Stakeholder Comments Template

Subject: Small and Large Generator Interconnection Procedures Draft Final Proposal and Meeting

Submitted by	Company	Date Submitted
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I. Summary

As goes California, so goes the nation. This cliché is actually often true. Accordingly, the course California chooses in terms of interconnecting 20 megawatt and below energy projects will likely rebound around the nation, either improving interconnection procedures or setting them back significantly. This, in turn, will very likely have a large impact on renewable energy development around the country as the "wholesale distributed generation" market becomes more prominent due to permitting and transmission constraints for larger projects. Because the stakes are so high in this proceeding, it is *imperative* that the ISO gets it right. For this reason, we urge great caution and full consideration of the range of solutions to the problems that all parties recognize exist within the current SGIP process.

The FIT Coalition appreciates this chance to provide additional comments on the ISO proposal to combine SGIP and LGIP into a single GIP. We believe ISO staff and PTOs are working sincerely to create an improved process to handle what is a severely backlogged SGIP queue. However, we feel that ISO's proposed solutions represent largely off-the-shelf solutions from prior LGIP reform that are not appropriate for SGIP reform.

We also feel that ISO and PTOs don't sufficiently understand the development cycle for 20 megawatt and under energy projects. Specifically, the ISO and PTO assumption

throughout this process has been that smaller projects follow a similar development cycle as that for larger projects, in which transmission costs are simply accepted as a significant part of project costs and the project itself is driven by concerns about location, not transmission. For smaller projects, this is reversed: transmission costs are a major issue and transmission analysis must be conducted at the beginning of the development cycle, not the end, to address economic viability. If transmission costs are significant, the project will generally not be viable, so this must be known as early in the process as possible.

This misunderstanding of the nature of the development cycle for smaller renewable energy projects results in the untenable situation we are faced with under the ISO Draft Final Proposal ("GIP Proposal"), in which developers will have to wait up to two years just for the interconnection studies to be completed, let alone any actual upgrades that must be constructed. This is the case because while the proposed GIP process will take "approximately" 420 days, developers must wait up to 335 days to enter the cluster study process if the first cluster window is missed. ISO proposes a second cluster window, six months after the first window each year, which will allow applicants to skip the Phase I study, but the requirements for the second cluster study window are so onerous that it seems clear that very few small projects will ever qualify. Developers will also have to wait up to 30 days to obtain a meeting with ISO and the PTO to discuss Phase II results.

This adds up to a grand total of up to 785 days just for studies to be completed, and this assumes that the "approximate" schedule is actually met. Even if we average the 0 to 335 days between annual cluster windows to 167 days, we are still left with an average of 617 days to complete the study process. This is far too long for small developers to hang on to projects without knowing if the chosen site is viable because options must be paid to landowners and the permitting process is unlikely to start in earnest until the full costs of interconnection are learned in the cluster study process (due to the possibility that such activities would be mooted if the project could not be interconnected at a reasonable cost).

As mentioned, the second cluster window offered in the GIP Proposal is very unlikely to be useable by small developers. Similarly, the Independent Study Process, offered as a "backup" for projects that need to be interconnected sooner than is possible under the new GIP cluster study process, won't be viable for the large majority of smaller developers. This is the case, again, because the development cycle requires that

transmission analysis commence at the beginning of the development cycle, not at the end, as is envisioned by both the ISP and the 2nd cluster window in the GIP Proposal.

In sum, the GIP Proposal may well represent the death knell for many small developers in California because the development cycle will be extended by a year or more. This would severely damage the 20 megawatt and below renewable energy market for years to come and essentially squelch what many policymakers, including the CPUC, the Energy Commission, and the Governor, have highlighted as a very promising renewable energy market niche for economic growth, job creation, and for meeting the state's ambitious greenhouse gas reduction and renewable energy goals.

Considering the very serious nature of the changes in the GIP Proposal, the burden of proof rests on ISO and the PTOs to demonstrate that the current system is broken and that the suggested solutions will fix the identified problems. Despite our numerous requests for more data in this proceeding, we have yet to see any comprehensive data from ISO or the PTOs other than a few summary points about the number of SGIP and WDAT applications in the queue. This stakeholder process has been data-starved. This manifestly fails to meet the burden of proof for a matter as important as this.

Despite the paucity of data offered to date, we offer below a number of constructive solutions that we feel are achievable in the current ISO process. We also offer a number of other suggestions that we feel will require a new stakeholder process to more fully vet these issues.

II. Discussion

The FIT Coalition believes that the current ISO stakeholder process has included very little discussion – practically none – of ways to improve the current SGIP process other than what ISO staff have proposed as solutions in the GIP proposal. FERC has recently issued a number of guiding documents on interconnection reform. For regions experiencing interconnection issues, FERC urges ISOs to first consider whether they have taken all effective steps under their current tariffs, and whether their current tariffs use all of the streamlining options already explicitly sanctioned under Order No. 2003. This includes clustering, adding staff and using more efficient modeling. (122 FERC ¶ 61,252, Docket No. AD08-2-000, paras. 10, 12).

