Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
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Issue Paper & Straw Proposal

This template has been created for submission of stakeholder comments on the issue paper and straw proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative that was posted on August 1, 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 **August 19, 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. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*

CDWR opposes the proposal. Its detailed discussion of why is in point (4) below.

2. Option 2. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal. If in support, please comment on if you prefer Option 2a, 2b or 2c and why.*

CDWR opposes the proposal. Its detailed discussion of why is in point (4) below.

3. Comparison of 5% limit for option 2b versus 2c. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal. If you support a limit, but not 5%, please state what percentage limit you support and why.*

While CDWR believes the proposal as a whole should be rejected, 5% is too low a limit. To the extent CAISO ultimately adopts some version of the Straw Proposal, it should incorporate a much higher threshold so that only situations that constitute true rate shock qualify for the extraordinary treatment proposed.

Ratepayers in the CAISO have seen enormous increases in the high voltage Transmission Access Charge (TAC), which has more than tripled since 2008. In light of those increases, a 5% increase in the low-voltage or high-voltage access charge of a particular utility does not appear to be significant enough to justify shifting costs above that 5% threshold to the rapidly-increasing TAC instead.

4. Other

In this stakeholder proceeding, CAISO has proposed two options, both of which would fundamentally alter the principles on which the costs for high- and low-voltage facilities have always been allocated within the CAISO. This is a major shift that could set a precedent going forward.

To the extent that a change in how low-voltage and high-voltage costs are allocated is necessary, CDWR believes that CAISO should look at the issue comprehensively, including implications of this proposed change with those related to regionalization. The two similar options presented in this proposal do not consider the issues as a whole and should both be rejected. The tremendously expedited schedule on which these changes are being considered, given their magnitude, likewise ensures that their implications will not be fully vetted.

At this time, CDWR does not believe that CAISO has demonstrated a need to socialize network upgrades associated with generator interconnections at low-voltage across the CAISO. The current cost allocation methodologies were in place when Valley Electric Association ("VEA") joined the CAISO as a PTO and it—and by extension, its ratepayers—receive benefits from that status. While CAISO's Issue Paper and Straw Proposal does demonstrate that VEA's Low Voltage TRR would be raised by network upgrades driven by generator interconnections, it does not demonstrate that the increase outweighs the savings VEA ratepayers have realized by being within the CAISO footprint or, in fact, the benefits they will realize from the generator interconnections in question.

To the extent CAISO demonstrates that there is, in fact, a problem, CDWR is concerned that both the CAISO's proposals enshrine "ability to pay" - regardless of benefits received - as a cost allocation principle in the Tariff. This Issue Paper and Straw Proposal do not attempt to find that the particular network upgrades in question benefit the entire CAISO grid. Instead, it considers *only* the impact of the upgrades on the TRR of a particular PTO. That is a fundamental departure from its cost allocation principles and should be rejected.

The Issue Paper does state that the "requirement for the individual PTO to reimburse low-voltage network upgrade costs is unrelated to where the interconnecting generators intend to sell their energy or capacity," (Issue Paper at 3). However, in any given case, there may or may not be a clear relationship between where the generator interconnects and where it sells its capacity; it may be that the interconnecting PTO's footprint *does* primarily benefit from the capacity in question. In fact, CAISO made exactly such a finding when it originally decided on the allocation of high voltage vs. low voltage facilities. As it has considered regionalization, it has continued to maintain a high voltage/low voltage split in its proposals because it believes that low voltage facilities typically provide only local benefits.[1]

CDWR believes that CAISO should make specific findings as to the benefits of a particular low-voltage network upgrade to the grid as a whole before those costs are socialized to the grid as a

[1] *See, e.g.*, http://www.caiso.com/Documents/IssuePaper-TransmissionAccessChargeOptions.pdf.

whole. If CAISO finds that low-voltage network upgrades necessitated by generator interconnection routinely provide substantial benefits outside the footprint of the particular PTO to which they interconnect, it should develop a proposal that includes an assessment of where those benefits lie rather than assume that it is the entire CAISO grid. It should then assess the costs accordingly.

In sum, CDWR is concerned that the Straw Proposal would fundamentally change CAISO's long-standing principles of cost allocation without providing either sufficient justification or sufficient process for such a change. For this reason, CDWR believes that the Straw Proposal should be withdrawn.