

Energy Regulatory Alert

FERC Conditionally Accepts Revisions to CAISO Generator Interconnection Process

February 9, 2012

On January 30, 2012, the Federal Energy Regulatory Commission (FERC) conditionally approved a series of changes to the California Independent System Operator Corporation's (CAISO) generator interconnection procedures. Some of the changes of potential interest to prospective interconnection customers, including renewable energy companies, include the following—

- The time for interconnection agreement negotiations was increased from 90 calendar days to 120 calendar days.
- An interconnection customer may elect to be studied assuming the delivery of only a portion of its capacity, thereby reducing some of the network upgrade costs that would be required for full capacity deliverability.
- An interconnection customer may reduce the megawatts of its generating facility by up to 5 percent, for any reason, between the effective date of its large generator interconnection agreement (LGIA) and the commercial operation date. The interconnection customer also may request a size reduction of greater than 5 percent if the reduction is due to circumstances beyond the interconnection customer's control. Such capacity reductions do not operate to reduce the cost responsibility of the interconnection customer for network upgrades.
- Issuance of a revised Phase I interconnection study report to address a "substantial error" will extend the deadlines for an interconnection customer to post financial security. A "substantial error" is one that overstates or understates the interconnection customer's cost responsibility for either network upgrades or participating transmission owner interconnection facilities by more than 5 percent or \$1 million, whichever is greater.
- For transmission owner interconnection facilities, the financial security required will be based on the lower of three screens, with a hard cap on the total amount required.
- The third posting of interconnection financial security may be parsed into separate and discrete components corresponding to discrete phases of construction.
- The achievement of commercial operation is not the sole criterion for determining an interconnection customer's eligibility for repayment of network upgrade costs. Repayment may be withheld until all network upgrades necessary for the completed phase of a generation project to meet its desired level of deliverability are in service.



For a complete copy of FERC's order, click [here](#).

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138 FERC ¶ 61,060
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

California Independent System Operator Corporation Docket No. ER12-502-000

ORDER CONDITIONALLY ACCEPTING TARIFF REVISIONS

(Issued January 30, 2012)

1. On November 30, 2011, the California Independent System Operator Corporation (CAISO) filed proposed tariff revisions to its generator interconnection process pursuant to its Generator Interconnection Procedures Phase 2 (GIP Phase 2) stakeholder effort. GIP Phase 2 is a continuation of the 2010 stakeholder effort that culminated in CAISO's harmonization of its small and large generator interconnection procedures into a single process through tariff revisions accepted by the Commission in Docket No. ER11-1830 (GIP Phase 1).¹ According to CAISO, GIP Phase 2 encompasses 18 different items regarding modifications to the generator interconnection procedures and related *pro forma* generator interconnection agreements set forth in CAISO's tariff. This order conditionally accepts CAISO's proposed tariff revisions, subject to further compliance, effective January 31, 2012, as requested.

I. Background

2. CAISO's LGIP and SGIP were adopted to comply with the Commission's directives in Order No. 2003² and Order No. 2006,³ to facilitate the interconnection of

¹ See *Cal. Indep. Sys. Operator Corp.*, 133 FERC ¶ 61,233 (2010) (GIP Phase 1 Order).

² *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003), *order on reh'g*, Order

(continued...)

new generation while preventing undue discrimination, preserving reliability and increasing competitive energy supply in wholesale markets. In GIP Phase 1, CAISO sought to harmonize its large and small generator interconnection procedures to address inefficiencies due to an increasing volume of small generator interconnection requests and the conflict between CAISO's study processes for small and large generators.⁴

3. CAISO states that GIP Phase 2 addresses certain carryover issues identified in the GIP Phase 1 stakeholder process and other issues identified as the GIP Phase 2 process unfolded. The 18 specific issues addressed in this filing emanate from four sources: (1) carry-over from GIP Phase 1; (2) CAISO's 2010 Revised Transmission Planning Process Filing;⁵ (3) issues arising from LGIA negotiations; and (4) issues that arose during the GIP Phase 2 stakeholder effort. According to CAISO, the 18 items comprising GIP Phase 2 represent improvements to CAISO's interconnection process and enjoy broad stakeholder support. CAISO states that the GIP Phase 2 amendment items were thoroughly discussed in the GIP Phase 2 stakeholder process and, based on that discussion, submitted and approved by the CAISO Governing Board for filing with the Commission.

II. Notice and Responsive Pleadings

4. Notice of CAISO's Filing was published in the *Federal Register*, 76 Fed. Reg. 45,246 (2011), with interventions and comments due on or before December 21, 2011. Timely motions to intervene were filed by Tenaska Energy, Inc., Pattern Renewables LP, Modesto Irrigation District, the City of Santa Clara, California and the M-S-R Public Power Agency, NRG Companies, and Cogentrix Energy, LLC. Timely motions to intervene and comments were filed by Geothermal Energy Association, California Wind Energy Association (CalWEA), Wellhead Electric Company, TGP Development

No. 2003-A, FERC Stats. & Regs. ¶ 31,160, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008).

³ *Standardization of Small Generator Interconnection Agreements and Procedures*, Order No. 2006, FERC Stats. & Regs. ¶ 31,180, *order on reh'g*, Order No. 2006-A, FERC Stats. & Regs. ¶ 31,196 (2005), *order granting clarification*, Order No. 2006-B, FERC Stats. & Regs. ¶ 31,221 (2006).

⁴ See GIP Phase 1 Order, 133 FERC ¶ 61,223 at P 1.

⁵ See *Cal. Indep. Sys. Operator, Corp.*, 133 FERC ¶ 61,224 (2010).

Company, LLC (TGP), enXco Development Corporation (enXco), Southern California Edison Company (SoCal Edison), California Department of Water Resources State Water Project (SWP), Pacific Gas & Electric Company (PG&E), Large-Scale Solar Association (Large-Scale Solar), Cogeneration Association of California & Energy Producers and Users Coalition (collectively EPUC), and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (collectively, "Six Cities"). An out-of-time motion to intervene was filed by the Northern California Power Agency (NCPA).

5. On January 2, 2012, Large-Scale Solar filed a motion for leave to file answer and answer to the motions to intervene and comments. On January 5, 2012, CAISO filed an answer. On January 23, CalWEA, enXco and TGP filed replies to CAISO's answer.

III. Discussion

A. Procedural Matters

6. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2011), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2011), the Commission will grant NCPA's late-filed motion to intervene given its interest in the proceeding, the early stage of the proceeding and the absence of undue prejudice or delay.

7. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2011), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Large-Scale Solar and CAISO's answers, as well as the replies of CalWEA, enXco and TGP because they provided information that assisted us in our decision-making process.

B. Contested Tariff Revisions

1. Item #1: Generators Interconnecting to Non-participating Transmission Owner Facilities Situated Inside the CAISO Balancing Authority Area

8. CAISO states that in the GIP Phase 2 stakeholder process, CAISO and stakeholders recognized a situation that is slightly different from the ordinary situation in which a generator seeks to interconnect directly to the CAISO controlled grid. For instance, CAISO contends that there are circumstances in which a party may wish to interconnect generation to the transmission facilities of a non-participating transmission owner located inside CAISO's balancing authority area. The party may also seek full capacity deliverability status for the purpose of providing resource adequacy capacity to a CAISO load serving entity.

9. To accommodate this situation, CAISO proposes to add new GIP section 8.4 to allow CAISO to study interconnections to non-participating transmission owner's transmission facilities located within the CAISO balancing authority area similar to how CAISO will study projects that interconnect to a participating transmission owner. Specifically, GIP section 8.4 provides that CAISO will study relevant generating facilities for full capacity deliverability pursuant to specific requirements as to how the non-participating transmission owner's interconnection study process must treat CAISO, interactions among the customer, participating transmission owners and CAISO, deposit requirements and provisions for repayment to the customer of funds posted for construction of delivery network upgrades on the CAISO controlled grid.⁶

a. Comments and Protests

10. SWP expresses concern that GIP section 8.4 would impose new requirements on a non-participating transmission owner that is located inside CAISO's balancing authority area, and that these requirements may not recognize jurisdictional limitations applicable to governmental entities such as SWP. Accordingly, SWP proposes language that the GIP Phase 2 proposal will not enable CAISO to impose tariff requirements or CAISO generator interconnection agreements that otherwise would not be applicable to governmental entities like SWP.

b. CAISO's Answer

11. CAISO answers that proposed section 8.4 does not impose new or further requirements on another electrical authority; rather, it simply and solely addresses what conditions must be satisfied to obtain deliverability on the CAISO controlled grid when a generator seeks to interconnect with a non-participating transmission owner that is physically located within the CAISO balancing authority area. CAISO argues that there is no need for the language that SWP proposes to add to proposed section 8.4.

c. Commission Determination

12. The Commission agrees with CAISO's interpretation of the effect of GIP Phase 2 section 8.4. As written, section 8.4 identifies appropriate conditions to be imposed by CAISO in connection with interconnecting to a non-participating transmission owner that is located within CAISO's balancing authority area and seeking full capacity deliverability status. In addition, we find the proposed tariff revision reasonable because generators would have more flexibility to interconnect at various locations within

⁶ CAISO November 30, 2011 transmittal letter at 5-7.

CAISO's balancing authority area. Therefore, we accept CAISO's proposed section 8.4 as just and reasonable and require no further modifications.

2. Item #2: Trigger for Interconnection Financial Security Posting Deadlines

13. CAISO proposes to add language in section 6.9 of the GIP that would provide the opportunity for an interconnection customer to submit written comments on the final Phase I interconnection study report. Such comments would have to be submitted within ten business days after receipt of the report, but in no event less than three business days before the Phase I results meeting.

14. In addition, new language in GIP section 6.9 specifies two separate mechanisms for handling changes to an interconnection study. CAISO states that for changes that constitute substantial error (as described in GIP section 6.10.1),⁷ CAISO and the applicable participating transmission owners will revise the final Phase I interconnection study report to correct the error or omission, and the revised report will be issued no later than 15 business days after the Phase I results meeting.

15. For non-substantial errors or omissions to an interconnection study report (as described in GIP section 6.10.2), CAISO will issue an addendum to the study report, but it will not revise the report itself. GIP section 6.10.3 provides that an interconnection customer's dispute of a CAISO determination that an error is not substantial does not operate to change the amount of interconnection financial security that must be posted or postpone the deadline for posting such financial security.

16. According to CAISO, only the issuance of a revised report to address a substantial error will extend the deadlines for an interconnection customer to post interconnection financial security. However, the issuance of an addendum to correct a non-substantial error will not extend the deadlines. GIP section 9 describes the extended timelines. CAISO states that it will promptly notify the interconnection customer of any revised posting amount and the extended due date resulting from the issuance of a revised report.

⁷ A substantial error/omission is defined as an error or omission that does one or more of the following: (i) understates the interconnection customer's cost responsibility for either network upgrades or participating transmission owner interconnection facilities by more than five percent or one million dollars (\$1,000,000), whichever is greater; (ii) overstates the interconnection customer's cost responsibility for either network upgrades or participating transmission owner interconnection facilities by more than twenty percent; or (iii) results in a delay to the schedule by which the interconnection customer can achieve commercial operation of its generating facility by more than one year.

17. CAISO further states that the GIP Phase 2 tariff proposals include revisions to GIP section 11.2, revising the time for interconnection agreement negotiation from 90 calendar days to 120 calendar days.

a. Comments and Protests

18. Large-Scale Solar comments that CAISO should use the same metric for a substantial error or omission for both understatements and overstatements – namely, either five percent or one million dollars, whichever is greater. Large-Scale Solar protests that the discrepancy between the criteria for the issuance of a revised report for overstatements versus the criteria respecting understatements favors the participating transmission owners by requiring an upward adjustment in costs if there is more than a one million dollar discrepancy, but not requiring a downward adjustment unless there is much larger overstatement. Large-Scale Solar argues that an overstatement error can be just as harmful as an understatement error, because a developer may not be able to get financing. Such an error could cause a developer to forego construction of a project. Large-Scale Solar requests that the Commission order CAISO to modify GIP section 6.10.1 on compliance to apply the same criteria to overstatements that CAISO proposes to apply to understatements.

19. Large-Scale Solar also comments that GIP section 11.2's extension in the time for negotiation of a generator interconnection agreement from 90 days to 120 days should be augmented with an additional day-by-day extension of the negotiation period to match any participating transmission owner's delay in tendering a draft generator interconnection agreement to the interconnection customer. Large-Scale Solar argues that it is not just and reasonable to deduct a participating transmission owner-driven delay from the negotiation time among the parties.

b. CAISO's Answer

20. CAISO answers that an upward revised cost estimate (because the original costs were understated) imposes additional financial burdens on the interconnection customer, possibly requiring the customer to commit additional time to post additional financial security. Conversely, according to CAISO, the impact on the customer is less when the revised study report reduces the original cost estimates – a customer should not need an additional period of time to raise less money than was originally estimated. CAISO further argues that the proper legal standard to apply is whether CAISO's proposal, not Large-Scale Solar's, is just and reasonable under section 205 of the FPA. Thus, CAISO argues the Commission should not require CAISO to revise GIP section 6.10.1 as requested by Large-Scale Solar.

