



## 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 – Phase 2 revised straw proposal: \*

CESA appreciates the ISO's continued efforts to enhance the interconnection process in Phase 2. The collective proposals of the 2021 Interconnection Process Enhancements (IPE) will go a long way to managing overheated and large interconnection queues, better aligning cost allocation and various procurement and planning processes, and efficiently bring on the new capacity resources needed to support the state's decarbonization goals and reliability needs. In reviewing the Phase 2 Revised Straw Proposal, however, CESA is concerned that the Phase 2 proposals are focused on improving the interconnection process at the margins or would reduce the interconnection queue in ways that would discriminatorily screen out high-quality and viable projects by targeting certain parent companies without necessarily making substantive improvements that ensure an efficient and effective interconnection process.

In light of the recently-issued Notice of Proposed Rulemaking (NOPR) at the Federal Energy Regulatory Commission (FERC) and the establishment of Interconnection Innovation e-Xchange (i2X) at the Department of Energy (DOE), CESA believes that the ISO and its stakeholders would be better served by quickly concluding Phase 2 by addressing a narrow set of proposals, such as data transparency issues and the carryover Phase 1 issues related to the Transmission Plan Deliverability (TPD) allocation prioritization criteria, and immediately launching a new IPE Initiative to tackle bigger and more fundamental reforms to the interconnection process and queue. The NOPR (RM22-14) represents a major milestone at the federal level in proposing significant and innovative reforms to rethink the interconnection process, which can be instructive and provide guidance for CESA's proposed new IPE Initiative.

While the NOPR is still preliminary in nature and subject to its stakeholder process, and some of the NOPR's proposals are already incorporated in this ISO's status-quo process (e.g., single, annual cluster study application window), there are other key proposals that warrant deeper consideration in a new IPE Initiative that may go a longer way in improving interconnection procedures, providing greater certainty and transparency, preventing undue discrimination against new generation, and ensuring efficient and timely access to the grid. For example, FERC proposes to use a "waiting room" or pre-application structure to help with the data transparency and information needs of interconnection customers, combined with a structure that imposes additional financial commitments and readiness requirements on interconnection customers, facilitating a first-ready, first-served that only invites interconnection customers who are ready to move into and advance through the queue. In addition, the NOPR also proposes to improve interconnection queue processing speed by imposing firm deadlines and establishing penalties if transmission providers fail to complete interconnection studies on time, except in instances where force majeure is applicable, and proposes to incorporate technological advancements into the interconnection process, such as requiring interconnection studies to reflect the proposed operation of an electric storage resource or co-located resource containing an electric storage resource. In CESA's view, even as further

improvements could be made, the NOPR tackles interconnection reforms in a more comprehensive way, in contrast to the incremental, more piecemeal set of proposals included in the ISO's Phase 2 Revised Straw Proposal.

Along these lines, CESA urges the ISO to quickly conclude Phase 2 by addressing a narrow set of proposals, such as data transparency issues and the carryover Phase 1 issues, and immediately launching a new "2023 IPE Initiative" to tackle bigger and more fundamental reforms to the interconnection process and queue. Informed and guided by the FERC NOPR, a fundamental rethink of the ISO queue is sorely needed to improve the way projects move through the queue. This new initiative should consider, but not necessarily be limited to, the following proposals:

- Establishing a single impact study phase rather than the current two phases, achieved, for example, by creating a pre-application structure for indicative costs, having concrete study timelines, and/or conducting auctions to allow projects to enter the queue in areas with transmission capacity and up to the available level of transmission capacity, among other approaches
- Establishing and enforcing a structure of rewards and penalties to process interconnection requests, timeline to build interconnection facilities and upgrades, etc.
- Improving the ability of interconnection customers to self-provide work, such as interconnection request model validation, and to self-build standalone facilities
- Incorporating operational assumptions of standalone or hybrid/co-located storage resources in interconnection studies

To avoid another supercluster in QC15 in April 2023, CESA understands that the new initiative would have to launch immediately and be resolved expeditiously. As such, Phase 2 of this initiative should expeditiously address a narrow set of issues, perhaps with an eye toward incremental changes targeting issues that might impact QC15, but the focus should quickly pivot to a new initiative that should work expeditiously to these broader and more fundamental reforms.

