

# Stakeholder Comments Template

## Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
<i>Shivani Sidhar</i> (858) 637-7914	<i>San Diego Gas &amp; Electric</i>	<i>February 22, 2017</i>

### 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**.

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

The CAISO’s February 6, 2017 *Generator Interconnection Driven Network Upgrade Cost Recovery, Draft Final Proposal*, retains the “narrowly focused solution” outlined in the CAISO’s November 21, 2016 *Second Revised Straw Proposal*. This solution would adopt the principle that the *size* of the Load Serving Entity (LSE)<sup>1</sup> will determine whether the costs of low voltage Reliability Network Upgrades (RNUs) and Local Delivery Network Upgrades (LDNUs) incurred by the LSE are eligible to be allocated to the CAISO’s high voltage Transmission Access Charge (TAC). 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. FERC is clear that for transmission rates to be just and reasonable, transmission costs are “required...[to] be allocated roughly commensurate with...benefits.”<sup>2</sup> FERC has never mentioned LSE-*size* as a principle for determining when transmission costs should or should not be eligible for broad allocation.

The CAISO has abandoned “Option 1” as presented in the CAISO’s first straw proposal. To address the potentially significant disconnect between (i) the benefits local consumers receive from low

<sup>1</sup> The CAISO’s proposed solution defines the size of an LSE in terms of the “annual gross load” served by the LSE.

<sup>2</sup> For example, see paragraph 641 of FERC Order 1000.

voltage RNU and LDNU, and (ii) the costs that those local consumers pay for those upgrades,<sup>3</sup> Option 1 would allocate low voltage RNU and LDNU costs to the CAISO's high voltage Transmission Access Charge (TAC). Option 1 recognizes that all consumers share broadly in the benefits of low voltage RNU and LDNU, similar to high voltage transmission facilities. Option 1 treats the consumers of all LSEs the same and does not discriminate on the basis of LSE-size.

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. SDG&E will not repeat these comments here, except to point out that FERC approved the CAISO's high voltage TAC methodology on the basis that high voltage transmission facilities broadly provide benefits to all consumers within the CAISO balancing authority such that there is a reasonable alignment of costs and benefits. The same logic applies to low voltage RNU and LDNU.

---

<sup>3</sup> This disconnect was brought to light by the Valley Electric Association (VEA) situation where large amounts of generation are proposing to connect to the VEA transmission system with potentially significant low voltage RNU and LDNU costs. All stakeholders appear to agree that for loads served by VEA, the CAISO's existing low voltage cost allocation method would result in a very poor alignment between benefits and costs.