We suggest in these comments a number of ways that the current process could be

improved and, alternatively, ways in which the GIP Proposal could be dramatically improved. We are limited in our recommendations, however, by the lack of information made available in this proceeding by ISO and PTOs, as discussed in the next section.

a. The ISO process has been data-starved and the burden of proof has not been met

The FIT Coalition has repeatedly requested interconnection data from ISO and the PTOs. We stated in our June 20 comments:

> A further critique of the current ISO process is that very little information has been shared with stakeholders about key aspects involved. For example, stakeholders have no idea how many applications ISO and the IOUs are processing, how long the current process is taking, how many SGIP projects have been interconnected previously, how many Fast Track projects have been interconnected or are in process, what the true cost is to ISO and IOUs in processing applications, what the current staffing is at ISO and IOUs for processing applications, and other relevant data. We request that such data be shared with stakeholders.

We have also, in phone calls and emails with ISO staff, repeated this request on a number of occasions. We also asked a number of follow up questions at the July 27 workshop, in response to the brief data presentation by ISO staff. None of our follow up questions about data could be answered by ISO or PTO staff in any detail.

We also requested in the July 27 workshop that the ISO question template request more data from PTOs with respect to their WDAT and Fast Track queues. These questions were not included.

The GIP Proposal contains two tests for determining electrical independence in the ISP. It is entirely unclear at this point in time what practical impact these tests will have on interconnection applications because no context was provided by ISO staff for these tests and no comparison to current rules was offered, nor was any concrete example offered of how an application would be examined under these tests, which would have allowed stakeholders to glean some indication of the market impact of the proposed tests. Accordingly, the FIT Coalition and other stakeholders have no idea what the net result will be of these tests on interconnection applications under the ISP. ISO should provide far more information about the impacts of these tests on availability of the ISP.

Last, we recently received some relevant information from SCE's solar PV program, outside of the current ISO process: 60 megawatts of new solar PV projects were accepted in the SCE program, which is designed to achieve 250 megawatts of third party-owned solar over a five year period. 36 contracts were signed by SCE in the first tranche, announced on August 2, 2010. After querying SCE about these new contracts, we were informed that all of the roof-mounted PV systems (which includes all but five of the 36 contracts) were likely to qualify for Fast Track. We were also informed in the July 27 ISO workshop by an SCE representative that approximately 20% of all Fast Track applications are successfully processed as Fast Track. This was a provisional opinion, but it's the best data we have at this point. These two data points suggest that SCE received far more than 31 Fast Track applications in their new solar program. With the total number of WDAT applications for all PTOs reaching about 250 in 2010 (according to the limited data presented at the July 27 workshop), this additional data about the SCE PV program suggests that the SCE PV program and PG&E PV program may in fact be singlehandedly responsible for a majority of the current backlog in the queues.

But this is largely speculation because we simply don't have the data available to make these conclusions more than speculation. And therein lies the problem.

If, in fact, our speculation here is accurate, it would suggest a number of other possible alternative solutions that don't require eliminating SGIP, such as an improved system for apprising PV program applicants of where systems could be interconnected under the Fast Track process (and an expansion of Fast Track to allow eligibility for larger projects, as envisioned in PG&E's PV program, which allows 1-20 MW projects to apply).

To sum up, the only historical data that has been shared to date is the number of SGIP and WDAT applications currently in the queue, the number withdrawn, the net capacity of all applications, and the time it has taken the ISO to process the 12 SGIP applications that have been completed thus far. That's it. Moreover, this limited data was shared on the last day of the stakeholder process (at the July 27 workshop), more than two months after the initial Issues Paper was released to the public, and with only a week between sharing this data and the deadline for final comments on the GIP Proposal.

It seems very clear to the FIT Coalition, and many other stakeholders in this process, that ISO and the PTOs must share far more information than has been shared to date before ISO's burden of proof can be met. This conclusion is compounded when we consider the highly impactful nature of the proposed changes to SGIP.

To be entirely clear, here is a list of the kinds of information we feel should be available to all stakeholders before major changes are made to SGIP:

- Number of SGIP applications in the ISO queue, with dates of entry
- Number successfully processed, time for processing and costs of studies
- Number of WDAT applications in each PTO queue, with dates of entry
- Number successfully processed, time for processing, and costs of studies
- Number of Fast Track applications in ISO queue, with dates of entry
- Number successfully processed in Fast Track, time for processing and costs of studies
- Number of Fast Track applications in PTO queue, with dates of entry
- Number successfully processed in Fast Track, time for processing and costs of studies
- Number of PTO staff working on interconnection issues, staff added in the last two years, planned staff additions over the next two years
- Number of ISO staff working on interconnection issues, staff added in the last two years, planned staff additions over the next two years
- Actual cost to ISO and PTOs of feasibility studies, system impact studies and facilities studies for all interconnection queues, with methodology for determining actual costs
- Cost of required upgrades for each project or cluster (PacifiCorp, for example, posts all of this information online as soon as it is completed)
- What criteria will ISO and PTOs use to determine GIP cluster boundaries?
- The online queue information needs to be expanded dramatically also and we request inclusion of the additional items for each project: date application deemed sufficient, date of scoping meeting, date of feasibility study, date of system impact study and date of facilities study.

A good model for data availability is the California Solar Initiative program, which shares comprehensive data about every facet of the program each quarter. ANY new process should provide substantially more data, similar to the above, so that the interconnection process is auditable in the future and not the black box we have today.