Notwithstanding these higher-level comments, CESA's responses to the questions and specific proposals can be summarized as follows:

- CESA generally supports greater transparency on many of the project-specific data categories listed in the Phase 2 Revised Straw Proposal and, at this time, does not see how any of these data categories would be commercially sensitive to disclose.
- The ISO should not define minimum term lengths for qualifying PPAs since shorter-term contracts can be reasonably pursued as a regulatory risk-mitigation strategy, but if the ISO is intent on setting a minimum term length, it should be one year to align with forward System Resource Adequacy (RA) requirements and TPD allocation cycles.
- The ISO should not deter the development of deliverable projects to non-LSE parties who have valid reasons to do so and could require a certain time window (e.g., two years) by which the project would need to secure a contract with an LSE with an RA obligation.
- CESA strongly opposes the ISO's proposal to establish a tiered fee approach based on parent company as discriminatory and would be better targeted by applying policies, fees, or processes based on defined criteria for "speculative" projects.
- CESA sees potential in the ISO's proposal to increase the non-refundable portion of deposits based on the stage of the interconnection process, but it should be considered in a new IPE initiative focused on more fundamental reforms.
- CESA supports the common-sense proposal for the ISO to exercise its authorities to ensure projects are meeting their milestone requirements.

**2. Please comment on section 3.3 - Transparency enhancements: Which data items do you support being public? \***

CESA generally supports greater transparency on many of the project-specific data categories listed by the ISO in the Phase 2 Revised Straw Proposal, including gen/fuel type, MW, milestones, resource IDs, hybrid or co-located designation, MWh data for storage, and TPD group and allocation. CESA also generally supports greater transparency into the status (e.g., PPA executed, online, suspended, withdrawn, parking, affected system) of projects in the queue. As expressed in comments to the April 5, 2022 Data Transparency Workshop, CESA also recommended (and is pleased to see it included in the Phase 2 Revised Straw Proposal) that the ISO include information on whether interconnecting projects have site control as part of generator-related data transparency efforts. Overall, each of these enhancements are likely easy to implement and could support efficient decision-making for interconnection customers to move forward in the process. For example, knowing that many other projects in the queue and at a given area have site control, it may inform developers on whether to move forward with submitting a deposit in lieu of site exclusivity, which was recently adopted in Phase 1 to have a greater portion of the deposit at risk.

While we cannot definitively say that all our members support this position, no members to date have expressed their opposition to CESA staff that they would oppose transparency of these data categories. At this time, CESA does not see how any of these data categories would be commercially sensitive to disclose, unlike contract prices and terms. In sum, these data categories point to project viability and certain general configurations, which reveals a general level of project competitiveness and/or project development strategy but does not constitute specific privileged information or trade secrets that warrants confidential treatment. Rather, transparency to these ends could help ease the overheated queue by helping any given interconnection customer understand their prospects to succeed in the interconnection queue at their location.

**3. Please comment on section 3.3 - Transparency enhancements: Which data items do you support not being public and why? \***

As expressed in our comments to Question 2, CESA does not oppose making any of the data categories listed in the Phase 2 Revised Straw Proposal.

**4. Please comment on section 3.3 - Transparency enhancements: Are there other data items you would like to see as public information? \***

CESA has no further recommendations at this time.

**5. Please comment on section 3.3 - Transparency enhancements: What are your thoughts on allowing Interconnection Customers to make their data public? \***

CESA generally supports allowing interconnection customers to make their data public. Presumably, the ISO seems to be suggesting in this question that this data can be made public on an opt-in and volunteer basis, but it is unclear how effective such an approach would be. It does not seem likely that any interconnection customer would share their project-specific information, which would only confer an advantage to projects that do not share this information. Proposed transparency for any of the project-specific information should be required of all interconnection customers in order to level

the playing field and benefit all interconnection customers by mutually understanding their competitiveness and viability relative to other projects in the queue.

