TPP-GIP-Procurement Integration
First Solar Proposal

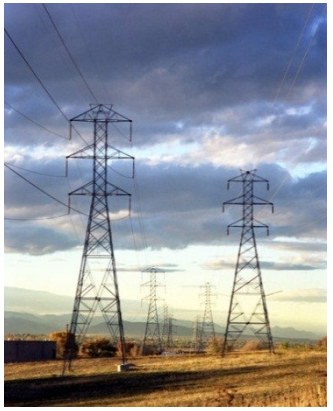
Structure of Presentation

- **Demand-Based Planning of Network Upgrades in the TPP**
- **Synchronize GIP, TPP and the LSE Procurement Processes**
- **Allocation of Deliverability Capacity by LSEs**
- **Refundable Interconnection Financial Security (IFS)**
- **Voluntary Transition for Prior Queued Projects with Refundability of IFS**
- **Appropriate Treatment for Prior Queued Projects That Do Not Transition**
- **Integrated TPP-GIP: Step-by-Step**

Demand-Based Planning of Network Upgrades in the TPP

Description

- Plan upgrades for forecasted generation, not the whole queue
- Network Upgrades financed upfront by PTOs, not interconnection customers.



Benefit

- Considerably less transmission planning work
- Fixes the following defects in today's TPP-GIP transmission plan:
  - Assumes too many new generators
  - Indicates that too many transmission upgrades are needed
  - Interconnecting generators have to post large financial security for upgrades of dubious need, which will not be completed for 7-10 years

Synchronize GIP, TPP and LSE Procurement Processes

Description

- LSE procurement forecasts lead to resource scenarios for the TPP
- The TPP produces the TRCR used in LSE resource procurement
- Signed PPAs provide the input assumptions for GIP Phase 2
- TPP approved transmission plan includes Planned Deliverability Allocations for LSEs

Benefit

- Greatly reduces uncertainty in demand-based transmission planning and LSE procurement decision-making

Allocation of Deliverability Capacity by LSEs

Description

- LSEs would get a deliverability allocation to procure all new projects, whether they already have IAs or not
- LSEs are responsible for taking steps to gain Planned Deliverability Allocations in the TPP and procuring resources that can make use of those allocations
- The form of PPAs would be revised so that the sellers no longer have any responsibility for achieving Full Capacity Deliverability Status (FCDS) or for the network upgrades needed for FCDS.

Benefit

- Scarce transmission will go to the least cost-best fit resources rather than the first in the queue.
- New entrants will have equal opportunity to access deliverability upgrades – **if they get PPAs.**
- LSEs will know with much more certainty the timing and cost of delivery upgrades

Refundable Interconnection Financial Security

Description

- If deliverability upgrades will no longer be assigned to the queue, there is no need to make IFS non-refundable to reduce the queue (or have the second posting of IFS)

Benefit

- Decreased resource development costs
- Developers could market the same queue position indefinitely, as long as they pay for ongoing study costs

Voluntary Transition for Prior Queued Projects with Refundability of IFS

Description

- Existing queued projects, even those with signed IAs, could volunteer to give up their claims to assigned delivery upgrades and let LSEs assign the associated deliverability in return for their IFS becoming fully refundable
- PPAs for those resources would be amended, without reopening negotiations or modifying other terms, to relieve sellers who transition from any responsibility for achieving FCDS or for the network upgrades necessary for FCDS

Benefit

- Volunteers can shed expensive long-term upgrades, potentially get delivery on planned near-term upgrades, and get fully refundable IFS.
- LSEs do not have to wait for expensive, long term upgrades to be built, or for queue attrition to demonstrate that upgrades are not needed, to make the resources they procure deliverable.