21. In response to Large-Scale Solar's concern about the deadline for negotiating and interconnection agreement, CAISO answers that the proposed extension will double the current 60-day negotiation period the Commission approved as just and reasonable in the

Standard Large Generator Interconnection Procedures issued in Order No. 2003. CAISO believes that the proposed 120-day negotiation period should provide sufficient additional time for interconnection customers to review and analyze their interconnection agreements, and it is presumptively just and reasonable. CAISO argues that because the Commission did not require extension of the negotiation period in the Standard LGIP, in the absence of agreement by the negotiating parties, it should not do so here and should reject Large-Scale Solar's proposed revision to section 11.2.

c. Commission Determination

22. While CAISO may be correct in stating that the financial effects on an interconnection customer from an upwardly revised cost estimate are likely to be greater than the financial effects from a downwardly revised cost estimate, the Commission is persuaded by Large-Scale Solar's argument that CAISO should apply the same metrics for what constitutes a substantial error or omission. The financial impact of obtaining and maintaining financial security to comply with posting requirements present real costs that may prove challenging for interconnection customers to move forward with such projects, especially if the estimates are overstated. Furthermore, because CAISO's proposed tariff revisions contemplate that a substantial error changes both the deadline for posting financial security and the amount of financial security that must be posted, the effects of errors or omissions are certain.

23. We also find that CAISO's answer partially misses the point of Large-Scale Solar's objection. Not only will the failure to change deadlines and amounts for financial security postings affect the customer's ability to obtain financing, it will also result in unnecessary costs for the interconnection customer.

24. Financial security postings should protect the transmission owner without imposing unnecessary costs on the interconnection customer. In this instance, we believe that CAISO's proposed asymmetric definition of what constitutes a substantial error or omission penalizes interconnection customers by affecting their ability to obtain financing and by imposing other unnecessary costs. Thus, we will accept CAISO's proposed definition of substantial error or omission on the condition that CAISO submit a compliance filing defining as substantial an error or omission that overstates or understates the interconnection customer's cost responsibility for either network upgrades or participating transmission owner interconnection facilities by more than 5 percent or one million dollars, whichever is greater.

25. The Commission accepts CAISO's proposed revisions to GIP section 11.2 as just and reasonable. We agree with CAISO that the issue in this proceeding is whether CAISO's proposed tariff revisions are just and reasonable, not whether there may be

some alternative formulation that might be better.⁸ CAISO's proposal to extend the period of time for negotiation of a generator interconnection agreement from 90 days to 120 days provides additional time for parties to conclude negotiations. The fact that CAISO's proposed negotiation period is longer than the period provided under Order No. 2003, while not dispositive of the issue, is persuasive in assessing whether CAISO's proposal is just and reasonable.

3. Item #3: Definitions of Start of Construction and Other Transmission Construction Phases, and Posting Requirements at Each Milestone

26. CAISO contends that a number of stakeholders requested that CAISO provide further detail in GIP section 9.3.2, which provides that an interconnection customer must, as part of its third posting of interconnection financial security, post financial security for 100 percent of the costs of all applicable network upgrades, regardless of the timing of the construction of such upgrades. Specifically, stakeholders requested that this obligation be amended to specifically state that customers are able to make separate and discrete postings based on certain regularly-defined discrete components of the transmission upgrade construction process, and the timing of the construction of such components.

27. Although CAISO contends that its tariff already includes such "parsing" of the third financial posting to reflect separate and discrete components of elements of network upgrades, CAISO proposes to amend GIP section 9.3.2 to address this timing concern. Accordingly, this section will now provide that, if an interconnection customer's network upgrades are separated into two or more specific components and/or can be separated into two or more separate and discrete phases of construction, and the participating transmission owner is able to identify and separate the costs of the identified discrete components and/or phases of construction, then the participating transmission owner, CAISO, and the interconnection customer may negotiate, as part of the generator interconnection agreement, to divide the third posting of interconnection financial security into smaller deposit amounts. They may also establish discrete milestone dates for posting the amounts corresponding to each discrete component and/or phase of

⁸ *Calpine Corp. v Cal. Indep. Sys. Operator Corp.*, 128 FERC ¶ 61,271, at P 41 (2009) (citations omitted). See also *New England Power Co.*, 52 FERC ¶ 61,090 at 61,336 (1990) *aff'd*, *Town of Norwood v. FERC*, 962 F.2d 20 (D.C. Cir. 1992) (rate design proposed need not be perfect, it merely needs to be just and reasonable) (*citing Cities of Bethany, et al. v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984) (utility needs to establish that its proposed rate design is reasonable, not that it is superior to all alternatives)).

construction related to the network upgrades and/or interconnection facilities described in the interconnection agreement.

a. Comments and Protests

28. The Six Cities oppose revising the requirements for the third posting of interconnection financial security to allow interconnection customers to parse the third posting of the customer's cost responsibility for network upgrades. The Six Cities argue that parsing the third posting may result in a lack of funding that in turn may lead to abandoned plant costs. This is because an interconnection customer's cost responsibility is driven by the entire cost of a staged project, not the individual stages of the project.

b. CAISO's Answer

29. CAISO answers that its current tariff and policy already permit parsing of the third posting of interconnection financial security into separate and discrete components that reflect the separate and discrete nature of the components or elements of the construction work on network upgrades. Thus, CAISO contends that the revision of section 9.3.2 does not create any risk of abandoned plant costs, nor does it introduce anything new. CAISO argues that the inclusion of revised GIP section 9.3.2 simply places within one tariff section language that expressly describes a practice already permitted under the CAISO tariff and policy.⁹ CAISO believes that the flexibility provided through parsing will increase the chance that generation projects will remain viable and reach commercial operation, thereby decreasing, not increasing, the risk of construction of network upgrades that are not fully utilized. For these reasons, the modifications to GIP section 9.3.2 are appropriate.

c. Commission Determination

30. The Commission finds CAISO's proposed revisions to GIP section 9.3.2 to be just and reasonable, and we will accept the tariff revisions. While the current tariff and policy already permits separate and discrete financial security postings, the Commission believes that it is important that CAISO's tariff explicitly recognize current policies. In this regard, including express language in GIP section 9.3.2 addressing the policy of allowing the third posting of interconnection financial security to be parsed into separate and discrete components is appropriate. In addition, the Commission finds that it is appropriate for CAISO to establish some level of flexibility for a generator to meet its third posting requirement while also supporting the construction process without unduly burdening the interconnection customer.