**6. Please provide comments on the following question related to section 3.4: Revisiting the criteria for PPAs to be eligible for a Transmission Plan Deliverability (TPD) allocation: a) Should the allocation of TPD require a PPA that procures the project's RA capacity for some minimum term? Please provide reasoning supporting your answer. b) If yes, what should that minimum term be and what is the basis for that? \***

CESA reiterates our principled position that the ISO should not define minimum term lengths for qualifying PPAs, but if the ISO is intent on doing so, CESA urges that the ISO minimize the term length as much as possible. There are several reasons why shorter PPA term lengths may be pursued. For energy storage resources where there has been ongoing uncertainty of RA counting rules and values, shorter-term contracts may be pursued as a regulatory risk mitigation strategy. Over the past couple years, there has been uncertainty regarding whether energy storage would be counted using effective load carrying capacity (ELCC) methods or based on maximum capabilities (Pmax) for shown hours under a slice-of-day framework. Under an ELCC approach in particular, there has been uncertainty about potential derated capacity depending on year of commercial operation, penetration of storage resources, and/or available charging energy. While much of this uncertainty is reduced with the CPUC's adoption of slice-of-day frameworks, there is still some uncertainty around how it may be refined (e.g., use of UCAP) or how it interfaces with counting conventions for IRP compliance purposes. Furthermore, LSEs may pursue shorter-term contracts to address portfolio imbalances due to load migration concerns, among other reasons. As such, there are valid reasons for pursuing shorter-term contracts for deliverable capacity.

Despite landing at a minimum contract term of three years in the Phase 1 Final Proposal, the ISO proposed a starting point of five years for a qualifying PPA in the Phase 2 Revised Straw Proposal, pointing to the ISO's preference for longer-term contracts more in line with IRP procurement requirements (i.e., 10 years or more) and goal of using scarce ratepayer-funded transmission investments in prudent ways. CESA understands the ISO's intent and goal with preferring longer-term contracts in TPD allocation prioritization, but we find flaws in the ISO's assumption that projects with shorter-term contracts will not be financed or will not utilize the allocated TPD when the contract "expires" at the end of its term. The project developer has every motivation to monetize the deliverable capacity through follow-on or extended contracts with off-takers.

To this end, 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, as a one-year RA contract with a resource would still support LSE RA obligations. A minimum one-year term also aligns with the annual TPD allocation cycles, better minimizing any perceived risk that TPD allocations will not be utilized for the full 12-month period between cycles if shorter-term contracts indeed expire and are not extended. Overall, the ISO should avoid narrowly defining qualifying PPA terms, which may only serve to constrict the RA supply.

Finally, if despite CESA's comments ISO staff decides to require minimum contract terms for a project to be eligible for TPD, we request the ISO clarify how said requirement would apply for all resources that will seek to retain their deliverability allocation as part of the 2023-2024 TPD allocation cycle. In the Revised Straw proposal, the ISO notes that, if applied, the modifications considered under Section 3.4 would be in effect beginning with the 2023-2024 TPD allocation cycle;

nevertheless, it does not specify the implications of these novel requirements for capacity that has come online prior to the supercluster that spurred the Interconnection Process Enhancements, or that that is awaiting deliverability allocation but is part of prior clusters. Thus, if additional minimum term length requirements are adopted for TPD eligibility, CESA requests the CAISO clarify the potential reach and implications of these requirements for capacity that is online and is seeking incremental deliverability, for capacity that is online and wishes to retain its deliverability, and for capacity seeking or retaining deliverability allocation as part of any cluster prior to supercluster 14.

