

Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

| Submitted by | Company | Date Submitted |
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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 September 6, 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 **September 20, 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. Option 1, Include the cost of generator-triggered low-voltage facilities in the PTO's high-voltage TRR for recovery through the high-voltage TAC. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*

BAMx opposes the CAISO Option 1 for including Low Voltage Network Upgrades (LVNUs) in the High Voltage (HV) Transmission revenue requirement (TRR). BAMx's opposition is founded on the following concerns:

- 1) The Stakeholder Process has been artificially limited to rush to a resolution of the CAISO's concern that the current cost allocation mechanism is inequitable. While there may be some merit to the CAISO's concern about the potential impact on an individual PTO's LV TAC resulting from a disproportionate number of interconnection requests, BAMx asserts that the best alignment of incentives occurs when the costs of the generator driven NUs are borne by the parties to a transaction. In that manner, there is assurance that the economic costs and benefits are fully considered in the transaction irrespective of the

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara's Silicon Valley Power.

relative location of the parties. This has been a longstanding BAMx position and is similar, though not fully aligned, with the proposal by NRG in the initial round of comments.² The CAISO dismissed that proposal as a “major paradigm shift in cost allocation policy.” BAMx views the CAISO’s proposal to cross the bright line to include LV facilities in the HV TAC itself to be a rushing into a major policy shift. Such major changes need time to openly consider all the options to align costs and benefits as per the FERC guidelines quoted by the CAISO. In major policy changes such as being considered, no options should be dismissed because the selection is timeline driven.

- 2) The impacts in the TAC Options Initiative supporting regionalization are being glossed over. For example, the CAISO’s reliance on the broad position that “Generators provide benefits to the ISO markets for the entire region” to rationalize the CAISO’s proposal has significant implications in the TAC Options Initiative. The use of such a broad statement to support major cost allocation decisions in this forum implicates that similar arguments are a satisfactory rationale for application in the TAC Options Initiative. This logic could then be used to include generation driven LV generation Network Upgrades located in states remote from California in a regional HV TAC without any further benefits analysis. The lack of a benefits analysis of any of the alternatives in this initiative makes BAMx wary of the process that may ultimately be used in an assessment of costs and benefits in a regional cost allocation forum. Furthermore, despite the CAISO’s assertion of general market benefits, there is no analysis that such alleged market benefits would be as widely or uniformly distributed as the HV TAC is distributed. For example, system congestion may localize the market benefits in the VEA example such that Northern California may not receive such benefits.

In the September 13th stakeholder call, the CAISO staff described the options that under an expanded ISO BAA, generator driven LV NUs could be included in either the sub-regional or regional HV TAC. No further clarification was provided. However, such clarification is precisely what is needed to fully understand the consequences of changing the current transmission cost recovery methodology. Stakeholders are being rushed to make incremental decisions without clarity as to where such decisions may lead.

2. If the ISO moves forward with Option 1, should Option 1 apply on a going forward basis only, or also apply to RNUs and LDNUs that have already been built and whose cost have yet to be recovered from loads (e.g., undepreciated rate base for in-service RNU and LDNU costs that were reimbursed to an IC). *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*

Notwithstanding the concerns described above, under the CAISO’s Option 1 to include LV NUs in the HV TAC, there is no logical reason to limit such inclusion to future LV NUs. Internal consistency necessitates that the undepreciated portion of past LV NUs be similarly included in the HV TRR.

² See NRG Comments, pp.2-3 at <http://www.caiso.com/Documents/NRGComments-GeneratorInterconnectionDrivenNetworkUpgradeCostRecovery-IssuePaperandStrawProposal.pdf>

3. Other. *Please provide any other comments or suggestions you may have on this initiative.*

As described above, BAMx is concerned that the pace of this initiative is causing the undue exclusion of alternatives that better align with the FERC cost allocation guidelines, specifically, that costs must be allocated in a way that is roughly commensurate with benefits and that costs may not be allocated involuntarily to those who do not benefit.