⁹ See CAISO Tariff, Appendix BB section 11.5 and Appendix T, section 6.3.

31. The Commission also believes that allowing the parsing of the third interconnection financial security posting has the desirable effect of aligning the security posting requirements more closely to the needs of the generator without diminishing the protections provided by the security. We have previously addressed this issue in connection with the situation where an interconnection customer switches from full capacity deliverability to energy-only deliverability.¹⁰

4. Item #5: Reduction in Generator Project Size for Permitting or Other Extenuating Circumstances

32. CAISO states that during the GIP Phase 2 stakeholder process, some stakeholders expressed a desire for increased flexibility to reduce the MW generating capacity of a project specified in the interconnection customer's LGIA without triggering the need to start over with a new interconnection request. This concern arises from the language of article 5.19 in CAISO's *pro forma* LGIA, under which certain modifications might be sufficiently significant to constitute a material modification and create the requirement to submit a new interconnection request relating to the modified generating project.

33. As a result, CAISO proposes to add a new article 5.19.4 to the *pro forma* LGIA. According to CAISO, article 5.19.4 provides that an interconnection customer may reduce the MW generating capacity of the generating facility by up to 5 percent for any reason during the time period between the effective date of the LGIA and the commercial operation date. CAISO argues that this "safe harbor" provision is appropriate, but it also contends that permitting downsizing late in the interconnection process involves a balancing of interests between the interconnection customer and the ratepayer.

34. CAISO also explains that it factored into its determination of the appropriate safe harbor percentage the need to set it at a level that would not encourage interconnection customers to overstate the size of their proposed generating units, with the expectation that they could reduce the size of the facilities at a later time. CAISO notes that such a downsizing could shift the costs of unnecessary upgrades to ratepayers, when those costs may not have been triggered had the project been correctly sized at the time of the initial interconnection request.

35. CAISO further states that it also included within new article 5.19.4 an additional provision allowing interconnection customers to request size reductions greater than 5 percent upon demonstration of circumstances driving the MW reduction that are beyond the interconnection customer's control. CAISO notes that under GIP Phase 2, the

¹⁰ *Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,124, at P 40 (2009). *See also*, GIP Phase 1 Order, 133 FERC ¶ 61,233 at P 108.

MW reduction size in the generating capacity of the generating facility does not operate to reduce the cost responsibility of the interconnection customer for network upgrades or to reduce the customer's right to repayment for financing of network upgrades under the LGIA.

a. Comments and Protests

36. Large-Scale Solar contends that an interconnection customer should have the unconditional right to reduce the MW capacity of its generating facility by up to twenty percent. Large-Scale Solar argues that CAISO's five percent reduction would not provide meaningful flexibility to the development community. Moreover, according to Large-Scale Solar, ratepayer protections already inherent in the GIP and GIA are sufficient and are not at all reduced by allowing a twenty percent "safe harbor" reduction. Large-Scale Solar argues that the limited safe harbor proposed by CAISO ultimately could actually increase, rather than decrease, ratepayer risk. Large-Scale Solar maintains that, from a commercial perspective, allowing a twenty percent reduction would strike the right balance between encouraging developers to right-size their projects and allowing flexibility when a developer simply does not know at the time of its interconnection request what size project it can build and/or the number of megawatts it can sell through a power purchase agreement. Large-Scale Solar requests that the Commission require CAISO to modify the LGIA article 5.19.4 accordingly on compliance.

37. CalWEA and enXco request clarification as to whether CAISO has the authority to unilaterally terminate a generator interconnection agreement in its entirety if a portion of the project fails to achieve commercial operation by the third anniversary of the commercial operation date set forth in the generator interconnection agreement.

b. CAISO's Answer

38. CAISO answers that in addition to allowing a 5 percent reduction in MW capacity for any reason, new LGIA article 5.19.4 further permits the interconnection customer to request a reduction in MW capacity greater than 5 percent under conditions where the interconnection customer reasonably demonstrates to CAISO and the applicable participating transmission owner that the reduction is warranted due to reasons beyond the control of the interconnection customer. CAISO states that most of the transmission upgrades on CAISO's system are triggered by overloads higher than one-hundred five percent. Therefore, a 5 percent reduction in generator size will generally not change the scope of identified transmission upgrades. CAISO further argues that the proper legal standard to apply is whether CAISO's proposal, not Large-Scale Solar's, is just and reasonable under section 205 of the FPA. Therefore, CAISO maintains that the Commission should not require CAISO to revise LGIA article 5.19.4 as requested by Large-Scale Solar.

39. CAISO answers that the Commission should deny CalWEA and enXco's request, because the subject on which they request clarification does not concern any proposed

tariff revisions in the GIP Phase 2 tariff amendment. CAISO further states that it already plans to discuss with stakeholders, in GIP Phase 3, whether to include within the GIP a further design proposal that would allow an interconnection customer to elect not to build later phases of a phased generating facility.

c. Commission Determination

40. The Commission finds CAISO's proposed revision to LGIA article 5.19.4 to be just and reasonable, and we accept the tariff revision with no further modifications, except as discussed below. CAISO's proposed revision provides interconnection customers with increased flexibility to reduce the size of their generating facility without risking the need to start over with a new interconnection request. CAISO's proposal also protects all market participants by minimizing the likelihood that a decision to downsize made by an interconnection customer will result in a change to the scope of identified transmission upgrades. As a result, we find CAISO's proposal to be a reasonable balancing of interests that gives interconnection customers some flexibility to downsize their project while protecting ratepayers from unnecessary costs for network upgrades. Therefore, we reject Large-Scale Solar's alternative proposal based on its failure to demonstrate that CAISO's proposal is unjust and unreasonable.

41. The Commission finds that CAISO's proposed revision to LGIA article 5.19.4 that would allow a capacity reduction greater than 5 percent based solely on the discretion of CAISO and the participating transmission owner may be unduly discriminatory in the absence of objective standards by which CAISO determines whether the reduction is warranted due to reasons beyond the control of the interconnection customer. Accordingly, we will conditionally accept CAISO's proposed tariff revision, subject to CAISO making a filing within 30 days from the date of this order specifying what objective standards will be applied in determining whether a reduction is due to reasons beyond the interconnection customer's control.

42. We agree with CAISO that the clarification requested by CalWEA and enXco is beyond the scope of this proceeding. We encourage the parties to continue discussions on this and other issues.

