

FIT Coalition comments on PG&E WDAT

Rob Longnecker, Policy Analyst for FIT Coalition
Tam Hunt, J.D., Attorney for FIT Coalition

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Introduction

The FIT Coalition appreciates this chance to provide comments on PG&E's proposed WDAT reforms. We also want to thank PG&E for taking the time to meet with the developer community on December 13, 2010, in order to begin the complex process of WDAT reform. We agree that there is a need to improve the process to handle what is a severely backlogged WDAT/SGIP/Rule 21 queue. However, we have several concerns about the current process and PG&E's proposed solutions. We have grouped our comments and concerns into four main categories.

1. DEVELOPMENT CYCLE

As we made clear in the CAISO SGIP reform process that preceded PG&E's WDAT process, we feel that the PTOs and CAISO do not understand the development cycle for 20 MW and under projects, where interconnection information is vital and must be determined early in the process, not after a waiting period of up to two years.

Specifically, the CAISO and PTO assumption throughout the CAISO process and apparently this WDAT reform process has been that smaller projects follow a similar development cycle as that for larger projects, in which interconnection 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, in actuality, reversed:

interconnection costs are a major issue and interconnection analysis must be conducted at the beginning of the development cycle, not the end, to address economic viability early on. If interconnection costs are significant, the project will generally not be viable, so this must be known as early in the process as possible.

2. FERC COMMENTARY ON WDAT REFORM

While the PTOs appear predisposed to adopting the majority of changes from the CAISO SGIP reform process, the December 16, 2010 FERC states that it will apply a more stringent standard to PTOs than it did for CAISO: “Any utility proposing to utilize an approach that mirrors the GIP will have to justify its consistency with Order No. 2003 and Order No. 2006 and Commission precedent under the relevant standard”. As such, there should be far more data-driven analysis and stakeholder input into any changes being contemplated in the WDAT reform process.

3. PG&E WDAT REFORM PROCESS

PG&E’s WDAT reform presentation on Dec 13, 2010, was lacking in many vital details – particularly with regard to what we refer to as the Accelerated Options (Fast Track and Independent Study Process – that are essential to analyzing any proposed reform. While we understand PG&E’s desire for haste, the WDAT is too vital to smaller developers to be reformed in a hurried manner without data-driven analysis. SCE’s reform process began two months prior to PG&E’s, with the same proposed end schedule, and we viewed SCE’s schedule as too fast. Accordingly, PG&E’s schedule is far too accelerated, given the weighty issues being considered.

4. AREAS FOR FURTHER IMPROVEMENT

We believe there are areas for further improvement in the WDAT process and discuss below our thoughts on base case information, Grid Transparency, feasibility studies and the concept of using either 3rd party consultants or an Independent Evaluator to assess the interconnection process.

DEVELOPMENT CYCLE

Although PG&E's WDAT proposal does not provide a specific timeline, PG&E has stated that timelines will be similar to the CAISO tariff, or roughly 420 days once the process has started. As the FIT Coalition has highlighted in a number of forums and written comments, this discussion of a 420 day timeline ignores the time spent by developers waiting for the cluster window to open, which could be up to 365 days. Another 30 days may elapse before a meeting is scheduled to discuss Phase II study results with PG&E (if PG&E's final proposal mirrors the GIP Proposal in this regard). PG&E also proposes a second cluster window, six months after the first window each year, which will allow applicants to have a scoping meeting only. This is helpful but doesn't go nearly far enough. At the least, a fee-based feasibility study should be offered, as discussed below.

Tallying these numbers, we have a grand total of up to 815 days (365+420+30) just for studies to be completed. Even if we average the 0 to 365 days between annual cluster windows to 182 days, we are still left with an average of 632 days (182+420+30) to complete the study process. This is far too long for small or new developers to hang on to projects without knowing if the chosen site is economically viable because options must be paid to landowners and the biological study and 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). We offer below a number of constructive solutions that we feel would improve the current PG&E WDAT proposal.