In a similar vein, the April 1, 2010, ISO Issues Paper that began the public process in this stakeholder proceeding was apparently drafted with no input from stakeholders in public forums. The Issues Paper states (pp. 2-3):

> [T]he ISO conducted two informal issue gathering meetings to gather input for inclusion in this document. The first meeting collected the input of participating transmission owners and the second meeting solicited input from developers of small generation projects. The issues identified in discussions at those meetings are set out in this paper.

This highly limited data gathering, in private meetings with unidentified developers, suggests how this proceeding went awry early on and why there are now so many stakeholders raising serious concerns at this point in the process.

The FIT Coalition's experience in other state agency rulemaking proceedings has involved stakeholder meetings at the beginning of the process – not mid-way through the proceeding, as was the case in this proceeding. In other policy forums, discussion and agreement on problems and *principles* generally takes place at the beginning, and then a straw proposal from agency staff with suggested solutions is issued. While no stakeholder proceeding produces unanimity or completely happy stakeholders, if proceedings begin with broad stakeholder participation in terms of discussion of principles and identified problems, the eventual solutions proposed by agency staff are more likely to be accepted by a broad array of stakeholders.

b. It would be extremely harmful to small developers to increase the SGIP timeline even further

The original SGIP timeline, as envisaged by ISO and stakeholders when SGIP was created and implemented, was about 390 days. This timeline is not being met in some cases, which we can confirm on an anecdotal basis. Stakeholders have no idea, however, if this is the case on a general basis because this data has not been shared with stakeholders. We have only anecdotal data. The ISO shared data at the July 27 stakeholder meeting that the 12 SGIP projects processed to date have taken an average of 421 days – 31 days longer, on average, than originally anticipated for the SGIP. But this is a very small sample, particularly when we consider the combined SGIP and WDAT queue, and does not establish with any certainty what the timeline is likely to be for the remaining projects in the ISO queue, let alone the many more projects in the WDAT and Fast Track queues.

What is clear, however, is that **even the 390 day original SGIP timeline is still far too long for small developers**. This is the case because of the development cycle for small developers discussed in the summary above. Small developers need to know with some certainty whether interconnection will be granted by ISO or the PTO, and how much such interconnection will cost, as early as possible. This information is crucial for determining whether a project is viable or not, and whether the developer should apply for environmental and building permits, and begin the environmental study process that these permits require. Thus, for small developers, time truly is of the essence. We understand that a scoping meeting and feasibility study are available fairly quickly under the current process, as well as third party consultants, but none of these sources represent the kind of certainty required with respect to interconnection costs. Only completed ISO/PTO studies provide that certainty.

The Issues Paper recognizes this problem (p. 3): "The timeliness of the current SGIP process, even under the best of circumstances, makes it difficult for project developers to obtain other needed project approvals (such as land use permitting and/or environmental review approvals)." However, the **ISO Proposal suggests a solution to the SGIP backlog that is no solution at all because it dramatically lengthens the processing time for smaller projects.** The expected processing time under the new GIP is 420 days. However, with only one window per year available to all applicants, open for a month at a time, there could be up to 335 days delay before the applicant even enters the cluster study process. There is also up to a 30 day delay before ISO and PTO staff can meet with applicants to discuss the Phase II results, for a grand total of up to 785 days for interconnection studies alone. This is far too long for all but the most deep-pocketed developers, and is manifestly contrary to FERC Order 2006, as well as ISO assurances that changes to the SGIP process would make it "faster and better," as well as other FERC precedent that requires RTOs and PTOs to prioritize interconnection for 20 MW and under projects.

Even if we look to the average time for the proposed GIP process by taking the middle value between zero and 335 days (167), we are still left with an average of 617 days to complete the study process – again, assuming that the "approximate" processing timeline described in the GIP Proposal is met. After this very lengthy process, the applicant must then decide if the project is viable in light of identified upgrade costs, contract to build the required upgrades, wait for construction of the required upgrades, and then interconnect the project. **This interconnection process could, accordingly,**

take three to four years from start to finish. Again, this is far too long for all but the most deep-pocketed developers.

The highly detrimental nature of the GIP Proposal is made clear when we consider a more concrete example. The new PTO solar PV programs (500 megawatts each for SCE and PG&E) have inspired interconnection applications for numerous smaller PV projects. For this example, let's examine a hypothetical 2 megawatt ground-mounted PV project applying for interconnection in SCE territory. Under the GIP Proposal, this project would have four options: 1) Apply for the GIP cluster window in March of each year; 2) apply for the ISP; 3) apply for the 2nd cluster window of the GIP; 4) apply under Fast Track.

Number 1, GIP, will be untenable for the large majority of small developers because even the average study time for the GIP cluster process will be 617 days – far too long for most small developers to wait before they even know if they have a viable project.

Number 2, ISP, will not be available to the large majority of developers because the screens required for ISP eligibility are far too stringent, requiring essentially a fully permitted and financed project lacking only interconnection authorization, and meeting two tests for electrical independence that are at this time opaque in terms of how easy/difficult it will be to meet these tests. This is simply not how smaller projects are developed (or larger ones, for that matter, though larger projects can bear much higher interconnection and transmission costs due to size) so it is very unlikely that a 2 MW solar project by a small developer would meet the ISP criteria.

