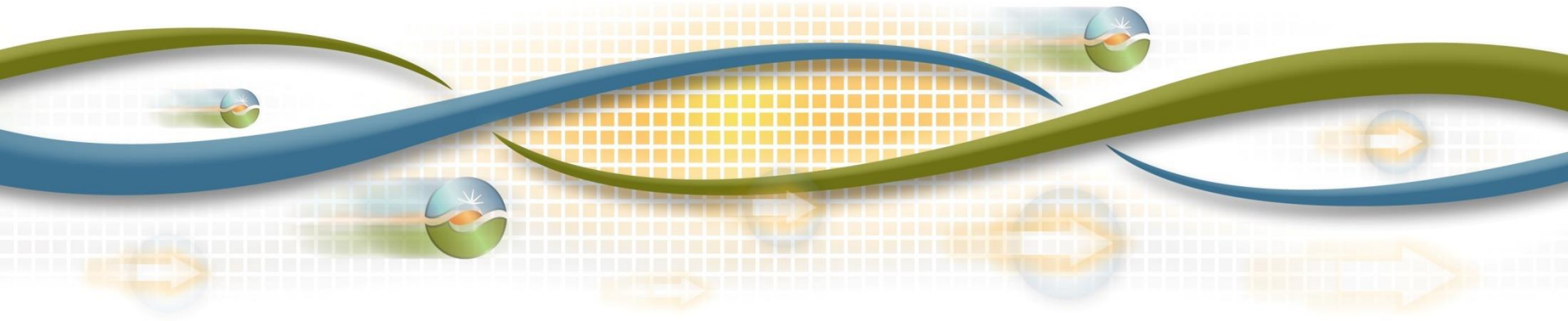




Generator Interconnection Driven Network Upgrade Cost Recovery

Second Revised Straw Proposal

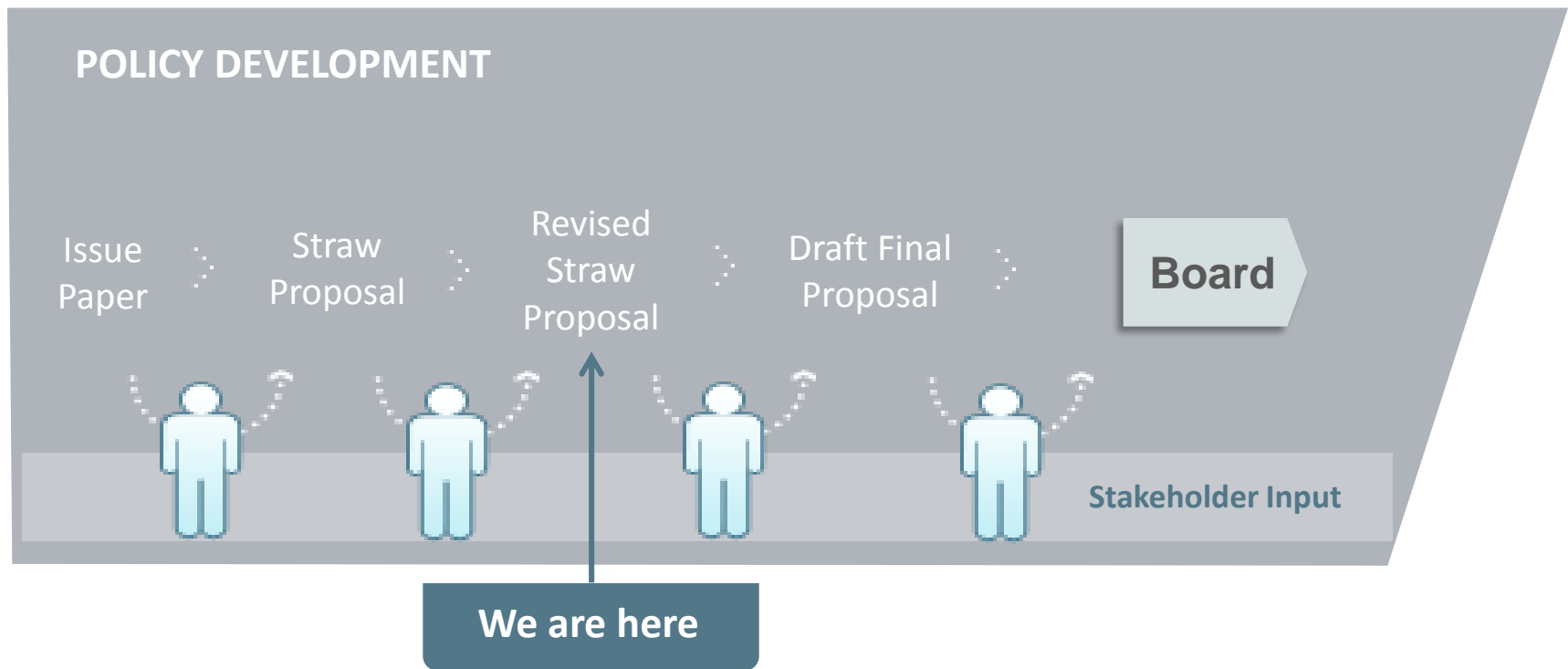
Stakeholder web conference
December 5, 2016
10:30 AM – 12:00 AM (Pacific Time)



