BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's own motion to improve distribution level interconnection rules and regulations for certain classes of electric generators and electric storage resources.

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CLEAN COALITION COMMENTS ON ORDER INSTITUTING RULEMAKING

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The Clean Coalition respectfully submits these comments pursuant to the *Order Instituting Rulemaking*.

The Clean Coalition is a California-based advocacy group, part of Natural Capitalism Solutions, which is based in Colorado. The Clean Coalition advocates primarily for vigorous feed-in tariffs and "wholesale distributed generation," which is generation that connects primarily to distribution lines close to demand centers. Clean Coalition staff are active in proceedings at the Commission, Air Resources Board, Energy Commission, the California Legislature, Congress, the Federal Energy Regulatory Commission, and in various local governments around California.

Our main points are as follows:

- The Clean Coalition applauds the Commission for initiating this broad review of interconnection issues for distribution-interconnected projects in order to further the Governor's goal of 12,000 megawatts of distributed generation by 2020
- We recommend a number of general principles to guide the outcome of this proceeding
- We generally agree with the scope of issues outlined in the OIR
- We suggest, however, that the Commission request legal briefing from parties early in this proceeding on the extent of the Commission's jurisdiction over distribution-grid interconnection
- We also strongly urge the Commission to ensure adequate information is available to the Commission and parties for this proceeding to succeed. It is imperative that comprehensive data on historical and current

interconnection procedures be available to parties in this proceeding; the Clean Coalition will be filing a motion on this issue

I. Introduction

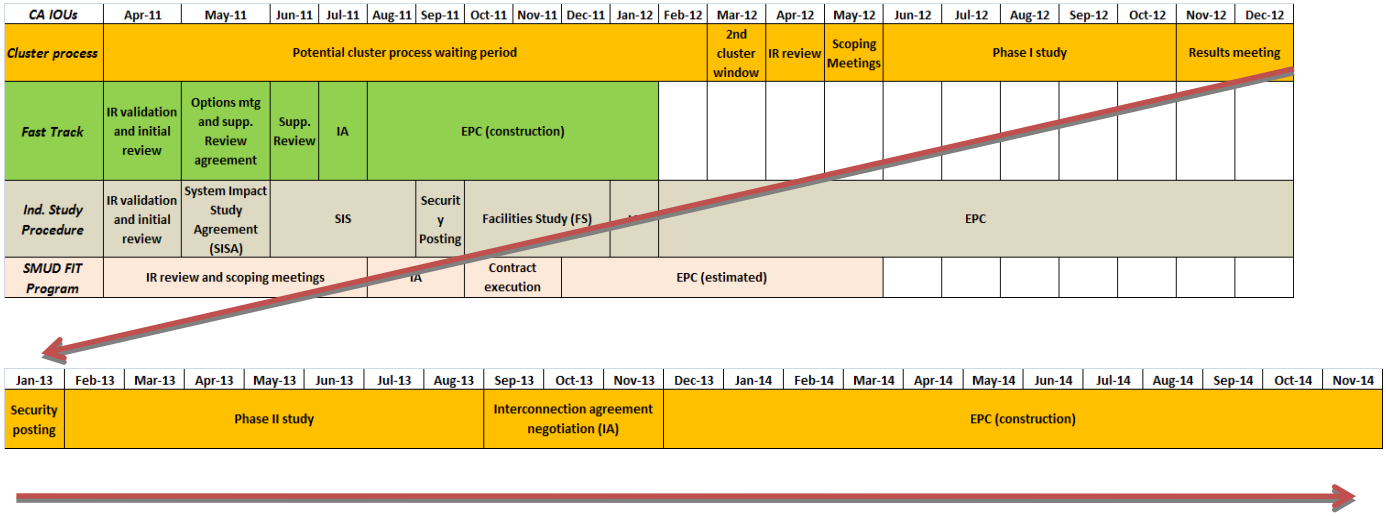
The Governor has established a goal of 12,000 megawatts of distributed generation to help meet the 33% by 2020 renewable portfolio standard recently passed into law. To achieve this goal, California must dramatically improve its interconnection procedures for distribution-level interconnection (what we refer to as "wholesale DG" or WDG).

Rule 21 interconnection procedures, which constitute the existing state-jurisdictional interconnection tariff for distribution-interconnected projects, have been revised over the last decade to better accommodate net-metered generation, but haven't been modified sufficiently for wholesale projects. Interconnection to the distribution grid (as opposed to net-metered generation) has emerged as the key bottleneck for WDG due to major problems with FERC-jurisdictional interconnection procedures.