FERC COMMENTARY ON WDAT REFORM

The FERC has clearly stated that, relative to the CAISO in the GIP reform, the IOUs will have a higher burden of proof in their respective WDAT reforms. Specifically, the IOUs, which are increasingly developing their own, competing renewable generation projects, will not be considered independent entities and, as such, will have to demonstrate that their proposed reforms result in a WDAT that is “consistent with or superior to” the existing process. Assuming that PG&E’s proposed WDAT has a timeline similar to the CAISO GIP, this timeline of (on average) 632 days is substantially inferior to the current WDAT timelines. As such, it seems the only way PG&E’s WDAT can meet the “consistent with or superior to” standard is to shorten the cluster study process considerably and provide Accelerated Options, such as Fast Track or the Independent Study Process (ISP), that have been proven to be functional and accessible to a substantial percentage of smaller developers. These qualifications of function and accessibility are vital, since the current, excessively stringent Fast Track criterion have meant that very few developers have been able to get through the process.

Rather than simply adopting the CAISO GIP, we believe that PG&E and stakeholders should start with the data and use the analysis of that data to come up with appropriate solutions. As a starting point for a comprehensive reform process, we ask that PG&E provide the following information:

- Number of WDAT applications in the PG&E queue, with dates of entry
- Number successfully processed, time for processing and costs of studies
- Number of Rule 21 applications in the PG&E queue, with dates of entry
- Number successfully processed, time for processing, and costs of studies
- Number of Fast Track applications in the PG&E queue, with dates of entry
- Number successfully processed in Fast Track, time for processing and costs of studies
- Information on rejected Fast Track applications, including on what specific screen was failed (if relevant)

- Number of PG&E staff working on interconnection issues, staff added in the last two years, planned staff additions over the next two years
- Actual cost to PG&E 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)

Once all the information above is provided, it should be possible to begin analyzing potential reforms and potential improvements to the proposed Accelerated Options. Again, given the FERC hurdle of “consistent with or superior to”, we believe the burden of proof lies on PG&E to prove that its proposed WDAT, and importantly, its Accelerated Options are well-constructed and viable. We recommend meeting this burden of proof as described more specifically below.

Additionally, the online queue information going forward needs to be expanded dramatically and we request inclusion of these 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 than has been offered thus far, similar to the above, so that the interconnection process is auditable in the future and not the black box we have today. We note that the FERC agrees with this perspective and has asked for the same in its recent conditional approval of CAISO’s GIP Proposal.

PG&E WDAT PROCESS

While we appreciate the meeting PG&E held on December 13, 2010, to discuss WDAT reform principles, the information provided was vague, making it difficult for

stakeholders to provide meaningful commentary. This is particularly troublesome given an extremely accelerated schedule that envisions posting draft Tariff language on January 7, 2010.

Listed below are a few examples of information that was not provided:

- What criteria will be used to determine “electrical independence” in the Independent Study Process?
- Data justifying the reduction of Fast Track from the 5 MW written into the CAISO GIP to the 2 MW proposed by PG&E
- Explanation of how the new Screen 10 for Fast Track will be determined, or, better yet, elimination of Screen 10, as CAISO has done
- Although statistics were provided about the current interconnection queue, it was not apparent what criteria were used for ISP and Fast Track (see the above points) and whether data given that “50% would qualify” included withdrawn projects and what portion of the claimed 50% was attributed to ISP and what portion to Fast Track.

At an absolute minimum, we believe the issues listed below need to be addressed:

FAST TRACK

- Provide data on what percentage of PG&E’s 127 active projects could expect to access the new Fast Track and give information on the projects that fail to clear the new Fast Track screens. This same data should be provided separately for the 41 withdrawn projects.
- Provide data explaining why Fast Track is restricted to 2 MW rather than the 5 MW described in the CAISO GIP. For example, PG&E could provide a list of distribution substations and circuits with information on peak and minimum load for each and commentary on the maximum project size that could be expected to interconnect via Fast Track to each one. Also, while we recognize the concern of “false hope” raised by the IOUs around Fast Track interconnections (a point we have raised ourselves in other forums), we believe that increased data described above and language explaining the

oft-cited issue of rural lines with low load would clearly address this concern.