Appropriate Treatment for Prior Queued Projects that Do Not Transition

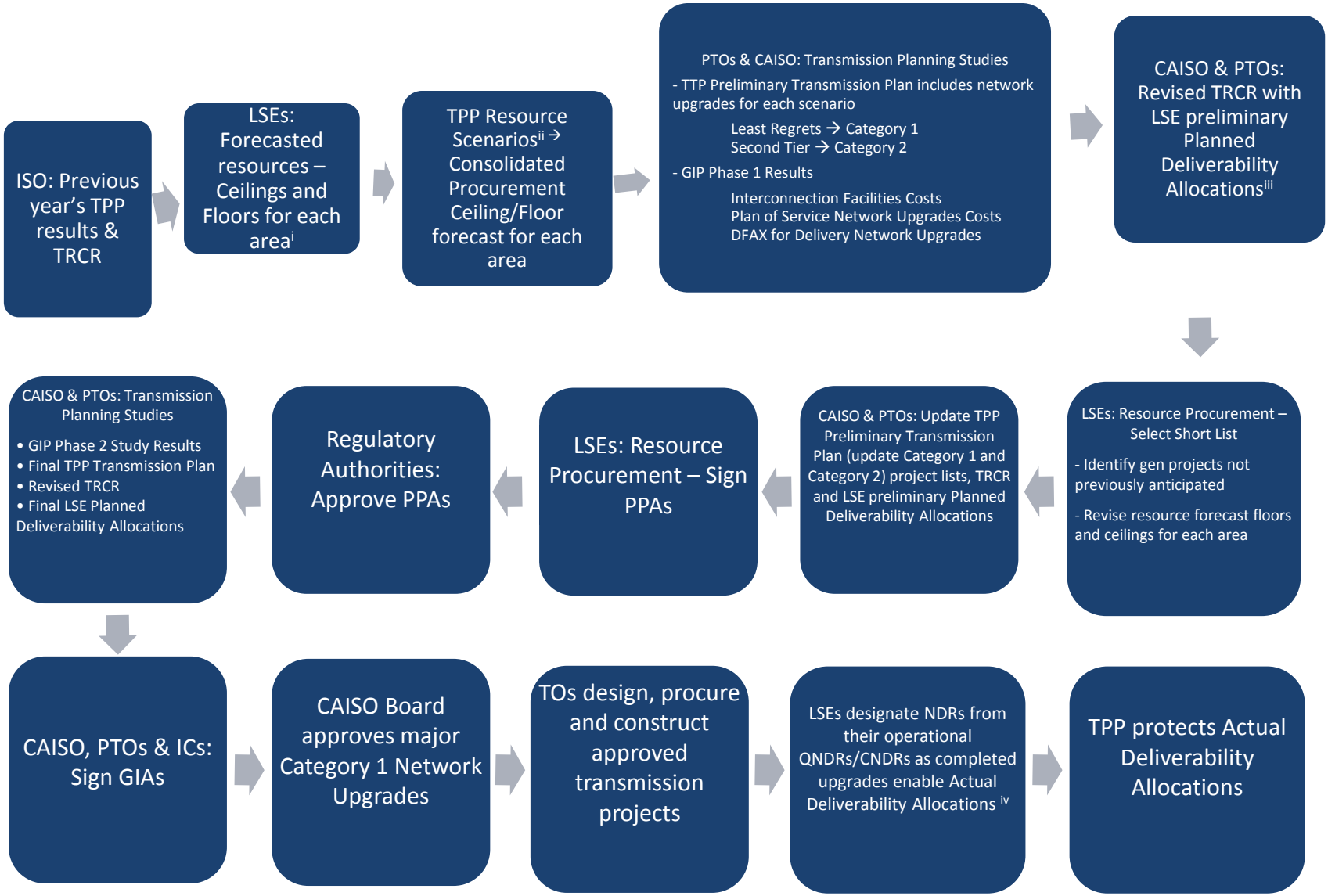
Description

- An LSE may not count an existing queued project with FCDS toward its Resource Adequacy requirement unless it has included that resource in its forecast submitted for the TPP assumptions and has received sufficient Planned Deliverability Allocation and Actual Deliverability Allocation to accommodate that resource.

Benefit

- Appropriately recognizes that the ultimate purpose of FCDS is for an LSE to satisfy its RAR and that a generator's achievement of FCDS is of no use or meaning if the generator does not have a PPA.
- Prevents LSEs from gaming the new TPP-GIP rules by counting a resource for Resource Adequacy that it has not included in its resource forecast for the TPP.

Integrated TPP-GIP Proposal – Step by Step



Integrated TPP-GIP Proposal – Step by Step: Footnotes

[i] Forecasts will include all new generators, with or without PPAs or GIAs, except those under active construction, which are automatically included in the TPP.

[ii] The TPP resource scenarios will be derived from LSE resource forecasts (i.e. the area floors and ceilings) with input from the states (e.g. CEC and PUCN). The sum of the LSE resource ceilings assumed for each area will need to represent more than 33% RPS (e.g. 50% RPS), to reflect uncertainty in the outcome of LSE procurement activities, including bid pricing and project viability. The scenarios will include LSE preliminary Planned Deliverability Allocations for each area.

[iii] Consistent with the TPP resource scenarios, the TRCR would state the LSE Planned Deliverability Allocation ceilings for each area. The allocations would apply to both previously signed PPAs and projects not yet signed. Actual allocations of deliverability capacity to LSEs occur as the required Delivery Network Upgrades and planned resources reach commercial operation.

[iv] To the extent that an LSE signs PPAs with QNDRs (Queue-conditional Network Delivery Resources) and CNDRs (Conditional Network Delivery Resources) in an area that total more than the LSEs Planned Deliverability Allocation, the LSE will not be able to designate the excess amount of those resources as NDRs (Network Delivery Resources) or count them toward meeting its Resource Adequacy Requirement. This applies even for a resource that has Full Capacity Deliverability Status under the existing GIP.

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