Number 3, 2nd cluster window for GIP, will not be viable for the large majority of small developers with 2 MW solar projects because the criteria for the second study window require an essentially fully-entitled project, other than interconnection. As we just described for the Number 2 ISP option, this is simply not how smaller developers do business.

Number 4, Fast Track, may be available if the 10 screens are met. However, based on the anecdotal data available (again, no comprehensive data has been shared by ISO or PTOs), Fast Track is apparently very rarely available even for smaller projects. If this is the case, the applicant is shunted to the normal GIP process, which is untenable for the reasons listed above. SCE's PV program seems to have selected projects based on their eligibility for Fast Track, aided surely by SCE's release of data showing where SCE's

analyses conclude there was available transmission capacity. However, the next year or so will reveal whether SCE's limited data sharing in this new program will be successful in avoiding shunting of Fast Track applications into the GIP program.

In sum, the GIP Proposal would likely kill any hope of viability for this small PV project if it is not eligible for Fast Track, which itself remains highly uncertain. This conclusion is exacerbated even further for projects between 2 and 20 MW because the Fast Track process is currently available only for projects 2 MW and below.

In the next two sections, we propose "fixes" that we feel are feasible in the current stakeholder process, even under the very tight timeline that ISO staff has suggested, and more desirable fixes that we believe require delaying the current Proposal or initiating a new stakeholder process immediately after completion of the current process.

c. Feasible fixes within the current stakeholder process

i. Make the most recent GIP and WDAT base case data available to the public immediately upon completion

The FIT Coalition believes that the GIP Proposal, while potentially catastrophic to small developers in its current form, could be significantly improved by providing information that will allow developers to make more informed decisions early in the interconnection process. We believe that a more informed developer community will result in higher quality applications, fewer "buckshot" applications and less dropouts.

The Issues Paper further supports our view in this matter (p. 5): "The base cases that are available to developers often appear to be two or three iterations behind the current base cases being used by the ISO and participating transmission owners. …Not knowing about the wholesale distribution access tariff projects, it is difficult to understand which of the SGIP projects are viable."

One easy step towards increasing the flow of information is to make the most recent LGIP/GIP base case data immediately available to the public.

Additionally, we believe that posting the results of scoping meetings and system impact and facility studies (with information redacted, where necessary) would cut down on multiple interconnection applications in areas where expensive upgrades would be

required. For an example of a utility providing such information, please visit PacifiCorp's interconnection queue at http://www.oasis.pacificorp.com/oasis/ppw/lgia/pacificorplgiaq.htm

Finally, as we have mentioned many times, we believe that increasing interconnection data visibility could substantially reduce the pressures currently impacting the SGIP. Specifically, we recommend that ISO mandate that available capacity for all utility substations be made publicly available. This information could be posted on specialized online maps, reflecting whether the availability of interconnection capacity and other interconnection viability criteria are high/good, medium/neutral, or low/bad. Such maps have been used in Ontario, Canada and in California by Southern California Edison (SCE) and the Sacramento Municipal Utility District (SMUD). Clearly, the more detail provided in the interconnection data, the more efficient the process becomes for developers, the PTOs and the ISO.

ii. Add a feasibility study option for 20 MW and below at any time of the year, for a reasonable fee

Another way to address the difficulties we've described above is for the ISO to offer a "for fee" feasibility study, available anytime to developers of projects of 20 MW and below. This would allow a developer to get an early read on a project and determine whether the project merits entering the new GIP or one of the other options in the GIP Proposal. The feasibility study would provide one more level of additional detail, above and beyond what is made publicly available per our previous suggestion.

Information provided in the feasibility study would not be definitive, by any means, because cost projections can change dramatically from the feasibility study through the end of the facilities study. However, having relatively easy access to feasibility studies, combined with ready access to up-to-date online interconnection data, would help smaller developers make decisions about potential projects without wasting a lot of money and time. We believe that the ISO is generally supportive of this concept as staff proposed a similar idea in working group meetings but, unfortunately, felt there was not sufficient time to flesh out the concept and add it to the straw proposal in the current stakeholder process.

We believe, however, that recent FERC precedent requires that this option be offered by ISO and PTOs as part of the current reform process. FERC has stated that elimination of

any of the four interconnection study steps (scoping meeting, feasibility study, systems impact study and facilities study) may be allowable; however, in doing so the ISO must make sufficient information available to potential applicants to allow them to evaluate feasibility prior to application. Increased requirements to obtain a queue position, and/or elimination of a feasibility study phase, "creates a greater need to develop alternative mechanisms through which customers can gather the information necessary to more narrowly tailor their interconnection requests toward a final acceptable configuration." (122 FERC ¶ 61,252, Docket No. AD08-2-000, para. 17).

iii. Expand the Fast Track process to 10 MW and modify the screens

The ISP is offered in the GIP Proposal as a vestigial serial study process for qualifying projects. The ISP is, according to ISO itself, designed to be extremely difficult to access. The May 26, 2010 Straw Proposal states that the ISP "will apply to a very limited number of qualified projects."The ISP has been relaxed somewhat since the May proposal, but the criteria are still far too stringent.

