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Submit comment on discussion paper

Initiative: Interconnection process enhancements 2023

1. Please provide a summary of your organization's comments on the 2023 Interconnection Process Enhancements (IPE) track 2 discussion paper and stakeholder call.

AES Clean Energy appreciates the opportunity to submit comments on the IPE Track 2 discussion. AES Clean Energy understands the constraints CAISO staff is experiencing due to an influx of interconnection requests. However, AES Clean Energy cautions the CAISO from drastically changing the interconnection process under a short timeline without the ability for stakeholders to vet the CAISO's concepts and alternative proposals thoroughly. As discussed on the June 7th stakeholder meeting, it is essential to consider and agree on the principles and problem statements before jumping into proposals.

AES Clean Energy provides comments on the proposed problem statements and their associated principles below. AES Clean Energy provides preliminary feedback on the "post-study queue management" concepts and a neutral overview of the "managing queue intake" concepts.

2. Please provide feedback on whether the proposed problem statement below addresses the issues associated with new interconnection requests for clusters 14 and 15 and possible trends in future interconnection requests.

The massive increase in interconnection requests seeking to meet the accelerated cadence of resource development now needed by the state on a sustained basis has overwhelmed critical planning and engineering resources across the industry. The current generator interconnection processes simply cannot efficiently accommodate all applicants, and must be substantially redesigned to meet state policy and reliability needs.

AES Clean Energy believes the problem statement associated with new interconnection requests should be refined with a top-down perspective. The main driver for the increased interconnection requests is the CPUC's resource procurement goals accelerating the pace of development over the next two decade to meet SB 100 goals. In addition to state policy goals, the current interconnection process's slow timeline, increased participant uncertainty, and lack of transparency has led to an unmanageable interconnection queue. While AES Clean Energy is sympathetic to the overwhelmed critical planning and engineering resources, constrained resources should not be considered the main problem resulting in the need for interconnection reforms. Accelerated state procurement goals had led to increased commercial interest, resulting in substantially increased interconnection request that the current interconnection process cannot manage. Understanding that increased interconnection requests are expected to meet the policy goals, the CAISO's current interconnection process must be refined to ensure that only the readiest projects are able to enter and move through the queue. AES Clean Energy recommends refining the problem statement to the following:

> "The CAISO has experienced increased interconnection requests to meet the accelerated cadence of resource development to meet the state's policy goals. The current generator interconnection processes cannot efficiently accommodate all applicants and provide valid timely study results. Understanding the state policy goals require a substantial increase of clean energy resources to be interconnected annually, the current interconnection process must be redesigned to ensure that only most ready and viable projects enter the queue"

AES Clean Energy believes that Principle 1 and Principle 2 should be amended to reflect AES Clean Energy's proposed problem statement. Principle 1 states, "Prioritize interconnection in zones where transmission capacity exists or new transmission has been approved". This principle should be refined to reflect commercial interest given that commercial interest is one of the drivers of the busbar mapping process within the CPUC's IRP proceeding that ultimately feed into the CAISO's TPP cycles. Including prioritization by commercial interest into the principle would allow the CPUC planning process to continue to signal resource portfolios based on commercial interest. In addition, AES Clean Energy does not agree with Principle #2 stating, "Limit the amount of studies to reasonable capacity volumes aligning with state resource planning". AES Clean Energy does not believe the CAISO should limit projects to a certain MW limit. Instead, the CAISO should focus this principle in ensuring that the readiest projects are to enter the interconnection queue. AES Clean Energy recommends the following language to amend Principle 1 and Principle 2:

> Principle 1: "Prioritize interconnection the uses existing and/or planned transmission capacity while considering commercial interest in the resource planning and transmission planning processes."
>
> Principle 2: "Encourage certainty by ensuring the most ready projects enter the interconnection queue."

3. Please provide feedback on whether the proposed problem statement below appropriately addresses the issues associated with the number of projects in the existing queue that are neither progressing to construction nor withdrawing from the queue.

Following the study process, many projects in the interconnection queue do not proceed to commercial operations as expected. The current processes for managing the queue do not facilitate a timely development process, and a number of projects remain in the queue without indication of their near-term viability or intent to proceed to contracting or construction.