Figure 1 demonstrates the timelines for interconnection under the existing WDAT/CAISO procedures, with a comparison to the far shorter timeline for SMUD's interconnection procedures, which include construction time. SMUD is the clear leader in interconnection policies in California, judging by its proven experience in interconnecting its feed-in tariff projects,[1] thus prompting our comparison. In sum, SMUD's entire interconnection process takes about a year, compared to 3 to 3.5 years for the IOU default cluster process under the new WDAT procedures. Moreover, as we demonstrate further below, the expedited interconnection procedures under WDAT are not working in most situations, further exacerbating the problems with the new WDAT and CAISO procedures.

[1] SMUD was able to complete interconnection studies for 100 MW of feed-in tariff applications in 2010 in just two months, using only two engineers. 100 MW is larger on an equivalent basis than the 750 MW SB 32 feed-in tariff for the state's three large IOUs and POUs.

Figure 1. Comparing IOU WDAT and SMUD wholesale interconnection procedures, including construction.



**** Assumes applicants respond to IOU immediately, at each decision point, which will never be the case***

The recent revisions in WDAT/CAISO procedures failed to incorporate numerous critical recommendations made by the CPUC, the Clean Coalition, Interstate Renewable Energy Council, and other parties. Without these changes, the new WDAT procedures provide a highly problematic and very lengthy interconnection path for wholesale projects, with extremely limited potential for expedited review because the alternatives to the default cluster process are generally not viable alternatives.

We highlighted in Figure 1 the problems with the default cluster process in the new WDAT. In the following bullets we highlight the numerous problems with the alternatives to the WDAT and CAISO cluster processes (known as the Fast Track and Independent Study Procedure):

- A "poison pill" that exposes Fast Track applicants to uncapped, undefined and indefinite cost liability that may result from distribution grid and network upgrades at literally any point in the future. It is highly unlikely that banks will finance renewable energy projects subject to this uncapped liability. To show the broad basis of support for this concern, we have attached (Attachment A) a letter signed by a number of developers and financiers, originally filed as part of our FERC request for rehearing of the IOU WDATs.
- An unworkable Screen 10 for the Fast Track expedited interconnection procedure due to the requirement that <u>any</u> distribution or network upgrades trigger an ISP or cluster study procedure for Fast Track applicants (SCE has in practice relaxed this requirement, reportedly, but it's still part of the tariff). This should instead be a *de minimis* test.
- Undefined criteria for the Independent Study Procedure (ISP) that prevent an applicant from having any idea of its potential for success before committing $50,000 plus $1,000 per megawatt for the application fee. If the ISP applicant fails, it must then wait for the next cluster window and potentially pay an additional fee and have literally nothing to show for its ISP application except a large hole in its bank account.
- A statement in the tariff itself that PG&E's entire distribution grid will "generally" be studied as one cluster, which will generally obviate the ISP entirely because if the entire grid is one cluster no proposed projects will be found to be electrically independent. Data available on the ISP since the new WDAT came into force support this concern because no ISP projects have yet completed studies and it is not clear from PG&E's queue which projects if any will be found eligible for ISP.
- Moreover, no timeline for completion of studies is included for the Independent Study Procedure, which may well give rise to a backlog of requests like that which prompted the 2009-2010 reform efforts to begin with. Initial data from the

public queues (discussed further below) suggest this is already becoming an issue.

The failure of the utilities and FERC[2] to address these concerns leaves the WDAT as a highly inadequate model for Rule 21 reform, so we have major concerns about looking to the new WDAT as a means for fixing Rule 21's own problems, as has been suggested by the IOUs and some parties. Meeting the Governor's goal of 12 GW of DG requires expedited and predictable interconnection procedures, at reasonable cost, and the new WDATs do not provide these features. Rather, the Clean Coalition feels that the new WDAT should, at most, provide a framework for discussions in this proceeding about an improved Rule 21, and nothing more.

The Clean Coalition is involved in the current settlement process that preceded this proceeding. We generally support using the new WDAT as a basis for reform, but, again, warn strongly about simply adopting WDAT whole cloth. WDAT needs major revisions before it can be accepted as superior to previous procedures.

