BEFORE THE CALIFORNIA ENERGY COMMISSION

In the Matter of the 2013 Integrated Energy Policy Report Workshop on California and Western States Transmission Planning and Permitting Issues	Docket No. 13-IEP-1E

COMMENTS OF THE LARGE-SCALE SOLAR ASSOCIATION ON CALIFORNIA AND WESTERN STATES TRANSMISSION PLANNING AND PERMITTING ISSUES

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May 21, 2013

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The Large-scale Solar Association ("LSA") submits these comments on the California Energy Commission's ("CEC's") May 7th Workshop on California and Western States Transmission Planning and Permitting Issues (the "Workshop"). The comments below touch on three primary areas. We highlight some of the barriers to interconnection that are impacting renewable development, recommend the Renewable Energy Action Team ("REAT") agencies undertake further transmission planning for the DRECP, and recommend improvements to the development of transmission planning assumptions.

I. Delays in the Interconnection Process are Putting Projects at Risk of Missing CODs and Failing to Meet the ITC.

In 2013, over 2,000 MW of solar projects are expected come on-line in California.[1] This is a great achievement. However, as California makes strides toward meeting its RPS goals, a number of barriers remain to getting renewable projects interconnected to the grid. The interconnection process starts with a study process that often takes longer than two years. During that time developers receive

[1] CAISO 2012 Annual Report on Market Issues and Performance (April 2013), p. 51.

study results, which indicate the upgrades, costs and timeframes necessary to integrate a project. Increasingly, developers are finding that the study results are not indicative of what is ultimately needed to achieve interconnection. It is only following the study process, once the Participating Transmission Owner ("PTO") project team begins to evaluate the project that developers are able to get an accurate picture of the upgrade costs and timeframes for interconnection. For example, estimated upgrade costs can increase exponentially from one study to the next and lead times for critical transmission infrastructure continue to increase. For instance, stated lead times in interconnection study reports for identical upgrades (e.g., installing a 500/220 kV transformer bank) have increased from 36 months in the Clusters 1 and 2 studies, to 43 months in Clusters 3 and 4 studies. In addition, the time to build a new line has increased from 96 months in Cluster 2 to 105 months in Cluster 5. Increases to both upgrade costs and delays are generally outside the control of the developer and are problematic for a number of reasons. First, the significant uncertainty and delay in determining both the costs and length of time it will take to get a project on-line makes it difficult for developers to make informed decisions about whether to continue in the interconnection queue and negotiate power purchase agreements. Second, the lack of accurate data makes it challenging determine where there is in fact transmission availability. Third, and most troubling is that the uncertainty and delays and put otherwise viable projects at risk of missing contract commercial on-line dates ("COD") and/or becoming unfinanceable.

The lack of alignment between transmission construction and federal or state investment incentives may also impact projects in meeting the Investment Tax Credit ("ITC") deadline, which is set expire at the end of 2016. The PTO's have limited staff resources dedicated to performing the work required to interconnect and test new generators at the time of initial synch and commercial operation. This lack of resources could lead to further project delays, disqualifying delayed projects from ITC eligibility. These problems also have the potential to impact the state's ability to meet its RPS goals, as utilities are held harmless for missing RPS targets due to transmission delays.

Some of these problems can be attributed on-going clogging of the interconnection queue at CAISO. However, as CAISO indicated during the Workshop, the queue has been significantly reduced in the last two years and on-going reforms will likely streamline queue management going forward. The situation many developers are facing today appears to be due to a combination of factors, including: misaligned incentives, lack of PTO resources, inefficiencies in the study process and in some cases, queue clogging.

LSA is working the CAISO and the CPUC to address these interconnection issues, which must be accounted for in the transmission planning and interconnection and procurement processes and can be addressed in part by:

- Increasing coordination between the interconnection and procurement processes, which will help developers make informed decisions about whether to retain a queue position based on RFO shortlist results and could help clear the interconnection queue;

- Increasing transparency of the progress of permitting and construction of transmission and network upgrades, which will help identify problem areas and allow developers to better manage risk;
- Amending RFO and RAM contracts to account for lengthy transmission and network upgrade timelines to ensure viable projects get on-line; and
- Providing PTOs more flexibility to prioritize projects and incentives for timely performance, which will help protect projects against delays.