AES Clean Energy has no comments on the proposed problem statement related to the number of projects in the existing queue but provides preliminary feedback on the concepts for managing the queue post interconnection studies.

Item 1: *Modification process updates*

AES Clean Energy primarily supports the proposed policy modifications. AES Clean Energy endorses the concept of limiting MMA requests to once before the GIA execution and within 12 months before the Notice to Proceed or Start of Construction with the exceptions for requests of project milestone changes, energy storage additions, and gen-tie changes. However, the CAISO should also consider exceptions for inverter technology changes as changes are made to keep up

with IEEE standards. Instead of making exceptions, the CAISO could also consider eliminating the need for simple changes to constitute a need for submitting an MMA, such as date changes or inverter technology changes. AES Clean Energy supports requiring 'notice to proceed' and other contract milestones be provided or updated in Modification requests and results as AES Clean Energy already does this due diligence in practice today. In addition, AES Clean Energy supports increasing the study deposit to $30,000 and increasing study times to 60 days to disincentive projects from over submitting MMAs. Finally, AES Clean Energy agrees with the April 1st deadline for MMA requests to add storage as it this will align with the TPD allocation process.

Item 2: *Limited Operation Study adjustments*

AES Clean Energy highly supports the CAISO's concept to change the earliest limited operation study adjustment submittal date to nine months before Initial Synchronization. This proposal would allow the CAISO more process and study times, while developers can submit adjustment sooner in the process.

Item 3: *Project Accountability*

AES Clean Energy does not support the proposed concept requiring projects transferring their TPD allocation to another project to withdraw from the interconnection queue. AES Clean Energy supports increased flexibility for TPD transfers and sells, but believes this concept will decrease flexibility for developers. From AES Clean Energy's experience, transferring TPD can make projects viable for development and construction.

AES Clean Energy believes the proposed concept for projects with FCDS should be reconsidered. The concept currently proposes projects with FCDS to provide a third financial security and notice to proceed within three years after Phase 2 studies. AES Clean Energy supports providing the third financial security within three years after Phase 2 studies. However, the CAISO should provide additional time for the notice to proceed, such as five years. Projects are often awaiting state permits, environmental studies, and purchase agreements to be completed depending on deliverability allocation results. In addition, AES Clean Energy supports the requirement to require all projects to reach COD by 10 years in the queue, except for projects that do not have deliverability constraints. Projects that do not have deliverability constraints are not "in the way" of other projects in the queue and should not be subject to the same timeline as have deliverability constraints.

Item 4: *Clearing the Queue (One-Time Withdrawal Opportunity)*

AES Clean Energy supports the concept's proposed one-time withdrawal opportunity from the queue. Project that are in the queue with construction for Interconnection Facilities (IFs) and Network Upgrades (NUs) that have not been started and have not been able to start construction due to deliverability, permits or land issues should be invited to the one-time withdrawal opportunity. CAISO can consider incentives to support projects to withdraw, such as refunding unused deposits of IFs and NUs rather than losing all the deposit.

4. Provide your organization's high-level comments on each of the three Concepts for Managing Interconnection Request Intake, as described in section 4 of the discussion paper.

AES Clean Energy believes each of the three concepts require further significant details for stakeholder consideration. Additionally, each concept can only be adequately evaluated once stakeholders agree upon the proposed principles. At this time, AES Clean Energy can provide an overview of the benefits and concerns of each concept based on the provided information.

Concept 1: *Qualification process for determining projects studied for full capacity deliverability status and study path for all others*

The first concept proposal depends on to-be-determined scoring criteria to split projects into a high-priority and low-priority track for each prioritized transmission zone. The high-priority track is studied for FCDS, while projects in the low-priority track can withdraw or proceed as Option B projects and fund their DNUs. This concept appears to change the interconnection process from today's processes in the most incremental manner. The scoring criteria are based on metrics demonstrating a project's readiness level, such as site exclusivity and permit applications. Network upgrade cost estimates may also become more accurate as fewer projects are studied in each priority bucket. However, the concept attempts to predetermine which projects can be studied for FCDS intensively and eliminates projects down to the available or planned transmission capacity level. Projects that are not selected based on this scoring criteria process immediately faced with the option to withdraw or self-fund projects. Projects that are not selected may still be viable projects but are faced with extreme options due to the attempt to arbitrarily eliminate projects in the beginning. To this concern, the CAISO should allow low priority projects an opportunity to provide a third-party study to rebut against the determination and be reconsidered as high-priority projects.