II. General Principles

The Clean Coalition supports reformed interconnection procedures that can handle the dramatic expansion of renewable energy interconnection requests in a timely and cost-effective manner. We make the following recommendations for general reform principles, which we will be pursuing in this proceeding:

- Clear and enforceable timelines for all interconnection procedures
- Full data transparency, including reporting of application processing results and reasons for missing any deadlines

[2] The Clean Coalition filed requests for rehearing at FERC for both SCE's and PG&E's new WDAT. FERC unfortunately dismissed our requests, based on faulty logic and facts.

- Binding cost estimates in final studies, with no future cost liability
- Increased grid transparency that allows developers to know "what can go where" ahead of time, and to gain some idea of likely interconnection costs before going through a lengthy interconnection study; improved interconnection maps should be a large part of this improved grid transparency
- Expedited interconnection options for resolving the most common issues and upgrade requirements, as an alternative to any cluster process. This will generally mean some version of Fast Track, with relaxed screens such that more projects can qualify – while still ensuring grid reliability and safety.
- Standardization of interconnection costs for smaller projects (5 MW and smaller). This may be a longer-term goal but should be initiated in the short-term. An achievable mid-term goal is to create "per unit cost guides" for distribution grid interconnection upgrades, modeled on the transmission grid per unit cost guides issued by the utilities each year.

III. Commission jurisdiction over distribution-level interconnection

The Clean Coalition applauds the Commission for initiating this broad review of interconnection issues for distribution-interconnected projects. The OIR states that as part of Issue 1, the Commission will (OIR, p. 5):

- Define the appropriate interconnection study process for all types of generation resources seeking interconnection to the distribution system.

We interpret this statement to mean that the Commission will exert its jurisdiction over all distribution-interconnected projects to the maximum extent. We also understand that the Commission will require the revised Rule 21 to be used for interconnection purposes for all distribution-interconnected projects to the maximum extent of its

jurisdiction. Because the extent of the Commission's jurisdiction is a complex issue and will likely be a point of contention among the parties, **we suggest that the Commission request legal briefing on this issue from parties early in this proceeding**.

IV. Resource adequacy

The OIR also states that it will (p. 6): "Establish a path to resource adequacy qualification for resources that have certain characteristics."

We support this goal, and more specifically we support the goal of establishing an automated procedure for conferring full capacity deliverability (and thus the ability to sell resource adequacy) on distribution-interconnected projects that meet certain criteria, if possible. This issue is being discussed in the settlement proceedings but no resolution has been achieved thus far.

V. Expedited interconnection

The OIR also states that it will (p. 6): "Review and modify, if necessary, the screening mechanism that limits an expedited interconnection to fifteen percent of a line section's peak load."

The Clean Coalition strongly supports improving expedited interconnection for distribution-interconnected projects, as is required by SB 32. Current Fast Track and Independent Study Procedures under WDAT and CAISO have been shown to be highly inadequate in most situations. Table 1 shows the latest public data for Fast Track and the Independent Study Procedure for CAISO, PG&E and SCE. We note that while SCE's Fast Track is clearly working better than PG&E's or CAISO's, the approximately 20-25% success rate for SCE is probably due in very large part to their rooftop PV program (1-2

MW), which disguises the problems that remain for non-rooftop projects seeking Fast Track interconnection in SCE territory.

It is worth noting that SCE's own Utility-Owned Generation program manager, Rudy Perez, stated in a recent presentation on SCE's SPVP program, with respect to SCE's new WDAT:

- From "Applicant perspective" WDAT interconnection process is cumbersome and too slow.
  - Projects can be conceived, engineered, and constructed faster than they can be interconnected!
  - Roof owners have no patience for a 2 year approval/permitting process.
  - 2010 projects were all connected on time
- WDAT "Reform" does not look promising from a small (<20 MW) Applicant perspective. Expect process to be slower

Clearly, when SCE's own personnel are publicly criticizing the new procedures, we have much room for improvement.

Table 1. *Expedited interconnection statistics from public utility queues (compiled by the Clean Coalition).*

