Decision on interconnection process enhancements initiative - track 3

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ISO Board of Governors Meeting

General Session

March 26, 2025

Track 3 enhancements focus on allocation of deliverability needed for resource adequacy.

1. Accelerated onboarding of projects within clusters using existing system interconnection capacity.

2. Modifications to streamline the deliverability allocation process.

3. Transparency with stakeholders regarding designations of long lead-time generation and storage resources for which the ISO reserves deliverability.

The proposed intra-cluster prioritization process will enable timely interconnection of projects within a cluster.

Current Challenges

- Cluster 14 phase II reports identified several long lead-time short-circuit mitigation projects and reliability network upgrades.

- Some mitigation projects and network upgrades will likely be eliminated as generation and storage projects withdraw from the queue.

- Current in-service dates for the generation projects reflect the time it will take to complete the long lead-time reliability network upgrades.

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Intra-cluster prioritization would enable earlier interconnection of projects.

Proposed Enhancements

- Allow some resources in the cluster responsible for triggering reliability network upgrades to interconnect until just before triggering the need for long lead-time reliability network upgrades.

- Process similar to the existing deliverability allocation process.

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The ISO and transmission owners will identify reliability network upgrades eligible for prioritization.

Eligibility

- Process enhancement would be available to all cluster groups.

- All assigned reliability network upgrades that meet the following criteria:

  - estimated time to construct of four or more years, and

  - Delay the in-service date of multiple generation projects by two or more years.

- Reliability network upgrades to be considered would be identified by the ISO and participating transmission owners and posted on the ISO website.

The ISO and transmission owners will identify reliability network upgrades eligible for prioritization.

Proposed Process

- Affected interconnection customers will submit forms with similar information to the forms submitted for the deliverability allocation process.

- ISO will rank those projects and provide those rankings to the participating transmission owners.

- Scores will be based on the status of project financing, permitting, generator interconnection agreement, deliverability allocation, and associated deliverability network upgrade status.

- Transmission owners will assess, allowing the highest ranking projects to come online prior to completion of the upgrade.

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The proposal does not change network upgrade timelines or cost responsibility.

- Remaining projects would have to wait for the assigned reliability network upgrades to be completed and placed in service.

- Cost responsibility for the upgrades would not be affected by this process.

The ISO proposes modifications to the deliverability allocation methodology to align with procurement.

Consolidation of previous allocation groups to prioritize projects with power purchase agreements (PPAs)

Current allocation groups	Modified proposal (effective 2027)
Group A: Projects with executed PPAs and load-serving entities serving their own load	**PPA:** Projects with a PPA that meets existing eligibility requirements.
Group B: Actively negotiating PPA or on a shortlist	**Commercial operations:** Eligible energy only projects in commercial operation (cluster 14 and earlier only)
Group C: Commercial operation for capacity seeking deliverability	**Conditional:** All others, but without conditions
Group D: All others, with several conditions	

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Cluster 14 and prior projects will operate under the current allocation groups until 2027.

- The new allocation process begins in 2027.

- The deliverability allocation process for 2025 is unchanged.

  – Maintains the current allocation groups A-D.

  – The 2025 allocation cycle will be the last opportunity for energy only projects to seek an allocation through either the PPA (group A) or Shortlist (group B) allocation groups.

  – After 2025, cluster 14 and prior energy only projects can only seek an allocation in the commercial operation group.

- Any cluster 14 project that receives a group D allocation in 2025 must have a PPA in 2027 to retain the allocation.

  – All projects that have sought an allocation through group D will continue to be subject to the group D restrictions.

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Modifications to the deliverability scoring criteria will begin in 2027.

- The scoring methodology is used to prioritize projects seeking deliverability allocations, determining the order that projects receive deliverability within each allocation group.

- Changes were necessary to align with the revised deliverability allocation groups and new FERC site control requirements.

  - Removed the shortlist status and land acquisition categories and added a category for generator interconnection agreement status.

  - Added a simplified process for the commercial operation allocation group

Adjusting the second financial security posting for parked cluster 14 projects improves certainty.

- Propose extending the second interconnection financial security posting for parked cluster 14 projects to reflect recent changes to the deliverability allocation schedule announced in a market notice in October 2024.

- This extension will allow customers time to obtain the results of the deliverability allocation process before making their second posting.

Beginning in 2027, projects in cluster 15 and beyond will have three opportunities to obtain deliverability.

- Each cluster will have three consecutive opportunities to seek an allocation.
  - Plus one additional opportunity during the cluster's facility study.
    - Provides opportunity for projects able to secure a PPA without their Facility Study results.
  - A cluster's first opportunity to obtain allocations in all three groups begins with the allocation cycle following the cluster's facility study.
- Projects unable to obtain a PPA within their three opportunities will be withdrawn from the queue.