To fully consider this proposal further, the CAISO and stakeholders should provide answers to the following questions:

- Where are the prioritized transmission zones and how is the available capacity determined by each cluster cycle? For example, will CAISO only study projects at POIs that have been determined to have deliverability? If so, how/when would developers be informed about the amount of deliverability at each POI?
- What are the scoring criteria and how is each criterion scored?
- What happens if the scoring criteria don't eliminate projects down to the level of available transmission capacity?
- Can low-priority projects be reconsidered as a high-priority project if a third-party study shows the project's ability to provide grid benefits?

Concept 2: *Only Study projects requested by LSEs and other offtakers*

The second concept requires offtakers to sponsor projects by providing the CAISO with a list of projects to study during the annual open window before phase 1 studies and a refined list before phase 2 studies. This concept reverses the commercialization process by requiring developers to find an offtaker before entering the interconnection queue. This concept attempts to meet the MOU's goal of aligning procurement and interconnection by allowing offtakers to determine development based on their procurement needs. However, this proposal may result in offtakers being the sole gatekeepers for development, eliminating the concept of an open market. In addition, offtakers may not have the best incentive or enough information to choose the most economical projects as projects are ultimately rate-based back to customers. This concept may also favor larger LSEs as smaller LSEs may not have the resources to replicate power studies and determine the best project for development. While this concept can help determine the most viable project based on commercial interest, it should be considered within Concept #1 as an additional means to enter the queue if projects are not selected as high priority. Considering this concept alone may result in unintended market power consequences. Additionally, this framework should ensure that agreements with non-LSE offtakers could towards meeting this queue entry requirement. Non-LSE customers are important customers driving procurement to help meet state energy goals.[1]

[1] The Clean Energy Buyers Association has found that since 2014, Commercial and Industrial Customers have contracted for 64.5 GWs of carbon-free electricity

Concept 3: *Only study projects that are successful in an auction process for proposed project*

The third concept utilizes an auction process for each transmission capacity zone to determine projects entering the interconnection queue by auctioning the available and/or planning transmission capacity. This concept would allow the market to assess project development by auctioning deliverability and determining winners. This concept requires data transparency from the CAISO to provide information for developers to replicate cluster and deliverability studies. Transparency in the TPD process is critical as developers would need to determine their bid structure. In addition to the data transparency needs, this concept needs to be further developed to determine the auction process. Questions to consider include:

- When would the auction occur?
- How would the available transmission capacity areas be communicated? (*i.e.* how would developers know where the capacity is between each bus that would be auctioned)
- Would the auction choose the highest bidder or a clearing price mechanism?
- Would auction winners be able to transfer/sell the awarded deliverability to others?
- Would there be any penalties if the auction winner did not produce the resource in a timely manner?
- How would resource attributes be considered in the auction to ensure resource diversity?

5. If your organization would like to present a proposal on an alternative methodology for accomplishing the fundamental principles in the discussion paper at an upcoming working group meeting, please provide a summary of your proposal, including a statement on how the proposal addresses the problems identified and adheres to the principles outlined in the discussion paper and stakeholder comment.

AES Clean Energy does not have a proposal at this time. However, the CAISO should allow stakeholders to elect to present once consensus is formed around the problem statements and principles.

6. Provide your organization's comments on the IPE Track 2 proposed scope and schedule.

AES Clean Energy agrees with the CAISO's assessment that this initiative's scope is within its Board of Governor's jurisdiction and does not require the WEIM Governing Body's authority. Regarding schedule, AES Clean Energy believes that three working group sessions may not be enough time for stakeholders to properly vet through proposals as the principles and problem statements have not been agreed upon. Therefore, the CAISO should schedule additional working groups as the stakeholder process unfolds.