

## Stakeholder Comments Template

# Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
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## Draft Final Proposal

This template has been created for submission of stakeholder comments on the draft final proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative that was posted on February 6, 2017. 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **February 22, 2017**.

The CAISO requests a reply to the following:

- ⇒ Do you support the California ISO's draft final proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative? Yes or No. Why?

No, ORA does not support the California Independent System Operator's (CAISO) draft final proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery (GIDNUCR) initiative to address possible transmission cost increases for Valley Electric Association (VEA) ratepayers. ORA agrees that the CAISO transmission access charge (TAC) methodologies should be re-examined periodically to confirm that costs are commensurate with benefits, but otherwise opposes the CAISO's proposal to include VEA's company specific low voltage TAC (LVTAC) in the CAISO balancing authority area (BAA) wide high voltage TAC (HVTAC) for the following reasons:

1. Transmission costs in the CAISO BAA vary among its Participating Transmission Owners (PTOs) with the reported VEA LVTAC transmission costs falling lower than the average. The VEA service area is also receiving benefits from joining the CAISO footprint, including CAISO's energy scheduling services, and will likely receive additional revenues from the renewable generator projects driving this initiative.

VEA's LV TAC rate is lower than other LV TAC rates in the CAISO's BAA, as demonstrated through the CAISO GIDNUCR stakeholder web conference presentation on February 13,

2017. The CAISO reported that SDG&E LVTAC is \$14.35 per megawatt hour (MWh), which is more than twice that of the VEA's LVTAC of \$6.26 per MWh.

The VEA's combined low and high-voltage TAC of \$16.94 per MWh is also lower than the average in the CAISO BAA, and is significantly lower than SDG&E's combined low and high voltage TAC of \$25.03 per MWh.<sup>1</sup>

In addition, the CAISO's proposal fails to account for the benefits VEA ratepayers currently receive by participating in the CAISO 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.<sup>2</sup> The California Department of Water Resources (CDWR), which opposed the initiative as first proposed, noted that "no analysis has been performed to demonstrate that the potential increase in VEA's low-voltage TAC outweighs the savings VEA ratepayers are realizing by being within the CAISO footprint,"<sup>3</sup> through a socialized high voltage TAC and CAISO's energy scheduling services. The reported large scale renewable generation projects necessitating the interconnection projects driving this initiative also have energy contracts outside of the VEA service area, but the contract specifics and their potential transmission charge revenue have also not been discussed.<sup>4</sup> These contracting entities are the beneficiaries of the proposed interconnection projects in the VEA service area, and will pay transmission costs for the associated energy from these contracts. These transmission revenues will benefit VEA ratepayers and should be considered in determining the true rate impacts to VEA ratepayers for the proposed generator interconnection projects.

For these reasons, 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 CAISO BAA.

2. Confirmation that the proposed interconnection projects can serve CAISO load is needed.

The CAISO has not provided an energy flow analysis to demonstrate that VEA's proposed generation interconnections projects could serve CAISO's statewide load. Low-voltage

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<sup>1</sup> The average combined low and high voltage TAC in CAISO's BAA is currently \$17.77 per MWh. See February 13, 2017 Stakeholder Webinar slide presentation, slide 14, available at <http://www.aiso.com/Documents/AgendaandPresentation-GeneratorInterconnectionDrivenNetworkUpgradeCostRecovery-DraftFinalProposal.pdf>.

<sup>2</sup> August 1, 2016 CAISO Issue Paper and Straw Proposal p. 3. ("There are a number of generation developers seeking to connect hundreds of MWs of renewable generation to the VEA 138 kV system that will require tens of millions of dollars in network upgrades on that system. As an example, adding \$25 million of costs to VEA's low-voltage rate base would increase VEA's low-voltage TAC rate by over 90 percent for a system whose annual peak load is only approximately 124 MW.")

<sup>3</sup> CDWR comments on the CAISO Issue Paper and Initial Straw, August 19, 2016, p. 2.

<sup>4</sup> Per the CAISO's Second Revised Straw proposal dated November 21, 2016 p. 4 ("large scale renewable generation is seeking to connect to the VEA low-voltage transmission system driving low voltage updates" and this generation is contracting its energy to entities outside of the VEA service territory.)

transmission lines have limited ability to effectively provide benefits beyond a load serving entity's (LSE) service area. Line losses and system congestion on low voltage lines limit the ability of low voltage lines to serve load outside the LSE's service area in the CAISO's BAA.