As discussed above, the second cluster window for the GIP will probably not be available for all but a few smaller developers. Accordingly, Fast Track seems to be the only option remaining for small developers, but Fast Track itself is highly limited in that it is currently available only to projects 2 megawatts and below.

Moreover, we have anecdotal information that few, if any, projects have successfully navigated the Fast Track as it currently stands. Indeed, while no comprehensive data has been made available by the ISO or the PTOs about how many projects pass the Fast Track criteria, SCE has referred to a "modified Fast Track" used for those projects that fail to clear Screen 10 of the Fast Track criteria. It is not entirely clear, however, from available data, how this modified Fast Track differs from eliminating Screen 10 or how often it has been used. We believe, based on available data, that this "modified Fast Track" should be formalized and that any ISO or PTO proposal that fails to do so will ensure that the Fast Track process offers only "false hope" for small developers. We therefore strongly support the GIP Proposal insofar as it recommends eliminating the 10th screen of Fast Track.

Additionally, we believe that the 2nd screen, which states that the aggregated generation on the circuit "shall not exceed 15% of the line section annual peak load as

most recently measured at the substation," should be modified to reflect the positive attributes of solar generation. We propose increasing that limit to 30% for solar generation and refer the ISO to the CPUC's current Long Term Procurement Planning (LTPP) proceeding where Black & Veatch and E3 analyzed a modified Rule 21 limit that expanded the 15% of peak substation load limit under existing Rule 21 to 30% for WDG solar projects, due to the high coincidence of peak energy demand and solar energy generation in California.

Alternatively, we recommend that the 2nd screen be modified to use daytime peak loads only for solar, which will achieve generally the same outcome as increasing the limit from 15 to 30%.

Finally, we propose that the ISO expand the Fast Track to projects up to 10 MW in size. Having examined the limited data recently released by the ISO on SGIP requests, we see that 154 projects have entered the SGIP since its creation, at an average project size of almost 18 MW. From this we can infer that the majority of projects are in the 16 MW to 20 MW range and that there are very few projects in the 10 MW and below range. (The new PV program applications for SCE and PG&E seem to belie this conclusion, however, which highlights again the need for comprehensive data to be shared with stakeholders). If this is the case, the current proposed reforms effectively punish small projects, which are presumably not a major contributor to the problem in the first place. This punitive approach could be ameliorated by expanding the Fast Track up to 10 MW in size and ensuring that the screens are modified to allow many of these projects to remain in the Fast Track process and not get shunted to the GIP.

With the modified screens for Fast Track still in place, grid stability would still be protected even with an expansion to 10 MW. There is, in fact, a good argument for eliminating any size criterion in Fast Track because of the protection provided by the screens. However, because of the "false hope" phenomenon that would probably occur (and indeed is occurring already for many 2 MW and below projects) the FIT Coalition, at this time, recommends expanding Fast Track to 10 MW and modifying screens #2 and 10. With these changes, the Fast Track process could be transformed into a real option for smaller projects and not simply a false hope that wastes developer time, PTO time and ISO time.

iv. Relax the ISP criteria significantly for 20 MW and below projects

Similarly, modifications to the ISO criteria could transform the ISP into a real option.

First, the FIT Coalition urges ISO to make the ISP available to any 20 MW and below project with just one screen: electrical independence (with two components to this screen, as described in the GIP Proposal). In other words, all other screens would be eliminated for 20 MW and under projects. If an ISP application is found to be electrically independent, it would qualify for the ISP serial study process on a first-come, first-served process.

We make this recommendation because it seems that if an applicant successfully passes the electrical independence screen there are no salient reasons why a serial study shouldn't be available on a first-come, first-serve basis, as is currently the case with SGIP.

We make this recommendation very provisionally, however, because of our stated concerns above about the "black box" nature of the two electrical independence tests. While we believe this "fix" is possible in the current stakeholder process, even with the very accelerated timeline, we feel that far more information about the two electrical independence tests needs to be shared with stakeholders.

Alternatively, we support IREC's recommendation, in their August 4 comments, to make the ISP available only to 20 MW and below projects. No serial study option is available for 20 MW and above projects currently, and apparently the LGIP cluster study process is working quite well (based on anecdotal information), so there does not seem to be a need for a serial study option for 20 MW and above projects.

v. Relax criteria for the second cluster study window for GIP

Our concerns about the ISP are generally mirrored with respect to the second cluster study window for GIP: the bar is set way too high. Again, smaller developers will very rarely have a fully-entitled project before entering the interconnection process – which is what is essentially required to qualify for the second cluster study window.

We recommend relaxing the criteria for 20 MW by eliminating the following criterion: "The project demonstrates that the requested commercial operation date (COD) cannot be met if the project is studied in the next annual cluster." There is generally no way that a smaller project will be able to meet this criterion, if it is applied at all stringently, because no developer will have any firm data to share regarding COD when they are

applying for interconnection. Again, this is the case because interconnection studies are done at the beginning of the process, before any PPA negotiations will be entered into and before the entitlement process begins in earnest.

vi. Make it clear that ISO is not suggesting or authorizing any reform of the PTO WDAT processes

History has shown that the utilities typically reflect any SGIP changes in their Wholesale Distribution Access Tariffs (WDATs), making the current SGIP reform process a *de facto* reform of the WDATs unless a separate stakeholder process is convened to examine WDAT reform. SCE at one point in the July 27 workshop affirmed that it was their intent to make WDAT changes based on this SGIP reform process without any additional stakeholder input. As a result, it is likely that any changes to SGIP will be reflected in PTO WDATs, severely harming developers seeking to connect to the distribution grid, which is the primary point of interconnection for 20 MW and below projects.

