Attachment A

Stakeholder Process: Generation Interconnection Driven Network Upgrade Cost Recovery (GIDNUCR)

Summary of Submitted Comments

Stakeholders submitted four rounds of written comments to the ISO on the following dates:

- Round One, Issue Paper/Straw Proposal 8/1/2016, Comments received 8/19/2016
- Round Two, Revised Straw Proposal 9/6/2016, Comments received 9/20/2016
- Round Three, Second Revised Straw Proposal 11/21/2016, Comments received 12/16/2016
- Round Four, Draft Final Proposal 2/6/2017, Comments received 2/22/2017

Stakeholder comments are posted at:
http://www.caiso.com/informed/Pages/StakeholderProcesses/GeneratorInterconnectionDrivenNetworkUpgradeCostRecovery.aspx

Other stakeholder efforts include:

- Web Conference 8/8/2016
- Web Conference 9/13/2016
- Web Conference 12/5/2016
- Web Conference 2/13/2017

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Stakeholder	**Position**	**Comments**	**Managements Response**
Large-Scale Solar Association, The California Wind Energy Association, The Independent Energy Producers Association, and sPower	Strongly Support	• The Proposal is narrowly tailored, and consistent with the current long-standing and much-negotiated transmission-cost structure. • The ISO is correct in proceeding expeditiously to gain Board and FERC approval for the Proposal. • The proposed accommodation will have little effect on others	
Valley Electric Association	General Support	VEA supports the ISO's proposal to generally establish policy through its Draft Final Proposal, issued February 6, 2017, and to provide a specific proposed tariff change to address VEA's situation at this time. • VEA believes that the PTO should only be required to cover in its LV TAC the proportional share of the generation related network upgrade costs for which the LSE has contracted with the resource in order to meet an unmet mandated RPS requirement or to serve stranded/constrained load or meet some local reliability requirement that cannot otherwise be met from existing generation. • VEA believes that retroactive treatment seems inappropriate for most - if not all – of the qualification conditions proposed by the ISO • The requirement for a small PTO, such as VEA, to certify annually that it meets the conditions for HV TAC treatment seems overly burdensome.	Stakeholders have worked diligently to develop a solution that narrowly focuses on the issue currently facing VEA and potentially future similarly-situated PTOs. • Cost of network upgrades required for interconnecting an individual generator are not able to be prorated by the number of MWs that generator produces. It would be similar reliability network upgrade costs to interconnect a 10MW generator into a substation as it would be for a 100MW generator. If VEA contracts with even a portion of a generator connecting to the low-voltage system, the cost of these network upgrades should remain in VEA's low-voltage Transmission Revenue Requirement. • retroactive treatment, numerous stakeholders agreed with the ISO's proposal that if VEA or a similarly situated PTO's situation changed that they would cease to qualify for the special rate treatment going forward and any as-yet unrecovered low-voltage costs would also go to the PTO's low-voltage transmission revenue requirement. • Management believes that an annual certification from a PTO stating that they continue to meet the conditions for special rate treatment is not

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			burdensome, and that such a requirement is prudent and necessary.
PG&E	Does not oppose	• PG&E is concerned that the non-specific phrase, “resource rich area,” does not sufficiently exclude non-renewable resource types from the special TAC treatment sought in this initiative. PG&E believes that the renewable quality of a “resource rich area” should be incorporated into the final tariff language so there is no ambiguity that may later be used to justify interconnecting GHG-emitting resources under this policy. • PG&E recommends clarifying that a PTO’s eligibility for the special TAC treatment is contingent on it not being subject to an RPS—or equivalent—requirement. There is an ambiguity about this criterion in the draft final proposal.	• Management agrees with PG&E and made a clarification in the Board memo to qualify “resource rich area” as being for renewables. • Management agrees that ‘or equivalent’ is appropriate and will make sure the filed tariff language reflects this.
GridLiance	General Support	Notwithstanding GridLiance’s support for moving forward with a case-by-case solution at this time in consideration of the VEA situation, GridLiance believes that the policy adjustments recommended herein should be applicable to other situations as well should they arise. • Some of the criteria seem subjective. As an example, the ISO’s criterion of VEA qualifying as a “resource rich” area should not be something that results in qualification one year and disqualification a subsequent year. Refinement prior to filing the VEA-specific treatment is warranted to reduce any uncertainty or risk that would exist absent such refinement. • Further, careful consideration should be given to the proposed possibility of retroactive treatment. • Finally, GridLiance notes that in crafting the final tariff language, care should be taken to ensure that the	• Each PTO, on a case-by-case basis, will be approved by the ISO Board as to how they meet the criteria. Management has added a clarification in the Board memo that qualifies the resource rich area as being for renewables. It is highly unlikely that once approved that this designation would change. • Retroactive treatment was addressed in the VEA response above. • If VEA or a similarly situated PTO is the ultimate owner of the generation-driven low-voltage network upgrades, even if built by a third party, VEA or a similarly situated PTO will be able to receive the special rate treatment for those costs. GridLiance, if they felt they were a similarly situated PTO, would have to make a case and gain approval through a stakeholder process and ultimate Board and FERC approval to receive similar treatment (if GridLiance plans to own and operate low-voltage network