CAISO			
Fast Track			
5		Fast Track applications	
20%	1	request withdrawn	
80%	4	status unclear	As per CAISO, Fast Track screens are not working and need to be addressed in new GIP reform process; scoping meetings are scheduled so we should find out more soon
ISP			
4		ISP applications	
100%	4	status unclear	Being studied to determine if meet ISP criteria; being studied against QC4
SCE			
Fast Track			
72		Fast Track applications	
8%	6	Passed FT	Passed on initial screens
11%	8	Passed FT, supplemental	Failed initial screens, passed supplemental review
22%	16	not FT eligible	Application deemed not valid (7), Application withdrawn before deemed complete (6), other (3)
3%	2	Application withdrawn	Application withdrawn prior to supplemental review
3%	2	Application withdrawn	Application withdrawn prior to completing FT evaluation
3%	2	Under review	Pending supplemental review
1%	1	Under review	Fast Track under evaluation due to removal of queued ahead project
44%	32	Supplemental review not performed	Supplemental review not performed due to transmission level issues. (Includes 15% screen fails)
4%	3	Supplemental review not performed	Supplemental Review not performed due to excessive generation in the circuit (Includes 15% screen fails)
ISP			
9		ISP applications	6 of the projects list export size as 0 MW; reasons for this unclear
11%	1	Complete	Unclear if "Complete" means passed
89%	8	Active	No further details
PG&E			
Fast Track			
106		Fast Track applications	
2%	2	Passed FT	Supplemental Review Completed working on IA.
61%	65	Status unclear	Supplemental review listed as "TBD"
19%	20	Under review	Supplemental review listed as "In Progress"
14%	15	Withdrawn	Unclear why withdrawn
1%	1	Application withdrawn by applicant	
3%	3	Other	
ISP			
13		ISP applications	
46%	6	Withdrawn	3 listed as "Awaiting Application Fee" in addition to Withdrawn
31%	4	Active	
23%	3	System Impact Study in progress	

VI. Data transparency is crucial

Significantly more data is available on the utility interconnection queues than used to be the case, including the data in Table 1. The Clean Coalition has worked hard to make this happen and this increased data availability is a direct consequence of our work on CAISO and IOU interconnection reform procedures since 2009. In particular, this new data resulted from our intervention at FERC in both the CAISO and IOU reform proceedings, in which we repeatedly highlighted the lack of data during these

proceedings as a crucial problem. FERC disregarded (incorrectly) almost all of our objections to the new interconnection tariffs, but did at least require CAISO and the IOUs to post detailed public information about their procedures. The IOUs have since complied, providing us more information about interconnection as we move forward, but CAISO is still not in compliance. Even though we have more information moving forward, we still lack detailed historical information, which is far more information than we have about the current queues.

For this proceeding on Rule 21 reform to be successful, it is imperative that parties have access to detailed and comprehensive interconnection information from the IOUs, including historical information. Without this information, parties and the Commission are like a doctor trying to diagnose and fix a serious medical problem with a blindfold on and earmuffs. It is futile to try and fix serious problems without comprehensive information before the parties. For this reason, we have been working diligently for almost two years now to obtain this information, with some qualified successes. As this proceeding progresses, we will continue to work with the Commission to obtain the required information. In the short-term we will be submitting a motion to the Commission in this proceeding requesting the Commission's ruling on confidentiality with respect to a major interconnection information request submitted by Commission staff to the utilities earlier this year (which has not been released to the parties or to the public).

Respectfully submitted,

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Attachment A: Letter of support from various entities re "poison pill" language in the new WDAT/WDT

The listed parties agree with the following statement with respect to the "poison pill" language inserted by SCE and PG&E into their interconnection tariff amendments:

We believe that the "poison pill" language (below) inserted by SCE and PG&E into their interconnection tariffs will make Fast Track renewable energy projects generally unfinanceable. This is the case because this language imposes uncapped, undefined and indefinite financial liability on Fast Track interconnection applicants. It is highly unlikely that any bank or other investor will make a loan or equity investment in renewable energy projects that have this kind of financial liability hanging over them.

PG&E's language (included in Sections 2.2.2, 2.2.3 and 2.4.1.1 of the new GIP) and SCE's identical language (Section 6.6 and 6.7 of the new GIP) is as follows:

> Interconnection Customer retains financial responsibility for any Interconnection Facilities, Distribution Upgrades, or Network Upgrades determined by subsequent engineering or study work, such as final engineering and design work, or other future operational or other technical study, such as to identify and determine the cost of any Distribution Provider's Interconnection Facilities required by the Generating Facility, or of short circuit duty-related Reliability Network Upgrades as assigned to the Interconnection Request during the Cluster Study Process as set forth in Section 4, that are attributable to the Interconnection Request. If future engineering or other study work determines that the Interconnection Customer is financially responsible for Interconnection Facilities, Distribution Upgrades, or Network Upgrades identified in these future studies, the GIA will be amended to assign the Interconnection Customer financial responsibility for such facilities and upgrades.

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