For this reason, ORA recommends that the principles considered for this GIDNUCR initiative require that the CAISO perform an energy flow analysis to identify the load outside of the VEA service area that could benefit from the proposed interconnection projects. This energy flow analysis should be repeated annually. At this time, it appears that the VEA service area has both actual and potential large scale renewable generation projects within its service region, but no analysis has been provided to determine if the resulting renewable energy from these pending projects could serve the CAISO load through the existing low-voltage lines.

3. The CAISO should demonstrate the feasibility of the proposed interconnection projects,<sup>5</sup> in comparison to other possible transmission improvement projects, to meet California's RPS and reliability goals.

The proposed interconnection projects in the VEA service area should be evaluated within the framework of the California transmission planning studies underway, such as the Renewable Energy Transmission Initiative. The inclusion of the proposed interconnection projects in these evaluations would determine if these projects are needed to support California's Renewable Portfolio Standards (RPS) goals and whether they are comparatively cost efficient and viable. Also, based on the active generation interconnection projects in the CAISO queue, at least one of the VEA projects is not necessary to achieve California's RPS goals,<sup>6</sup> and thus should not be considered for this proposal.

If the pending interconnection projects to the VEA's low voltage transmission system are all solar power projects, these interconnected generation projects may not support the grid as proposed. California experienced significant growth in solar resources in 2016.<sup>7</sup> This new growth increases the operational challenges of managing solar energy on the grid, which must be paired with storage, demand response initiatives or other measures, or otherwise be curtailed.<sup>8</sup>

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<sup>5</sup> CAISO Issue Paper and Straw Proposal, August 1, 2016, p. 5. There are five projects interconnecting to VEA that have either Phase-I or Phase-II cost information for network upgrades. VEA has yet to execute a generator interconnection agreement.

<sup>6</sup> September 6, 2016 CAISO Issue Paper and Straw Proposal, p. 12. Table 1 Estimates of Low & High-Voltage RNU and LDNU Costs (\$ millions). This table includes only four VEA interconnections projects to meet California RPS goals, rather than the five VEA interconnection projects discussed for this initiative.

<sup>7</sup> *California Energy Commission – Tracking Progress*, December 22, 2016, p. 13 (1440 MW of new Solar PV capacity added in 2016, excluding self-generation); *U.S. Solar Market Insight Executive Summary Q4 2016* by Solar Energy Industry Associations and GTM Research, pp. 6, 11 (significant growth in California's commercial and community solar market); Go Solar California, [https://www.californiasolarstatistics.ca.gov/reports/monthly\\_stats/](https://www.californiasolarstatistics.ca.gov/reports/monthly_stats/).

<sup>8</sup> Memo from Steve Berberich to CAISO Board of Governors, February 9, 2017, p. 2 (“With the bountiful hydro conditions expected this year and significant additional solar installations both in the form of central station and on rooftops, we expect to see significant excess energy production this coming spring. Currently, the forecast is that we could have the need to curtail from 6,000 MW to 8,000 MW.”)

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 CAISO energy resource portfolio that exceeds any additional costs or negative impacts to the CAISO grid.

### **ORA's Recommendation**

ORA recommends further evaluation of the proposed interconnection projects in the VEA service area, along with other transmission projects under consideration in the CAISO region to meet California RPS and reliability goals, before finalizing this initiative. According to the revised September 2016 initiative straw proposal, at least one of the proposed interconnection projects to the VEA low-voltage transmission system will not support California's RPS goals.<sup>9</sup> Further evaluation of these possible projects is needed to determine their value to the state energy grid. Alternatively, "extending the time period over which generation is reimbursed for proposed improvements"<sup>10</sup> to VEA's low voltage transmission system would reduce the impacts on VEA's ratepayers without requiring the entire CAISO ratepayer base to share in the cost of these improvements.

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<sup>9</sup> September 6, 2016 CAISO Issue Paper and Straw Proposal p. 12, Table 1 Estimates of Low & High-Voltage RNU and LDNU Costs (\$ millions). This table includes only four VEA interconnections projects to meet California RPS goals rather than the five VEA interconnection projects discussed for this initiative.

<sup>10</sup> Southern California Edison Company Comments on Second Revised Straw Proposal, December 16, 2016, p. 2.