

19 July 2010

Yakout Mansour
President and CEO
The California Independent System Operator (CAISO)
110 Blue Ravine Road
Folsom, CA 95630

Dear Mr. Mansour,

The undersigned parties have come together to oppose the CAISO proposal to eliminate the **Small Generator Interconnection Procedure (SGIP)**, which is the streamlined interconnection process for 20 megawatt (MW) and smaller energy projects. As an alternative to such a radical move, the undersigned parties recommend SGIP improvements that will help address all stakeholder needs. While we understand that the current SGIP process is burdened, we believe that the details of CAISO's proposed reform would severely undermine the Wholesale Distributed Generation (WDG) market segment, which is entirely encompassed by 20 MW and smaller projects.

Additionally, we believe that the proposal runs counter to the Federal Energy Regulatory Commission's (FERC) Order No. 2006 which sought to: "(1) limit opportunities for transmitting utilities to favor their own generation, (2) remove unfair impediments to market entry for small generators by reducing interconnection costs and time, and (3) encourage investment in generation and transmission infrastructure, where needed."

One of the major benefits of 20 MW and smaller renewable energy projects is the ability to rapidly develop and interconnect projects, creating jobs and helping to meet Renewable Portfolio Standards more quickly than under the traditional central-station model for renewables. For the reasons listed below, we are concerned that CAISO's proposal to eliminate SGIP is a dangerous move that, if successful, would substantially slow the deployment of renewable energy and discourage investment in the most promising market segment that exists for renewable energy; at least within the next 10 years:

- The proposed interconnection process would take up to 2 years for all projects regardless of size, and perhaps even longer, substantially harming the ability of 20 MW and smaller renewable projects to come online quickly and cost-effectively.
- The claim stated by CAISO staff that the "Fast Track" process for 2 MW and under projects remains for small developers offers false hope, as the Fast Track has proven to be virtually unattainable for the developer community, and additionally, the 2 MW size limit is far too small.

- Similarly, the newly proposed “Independent Study Process” would amount to nothing more than another false hope, because it too has substantial eligibility requirements that make it virtually unattainable to developers.
- Finally, and perhaps most importantly, 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. As a result, it is likely that any changes to SGIP would be crammed down on developers seeking to connect to the distribution grid, which is the primary point of interconnection for 20 MW and smaller projects.

As CAISO’s proposed reforms would effectively remove most of the benefits of small renewable projects, we propose to work with CAISO, the utilities, and FERC to improve the existing SGIP as follows:

- Increasing staff at CAISO and the utilities to work through the current backlogs in the serial and cluster interconnection studies.
- Mandating the advanced disclosure of viable interconnection locations, which would allow developers to focus their efforts in areas with interconnection viability and thereby reduce the time and effort wasted on studies by the CAISO and the utilities in locations that are not viable. Specifically, we recommend mandating that general categories of capacity for all utility substations be shared with the developer community. This information could be posted on specialized online maps with all substations coded as Green/Yellow/Red, 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).
- Removing excessive eligibility criteria from the existing SGIP “Fast Track” process and increasing the project size to 20 MW for projects that can connect without materially impacting the grid. One way to assess materiality is to use a modified Rule 21 requirement as discussed by Black & Veatch and E3, consultants to the California Public Utilities Commission (CPUC) in the CPUC’s current Long Term Procurement Planning (LTPP) proceeding. As you might be aware, Black & Veatch and E3 worked with the CPUC Energy Division and utilities in calculating how much potential there is to interconnect to the existing distribution grid without material upgrades, and they utilized a modified Rule 21 limit that expands 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. The results identify roughly 10 GW of easy-to-interconnect WDG solar projects alone.

- Mandating an official WDAT stakeholder process to ensure that all interested parties have input into any SGIP changes reflected in WDAT rather than allowing a *de facto* reform that would cram down major restrictions on small renewable energy projects that are intended to interconnect to distribution grids.

CAISO must focus on improving SGIP, instead of attempting to eliminate it, in order for California to realize the opportunity for deploying significant levels of renewables by 2020 and to assure that California maximizes the economic benefits of achieving its renewables goals. We ask for your partnership in achieving a much more sensible and responsible outcome than the elimination of SGIP. Please work with us to achieve a result that is far more promising for all developers, market segments, technologies, the State of California, and for the rest of the nation, which would likely follow California's example.

As the voice for the group indicated on the following pages, the FIT Coalition stands ready to discuss the recommended steps in detail. Further, all of the listed parties look forward to working with you to address these important issues.

This letter is also available at: www.fitcoalition.com/caiso_signon_letter

Sincerely,

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* Please note that this reflects an individual position rather than the position of the City of Santa Monica.

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