

Valley Electric Association Comments on the CAISO Generation Interconnection Driven Network Cost Recovery Draft Final Proposal

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Valley Electric Association, Inc. (VEA) appreciates the CAISO's dedicated effort to address the Generation Interconnection Driven Network Cost Recovery policy. The CAISO's stakeholder process was created to address an existing situation that currently poses large financial risks for VEA given the large queue of renewable generating resources currently wishing to interconnect to VEA's low-voltage (LV) system. While VEA conceptually agrees with much of the CAISO proposal, VEA offers several points of feedback in these comments, including a request for further clarifications/refinements.

- **General Support:** VEA supports the CAISO's proposal to generally establish policy through its Draft Final Proposal, issued February 6, 2017, and to provide a specific proposed tariff change to address VEA's situation at this time.
- **VEA-Specific Proposal:** VEA does wish to ensure that the CAISO staff will take to its board in March a request for approval to file the VEA-specific tariff change with FERC. The resolution of this issue is necessary to process VEA's current low-voltage generation interconnection requests, and it has been since last summer that this issue has been under-consideration. Therefore, a filing to resolve this issue for the VEA generation queue is warranted at this time without delay after the March board meeting.
- **"Load Service" Test:** Further clarification is needed regarding the test, or criteria, for whether the interconnecting generation is being used for the PTO's load service. On page 7 of the Draft Final Proposal, the CAISO indicates that generation that is not being used to serve load "in some manner" would be put into the HV TAC. The characterization of "in some manner" would seem to leave open how the CAISO would determine if the generation is considered to meet, or not meet load service. Additionally, the proposal indicates (page 7) that generation that is being built "to meet load service" should be put into the PTO's LV TAC. This leaves ambiguous the condition in which the PTO has contracted for *part* of an interconnecting generator. VEA believes that The PTO should only be required to cover in its LV TAC *the proportional share of the generation related network upgrade costs for which the LSE has contracted with the resource in order to meet an unmet mandated RPS requirement or to serve stranded/constrained load or meet some local reliability requirement that cannot otherwise be met from existing generation.* The balance of the resource's interconnection costs should be recoverable through the high-voltage (HV) TAC. For example, if a PTO contracts for 10 MWs of a 100 MW resource, 10% of the Low-Voltage network upgrade costs should be recovered through the LV TAC, and 90% of the costs should be recovered through the HV TAC.

- **Retroactive Quality:** VEA believes that retroactive treatment seems inappropriate for most - if not all – of the qualification conditions proposed by the CAISO. For any narrow areas where the ISO believes it necessary, then retroactive changes in cost allocation should only be made in those cases. The only case that would seem to warrant the PTO moving network upgrade costs that had been previously approved for recovery in the HV TAC to its low-voltage customers for recovery would be if a generator that was previously connected to the low-voltage system and was not needed by the PTO for load service or to meet an RPS need subsequently is contracted for to meet an unmet mandated RPS need or some specific local load service need. Further, in that case, only the PTO's proportional share of the remaining unrecovered costs that are required should be relevant. For example, if after a 100 MW resource interconnects to the low-voltage system, VEA contracts for 10 MWs of the resource's output to meet a newly mandated and unmet RPS requirement, then VEA should only be required to recover from its LV TAC 10% of the remaining unrecovered interconnection costs that were previously recovered in the HV TAC. Lastly, satisfaction of any net short renewable needs from resources interconnecting on the HV system should not trigger any changes to the treatment of prior LV interconnection costs nor should it trigger any changes to future LV interconnection costs – for example by triggering a disqualification of the small PTO treatment of future resources interconnecting to the LV system.
- **The “Resource Rich” Criterion:** While VEA appreciates the concept of allowing this proposed HV TAC treatment for PTOs in “resource rich” areas, no specific metrics for passing such a criterion have been proposed by the CAISO. Therefore such a criterion seems ambiguous and as a result it creates regulatory risk for the applicable PTO. Certainly, if the CAISO is to maintain such a qualification criterion, the criterion should not result in any retroactive action. That is, at the time that a generation queue exists if the CAISO deems that the “resource rich” criterion is satisfied such that one or more generators' interconnection costs are allocated to the HV TAC, it would be inappropriate at a later time to then deem the area no longer “resource rich” and as a result require the PTO's LV customers to fund those interconnecting resources' unrecovered interconnection costs.
- **Annual Certification:** The requirement for a small PTO, such as VEA, to certify annually that it meets the conditions for HV TAC treatment seems overly burdensome for the reasons discussed herein; VEA requests instead that the PTOs that are granted such HV TAC treatment be required to notify the CAISO if the PTO becomes covered under a mandated RPS requirement for which the PTO has insufficient contracted or owned renewables. In this circumstance, the PTO could be required to contact the CAISO thereby potentially triggering alternate treatment. The other criteria that the CAISO has proposed be certified annually are ones that the CAISO itself has the information to confirm. The CAISO has knowledge of the load-service size of the PTO; if, for example, VEA's load grew to exceed the 2,000,000 MWhs per year, the CAISO would know such. Lastly, as indicated above, VEA requests only prospective consideration of the “resource rich characterization,” meaning that such a change in CAISO's viewpoint in this regard would not trigger some retroactive rate impact. If this criterion remains, VEA suggests that this characterization be considered by the CAISO every generation queue cycle rather than anticipating that this be a quality that the PTO

attests to annually.

VEA appreciates the opportunity to provide these comments and looks forward to working with the CAISO to develop the VEA-specific proposed tariff changes.