Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
Fernando E. Cornejo *fernando.cornejo@sce.com*	*Southern California Edison*	*December 16, 2016*

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.

Southern California Edison (SCE) appreciates the opportunity to comment on the CAISO's second revised straw proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative[1]. SCE appreciates the CAISO taking the time to reassess this important topic and developing a solution that more narrowly addresses the issue currently facing Valley Electric Association (VEA), or similarly situated Participating Transmission Owners (PTOs). SCE agrees with the aspect of this latest revised proposal which identifies eligibility criteria for a small PTO to qualify for disparate cost recovery treatment of generator-driven low-voltage network upgrade costs in anomalous situations such as the one currently in front of VEA. Although SCE continues to stand behind its prior comments - including its position that the current approach to interconnection, payment, cost allocation, and cost recovery is not materially flawed - SCE understands that the CAISO's Option A and B would result in a targeted solution to address concerns raised by the unique circumstances in the case of generation proposing to interconnect to VEA's low voltage system (or a similar situation in the future). As detailed below, given the choice of Option A or Option B, SCE prefers Option A.

[1] http://www.caiso.com/Documents/SecondRevisedStrawProposal-GeneratorInterconnectionDrivenNetworkUpgradeCostRecovery.pdf

1 - 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.

SCE supports a more narrowed focused approach, similar to Options A & B versus the original straw proposal's Option 1. SCE does not believe the current approach to interconnection, payment, cost allocation, and cost recovery is materially flawed. To address a unique circumstance, such as that presented with upgrades in VEA's low voltage system, SCE believes the narrowly focused approach is the appropriate recommendation.

Contrary to Options A & B, Option 1 would improperly uproot the long-established, reasonable, effective, and FERC-approved split between high voltage and low voltage transmission facilities, and their corresponding cost recovery treatment. Requiring customers across the CAISO region to pay for the costs of low-voltage generator interconnection facilities in all instances would be a complete change to the existing cost allocation methodology, and the principles governing this methodology, that have been in effect and working as intended for well over a decade. SCE remains fundamentally concerned with the Option 1's proposal to broadly transfer costs associated with generator interconnection-driven low-voltage network upgrades to the HVTRR of a PTO. There simply is no justification to make such far-reaching and drastic changes to the current cost recovery rules for generator driven network upgrades. As evidenced by the CAISO's review of past generation interconnections to the low-voltage transmission networks of CAISO load serving PTOs, under the current cost allocation methodology, "a reasonable argument can be made that the resulting allocation of costs is just and reasonable"[2]. Also, in its compliance filing for FERC Order 1000, the CAISO explained that "its existing transmission planning and cost allocation tariff provisions largely comply with the requirements of Order No. 1000[3]". In fact, over two decades ago, FERC "endorsed" the two-tier approach where the Access Charge for the local facilities would continue to be recovered on a utility-specific basis as "reasonable" in the CAISO's compliance filing with California legislation AB 1890.

2 - Do you have a preference between Options A or B? Why?

Given the choice between Option A and Option B, SCE prefers Option A.

Option A would necessitate a case-by-case review for each such candidate PTO based on principles specified in the tariff subject to CAISO management determination for subsequent approval by the CAISO Board and FERC. The CAISO, under Option A and its guiding principles, would be able to address the unique circumstances related to a small PTO which may result in it not being eligible for unique cost recovery treatment, circumstances that may not be captured under Option B Also, the second eligibility criteria of Option A requires the small PTO to be "in a resource rich area", rather than a "renewable rich area", as is the second eligibility requirement of Option B. Thus, Option A would seem to be more equitable as it would not discriminate based on the resource's technology.

[2] Id. p. 7.

[3] CAISO Transmittal Letter – FERC Order No. 1000 Compliance Filing – ER13-103-000, October 11, 2012, at page 2.

3 - 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.

SCE continues to believe that, with the exception of the unique circumstance addressed in Option A, the costs of generator interconnection driven LV upgrades should be included in the interconnecting PTO's LV TAC. Under CAISO and PTOs FERC-accepted interconnection tariffs, the CAISO/PTO must process interconnection requests on a non-discriminatory basis, including without prejudice to whom, if anyone, the generator is contracting to sell its output. Since a generating resource is not required to identify to the CAISO to whom the resource will be selling its energy to, the CAISO would not necessarily know if such energy is being contracted with an entity outside the CAISO. Further, circumstances may change over time such that a resource selling its output to an entity outside of the CAISO may in subsequent years contract to sell its energy to an entity within the CAISO region. Finally, while a generator may have commitments to parties outside of the CAISO, if it interconnects to the CAISO, its production will nevertheless participate and settle in the CAISO's markets.

4 – Any other comments or suggestions?

SCE notes there are actually two issues in play under both Options A and B. The first issue, is there a need, under limited circumstances, to have different cost allocation treatment? And the second issue, if different treatment is appropriate, how should the costs be recovered? While SCE is supportive of Option A on how to determine if an exception is appropriate, we remain concerned with the proposed cost allocation. In earlier comments, SCE offered two other alternatives for the cost treatment. First, address rate shock by extending the time period over which generation is reimbursed for LV network upgrades. The second option, was to apply existing principles under which generation is not reimbursed in full if costs exceed a threshold. SCE encourages the CAISO to reconsider their cost allocation proposal and instead adopt one or both of SCE's alternatives.