5. Item #6: Repayment of Interconnection Customer Funding for Network Upgrades Associated with a Phased Generating Facility

43. CAISO's proposed GIP Phase 2 tariff revisions include new GIP section 12.3.2.2 regarding the repayment of network upgrade costs funded by phased generating facilities. According to CAISO, this new tariff section sets forth conditions that must be satisfied by the interconnection customer when seeking repayment of its contribution to the cost of network upgrades with respect to a phased generating facility. Upon the commercial operation date of each phase of a phased generating facility, the interconnection customer

is entitled to repayment for the cost of upgrades associated with that phase of construction when all of the following conditions have been satisfied:

- (a) The generating facility is capable of being constructed in phases;
- (b) The interconnection agreement specifies that the generating facility is being constructed in phases;
- (c) The completed phase corresponds to one of the phases specified in the interconnection agreement;
- (d) The interconnection customer has tendered the required notice that the phase has achieved commercial operation;
- (e) All interconnection agreement parties have agreed that the completed phase meets the requirements set forth in the interconnection agreement;
- (f) The network upgrades necessary for the completed phase to meet the desired level of deliverability are in service; and
- (g) The interconnection customer has posted 100 percent of the interconnection financial security required for the network upgrades for all phases of the generating facility.

44. CAISO states that GIP section 12.3.2.2 also provides that upon satisfaction of these conditions, the interconnection customer shall be entitled to receive a partial repayment of its financed cost responsibility determined by the percentage of the generating facility declared to be in commercial operation multiplied by the cost of network upgrades associated with the completed phase. According to CAISO, a reduction in the MW capacity of the generating facility does not diminish the interconnection customer's right to repayment and if the interconnection agreement includes a partial termination provision that has been exercised, the customer is still eligible for repayment on the remaining phases.

45. CAISO further states that as part of the GIP Phase 2 tariff revisions, similar provisions have been included in the small generator interconnection agreement under CAISO's tariff.

a. Comments and Protests

46. Large-Scale Solar and CalWEA urge the Commission to reject the provisions that require that a completed phase of a facility must be placed into service and must meet a desired level of deliverability before customers are eligible for repayment of amounts advanced to fund network upgrades. The commenters argue that CAISO's proposal violates Commission precedent because the only condition that the Commission requires is that the facility is in commercial operation.

47. The Six Cities comment that the Commission should not authorize repayment of network upgrade funding before all associated upgrades are completed, because doing so will increase exposure of transmission customers to abandoned plant costs. The Six

Cities argue that beginning repayment for network upgrades prior to completion of all upgrades associated with a project will reduce funds available to support completion of all associated upgrades and increase the risk of abandonment.

48. Large-Scale Solar contends that CAISO should limit the offset right to cases where the parties agree that there is a default and damages or, if there is not agreement, where the participating transmission owner and CAISO can demonstrate a default and actual damages. Large-Scale Solar has requested that specific language be added to GIP section 12.3.2.2 and LGIA article 11.4.1.2 to prevent the participating transmission owner and CAISO from unilaterally withholding funds that are otherwise due to the generator until such time as a dispute is resolved.

b. CAISO's Answer

49. CAISO answers that in Order No. 2003-A, the Commission explained that one of the primary reasons for placing the interconnection customer initially at risk for the full cost of the network upgrades is because doing so “provides the Interconnection Customer with a strong incentive to make efficient siting decisions.”¹¹ According to CAISO, adopting the commenters’ position could have the perverse effect of incentivizing interconnection customers to make less efficient siting decisions. CAISO is concerned that if repayment could commence before completion of the necessary network upgrades, customers could benefit by choosing points of interconnection that require more expansive and expensive upgrade, thereby increasing the chance that the customer could achieve commercial operation before some or all of the identified network upgrades are constructed and thus avoiding any up-front funding obligation. For this reason, CAISO urges the Commission to reject the commenters’ arguments.

50. In response to Six Cities, CAISO answers that the tariff language in the GIP Phase 2 tariff amendment regarding repayment achieves the same result as the Commission’s *pro forma* LGIA language, by giving the interconnection customer a right to repayment based on the transmission assets that it is actually utilizing. Thus, repayment to interconnection customers in the circumstances set forth in the tariff amendment is appropriate and consistent with the Order No. 2003 series of orders, and the Commission should reject Six Cities’ argument.

51. In response to Large-Scale Solar, CAISO answers that LGIA article 27.1 already states that “in the event the Parties do not agree to submit such claim or dispute to arbitration, each Party may exercise whatever rights and remedies it may have in equity or at law consistent with the terms of this LGIA.” CAISO argues that offset is a right in

¹¹ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 613.

law and that, therefore Large-Scale Solar's proposal to limit the offset right would have no additional effect in the GIP. CAISO requests that the Commission reject Large-Scale Solar's proposed change.

c. Commission Determination

52. The Commission finds CAISO's proposed tariff revisions just and reasonable and accepts them. The Commission's interconnection policy as stated in Order No. 2003 relies on the principle that interconnection customers should be responsible in the first instance for network upgrade costs that are imposed on the system as a result of their interconnection.¹² While we find that construction of interconnection customers' generating facilities in a phased manner is reasonable and may be more efficient, that result does not override the requirement for appropriate assignment of costs. Thus, while achievement of commercial operation is a necessary prerequisite to the commencement of repayment, it is just and reasonable to withhold repayment of the cost of network upgrades until all network upgrades necessary for the completed phase to meet its desired level of deliverability are in service.

53. The Commission rejects commenters' assertion that the achievement of commercial operation is the sole condition required before an interconnection customer becomes eligible for repayment. In order to ensure that an interconnection customer bears an appropriate level of risk that network upgrades associated with its generating facility may become unnecessary should the interconnection customer's facility become commercially infeasible, the Order No. 2003 series of orders required as a general policy that repayment begin once transmission service to deliver the output of the interconnection customer's generating facility is provided.¹³ The Commission rejected the alternative notion that an interconnection customer should be eligible to receive repayment for taking any transmission service on the system.¹⁴

54. Thus, under the Order No. 2003 series of orders, repayment of network upgrades costs is appropriately tied to the utilization of the transmission provider's transmission system. We find here that requiring network upgrades to be in place that support the desired level of deliverability for each phase of a phased project is consistent with the policy described above, and we will accept CAISO's proposed tariff revisions.

¹² Order No. 2003, FERC Stats. & Regs. ¶ 31,146 at P 676.

¹³ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,171 at P 614.

¹⁴ *Id.* P 615.

