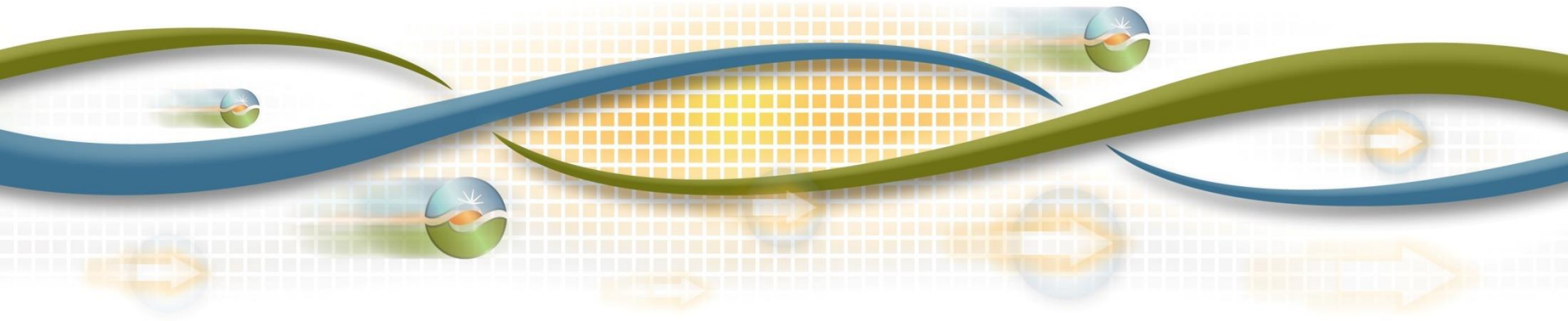




# **Generator Interconnection Driven Network Upgrade Cost Recovery**

## ***Revised Straw Proposal***

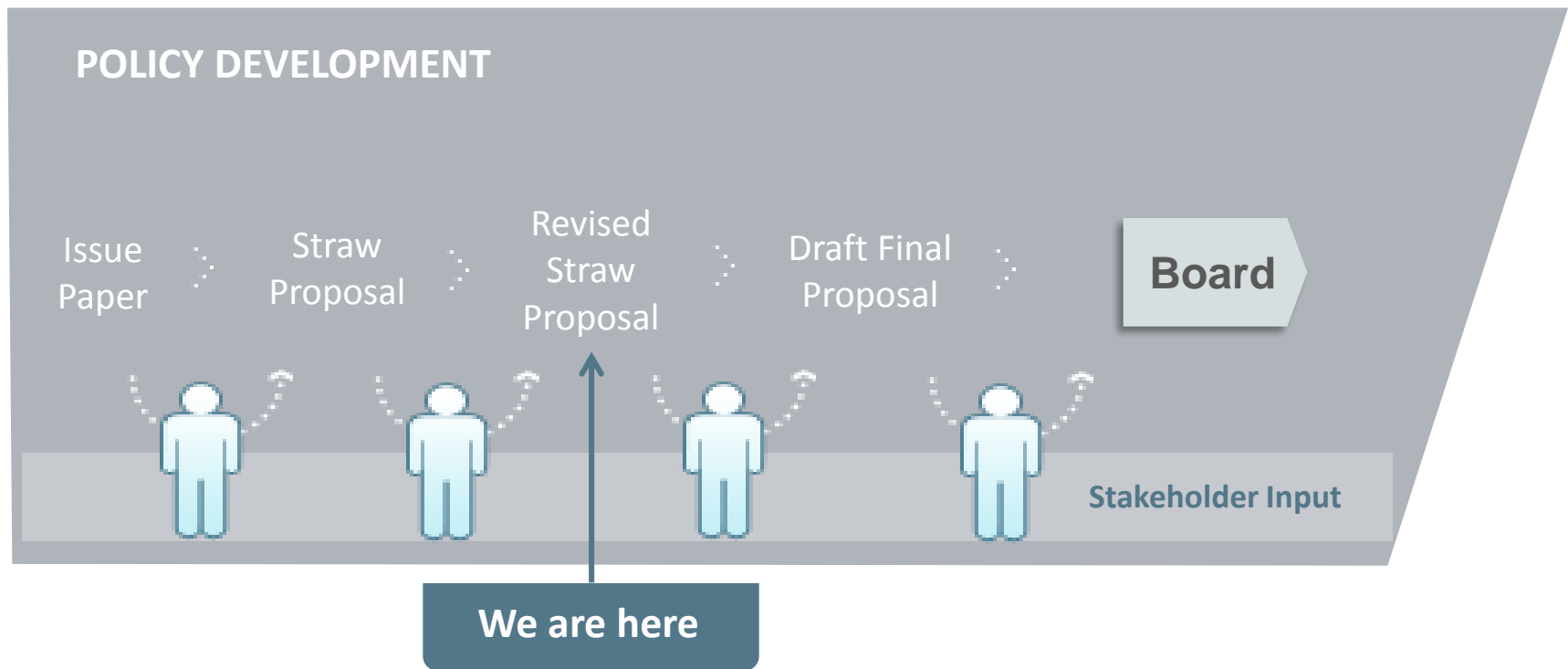
Stakeholder web conference  
September 13, 2016  
9:00 AM – 11:00 AM (Pacific Time)