**7. Please provide comments on the following question related to section 3.4: Revisiting the criteria for PPAs to be eligible for a Transmission Plan Deliverability (TPD) allocation: a) Should a PPA that is with an entity that does not have an RA obligation be eligible for an allocation if the procuring entity demonstrates that it has a contract to sell the RA capacity procured to a load servicing entity that has an RA obligation? Please provide reasoning supporting your answer. b) If yes, should the procuring entity be given extra time after the project receives an allocation to secure a contract with a load serving entity with an RA obligation? Please provide reasoning supporting your answer. c) If yes, what length of extra time should be provided and what is the basis for that? \***

CESA generally favors allowing 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). If such PPA counterparties are able to procure and bring on additional deliverable capacity, the ISO should not discourage such efforts, especially if these non-LSE entities provide the initial capital and investment to do so. To address the ISO's concerns about ensuring that TPD-allocated projects show up on RA supply plans, the ISO could require a certain time window (e.g., two years) by which the project would need to secure a contract with an LSE with an RA obligation, similar to how the ISO has created a "conditional allocation" process via TPD Allocation Group D. Ultimately, the non-LSE entities and developers will want to "monetize" the value of the deliverable capacity, which would occur through a transaction with an LSE with an RA obligation, thus creating every incentive to ensure that these projects show up on RA supply plans.

**8. Please comment on section 4.1: Should higher fees, deposits, or other criteria be required for submitting an IR? \***

Consistent with the FERC NOPR in RM22-14, the ISO should comprehensively consider how all of the various reforms fit together to align with a defined goal and to foster a competitive market while advancing high-quality and more viable projects. To this end, CESA strongly opposes the ISO's proposal to establish a tiered fee approach based on parent company, but we see potential in the ISO's proposal to increase the non-refundable portion of deposits based on the stage of the interconnection process.

First, on the tiered fee approach, the ISO re-introduced its Phase 1 Straw Proposal but presented new data as justification that, when parent companies submit more than two interconnection requests, those projects withdraw at a higher percentage rate than parent companies that only submit one or two interconnection requests. Given this data, the ISO expressed that it believes that increasing fees with more at risk earlier in the process will be an effective tool to discourage excessive interconnection requests, where a tiered fee approach is appropriate to maintain a level playing field.

However, CESA maintains our opposition to this proposal and finds flaws in the logic of deterring interconnection requests through escalated study deposits based on the number from any given parent company. Though the data is indicatively helpful, it is portrayed at an arbitrary “3 or more” threshold that may not present the full picture of the point at which developers may not be presenting the highest quality or viable projects. If the intent is to eliminate “speculative” projects in order to more efficiently use ISO staff and resources, the ISO should define the criteria for “speculative” and set policies, fees, or processes accordingly to more narrowly target these projects; however, CESA is not convinced that higher withdrawal rates by parent company is an appropriate proxy for this criterion. More fundamentally, escalating fees and deposits based on the number of projects may penalize high-quality, viable projects simply as a result of being from the same developer, who may be submitting multiple interconnection applications as a result of understanding the transmission system and market/procurement landscape, not because of a scattershot approach. As it stands, according to the ISO’s proposal, it is unclear on what the intended benefit is in forcing the interconnection queue to be submitted by a larger number of entities and by penalizing all entities who submit a higher number of interconnection requests (rather than the entities that actually submit such a high volume of “speculative” interconnection requests). A proposal targeting parent company and promoting developer diversity in this way runs the risk of not being deemed just and reasonable and not being unduly discriminatory by FERC. More generally, avoiding superclusters as an end or goal should not be what the CAISO strives for. High volumes of interconnection applications in itself could be a sign of significant commercial interest in developing renewable and energy storage projects to meet procurement obligations and market needs in support the state’s decarbonization goals and reliability objectives.

