exception to the 5-year minimum term length of PPAs for Allocation Group 1 or 2 projects in the 2022-2023 TPD cycle, which will avoid near-term disruptions. However, the ISO should also provide clarification on whether the exception to the PPA term length requirement will impact retention in future TPD allocation cycles, where presumably the 5-year term length will apply. Overall, rather than establishing two regimes, CESA urges the ISO to reassess its position on a qualifying PPA term length, which we have expressed in the past may not be the ISO's role to make such determinations considering it is the domain of the California Public Utilities Commission (CPUC) to direct procurement and set Resource Adequacy (RA) obligations. At minimum, 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 (*i.e.*, qualifying PPAs based on a minimum contract length of one year). As discussed above, there are many advantages to increasing the marketplace of projects and to bringing more projects online with deliverability that could derisk the eventual long-term contracting for these projects in ongoing or future competitive solicitations. The ISO expressed the view that ratepayer-funded transmission investments are best utilized for projects that support long-term procurement needs and obligations, but again, projects that are able to secure and retain TPD on a short-term basis can still support these ends and support less risky long-term contracting of projects. While coming online with deliverability but without a PPA (*i.e.*, merchant operations) can often be a viable short-term strategy, but at the end of the day, these projects will likely seek to monetize their deliverability through long-term RA contracts.

If the ISO moves forward with defining qualifying PPA terms, CESA seeks clarification on the following questions:

- What TPD Allocation Group would a project be eligible for if they have a PPA tied to RA that is less than 5 years? Would they be put into Allocation Group 4 and be subject to the same withdrawal requirements and restrictions?
- What TPD Allocation Group would a project be eligible for if they have a PPA but not tied to RA? Would they be put into Allocation Group 4 and be subject to the same withdrawal requirements and restrictions?

Finally, CESA understands that the ISO plans to make potential adjustments to the GIDAP BPM scoring weights during the BPM update process and after securing FERC approval of tariff changes. However, these scoring criteria may be a means to achieve some of the ISO's ends by prioritizing more ready projects or favoring those that have longer-term agreements without making this a gating criterion for TPD allocation. If possible, CESA thus recommends that the ISO provide some directional proposals on the scoring weights in the next paper.

4. Provide your organization's comments on the ISO's proposal for developing an emergency generation interconnection process, as described in section 3.3:

CESA generally supports this proposal with clarifications related to guardrails, process, and parameters provided in the Draft Final Proposal, but we emphasize how emergency reliability needs can be mitigated in general through faster queue processes. As noted in our response in the "Additional Comments" question below, CESA also recommends the ISO more expansively consider whether and how operational solutions could support incremental capacity coming online sooner.

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 4.1:

CESA greatly appreciates and supports the ISO's modifications to this proposal in the Draft Final Proposal that would not only require site exclusivity to move into the Phase II study process but also allow QC14 projects to utilize a site exclusivity deposit after making their initial interconnection financial security (IFS) posting, with the deposit not subject to refund if the interconnection customer (IC) withdraws without having demonstrated site exclusivity. For QC15 and beyond, the ISO proposes scenarios that would essentially put 50% of the site exclusivity deposit at risk of non-refundability, if the IC leverages the deposit in lieu of site exclusivity and depending on whether and when the IC withdraws.

Overall, CESA believes that the ISO's modified proposal strikes the right balance in increasing the commercial viability criteria for progressing through the interconnection process and in providing optionality for meeting the site exclusivity requirement via higher non-refundable portions of these deposits. As a result, the ISO will be able to manage the overheated queue in general while accommodating projects of different technologies, locations, and lead times where site exclusivity requirements would pose barriers despite their overall viability. However, CESA reiterates our request that the ISO explicitly clarify the site exclusivity documentation due date, which was not specified in the Draft Final Proposal, where timelines are not detailed to the same degree as the Revised Straw Proposal. According to the adopted Supercluster Interconnection Procedures, the initial interconnection financial security (IFS) is due on January 13, 2023, but based on the Revised Straw 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. Even with the changes made in the Draft Final Proposal, 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.

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 5.1:

CESA generally supports this proposal and has no further comment at this time.

7. Provide your organization's comments on the ISO's proposal for clarifying the definition of Reliability Network Upgrade (RNU), as described in section 5.2:

CESA has no comments 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 5.3:

CESA generally supports this proposal and appreciates the ISO's commitment to work with PTOs to make information about facilities that are on the ISO-controlled transmission grid versus the PTO-controlled distribution grid, which will reduce confusion and reduce the need for transfer to the right queue in the first place.

9. Provide your organization's comments on the ISO's proposal for changing sites and POIs during IR validation, as described in section 5.4:

CESA generally supports this proposal and appreciates the clarifications provided. We have no further comment at this time.

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 5.5:

CESA supports the ISO's Draft Final Proposal that expanded the type of requests to include downsizing.

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 comments at this time.

12. Provide your organization's comments on the ISO's proposal for modifications to commercial viability criteria, as described in section 6.2:

CESA supports the ISO maintaining this proposal in the Draft Final Proposal.

13. Provide your organization's comments on the ISO's proposal for expanding deliverability transfer opportunities, as described in section 6.3:

CESA supports the ISO maintaining this proposal in the Draft Final Proposal.

14. 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 6.4:

CESA has no comments at this time.

15. 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 6.5:

CESA has no comments at this time.

16. Please provide additional comments on the IPE Final Proposal – Phase 1 not mentioned above:

CESA has no further comments at this time.