Agenda

Time	Agenda Item	Speaker
10:30-10:40	Introduction, Stakeholder Process	Tom Cuccia
10:40-11:50	Revised Straw Proposal Discussion	Lorenzo Kristov Bill Weaver Steve Ruty Bob Emmert
11:50-12:00	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
Second Revised Straw Proposal	November 21	Post draft final proposal
	December 5	Stakeholder web conference
	December 16	Stakeholder comments due
Draft Final Proposal	TBD	Post draft final proposal
	TBD	Stakeholder web conference
	TBD	Stakeholder comments due
Board Approval	TBD	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?

Stakeholders Divided on Straw Proposal Option 1

- Option 1 proposed to include the cost of generator-driven low-voltage facilities of all PTOs in the aggregated high-voltage TRR for recovery through the “postage stamp” high-voltage TAC.
- Stakeholders suggested that a more narrowly focused solution that addresses issues that currently face VEA and similarly situated PTOs is appropriate.
- The ISO agrees that the current cost allocation rules have resulted in appropriate cost allocation overall to date and continue to work for generator interconnections to the larger load serving entities low-voltage transmission systems.

Second Straw Proposal

- The ISO proposes two new low-voltage generator-driven network upgrade cost allocation approaches for qualified small load serving PTOs.
- These options are identified as Option A and Option B to avoid confusion with the prior proposals
- These options identify which smaller PTOs are sufficiently dissimilar from other PTOs and as a result are experiencing an inequitable outcome of the existing cost allocation approach.

Option A - Entails a case-by-case decision for each such candidate PTO

Proposed Criteria

- Relatively very small PTO in relation to other load-serving PTOs.
- The small PTO is in a resource rich area that is leading to elevated generator regional procurement interest within the area.
- The small PTO is not under a Renewable Portfolio Standard (RPS) requirement or, if under an RPS requirement, does not have a need for the new interconnecting generation to meet that requirement.

Option B - Formulaic approach that would be aligned with the same principles as Option A

Proposed Criteria

- The PTO's annual gross load is no larger than 5% of the annual gross load of the ISO's largest PTO (VEA is currently 0.6%).
- The PTO is located in a renewable rich area that is beneficial for development of renewable resources for the entire ISO.
- The PTO is not under a Renewable Portfolio Standard (RPS) requirement or, if under an RPS requirement, does not have a need for the new interconnecting generation to meet that requirement.

Cost allocation treatment for Options A and B

- The cost allocation treatment under options A and B are the same: to include the low-voltage network upgrade costs in the PTO's high-voltage transmission revenue requirements.
- However, If the generation is being built to serve the PTO in some manner, the cost of low-voltage network upgrades driven by this generation would be put into the PTO's low-voltage TAC rates.
 - For example is being built by or sponsored by the PTO, or the PTO has entered into a power purchase agreement with the generator.

Next Steps

Request stakeholder comments by COB December 16th

Be sure to use comments template provided

Submit to comments mailbox:
initiativecomments@caiso.com

Thank you!