Comments of The Large-scale Solar Association, The California Wind Energy Association, The Independent Energy Producers Association, and sPower on the Generation Driven Network Upgrade Cost Recovery Second Revised Straw Proposal

The Large-scale Solar Association (LSA), the California Wind Energy Association (CalWEA), the Independent Energy Producers Association (IEP), and sPower (collectively, the Generators) hereby submit these comments on the CAISO's September 6th, 2016 document, Generator Interconnection Driven Network Upgrade Cost Recovery – Second Revised Straw Proposal (Proposal), and the November 28th meeting (Meeting) to discuss it.

The Generators collectively represent over 30 separate companies that, among other things, account for a large portion (and likely most) of new-generation projects in the CAISO area.

The Proposal identifies a potential problem with the current cost treatment for Network Upgrades (NUs) associated with generator interconnections below 200 kV that are covered under Low-Voltage Transmission Access Charges (LVTACs). Such costs are initially paid by generation developers but are transferred to ratepayers in the "host" PTO areas once the projects are complete and the generators receive cash refunds for these costs.

The CAISO is concerned that this structure does not comport with FERC-approved principles, mainly, because such costs are borne by ratepayers in the "host" PTO area, while the benefits are generally received by all ratepayers in the CAISO footprint, with the highest benefits going to those served by Load-Serving Entities (LSEs) buying the generators' energy. The problem is most acute in areas (like Valley Electric Association (VEA)) with very low loads (raising rate impacts) that need little new generation for their own needs.

Both options in the Proposal feature the same general solution – include LVTAC costs triggered by new-generator interconnections in the PTO's high-voltage Transmission Revenue Requirement (TRR), for recovery from all CAISO-area loads through the High-Voltage Transmission Access Charge (HVTAC). (However, LVTAC NU costs allocated to generation built by or to serve that PTO would stay in the PTO's LVTAC.) CAISO Management would select individual PTO(s) to receive this treatment, based on loads (very small), generation development potential (high), and need for new generation itself (none/low).

The only difference between the two options in the Proposal is the need for further approval for the PTO selection. Option A would place general guidelines for Management in the tariff and require CAISO Board and FERC approval for the PTO selection; Option B would place more specific selection criteria in the tariff and would not require Board or FERC approval.

Generator positions

The Generators strongly support the Proposal in general. The Generators' specific views are described below.

- **The proposed options are fully consistent with the current long-standing and much-negotiated transmission-cost structure**. Some parties continue to advocate assignment of low-voltage transmission costs to generators and/or their off-takers, e.g., through further limiting post-Commercial Operation refunds, in the name of "efficiency." This is not necessary, for two reasons.

First, as the Proposal states, the larger PTOs develop generation in each other's areas, effectively imposing low-voltage transmission costs on each other. However, the resulting LVTAC impacts are limited by the PTOs' tendency to contract more in their own areas, the off-setting nature of the costs for contracted generation built in other areas, and their much larger loads to bear these costs.

Second, as the Generators noted in their earlier comments, there are already strong incentives for developers to site generation to maximize usage of existing/approved transmission facilities and avoid triggering new transmission needs. These incentives include Network Upgrade cost reimbursement limitations and reduced competitiveness under the CPUC's Least-Cost, Best Fit (LCBF) approach (which counts transmission costs against energy prices under Power Purchase Agreements (PPAs)).

- **The Generators prefer Option B over Option A.** Option B provides greater up-front certainty to applicable PTOs, and generators seeking to locate in those PTO areas, about the treatment of LVTAC costs.

- **The CAISO should act expeditiously to resolve this matter**, to avoid potential delays in VEA-area generation development. As the Generators stated in their last comments, this issue may be impeding GIA formation in the VEA area, and further delays could cause projects these problems in meeting important milestones in their other agreements and the development process overall.

Conclusion

The Generators agree with the Proposal findings that: (1) The VEA situation is very unique; (2) it is not necessary to change the larger TAC structure to address unusual situations like VEA; and (3) the proposed accommodation will have little effect on others – at most, a very small change in the fourth or fifth decimal for HVTAC rates. The CAISO should quickly resolve this issue and turn its attention to more urgent and impactful matters.