55. We decline to grant Large-Scale Solar's request that GIP section 12.3.2.2 be amended to limit the right of offset in cases where there may be dispute over whether a default has occurred or has resulted in actual damage. The Commission agrees with CAISO that the dispute resolution processes and the availability of other remedies at law are sufficient to deter the inappropriate withholding of funds.

6. Item #7: Accommodation of Qualifying Facility Conversions, Repowering, Deliverability at Distribution Level, and Other Special Circumstances

56. CAISO states that in connection with GIP Phase 2, it developed tariff revisions to accommodate several types of special circumstances involving generating units. According to CAISO, various factors, including financial market conditions, evolving environmental policy and simply lessons learned, have led to greater emphasis on diverse project opportunities, including qualifying facility conversions, repowering, and smaller, less transmission dependent distributed supply. CAISO asserts that the tariff revisions provide greater flexibility for interconnection customers with regard to the special circumstances in question.

57. CAISO states that revised tariff section 25.1 authorizes CAISO and/or the applicable participating transmission owner to verify whether the requirements of tariff sections 25.1(b), (c), (d) and (e) apply to each existing generating unit described in those subsections, and that the owner of the existing generating unit will be responsible for costs related to the verification process.

58. In addition, CAISO states that GIP Phase 2 includes a new subsection (e) in tariff section 25.1, which provides that the generator interconnection tariff provisions apply to each existing qualifying facility that is converting to become a "Participating Generator" without repowering or reconfiguring the existing generating unit, subject to tariff section 25.1.2 and subject to the application of the affidavit requirement set forth in new tariff section 25.1.2.

59. Further, CAISO states that it is proposing revisions to GIP section 4.2.1 relating to the GIP independent study process to accommodate certain "behind-the-meter expansions" to an existing facility. CAISO explains that its intent is to facilitate use of the independent study process for such expansions.

60. According to CAISO, revised GIP section 4.2.1 provides that an interconnection request can satisfy the "flow impact test" component of the independent study process by satisfying either one of two alternative sets of requirements. The first alternative set of requirements is the existing flow impact test under the GIP.

61. The second alternative set of requirements is provided under new GIP section 4.2.1 and specifies a series of technical and business criteria that apply to a

behind-the-meter expansion where the prime mover is wind technology or solar technology. Under the GIP Phase 2 tariff revisions, an interconnection request will pass the flow test requirement if it satisfies all of the following criteria:

- (a) The total nameplate capacity of the expanded generating facility does not exceed 125 percent of its previously studied capacity and does not exceed, in the aggregate, 100 MW;
- (b) The behind-the-meter capacity expansion shall not take place before the original generating facility has achieved commercial operation and all network upgrades for the original facility have been placed in service;
- (c) The expanded capacity has been placed under a separate breaker such that the expansion can be separately metered at all times;
- (d) Unless requested by CAISO, the total output of the generating facility does not exceed its originally studied capacity at any time;
- (e) The interconnection request for behind-the-meter expansion shall not operate as a basis under the CAISO tariff to increase the net qualifying capacity of the generating facility, as defined in CAISO tariff, appendix A;
- (f) The deliverability status of the capacity expansion is the same as the deliverability status specified for the formally studied generating facility; and
- (g) The interconnection agreement is amended to reflect the revised operational features of the generating facility expansion.

a. Comments and Protests

62. Several commenters¹⁵ support the addition of procedures applicable to qualifying facilities converting to the status of participating generator without reconfiguring or repowering, but they ask why the affidavit process set forth in Section 25.1.2 is not sufficient. PG&E raises a concern that the Business Practice Manual provisions have not been created contemporaneously with the tariff amendment.

63. CalWEA requests that CAISO clarify that the 100 MW limit applies only to the incremental increase in capacity, not to the combination of the existing capacity plus the incremental increase in capacity.

64. CalWEA, TGP and enXco argue that GIP section 4.2.1.2 should be revised so that there is no limit on the permissible amount of an increase in behind-the-meter capacity.

¹⁵ See Comments of PG&E, EPUC, the Geothermal Energy Association, TGP, enXco and CalWEA.

65. TGP, CalWEA and enXco express concern with the requirement that a behind-the-meter capacity expansion may not take place until after the original generating facility has achieved commercial operation and all network upgrades for the original generating facility have been placed into service.

66. TGP argues that, contrary to the technical criteria in GIP section 4.2.1.2, a customer should instead be allowed to identify a combination of original and expanded generating facilities that add up to the total behind-the-meter capacity expansion to be controlled through an expansion breaker.

67. Several commenters¹⁶ argue that GIP section 4.2.1.2 should be revised to accommodate behind-the-meter capacity expansion of all prime mover technologies.

b. CAISO's Answer

68. In its answer CAISO concedes that the proposed tariff language for section 25.1 regarding verification could be somewhat clearer and the intent of the proposal was not to create a new verification process, as suggested by PG&E. CAISO has proposed three changes to be made on compliance: removing the first sentence of the last paragraph of section 25.1; adding to section 25.1.2 a reference to section 25.1(e) to make clear that the affidavit and verification procedures already set forth in section 25.1.2 apply to generators of the type described in section 25.1(e); and moving the language proposed in section 25.1 regarding recouping the costs of verification activities to section 25.1.2

69. CAISO answers that the 100 MW limit applies only to the incremental increase in capacity, and it proposes to make that change in GIP section 4.2.1.2 in a compliance filing.

70. CAISO answers that the Commission should reject the alternative proposals regarding the limit to increases in behind-the-meter capacity. CAISO argues that, pursuant to the proper legal standard, it is only relevant whether CAISO's proposal, not the other party's proposal, falls within the zone of reasonableness under FPA section 205.

71. CAISO agrees that GIP section 4.2.1.2 should be revised to expressly state that an interconnection customer may submit a request for an incremental behind-the-meter capacity expansion prior to the commercial operation date of the original generating facility. However, CAISO continues to maintain that permitting an incremental capacity expansion to achieve commercial operation prior to the commercial operation date of the

¹⁶ See Comments of CalWEA, Geothermal Energy Association, TGP and enXco.

original generating facility would undermine the provisions attempt to provide a faster study process for “expansions” to generating facilities.

72. CAISO proposes to clarify the provisions in a compliance filing to state that only the reliability network upgrades for the original generating facility must have been placed in service prior to commercial operation of the incremental capacity expansion, because the reliability network upgrades are needed to ensure the reliable operation of the facility.

73. CAISO agrees to revise the provisions in GIP section 4.2.1.2 to permit the interconnection customer, with the consent of CAISO and the participating transmission owner, to make the generating facilities that will be tied to the expansion breaker a mixture of original and expanded generating facilities such that the total installed capacity behind the expansion breaker is equal to or greater than the planned amount of behind-the-meter capacity expansion.

