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. 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?

SVP believes that the existing CAISO 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, which would allow the recovery of the costs of reliability and local deliverability network upgrades occurring on Valley Electric Association's ("VEA"), and other similarly situated Participating Transmission Owners' ("PTOs"), low voltage systems to the ISO's high voltage Transmission Access Charge ("TAC") rate. Generally, SVP has concerns with ISO initiatives that may lead to further increases to the already expensive high voltage TAC rate. Since 2008, the ISO's high voltage TAC rate has nearly doubled.[1] The ISO's proposal will add to the growing TAC rate. While SVP appreciates the ISO's analysis of the impact of network upgrade costs on VEA's low voltage rates,[2] 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

1 The rate increased from $5.863/MWh to $10.620. Compare https://www.caiso.com/Documents/HighVoltageAccessRatesEffective22-Apr-2008.pdf, with http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJan1_2017_RevisedFeb9_2017.pdf

2 *See* ISO's February 9, 2017 Presentation at Slide 13.

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.[3] 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. As of June 1, 2016, VEA had a utility-specific high voltage TAC rate of $21.8988/MWh that was lowered by $10.68/MWh due to the ISO's aggregated high voltage TAC rate of $11.2181/MWh.[4] With the pending sale of its high voltage transmission system to GridLiance West Transco LLC,[5] the Federal Energy Regulatory Commission ("FERC") accepted VEA's revision to its utility-specific high voltage TAC rate to $0,[6] but GridLiance has proposed to essentially double the revenue requirement for VEA's high voltage facilities. Thus, VEA has enjoyed the benefits of the existing cost allocation mechanisms and its high voltage facilities will continue to contribute to the growth of the high voltage TAC, and now under the ISO's instant proposal, VEA's low voltage network upgrade costs on its system will be added to the high voltage TAC rate. 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 CAISO believes will fall on VEA under the current tariff provisions, SVP acknowledges that the ISO has made significant improvements to its Draft Final 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. The ISO's adoption of Option A will permit interested stakeholders to comment on a case-by-case basis whether a particular PTO should be permitted to recover its low voltage network upgrade costs through the high voltage TAC. SVP understands Option A will require approval by the ISO Board and the FERC of any such cost allocation, and that stakeholders will have opportunities to fully express and present their concerns concerning the granting of any additional PTO exemption.

Thus, 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.

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3 *See* Memorandum of Understanding between the ISO and VEA, Question and Answer Number 17, available at: http://www.caiso.com/Documents/ISOResponses_QuestionsAboutMemorandumofUnderstandingBetweenValleyElectricAssociationandISO.pdf.

4 *See* ISO's June 1, 2016 TAC Rates, available at: http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJun1_2016.pdf.

5 *See* GridLiance West's pending acquisition application at the FERC in Docket No. EC17-49-000.

6 *See* Letter Order in Docket No. ER17-727-000 at the Federal Energy Regulatory Commission (February 15, 2017).