-Provide data to explain why 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 NOT be modified to reflect the positive attributes of solar generation and other peak renewable energy resources. This is relevant because our understanding from the Interstate Renewable Energy Council (IREC) is that this screen is actually designed to limit generation to 50% of MINIMUM load and is based on an assumption that minimum load is typically 30% of peak load. (For example, if peak load is 100, then minimum load is typically 30 and the limit of 15% of peak load is equal to 15, or 50% of minimum load.) Therefore, this screen appears to be far too conservative for solar and other peak renewable energy sources. We would encourage PG&E to analyze a more relevant screen. One possible solution would be a screen based on minimum load between the hours of 10 AM and 3 PM.

-Provide specific details on the proposed changes to the 10th screen

INDEPENDENT STUDY PROCESS

PG&E’s proposed WDAT ISP is even more difficult to assess as no specific details have been given on what the screens will be for electrical independence. However, we would like PG&E to provide the following:

- Provide data on what percentage of PGE’s 127 active projects could expect to access the ISP and give information on the projects that fail to clear the ISP screens. This same data should be provided separately for the 41 withdrawn projects.
- Explain why the ISP will only be available twice per year, rather than anytime as in the reformed CAISO GIP.
- Provide data or engineering analysis justifying the screens for electrical independence

AREAS FOR FURTHER IMPROVEMENT

In addition to addressing the substantial shortcoming described above, we believe there is substantial room for further improvements in the WDAT process:

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

One easy step towards increasing the flow of information is to make available the WDAT and related data, along the lines of our list above. 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:

<http://www.oasis.pacificorp.com/oasis/ppw/lgia/pacificorplgiaq.htm>

Pacificorp shares a substantial amount of more general interconnection data also, as part of its participation in FERC's OASIS program:

<http://www.oasis.pacificorp.com/oasis/ppw/main.htmlx>

2. Grid Transparency

We believe that increasing the amount and quality of interconnection data makes the process more efficient for developers, IOUs and CAISO. As such, all parties benefit from increased interconnection data visibility, which we refer to as Grid Transparency. Each IOU has taken a different approach to grid transparency, but we believe the recent SDG&E proposal raises the bar by providing detailed maps which are supplemented by additional data listed by substation and circuit:

<http://www.sdge.com/tm2/pdf/2211-E.pdf>

We recommend that PG&E adopt a similar approach, with a few modifications:

- Provide the assumptions and data behind the calculations for “Available Generation Capacity”
- Include distribution lines larger than 12 kV, as seen in PG&E’s SPVP map which shows data on 12 kV and 21 kV lines
- Link map information with WDAT queue information so that developers will be able to take into consideration projects in queue ahead of them when examining possible interconnection locations

3. “For fee” feasibility study option for projects 20 MW and below

Another improvement would be for PG&E 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 proposed WDAT cluster process or seek a different option. 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 process. However, having relatively easy access to feasibility studies, combined with ready access to up-to-date online interconnection data, would help developers make decisions about potential projects without wasting a lot of money and time.

4. Pursue an approach of continuous improvement

The FIT Coalition believes that the proposed WDAT cluster study process could be improved such that two full clusters are completed each year. If this is the case, the WDAT process would present clear benefits compared to the present system. Potential areas for improvement include increased staffing, investments in systems and improved processes. We obviously cannot see inside IOU operations, but we have

heard substantial anecdotal evidence that there is room for improvement in each of these areas. As such, we recommend that PG&E retain a consultant to audit its interconnection operations and make detailed recommendations for streamlining the process.

Additionally, PG&E should retain an Independent Evaluator similar to that used in SCE's SPVP program. We believe that the presence of an Independent Evaluator could substantially ease the concerns of smaller developers and ensure that the WDAT process is constantly evaluated for adherence to stated procedures and assessed for incremental improvements and that this information is communicated clearly to all stakeholders.