We believe that well-designed WDATs are vital to the development of wholesale distributed generation and that the WDAT process is too important to be "reformed" without an analytical, comprehensive stakeholder process. We therefore ask that the ISO specifically declare that this SGIP reform process is NOT intended to be a reform of the WDATs. Additionally, we ask that the ISO discuss this issue with FERC and the CPUC in order to determine jurisdiction and develop plans accordingly for a comprehensive WDAT stakeholder process to be convened as soon as possible.

d. Suggested fixes in a new stakeholder process

i. Make the most recent GIP and WDAT base case data available to the public immediately upon completion

We repeat this recommendation here because ISO staff have at this time deferred this consideration to a later stakeholder process. We strongly feel that this issue should be addressed in the current stakeholder process, as discussed above. However, if ISO nevertheless decides to defer this issue to a later date we reiterate our recommendation that ISO and PTOs make the most current base case data available immediately. Similarly, we request that ISO and PTOs make it clear to developers, through online maps and related data, where there is available capacity in the current system to interconnect with no upgrades (or minimal upgrades) required.

ii. WDAT cluster study process, with two complete clusters per year

As we suggest above, the ISO should make it clear in seeking FERC approval of the GIP Proposal that ISO is not seeking any change to the PTO WDAT process at this time. Instead, we suggest here that ISO support a PTO stakeholder process for WDAT reform. We have suggested to the CPUC that it use its inherent authority to regulate PTOs to convene a stakeholder process examining Rule 21 as a more appropriate interconnection protocol for 20 megawatt and below projects. Rule 21 is CPUC-jurisdictional, so the CPUC may decide to take up this challenge and reassert its jurisdiction over distribution-level interconnection procedures at the PTOs.

While the WDAT reform details will very likely be worked out under a different agency's umbrella, we will flesh out here, in brief, our key suggestion for a WDAT (or Rule 21) cluster process. We agree with the ISO staff that cluster study processes offer many advantages over the serial study process. Accordingly, if the timeline for cluster studies can be accelerated, a cluster study process for WDAT may make far more sense than the current back-logged serial study process.

Given that the complexities of the distribution system pose less difficulties than the transmission system (because distribution substations generally require that no power flow upstream, so to speak, as well as the fact that clusters can be much smaller on the distribution grid because each distribution feeder should be largely electrically independent), we believe that a WDAT cluster study process, from start to finish, could be completed by each PTO twice per year. If this is possible, a WDAT cluster study process would be far superior to the current serial study process, from a timeline perspective only. Another benefit would accrue from the sharing of upgrade costs by all WDAT developers, if any are required.

iii. Include an SGIP "carveout" in the LGIP cluster process

Another possible alternative to the GIP Proposal is to include an SGIP "carveout" in each LGIP cluster study. For example, each LGIP cluster could include a 25% (by megawatts) carveout for projects 20 MW and below. Allocation of this small generation carveout could be ordered by date of application or, alternatively, by date of (projected) delivery ("first-ready, first-served," as described in 122 FERC ¶ 61,252, Docket No. AD08-2-000, para. 18), which would ensure the most rapid deployment and production of renewable sources. This may allow system upgrade costs to be established before

small projects even apply, dramatically improving interconnection predictability for smaller projects and greatly reducing the number of project dropouts, especially if later delivery projects simply get transferred to the next LGIP cluster. The current SGIP could continue for proposed projects located outside of LGIP cluster boundaries, but the number of applications would probably be greatly reduced, lowering the burden on the ISO and improving study timelines.

SCE raised an objection to this carveout idea at the July 27 workshop, expressing concern about determining exactly where SGIP projects would interconnect in the LGIP cluster at issue, and, accordingly what costs would be incurred for these smaller projects. We agree that this is a concern, as we have currently described the carveout idea, but we believe that this idea should be fully assessed in a new stakeholder process before being dismissed. It apparently wasn't considered in the current stakeholder process, again highlighting the problematic nature of the current process.

iv. Increase the GIP cluster to two clusters per year, from start to end

The FIT Coalition believes that the proposed GIP cluster study process could be improved such that two full clusters are completed each year. If this is the case, the GIP process would present clear benefits for both SGIP and LGIP developers when compared to the present system.

In the July 27 workshop, PTOs informed stakeholders that additional staff would not help improve the current SGIP very much because of the software used for interconnection studies, which allows only one interconnection engineer at a time to work on a document. The obvious solution to this problem seems to be to modify the software – and then add more staff. Staff are rate-based, so there is not a cost issue because such costs are dwarfed by the total costs of new renewable energy contracts. Similarly, software costs and modification costs are rate-based.