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		qualification to place the costs in the high-voltage TAC turns on the location and size of the load that would bear the interconnection cost under an applicable low-voltage TAC, not the PTO who builds and owns the facilities. For example, should GridLiance, at VEA's request, undertake the obligation to handle one or more interconnections on VEA's low-voltage system, there should be the same opportunity for GridLiance to include the costs in its high-voltage TAC that VEA itself would have. The need for this relief is the need of customers who would otherwise bear the unreasonable rates through a low-voltage TAC. Thus when determining which PTOs qualify for use of the high-voltage TAC for such lower-voltage additions, the focus should be on what load would otherwise bear those costs in a low-voltage TAC.	facilities).
Southern California Edison	Does not oppose	• SCE supports the establishment of eligibility criteria, including a specific size threshold that the PTO's filed annual gross load be 2 million MWh or less, to determine on a case-by-case basis whether a small PTO would qualify for unique treatment regarding the recovery of costs associated with generator interconnection driven low-voltage network upgrades. • Additionally, SCE agrees with the proposed provision that "if VEA's or a similar PTO's situation changes such that it fails to meet any one of the three principles it would no longer qualify for this TAC rate treatment. At that time, any low-voltage network costs stemming from new generator interconnections, as well as any as-yet unrecovered low-voltage costs would be applied to the PTO's low-voltage TAC rate." • SCE also supports the proposal to require PTOs to annually certify that they continue to meet the three eligibility criteria in order to receive the unique TAC rate treatment	

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The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (the "Six Cities")	Does not oppose	The Six Cities do not oppose the draft final proposal, primarily because it is more narrowly tailored than the ISO's initial proposals in this initiative, which would have implemented significant revisions to the existing Access Charge methodology and, in particular, the longstanding delineation between High and Low Voltage facilities that has been an integral component of the Access Charge methodology for many years. However, the Six Cities also believe that certain aspects of the ISO's draft final proposal remain unclear and would benefit from additional explanation. • ISO has still not directly addressed concerns that some Low Voltage Network Upgrades may be constructed to interconnect projects the output of which will be contracted to entities outside of the ISO • If the Participating TO procures the output of a resource, irrespective of whether the purpose of the procurement is for RPS purposes, the Participating TO should not be allowed to shift the corresponding Low Voltage Network Upgrade costs into the High Voltage TRR. • The ISO should be alert for the appearance of "gaming" by Participating TOs that are permitted to apply this rate treatment to Low Voltage Network Upgrades. Such Participating TOs may be incented to procure remote resources instead of local resources	• The concern about low-voltage network upgrades being constructed to interconnect projects where the output of which will be contracted to entities outside of the ISO was discussed in more than one of the stakeholder calls. This issue not only affects generators interconnecting to the low voltage transmission system, but it also affects all generation interconnecting to the ISO transmission system. To address this concern now would require a complete re-assessment of the ISO generation interconnection procedures and would be separate from addressing the very narrow issue currently facing VEA. • Management believes the current proposal clearly states that if a resource is procured for any reason to serve VEA or a similarly situated PTO, costs for low-voltage network upgrades will go to the PTO's low-voltage TRR. • Management believes the proposed eligibility criteria mitigates the gaming concern. Specifically, the third criterion that a small PTO must not have an RPS or equivalent requirement mitigates a situation where a small PTO would receive the favorable rate treatment under this proposal by meeting its RPS with resources outside of its local area.
San Diego Gas & Electric	Opposed	• SDG&E does not believe the *size* of an LSE is a principle that can be used to determine when there is, and is not, a reasonable alignment between benefits received by LSEs' customers and costs paid by LSEs' customers • SDG&E has submitted several rounds of comments in this initiative indicating that Option 1 provides the best alignment of costs and benefits, thereby solving the dilemma posed by the VEA situation	• Management agrees that size of an LSE alone should not be the only determinant, which is why the proposal includes two other criteria -being located in a renewable resource-rich area and not under an RPS requirement. With these additional criteria, this proposal narrowly addresses very small PTOs facing large local TAC increases that are not benefiting from the generation interconnecting in their area.