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Treatment of energy only projects is designed to ensure fairness.

- Any technology additions will be added as energy only and may only seek deliverability through the commercial operation group.

  – Only projects that were studied as deliverable or merchant will be eligible to seek an allocation (projects that entered the queue as energy only are not eligible).

  – Current tariff makes energy only interconnection requests ineligible to seek an allocation, even for technology additions.

  – Will commence after the 2025 deliverability allocation cycle request window closes.

- Energy only PPAs: For tariff provisions that require PPAs, the ISO will not accept PPAs for energy only projects where the PPA is contingent on receiving deliverability or that has a resource adequacy obligation.

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The ISO proposes a more transparent process for identification of long lead-time resources.

Current Treatment

- The ISO currently has authority to:
    - Give certain long lead-time resources points in the interconnection request scoring process.
    - Reserve deliverability for certain long lead-time generation resources.
- The final proposal clarifies a transparent process for identifying long lead-time resources and reserving deliverability through the transmission planning process, in coordination with local regulatory authorities.
- This same process can be used to designate long lead-time resources that receive points in the interconnection request scoring process.

Proposed process for determining qualifying long lead-time resources

Proposed Enhancements

1. The transmission planning process will establish standards, specifying what types of resources will qualify to be eligible for reserved deliverability.

2. Within each recurring transmission planning process initiative, local regulatory authorities will review the standards and provide the ISO a more explicit list of qualifying resources eligible to compete for reserved deliverability.

3. The ISO Board-approved transmission plan will then include a description of the qualifying long lead-time resources, specific to that transmission plan, and informing future clusters.

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Proposed deliverability requirements for qualifying long lead-time resources

Proposed Process

- ISO will only reserve deliverability consistent with, and not to exceed, what is included in the local regulatory authorities' resource portfolios, submitted to the ISO in the most recent transmission planning process.

- To the extent that a resource seeks additional deliverability beyond what is in the portfolio, they will have to compete for non-reserved available capacity.

- Release reserved transmission capacity if specific resources or their associated transmission upgrades identified in the transmission plan do not materialize.

  – Formal written decision by a local regulatory authority

  – Consideration in ISO transmission planning process

Stakeholders are generally supportive of these enhancements.

- A majority of stakeholders supported the intra-cluster prioritization proposal, the modifications to the deliverability allocation process, and appreciated the additional transparency around deliverability reservations going forward.

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Stakeholders have identified concerns with existing ISO policy.

- Stakeholders expressed concerns with the prohibition on cluster 15 and forward energy only projects seeking deliverability allocations.

  - *Response:* This policy was adopted as part of the ISO's track 2 reforms to prevent interconnection customers from circumventing the scoring process by entering the queue as energy only. It is not part of the track 3 proposal. The ISO will consider potential adjustments in a future initiative.

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Stakeholders sought more discussion around treatment of long lead-time resources.

- Some stakeholders expressed concerns with the current practice of reserving deliverability for long lead-time resources.
  - *Response:* The ISO currently has tariff authority to reserve deliverability for certain resources. While this is not a new proposal in track 3, the ISO is responding to stakeholder requests for more transparency with additional detail on the process.
- Some stakeholders expressed disappointment that the ISO did not include additional extensions or considerations for long lead-time resources in the final proposal.
  - *Response:* The ISO will explore further changes in a future initiative.

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Stakeholders expressed concern with target dates for deliverability allocation process in the final proposal.

- Several stakeholders sought clarity and expressed concerns with moving the target due dates for affidavits to seek deliverability forward in the final proposal.
  - *Response:* The ISO issued a market notice on March 18, 2025 to inform stakeholders that the deadline for deliverability affidavits will only shift forward by a few days in order to accommodate Labor Day, but will not constitute the significant change they were concerned about.

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The ISO intends to begin new initiative to explore modifications to interconnection process later in 2025.

- The ISO committed to revisiting certain issues in track 2 of the 2023 interconnection process enhancements initiative.

- Review of the cluster 15 interconnection request intake process will provide insight into any modifications to the process.

- Track 3 contemplated additional considerations for long lead-time resources that were not ultimately included in the final proposal, but warrant further discussion.

- The ISO seeks to implement any new adjustments to the interconnection request intake process before the cluster 16 application window in October 2026.

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These reforms build upon the transformational changes needed to onboard generation at an unprecedented pace.

The ISO recommends approval of these changes, which seek to

- facilitate timely interconnection of certain resources within a cluster,

- align the deliverability allocation process with procurement, and

- add transparency to designate long lead-time resources.

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