74. CAISO agrees that it is appropriate to permit all prime mover technologies, not just wind and solar, to utilize GIP section 4.2.1.2, and proposes to revise GIP section 4.2.1.2 accordingly in a compliance filing.

c. Commission Determination

75. The Commission finds CAISO’s proposed tariff revisions to be just and reasonable and accepts them, subject to a compliance filing as directed herein. CAISO has agreed to submit a compliance filing revising provisions as follows:

- (a) Provisions clarifying that section 25.1 was not intended to create a new verification process, rather it was intended to apply the existing verification process to generators utilizing the provisions of section 25.1 and provide for CAISO to recover costs incurred in that verification;
- (b) Clarifying that the 100 MW limit in revised section 4.2.1.2 applies only to incremental capacity;
- (c) Clarifying the ability of an interconnection customer to request an incremental behind-the-meter expansion prior to the commercial operation date of the original generating facility;
- (d) Clarifying that only all reliability network upgrades must have been placed in service prior to commercial operation of the incremental behind-the-meter expansion;
- (e) Revision to the proposed provisions of GIP section 4.2.1.2 to permit an interconnection customer, with the consent of CAISO and the participating transmission owner, to make the generating facilities that will be tied to the expansion breaker a mixture of original and expanded generating facilities such that the total installed capacity behind the expansion breaker is equal to or greater than the planned amount of behind-the-meter expansion; and

- (f) Revising GIP section 4.2.1.2 to accommodate behind-the-meter expansion by all prime mover technologies, rather than just wind and solar.

Given CAISO's agreement to implement such changes, the Commission directs CAISO to make a filing within 30 days from the issuance of this order consistent with the above discussion.

76. The Commission rejects the suggestion that there should be no limit on the permissible amount of an increase in behind-the-meter capacity. CAISO's proposed tariff revisions provide sufficiently increased flexibility to interconnection customers to design behind-the-meter expansions that will enhance the efficiency of their projects. As such, the Commission finds that CAISO's proposed tariff revisions are just and reasonable and accepts them, subject to the compliance filing discussed above. Commenters have not argued that CAISO's proposal is unjust or unreasonable. The Commission's review in this matter is to determine whether CAISO's proposed revisions are just and reasonable, not whether some alternative proposal is just and reasonable. We are required to adopt just and reasonable rates, terms and conditions. We are not required to adopt the best or most just and reasonable approach.¹⁷

7. **Item #12: Posting Cap for Financial Security Relating to Participating Transmission Owner Interconnection Facilities**

77. CAISO states that several generator stakeholders asked that CAISO include within the GIP Phase 2 proposal a cap on the amount of financial security required for participating transmission owner interconnection facilities. These stakeholders noted that the Phase I interconnection study does not consider individualized information for each interconnection customer.

78. CAISO states that accordingly the GIP Phase 2 tariff revisions include modifications to GIP section 9 regarding the financial security posting amounts for participating transmission owner interconnection facilities so that the posting amounts and cap mirror the screen and cap approach that the GIP sets out for interconnection financial security for network upgrades.¹⁸

¹⁷ *Cal. Indep. Sys. Operator Corp.*, 121 FERC ¶ 61,193, at P 106 (2007) (citations omitted).

¹⁸ For network upgrade costs, the financial security required for the first and second postings is based on the lower of three screens, with a hard cap on the total amount required, while the security required for participating transmission owner interconnection facilities was a straight percentage of the overall cost of those facilities.

a. Comments and Protests

79. Large-Scale Solar contends that GIP section 9.3.1.3, as revised in the GIP Phase 2 tariff revisions, should be further revised to include the phrase “assigned to the Interconnection Customer for Participating transmission owner Interconnection Facilities,” in place of the erroneous phrase “assigned to the Interconnection Customer for Network Upgrades.”

b. CAISO’s Answer

80. CAISO agrees with Large-Scale Solar’s comment and proposes to make this change in a compliance filing submitted in this proceeding.

c. Commission Determination

81. The Commission finds CAISO’s proposed tariff revisions just and reasonable and accepts them, subject to the compliance filing directed herein. CAISO is hereby directed to submit, within 30 days from the date of this order, a compliance filing revising GIP tariff section 9.3.1.3 as discussed in the prior paragraph above.

8. Item #14: Participating Transmission Owner Cost Recovery

82. According to CAISO, there are instances that arise under CAISO’s interconnection procedures and transmission planning process where a participating transmission owner is required involuntarily to up-front fund the costs of network upgrades, because the costs of such upgrades cannot be allocated to interconnection customers.

83. CAISO states that in the course of the GIP Phase 2 stakeholder process, CAISO agreed that under three such circumstances, it is in the best interest of market participants and ratepayers to provide a level of certainty to both transmission owners and generation developers that the costs would be eligible to be included in a participating transmission operator’s transmission revenue requirement and thereby recovered through CAISO’s transmission access charge. According to CAISO, the three circumstances are the following:

- (a) A participating transmission owner may be required to up-front finance a network upgrade where an interconnection customer withdraws its project but the network upgrade cannot be downsized because the network upgrade will be required for customers in later queue clusters;
- (b) A participating transmission owner may be required to up-front finance network upgrades where the costs of the project exceed the maximum cost responsibility of the relevant interconnection customers, but the scope of the

project cannot be adjusted because the upgrades are still needed for those customers; and

(c) A participating transmission owner may be required to up-front finance network upgrades if such upgrades are re-evaluated in the transmission planning process and, due to project modifications identified through that process, the cost exceeds the relevant generator's cost cap provisions and the transmission owner is required to up-front finance the difference between the generator's cost cap and the actual cost.

84. According to CAISO, each of these three scenarios includes circumstances in which a participating transmission owner may be required, involuntarily, to up-front finance network upgrades. For this reason, the GIP Phase 2 tariff revisions proposed by CAISO make it explicit that participating transmission owners subject to these circumstances are presumed to be eligible to include such costs in their transmission revenue requirement, subject to prudence and any other applicable review by the Commission.

a. Comments and Protests

85. The Six Cities comment that the Commission should reject any automatic preapproval for abandoned plant recovery for network upgrades because participating transmission owners are in a better position than transmission customers (who ultimately pay the transmission access charge) to manage any risks of abandoned plant cost recovery. In addition, Six Cities contend that CAISO has not demonstrated that participating transmission owners' ability to request 100 percent abandoned plant cost recovery on a case-by-case basis fails to provide appropriate protection for participating transmission owner interests or imposes any undue burden.

