Six Cities' Comments

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
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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.

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.

The Six Cities express qualified support for the more narrowly focused approach as proposed by the CAISO in the Second Revised Straw Proposal as a preferable alternative to the broad cost allocation changes that were previously proposed. The Six Cities strongly opposed the CAISO's prior "Option 1" proposal, which would have implemented significant structural changes to the existing cost allocation methodology. The narrower approach discussed in the Second Revised Straw Proposal appears to resolve the concerns relating to the scope and cost of Low Voltage Network Upgrades involving the Valley Electric Association ("VEA") system by creating a limited exception to the current cost allocation methodology. While the Six Cities continue to urge the CAISO to consider changes that would assess Network Upgrade costs to the Interconnection Customers that contribute to the need for the Network Upgrades, the current proposal is a reasonable compromise that is not expected to produce significant cost shifts from the Low Voltage to High Voltage TAC rates.

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

As between Options A and B, the Six Cities prefer Option A, provided that the criteria identified by the CAISO are included in the CAISO Tariff. The Six Cities believe that it is important to document established criteria that the CAISO will use to identify which Participating TOs will qualify to reflect generator interconnection-driven Low Voltage Network Upgrade costs in the High Voltage TRR, but that it is equally important for the CAISO Board of Governors and for FERC to approve any such treatment.

With respect to Option A, the Six Cities offer several clarifications:

- Principle No. 1 – The CAISO states that the Participating TO should be "very small" in relation to other load-serving Participating TOs." The Six Cities urge greater specificity in this criterion and request that the CAISO adopt the 5% threshold proposed in Option B. The Board (subject to FERC approval) could retain the discretion to waive the 5% criterion in appropriate circumstances such as, for example, if the Participating TO is 5.5% of the load of the largest Participating TO.

  Additionally, in explaining Principle No. 1 of Option A, the CAISO states that, as compared with VEA, the "next smallest load serving PTO is 10% of the ISO annual gross load and 23% of the largest PTO's annual gross load." For precision, the Six Cities believe that the CAISO's size comparison of VEA actually should state "the next smallest load serving PTO <u>with Low Voltage facilities</u> is 10% of the ISO . . ." Several of the Six Cities are larger than VEA, but none of the Cities constitutes 10% of the CAISO's load and none of the Cities has Low Voltage facilities at this time.

- Principle No. 2 – The Six Cities do not oppose this criterion in concept, but note that the CAISO has not identified the factors it will use to determine if a particular Participating TO service territory meets the criterion. The term "elevated generator regional procurement interest" does not explain how the CAISO will identify these areas or provide details about how the CAISO will assess and quantify "elevated generator . . . interest" in a particular area.

The Six Cities support Principle No. 3, which appropriately precludes a Participating TO that has contracted for the interconnecting resource from shifting Low Voltage Network Upgrade costs into its High Voltage TRR, effectively preserving the existing cost allocation as to such resources.

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.

It is not clear if the intended scope of this question is limited to a Participating TO that meets the Option A/B criteria and is authorized to recover Low Voltage Network Upgrade costs in its High Voltage TRR, or if the CAISO is asking a more general question about all Low Voltage Network Upgrade costs incurred by any Participating TO associated with any project that is contracted to an entity outside of the CAISO.

If the question is asking about a Participating TO that meets the Option A or B criteria, it is the position of the Six Cities that Low Voltage Network Upgrade costs associated with a generation project (or a share of a generation project) that is contracted to an entity outside of the CAISO should not be included in the High Voltage TRR for recovery from CAISO transmission customers who pay the TAC.

If the CAISO is asking a broader question about Low Voltage Network Upgrade costs generally that are being built by any Participating TO and are associated with resources contracted to non-CAISO entities, the Six Cities recognize that the existing cost allocation scheme would provide for the cost of such Network Upgrades, if involving High Voltage facilities, to be recovered via the Participating TO's High Voltage TRR, and for Network Upgrades on Low Voltage facilities to be recovered via the Low Voltage TRR. Would the purchaser of the resource's output contribute to the cost of the Network Upgrades on both High Voltage and Low Voltage facilities through Wheeling Access Charges? If not, this scenario illustrates that the CAISO should further consider whether changing the current cost allocation for Network Upgrades to provide for recovery of these costs from Interconnection Customers, who can them pass through in contract rates for their resources, would better align with cost causation principles, as the Six Cities have urged the CAISO to explore. The present cost allocation appears to allow non-CAISO parties that contract for resources connected to the CAISO-controlled Low Voltage network to avoid paying a share of the Low Voltage Network Upgrade costs.

4 – Any other comments or suggestions?

In the event that the CAISO determines implementation of one of the approaches described in the Second Revised Straw Proposal is infeasible or that the proposal should otherwise be further revised, the Six Cities reiterate their continued opposition to any proposal that will result in all generator interconnection-driven Low Voltage Network Upgrade costs being shifted into the High Voltage TRRs with respect to all Participating TOs in the CAISO. If the instant proposal is not pursued and the CAISO is unable to develop another proposal that, like the current proposal, is narrow and will resolve VEA's concerns (and concerns that could arise with respect to similarly-situated small entities), then the CAISO should close this initiative without revising the current cost allocation. As discussed in the Six Cities' prior comments, the current cost allocation for Low Voltage Facilities has been in place since well before VEA joined the CAISO, and it has not been found to be unjust or unreasonable by FERC. If the CAISO determines that broader changes to the allocation of Network Upgrade costs are needed, then any stakeholder initiative in which such changes are evaluated should not foreclose consideration of approaches that would allocate some or all Network Upgrade costs to Interconnection Customers.