Second, on the escalating portion of the study deposit that is put at risk, CESA is generally supportive of the ISO’s proposed approach, which is in line with the FERC NOPR to subject interconnection customers to additional study deposits, continued commercial readiness demonstrations, and penalties for leaving the queue at different stages to ensure that ready projects can proceed through the queue in a timely manner. While supportive of the spirit of this proposal, CESA offers two recommendations. First, if ISO staff moves forward with this proposal, they should consider allowing a higher portion of the deposit to be fully refundable (minus costs) after the Scoping Meeting given the relevance of this milestone in understanding project viability. Second, CESA considers that these proposals should be incorporated into broader and fundamental reform discussions in a new IPE Initiative, where this component of a broader and comprehensive reform proposal can be incorporated in tandem with better data transparency and preliminary/indicative (non-committal) interconnection information gathering processes, as well as approaches to anticipate and streamline “large” clusters. To this end, this proposal should be suspended and held to then.

**9. Please comment on section 5.1: Should the ISO re-consider an alternative cost allocation treatment for network upgrades to local (below 200 KV) systems where the associated generation benefits more than, or other than, the customers within the service area of the Participating TO owning the facilities? \***

CESA has no comment at this time.

**10. Please comment on section 5.2: Policy for ISO as an Affected System – a) How the base case determined b.) How required upgrades are paid for: \***

CESA has no comment at this time.

**11. Please comment on section 5.3: While the tariff currently allows a project to achieve its COD within seven (7) years if a project cannot prove that it is actually moving forward to permitting and construction, should the ISO have the ability to terminate the GIA earlier than the seven year period? \***

CESA supports the ISO's proposal to allow it to invoke the default clause (GIA Section 17.1.1) and Section 6.5.2.1 of the Generator Management BPM for interconnection customers that do not meet certain milestones and requirements, which is a reasonable application of the existing terms and conditions to ensure that interconnection customers are in adherence and compliance. This is an example of a clear-cut change to manage the overheated queue and apply accountability to projects to ensure progress to commercial viability and operations.

CESA nevertheless requests clarification on the applicability of the proposal since, as we understand it, this is not intended to impact projects requesting to remain in the queue beyond the applicable limit if they clearly demonstrate that engineering, permitting, or construction will take longer than that and are actively advancing projects, per the Business Practice Manual for Generator Management, Section 6.5.2.1. This clarification is warranted as some long-lead time resources, such as some long duration energy storage resources, may require additional time in the queue but can bring much needed diversity to the system.

**12. Please comment on section 5.3: Do you have any concerns with the ISO's proposed implementation? \***

CESA has no further comment at this time.

**13. Please comment on section 5.3: Are there other opportunities the ISO should consider with respect to projects not moving through the queue? \***

As discussed at the beginning of these comments, CESA believes that a new IPE Initiative should be launched to more fundamentally reform the interconnection process in light of the NOPR in RM22-14 at FERC to address the overheated queue.

**14. Please comment on section 6.2: Examining the issue of when a developer issues a notice to proceed to the PTO, requesting the PTO/ISO should start planning for all upgrades that are required for a project to attain FCDS, including the upgrades that get triggered by a group of projects: \***

The ISO found it impractical to further pursue this proposal given the volume of projects with executed GIAs, but we maintain that how work plans for network upgrades are prioritized and initiated merit deeper discussion in a new IPE Initiative tackling more fundamental reforms.

In upcoming venues, the ISO should consider that it is feasible to start planning for project network upgrades when the GIA is executed or when the notice to proceed is received. Doing so would provide a plan and timeline to the interconnection customer, which would provide vital information that is not currently made available. Key information regarding these upgrades would include prioritization, if any, to upgrades coming out of study processes such as the TPP, as well as considerations to the cost of the shared upgrade.

**15. Additional comments on the IPE 2021 revised straw proposal and June 14, 2022, stakeholder workshop discussion particularly focused on any Phase 2 issues: \***

CESA generally concludes that Phase 2 should conclude with resolution of a narrow set of issues, such as the carryover TPD allocation topics from Phase 1 and data transparency considerations in particular. Soon after in Q3 2022, the ISO should launch a new IPE Initiative focused on fundamental reforms.