II. The DRECP Needs to Include Further Transmission Planning

LSA recommends the REAT place greater emphasis on transmission planning for the DRECP. The Conceptual Transmission Plan ("CTP") developed last year was a good first step. However, after learning more about how the CTP was developed and what it considered during the Workshop, LSA recommends the REAT undertake the development of a more in-depth and comprehensive transmission study and overall transmission action plan for the DRECP area that takes into account the full extent of the transmission expansion needs. The CTP appears to have relied on assumptions based on the current interconnection queue and already proposed and under construction transmission upgrades. This may be a reasonable proxy for planning for the next decade but not for long-term renewable development in the DRECP over a 25-40 to year period. A second, more extensive study should look beyond the current queue and planned upgrades and provide more detailed analysis of what transmission will is needed for the full extent of development anticipated by the DRECP.

The CPT may have also over-estimated potentially available capacity due to queue clogging. A large number of Cluster 3 and 4 projects were included in the lists of unexecuted LGIAs shared by SCE during the Workshop, only some of which may fall off. Unlike the serial projects and some of the older cluster projects, Cluster 3 and 4 projects received Phase II studies in late November 2012 were required to execute second financial security postings this month. Given that more will be known about how many of these projects will remain in the queue in the next few months. LSA recommends any further DRECP Transmission Planning efforts utilize the most up-to-date queue information.

III. Greater Transparency and Quality Control is Needed in the Development of Transmission Planning Assumptions.

As the CEC, CPUC and CAISO continue to improve their coordination efforts, greater emphasis needs to be paid to ensuring the quality and transparency of data being used for transmission planning efforts. This is particularly important as we move forward with the Generator Interconnection and Deliverability Allocation Procedures (GIDAP) Process in order to ensure a fair process for all stakeholders. Under the GIDAP, projects requesting interconnection will either need to have necessary upgrades included in CAISO's Transmission Plan or fund the upgrades themselves. Any projects excluded from the Transmission Plan are unlikely to be built, as few developers are able to shoulder the risk and costs necessary to interconnect, particularly given the interconnection problems outlined above. Projects' reliance on the Transmission Plan increases the importance of each underlying assumption used in the Transmission Planning Process ("TPP"), as even

small changes to the data will determine whether a project's upgrades are ultimately included in the Transmission Plan, and thus whether it will be developable.

The agencies currently develop data for transmission planning in a number of different proceedings. As these assumptions filter through different agencies' proceedings, it is difficult to track how the data was sourced and whether the data and methodology are accurate or appropriate for the intended purpose. For example, the Draft DRECP Alternatives were inappropriately used for scoring projects for the TPP Renewable Portfolios. LSA and other stakeholders have expressed concerns about the accuracy and premature nature of the data, as well as the methodology and implications of using draft DRECP alternatives that had been neither vetted nor approved for current transmission planning efforts. LSA encourages the agencies to be increasingly mindful of these dynamics and to make transparent the rationale for the methodology and data sources used, as well as the dates and limitations of existing assumptions.

The TPP Renewable Portfolios example also highlights gaps in the stakeholder process, which continue to occur as the agencies take responsibility for different parts of the planning process and hand off information to each other. The December 2012 Joint CEC/CPUC TPP Renewable Portfolio Workshop, held a few days after the Draft DRECP Alternatives were released, was the only opportunity for stakeholders to provide feedback on the use of the Draft DRECP Alternatives for scoring the 2013 Renewable Portfolios. It is critical that as agencies increase their coordination efforts, stakeholders are provided with adequate notice of where and

when different assumptions will be developed. This will ensure stakeholders are adequately informed and able to participate in the appropriate forums and can provide input and feedback as assumptions are under development.

LSA understands that a number of updates are planned for this year – including a CPUC update to the RPS Calculator – and looks forward to participating in those efforts. LSA recommends that any updates to the planning assumptions include up-to-date information on renewable projects currently under development (including information on costs and interconnection needs) and urges the agencies to avoid constructing assumptions that disadvantage projects actually under development for generic project assumptions. This approach has been used in the last several iterations of the Renewable Portfolios for the TPP with the inevitable result being Renewable Portfolios which favor "proxy" projects, rather than fully supporting demonstrated progress of both projects on the ground and expected development as indicated by PPAs and interconnection requests. We have commented previously that this strategy destabilizes both planning efforts and the overall renewable energy market development. As such, we are increasingly concerned about the impact this approach may have as we begin the GIDAP process.[2]

[2] See LSA Comments on Interconnection of Renewable Development in California for the 2012 IEPR Update (May 2012).

CONCLUSION

LSA appreciates the opportunity to participate in the Workshop and comment on California and Western States Transmission Planning and Permitting Issues. These are important issues that must be addressed in order to ensure that California can achieve its RPS goals.

Respectfully submitted,

__/s/_____
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May 21, 2013