# Stakeholder Comments Template

# Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

| Submitted by | Company | Date Submitted |
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# Second Revised Straw Proposal

This template has been created for submission of stakeholder comments on the revised straw proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative that was posted on Nov. 21, 2016. The proposal and other information related to this initiative may be found at: http://www.caiso.com/informed/Pages/StakeholderProcesses/GeneratorInterconnectionDrivenNetworkUpgradeCostRecovery.aspx .

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **Dec. 16, 2016.**

If you are interested in providing written comments, please organize your comments into one or more of the categories listed below as well as state if you support, oppose, or have no comment on the proposal.

The Staff of the California Public Utilities Commission (CPUC Staff) appreciates the opportunity to comment on the California Independent System Operator Corporation's (CAISO) Second Revised Straw Proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery (GID NUCR).

Previously, in the Revised Straw Proposal, CAISO proposed to include the cost of generator-driven low voltage facilities of all participating transmission owners (PTOs) in the aggregated high-voltage transmission revenue requirement (TRR) for recovery through the postage stamp high-voltage transmission access charge (TAC). In the Second Revised Straw Proposal, CAISO has presented the issue of whether the current practice for low-voltage upgrades should be revised for Valley Electric Association (VEA). VEA contends that it needs to connect large-scale renewable generation to its low voltage transmission system, which will require upgrades to the existing system. VEA further asserts that the benefits of these upgrades extend beyond VEA customers to the larger ISO market.

Thus, at the heart of CAISO's second revised straw proposal is a solution solely for entities like VEA who need to make interconnection investments, which would benefit all customers in the CAISO, controlled market, not just those in the local area. In short, CAISO's solution called for an inclusion of low voltage interconnection network upgrades to be placed into a participating transmission owner (PTOs) high voltage TRR.

The first revised proposal was opposed by many stakeholders who stated that the proposal unfairly created new, socialized costs without a majority of support. In its Second Revised Straw Proposal, CAISO approaches this issue anew, with narrowly focused methodologies. In summary, CAISO approaches the issue with two options for stakeholders to select from. First, Option A proposes a methodology where an entity like VEA is required to meet specific criteria (discussed below) on a case-by-case basis in order to have its network upgrades put into a PTO or PTOs high-voltage TAC. Option A requires CASIO Board and FERC approval. Alternatively, Option B proposes a similar methodology as Option A, but distinguishably, is not reviewed on a case-by-case determination and does not require CAISO Board or FERC approval once adopted. Rather, Option B is implemented automatically.

CPUC Staff believes that Option A, which addresses this issue on a case-by-case basis, is a reasonable starting place for stakeholders to consider this issue. Below, CPUC Staff addresses the questions presented by CAISO.

## I. Do you support a more narrowed focused approach, like or similar to Options A & B versus the original straw proposal's Option 1? Please provide specific information to help stakeholders understand your argument either for or against.

CPUC Staff agrees that the situation presented by VEA warrants stakeholder consideration. Furthermore, CPUC Staff favors a more narrowed and focused approach to addressing this issue, as presented in Option A. Under Option A, entities would need to meet the following criteria in order to justify an alternative transmission access charge (TAC) rate **only if** a transmission project that is being built in the aggrieved party's service territory is for the needs of the larger market: (1) the applicant party is a relatively small PTO in relation to the other PTOs; (2) the applicant party is a small PTO in a resource rich area that is leading to elevated generator regional procurement interest in the area; and (3) the applicant party is a small PTO not under a renewables portfolio standard (RPS) requirement or, if it is, does not have a need for the new interconnection generation to meet that requirement.

CPUC Staff favors Option A. Unlike Option B, Option A requires CAISO to perform a case-by-case review and ensure that an entity satisfies the criteria. CPUC Staff opposes Option B because Option B is implemented automatically. Additionally, under Option B, CAISO would apply the criteria and reach its determinations for future PTOs without subsequent stakeholder, CAISO Board, or FERC approval. In this way, Option B lacks transparency, suspends the stakeholder process, and forecloses upon stakeholder review of costs that could unreasonably and adversely impact all California ratepayers.

Therefore, to enhance the strength of Option A's scrutiny, CPUC Staff recommends that Option A adopt an additional criterion that requires CAISO to notify affected stakeholders (i.e., utilities and regulatory authorities) of an entity's request for review under Option A. This enables all affected parties to have the opportunity to review the potential rate impact of the applicant's request and provide input to the CAISO before a decision is made. More specifically, CPUC Staff recommends that CAISO include in its notification to stakeholders: (a) what the transmission upgrades will cost; (b) what the transmission upgrades are worth; (c) how the upgrades will benefit the entire CAISO market; and (d) what they will cost IOU ratepayers. This will ensure that CAISO and stakeholders carefully assess cost impact of any changes and affords the public greater transparency in the way the costs are determined.

## II. Do you have a preference between Options A or B? Why?

CPUC Staff supports Option A. CPUC Staff favors a narrowly tailored approach that is more nuanced to solve the problem faced by entities like VEA. Option A reflects CPUC Staff's recommendation that any socialization of costs be vetted by stakeholders, (e.g., regulatory authorities, ratepayer advocates and PTOs), the CAISO Board, and finally, FERC to avoid unintended, unforeseen consequences. Option A mitigates the potential for creating a slippery slope where all generator costs are folded into the high voltage TAC, but are not necessarily for the benefit of the larger CAISO market.

In CAISO's prior iteration, Option 1 was presented to stakeholders as expeditious and convenient proposal to meet the needs of an expedited timeline that ultimately eased CAISO's administrative burdens to the detriment of California ratepayers. Option A, unlike Option B, continues to support a transparent process where stakeholders can protest before costs are socialized unilaterally by CAISO. In furtherance of transparency, CPUC Staff recommends that when CAISO publishes the Final Draft Proposal, CAISO highlight the specific area in which the existing tariff will be modified and the applicable definitions that may need to be updated to implement Option A. Alternatively, even if CAISO does not provide the exact tariff revisions, CPUC Staff recommends that CAISO explain to stakeholders in general terms how the tariff will be modified.

Finally, if an entity is deemed to have successfully met the criteria in Option A, customers across the CAISO regions will ultimately be expected to pay for the costs of low voltage generator interconnection facilities. Thus, in addition to its above recommendations, CPUC Staff recommends CAISO provide affected parties and impacted regulatory authorities with forecasted cost impacts. This will inform affected parties of what these transmission upgrades are worth, how they benefit the entire CAISO market, and what they will cost ratepayers.

## III. Should the PTO also include in their LV TAC rates costs associated with generation connecting with their LV system where this generation is contracting to non-PTO entities? Please provide any recommendation you may have on the handling of low-voltage network upgrade costs related to a project built to serve an entity outside the ISO.

As a general principle, CPUC Staff opposes an act by CAISO to have IOU customers pay for upgrades that don't benefit them but rather, benefit an entity outside of the CAISO footprint. Nevertheless, CPUC Staff requests that CAISO clarify this question, at minimum. CPUC Staff finds this question confusing for stakeholders to consider and requests that it be refined with an illustrative example.

## IV. Any other comments or suggestions?

CPUC Staff has no further comments or suggestions at this time.