86. SoCal Edison contends that CAISO's proposed presumptive cost recovery tariff provisions did not go far enough because they did not address a fourth situation: the situation where the participating transmission owner has voluntarily committed to up-front fund network upgrades, conditioned upon interconnection customer project development of associated generating facilities, but then the customer subsequently does not complete project development. In this regard, SoCal Edison comments that "regardless of how the requirement to up-front finance is reached" the expense should be covered by the transmission access charge. SoCal Edison seeks clarification from the Commission that the three situations specified in the GIP Phase 2 proposal are not the exclusive grounds under which the Commission may grant rate recovery when a participating transmission owner is "required" to up-front fund certain transmission costs. To address this concern, SoCal Edison requests that the Commission require CAISO to graft the fourth situation into the presumptive cost recovery provisions.

b. CAISO's Answer

87. CAISO answers that Six Cities' objections are inapt and should be rejected by the Commission. CAISO maintains that its tariff will provide only presumptive eligibility for cost recovery in the transmission access charge, not an automatic approval of abandoned plant costs. Furthermore, according to CAISO, the proposed tariff provisions do not extend to imprudently incurred costs and the prudency determination remains with the Commission. CAISO argues that the tariff revisions address situations where the decision to finance and construct the upgrade is largely outside of the control of the participating transmission owner and so there is limited ability to manage abandoned plant risks through a decision not to construct and finance. CAISO states that Six Cities fail to consider that allowing presumptive cost recovery through the CAISO tariff revisions will allow such cost recovery to occur in a more efficient and timely manner than would the filing of individual participating transmission owner petitions for abandoned plant approval.

88. In response to SoCal Edison, CAISO answers that SoCal Edison's fourth situation is different in kind from the prior three in that the decision to undertake the obligation does not arise from operation of the CAISO tariff, or action of the CAISO Board of Governors, through approval of a transmission plan. Instead, the fourth situation arises from the business decision of the participating transmission owner. According to CAISO, SoCal Edison's request is effectively a petition for declaratory order relating to other externalities to the GIP Phase 2 tariff revisions. As such, it raises issues beyond the scope of this proceeding and should be denied. CAISO states that SoCal Edison can raise that issue in the GIP Phase 3 stakeholder process.

c. Commission Determination

89. The Commission rejects CAISO's proposed tariff revisions as unjust and unreasonable. While couched by CAISO as only providing presumptive eligibility for cost recovery in the transmission access charge, we agree with Six Cities that CAISO's proposed tariff revisions present a situation that can amount to automatic approval of abandoned plant costs or stranded cost for a participating transmission owner. The Commission addresses abandoned plant cost recovery on a case-by-case basis through a section 205 application, which is separate from the prudency review CAISO suggests.¹⁹ To ensure that rates are just and reasonable, we will not deviate from our policy of requiring a separate section 205 filing for the recovery of plant abandonment costs.

¹⁹ Applicants may also request incentive treatment of 100 percent plant abandonment recovery under Order No. 679, but the actual recovery of plant abandonment costs in such instances is subject to a separate section 205 filing.

90. The Commission further finds that SoCal Edison's proposed addition to CAISO's GIP Phase 2 tariff revisions is beyond the scope of this proceeding and SoCal Edison's proposal is rejected. In addition to finding that SoCal Edison's proposal would be rejected for the same policy reasons discussed above, we agree with CAISO that the situation raised by SoCal Edison is different than the ones addressed by CAISO's proposed tariff revisions, in that the financing and construction decisions in the situation raised by SoCal Edison are voluntary and within the control of the participating transmission owner.

9. Item #15: Partial Deliverability as an Interconnection Option

91. CAISO's interconnection procedures currently provide interconnection customers with two deliverability options: full capacity deliverability and energy only deliverability. According to CAISO, some stakeholders indicated that full capacity deliverability status can be financially prohibitive due to the costs of network upgrades needed to provide this level of deliverability. Consequently, these stakeholders have asked to be allowed to elect to be studied assuming the delivery of only a portion of their capacity, thereby reducing some of the network upgrade costs.

92. CAISO states that it is amenable to revising the GIP to allow customers to elect a partial deliverability option. CAISO states that this option will provide interconnection customers with increased flexibility and help them manage their responsibility for costs associated with the delivery network upgrades. According to CAISO, the GIP Phase 2 tariff revisions modify several sections of the GIP to incorporate the partial deliverability concept.

a. Comments and Protests

93. Large-Scale Solar commented that in the GIP Phase 2 stakeholder process, CAISO concurred that proposed new GIP section 6.9.4 should state that CAISO and the participating transmission owner will evaluate whether one or more delivery network upgrades and/or reliability network upgrades can be eliminated from the cost estimate for purposes of calculating the financial security amount. However, this change was not included in CAISO's GIP Phase 2 tariff revisions.

b. CAISO's Answer

94. CAISO answered that it would make the change in a compliance filing submitted in this proceeding.

c. Commission Determination

95. The Commission finds CAISO's proposed tariff revisions just and reasonable and accepts them, subject to the compliance filing directed herein. CAISO is hereby directed

to submit, within 30 days from the date of this order, a compliance filing revising GIP tariff section 6.9.4 as discussed above.

C. Uncontested Tariff Revisions

96. The Commission finds the following uncontested GIP Phase 2 tariff revisions to be just and reasonable and accepts them:

- (a) Item #4: Information Provided by the CAISO through Internet Postings
- (b) Item #8: Second and Third Interconnection Financial Security Posting Requirements to Offset Participating Transmission Owner-Funded Network Upgrades
- (c) Item #9: Interconnection Agreement Insurance Requirements
- (d) Item #10: Adjusted Versus Non-Adjusted Dollars in Interconnection Study Reports and Interconnection Agreements
- (e) Item #11: Financial Responsibility Cap and Maximum Cost Responsibility
- (f) Item #13: Interconnection Agreement Suspension Rights
- (g) Item #16: Technical Requirements Under an Interconnection Agreement
- (h) Item #17: Off-Peak Deliverability Assessment; and
- (i) Item #18: Operational Partial and Interim Deliverability Assessment

IV. Effective Date

CAISO requests that the Commission accept the tariff revisions contained in this GIP Phase 2 tariff amendment effective 62 days after the date of this filing, i.e., January 31, 2012.

The Commission orders:

(A) CAISO's GIP Phase 2 tariff revisions are hereby accepted, subject to modification as discussed in the body of this order, effective January 31, 2012, as requested.

(B) CAISO is hereby directed to submit a compliance filing in this docket within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Document Content(s)

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