However, this is an uninformed opinion because we do not have the data to make informed opinions on this particular issue. Accordingly, we recommend that ISO retain a consultant to audit ISO and PTO interconnection operations and make detailed recommendations for streamlining the process. This seems like a common sense first step before major proposals like eliminating SGIP altogether are proposed.

With the Legislature and Governor very clear that California needs to move full-steam ahead on renewables (33% by 2020), ISO and the PTOs should be doing all they can to improve the interconnection process – which means shorter timelines for interconnection, not longer, as is the case for the current GIP Proposal.

We are not engineers, but it seems that the 420 day timeline for the GIP study process is far longer than should be required. This conclusion is supported by many of the bullet items in the detailed list of the proposed 420 day timeline provide in the GIP Proposal. Many of the items seem largely ministerial and yet a month or more is provided for completion. Surely the full cluster study process could be compressed from 420 days to 180 days or so, particularly with a combination of additional staff and software and other process modifications? If this is the case, two full clusters could be completed each year, making the GIP Proposal an unequivocal improvement over the current SGIP.

We urge the ISO to hire a third party consultant, as described above, and concurrently convene a new stakeholder process to fully examine methods for streamlining the cluster study process to achieve two full cluster studies per year.

III. Responses to ISO template questions

Overall Assessment of the ISO Proposal

In September, the ISO Board of Governors will be asked to authorize a filing at FERC of tariff language to implement the elements of the Draft Final Proposal (with possible modifications in response to this round of comments).

1. Do you support ISO Board approval of the proposal? Why or why not?

The FIT Coalition does not support the GIP Proposal in its current form. If ISO adopts the modifications we suggest above, in Section II, we would support the proposal.

2. *Do you believe the proposal accomplishes the objectives this initiative was intended to address? If not, please explain.*

No, we feel the GIP Proposal will exacerbate the problems facing the SGIP queue, for reasons discussed above.

3. *Do you believe the proposal reflects an appropriate balance of the various stakeholder interests and concerns raised in this process? If not, please explain.*

No, the FIT Coalition believes that smaller developer concerns have not been addressed in this proceeding and that the GIP Proposal would, in its current form, very likely be catastrophic for small developers.

Proposed Study Deposit Amounts and/or Processing Fees

1. *In general, do you support the proposed study deposit amounts and/or processing fees?*

In general, the FIT Coalition believes insufficient information or rationale has been provided to stakeholders to justify the proposed fee structure, particularly the fee increases for smaller projects. We understand that unserious speculators should be discouraged from clogging queues. However, at the same time, the ISO must not discourage renewable energy development. Rather, ISO should be encouraging renewable energy development.

We recommend that ISO reexamine the proposed fee structure, provide a comprehensive analysis of the cost of performing these studies (perhaps as part of the third party consultant process we recommend above), and set the fee at a level that will: 1) encourage the development of renewable generation projects; and 2) be based on a reasonable approximation of actual study costs, not simply on a level sufficiently high to deter speculators, which seems to be the primary rationale at this point.

2. *If not, what modifications are needed and why?*

See previous answer.

Proposed Annual Cluster Study Track

1. *In general, do you support the ISO's proposal to study projects of any size in a single, unified cluster?*

The FIT Coalition does not support a single cluster study process, for reasons describe in Section II above. In quick summary, the proposed GIP cluster process would result in far longer study times than under the current SGIP (up to 785 days or more and an average processing time of 617 days) and the proposed alternatives to GIP are not viable alternatives.

2. *If not, what modifications are needed and why?*

We have described our suggested modifications in Section II above.

3. *If you do not support a single cluster approach in any form, what would be your preferred alternative and why?*

The FIT Coalition would support a single cluster approach if the timeline could be dramatically improved. If the actual study time for Phase I and Phase II were about six months, rather than 14 months, the proposed GIP would work well for all parties concerned, as we describe in detail in Section II.

Second Application Window – Scoping Meeting

1. *In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of receiving a scoping meeting?*

We do support the second application window scoping meeting option because this will ameliorate to a small degree the extended timeline for the proposed GIP.

2. *If not, what modifications are needed and why?*

See previous response.

Second Application window – Enter Cluster at Phase II

1. *In general, do you support the ISO's proposal to open a second application window to receive interconnection requests for the purpose of waiving the Phase I study and entering the cluster for study at the Phase II study?*

The FIT Coalition also supports the second cluster wind option to skip Phase I, but we believe this option will be unviable for the large majority of smaller projects because the bar is set so high, as discussed in Section II. We recommend the criteria be relaxed significantly for 20 MW and under projects.

2. *If not, what modifications are needed and why?*

See previous response.

Second Application Window – Enter Cluster at Phase II Criteria

1. *In general, do you support the ISO's proposed criteria to qualify a project to waive the Phase l study and enter the cluster at the Phase II study?*

See previous response.

2. *If not, what modifications are needed and why?*

See previous response.

Coordination with the Transmission Planning Process

1. *In general, do you support the ISO's proposal to reevaluate certain network upgrades in the Transmission Planning Process?*

We have no response to this question at this time.

2. *If not, what modifications are needed and why?*

We have no response to this question at this time.