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			• Option 1 did not receive a majority of stakeholder support and would have resulted in significant cost shifts among the larger PTOs. Stakeholders argued that the current generation interconnection cost allocation methodology is appropriate except in cases of very small PTOs with very small loads, who find themselves in a resource-rich area, and are required under the tariff to interconnect generation regardless if their small rate base receives any benefits.
Silicon Valley Power (SVP)	Opposed	SVP believes that the existing ISO tariff structure for allocating costs of generator interconnection driven upgrades has worked well and remains opposed to the California ISO's Generator Interconnection Driven Network Upgrade Cost Recovery initiative… • The ISO has not shown benefits to California ratepayers resulting from the socialization of these costs via the high voltage TAC rate. SVP believes that allocation of the interconnection costs to the entity contracting with the resource being interconnected is the fairest way to allocate such costs among LSEs, so that ratepayers who have no interest in a particular resource are not charged for its interconnection. • When VEA joined the ISO, it was well aware of, and even vetted with the ISO, the existing rules for allocating network upgrade costs. VEA accepted these rules when it voluntarily became a PTO, and VEA and its customers greatly benefited from these rules by spreading VEA's high costs to other ISO customers. SVP does not support the ISO's proposal to shift the costs of network upgrades on VEA's localized transmission system to California customers. Nevertheless, in the context of addressing the problem of disproportionate impacts that ISO believes will fall on VEA under the current tariff provisions, SVP acknowledges that the ISO has made significant improvements to its Draft Final	• The ISO presented analysis throughout this stakeholder process showing the rate impact of spreading these cost via the high-voltage TAC rate is negligible to California ratepayers and explained that California ratepayers are generally deriving the RPS benefit from the interconnecting renewable projects. In contrast, leaving the status quo rate treatment for VEA would expose their local customers to excessive rate hikes with no commensurate benefit. Charging the interconnection costs to the entity contracting with the interconnecting resource would be a major policy change that would be highly controversial and well beyond the limited issue needing to be addressed by this proposal. • Each rate, term, and condition of the tariff must be just and reasonable, and the allocation of each cost of each facility must be just reasonable. There is not a holistic test for total participation. Generator-interconnection-driven network upgrade costs in the ISO have historically always gone to TAC rather than being recovered through the PPA itself. Doing so has enabled the ISO to modernize its interconnection procedures to interconnect such a high number of new generators—procedures which FERC now seeks to impose upon all ISO/RTOs. There was no stakeholder support to abandon this system and work toward a procurement-pays methodology.

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		Proposal that may limit the ability of PTOs to qualify for an exemption from the ISO's existing generator interconnection cost allocation rules. The greater limitation on the applicability of this exception coupled with ISO's previous decision to no longer allocate all network generator interconnection costs on the low voltage system to the high voltage TAC rate, greatly assists in mitigating the cost concerns that SVP has with the ISO's proposal. While SVP is generally opposed to the proposal, SVP appreciates the ISO's effort to narrow the scope of the proposal so that it will likely only apply to VEA, and to allow opposition by stakeholders on a case-by-case basis.	
Office of Ratepayer Advocates (ORA)	Oppose	• The ISO's proposal fails to account for the benefits VEA ratepayers currently receive by participating in the ISO BAA or could realize from the potential new renewable generation connected to their low-voltage system as a result of the proposed generator interconnection projects. • ORA recommends that the principles considered for this GIDNUCR initiative should include the requirement that the VEA share any additional transmission revenue resulting from these new generation interconnection projects in the VEA service area with the other PTOs in the ISO BAA. • ORA recommends that the principles considered for this GIDNUCR initiative require that the ISO perform an energy flow analysis to identify the load outside of the VEA service area that could benefit from the proposed interconnection projects • ORA recommends that the principles considered for this GIDNUCR initiative require an evaluation of the new interconnection projects to ensure they are feasible and determine if they add value to ISO energy resource	• As discussed in the stakeholder calls, VEA's joining the ISO created different types of benefits for both the ISO's existing membership - including streamlined access to a resource-rich area - and VEA. Those decisions and benefits do not provide a practical basis for considering the rate implications of new resource interconnections, which need to be considered on their own merits to produce fair and reasonable outcomes. • VEA ratepayers will incur costs to the extent they use the high-voltage system and incur TAC; just as others do. • When any PTO is up for approval for this special treatment, stakeholders will have the opportunity to argue why that PTO should not qualify, including with power flow analysis. The ISO maintains that its criteria are sufficient for initial determinations. • The CPUC and CEC work with the ISO to determine the renewable generation portfolios to meet California procurement needs.

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		portfolio that exceeds any additional costs or negative impacts to the ISO grid. • ORA recommends further evaluation of the proposed interconnection projects in the VEA service area, along with other transmission projects under consideration in the ISO region to meet California RPS and reliability goals, before finalizing this initiative.	• The ISO is unsure what further evaluation is necessary from a planning standpoint, but notes that major interconnection projects will have to go through further evaluation in the permitting process.