# Agenda

<b>Time</b>	<b>Agenda Item</b>	<b>Speaker</b>
9:00-9:10	Introduction, Stakeholder Process	Tom Cuccia
9:10-10:50	Revised Straw Proposal Discussion	Neil Millar Lorenzo Kristov Bill Weaver Steve Ruty
10:50-11:00	Next Steps	Tom Cuccia

# ISO Stakeholder Initiative Process



# Stakeholder process schedule

Step	Date	Event
Draft Issue Paper Straw Proposal	August 1	Post issue paper
	August 8	Stakeholder web conference
	August 19	Stakeholder comments due
Revised Straw Proposal	September 6	Post revised straw proposal
	September 13	Stakeholder web conference
	September 20	Stakeholder comments due
Draft Final Proposal	TBD	Post draft final proposal
	TBD	Stakeholder web conference
	TBD	Stakeholder comments due
Board Approval	December 14/15	Board of Governors meeting

## Issue - Generator interconnection triggered low-voltage network upgrade cost recovery

- ISO Tariff requires PTOs to reimburse interconnection customers (ICs) for reliability and local deliverability network upgrades (NUs)
- PTOs include these costs in their rate base as either local low-voltage (LV) below 200 kV or regional high-voltage (HV) 200 kV and above, to be collected via LV and HV transmission access charges (TAC)
- LV TAC is local to that PTO only. HV TAC is a system-wide rate applied across the entire ISO
- Does this current mechanism for NU cost recovery appropriately allocate costs in accordance with FERC's cost allocation principles?

## Order nos. 890 and 1000 set forth FERC cost allocation principles

1. Costs must be allocated in a way that is roughly commensurate with benefits.
2. Costs may not be allocated involuntarily to those who do not benefit.
3. A benefit to cost threshold may not exceed 1.25.
4. Costs may not be allocated involuntarily to a region outside of the facility's location.
5. The process for determining benefits and beneficiaries must be transparent.
6. A planning region may choose to use different allocation methods for different types of projects.

# Generators provide benefits to the ISO markets for the entire region

- ISO market produces efficient, least-cost market operation
- Entry of additional resources puts downward pressure on the overall cost of energy and other services
- New generation can provide lower cost and more efficient opportunities for accessing resource adequacy capacity
- LSEs are incentivized to procure renewable generation from the lowest cost resource, regardless of location

# Relationship of this initiative to the regional TAC Options initiative

- The present matter needs to be resolved for the current ISO footprint even if an expanded ISO BAA never comes to pass.
- There is some urgency to the present matter, and incorporating it into the larger TAC Options initiative would delay its resolution
- Future implementation date of the TAC Options initiative is uncertain, and at least several years in the future
- Both initiatives are explicitly attending to FERC principles regarding transmission cost allocation



## Straw Proposal – Include costs of generator triggered low-voltage network upgrades in ISO regional high-voltage TAC

- Generators provide energy to the ISO markets for the entire region, and generally support public policy goals
- Once interconnected to the ISO controlled grid (whether above or below 200kV) it is connected to the ISO market and benefits all ISO ratepayers, not just those in the local area
- This option will allow the retention of the fundamental design and features of the Generation Interconnection and Deliverability Allocation Procedures (GIDAP)

## Should this proposal apply to already built NUs whose costs have yet to be recovered?

- Originally, the ISO suggested that this proposal apply going forward as NUs are put into service
- Should this proposal also apply to NUs that have already been built and whose costs have yet to be recovered?
- ISO is seeking stakeholder input on this feature of the proposal.

# Next Steps

Request stakeholder comments by COB September 20th

Be sure to use comments template provided

Submit to comments mailbox:  
[initiativecomments@caiso.com](mailto:initiativecomments@caiso.com)

Thank you!