3. *If a network upgrade is selected for reevaluation by the Transmission Planning Process should the associated generation project proceed with a Large Generator Interconnection Agreement that contains a provision to allow for later amendment of the Large Generator Interconnection Agreement if warranted by the Transmission Planning Process reevaluation results? Why or why not?*

We have no response to this question at this time.

Independent Study Processing Track

1. *In general, do you support the ISO's Independent Study Processing Track proposal?*

The FIT Coalition supports the ISP track in principle. However, as discussed in detail in Section II above, the bar is set to so high for the ISP (by design) that it probably will be very rarely utilized. Accordingly, we do not support it in its current form.

2. *What modifications are needed and why?*

We discuss in Section II above our proposed modifications to ISP. In short, we suggest eliminating all screens for 20 MW and below projects except the electrical independence screen. We also request that ISO share far more information about the details and state-wide impacts of the two tests for electrical independence.

3. *What specific aspects of a developer's project development process make it impossible for a developer to demonstrate eligibility for the Independent Study Processing Track at the time of the Interconnection Request?*

The FIT Coalition believes, based on dialogue with a number of developers (as we have detailed in our various rounds of comments) that the ISP will almost never be available for smaller projects because of the development cycle for smaller projects that we have described in Section II above. In short, the ISP criteria require that the project be all but complete, in terms of permitting and environmental review, before qualifying for ISP.

But this is the reverse order of common development practice for smaller projects, in which interconnection studies are among the first things commenced, not the last. Accordingly, very few smaller projects will qualify for the ISP.

Fast Track less than 2 MW

1. *Should the ISO remove the 10th screen from the Fast Track? Why or why not?*

The FIT Coalition fully supports removing the 10th screen from Fast Track. As we describe in detail in Section II above, the 10th screen represents the biggest impediment to Fast Track and has resulted in very few projects qualifying for Fast Track. It may be removed with no significant impact to PTOs or the ISO.

2. *Should the ISO increase the size limit for Fast Track qualification? If so, would you support a 5MW size limit or a different value? Explain your reasons.*

As we describe in Section II above, the FIT Coalition requests that Fast Track be expanded to allow projects up to 10 MW to qualify. The modified screens will still protect grid stability concerns.

Method to Determine Generator Independence

1. *In general, do you support the ISO's proposed method to determine generator independence?*

Far too little information has been shared with stakeholders about the proposed method. At this point, the FIT Coalition has no idea what the practical impacts of the two tests will be. We have requested that far more information be shared on this crucial topic.

2. *If not, what approach would you propose for determining generator independence? Explain why your proposed approach is superior to the ISO's proposal.*

The FIT Coalition has no alternative proposal at this time because we do not understand the details or ramifications of ISO's proposal.

3. *If you prefer completely eliminating the independence criterion to qualify for the Independent Study Processing Track, how would you address the concern about impacts of Independent Study Processing Track projects on other interconnection customers (including cluster projects) in higher queue positions?*

We have no recommendation at this time.

Deliverability Proposal

One-Time – Enter Cluster 4

1. *In general, do you support the ISO's proposal to allow a one-time deliverability assessment to obtain Full Capacity during cluster 4?*

The FIT Coalition supports this recommendation.

2. *If not, what modifications would you support and why?*

Annual – Available Transmission

1. *In general, do you support the ISO's proposal to provide an annual opportunity for qualified projects to request and obtain Full Capacity using available transmission?*

The FIT Coalition supports this recommendation.

2. *If not, what modifications would you support and why?*

Financial Security Postings

1. *In general, do you support the ISO's financial security postings proposal?*

The FIT Coalition in general supports the ISO's financial security postings proposal.

2. *What modifications are needed and why?*

Transition Plan

1. *In general do you support the ISO's proposed transition plan?*

The FIT Coalition does not support the proposed transition plan because it unfairly penalizes developers currently in the queue, who have developed projects under the understanding that the rules would not be changed mid-stream.

2. *What modifications are needed to all you to support the ISO's transition plan?*

The FIT Coalition recommends that the transition plan not be implemented until FERC approves the ISO proposal.

What aspect of the ISO's Draft Final Proposal do you find most favorable?

The FIT Coalition agrees that a cluster study process, with shared upgrade costs and cost caps, is superior to a serial study process. However, we feel that the proposed cure is worse than the disease in this instance.

What aspect of the ISO's Draft Final Proposal do you find least favorable? Please provide the business case or other rationale for your answer.

As we describe in detail in Section II above, we feel that the GIP Proposal will be extremely harmful for small developers and for the wholesale distributed generation market more generally. Our mission is to improve interconnection policies (and state and federal policies more generally) for wholesale DG. With technology prices dropping dramatically and state and federal pricing policies becoming more favorable, interconnection policies now pose the largest hurdle to a rapid development of wholesale DG. The GIP Proposal moves in the wrong direction by dramatically extending the timeline for interconnection of 20 MW and below projects. There is a fundamental philosophical difference at this point in time between ISO and the FIT Coalition. We have attempted to demonstrate the importance of the 20 MW and below market to ISO and other stakeholders, and will continue to urge ISO to dramatically improve interconnection procedures – emulating ultimately jurisdictions like Ontario and Germany that have made interconnection a truly transparent and streamlined process.

Do you have any additional comments that you would like to provide?

See Section II above.