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.

Section 1: Comments

A. The CAISO's Questionable Rate Impact Claims Concerning a Single PTO Should Not Be the Basis for Revising Long-Standing Cost Allocation Principles

The CAISO states that this initiative was created in response to concerns with potential impact of generation interconnection upgrade costs on Valley Electric Association ("VEA") ratepayers.[1] To support this claim, the CAISO provides a single example where $25 million in costs could be added to VEA's low-voltage rate base.[2] The CAISO estimates that this hypothetical cost increase would raise the VEA's low-voltage TAC by over 90 percent, which would be an "unreasonable" and "extreme" increase for a PTO.[3]

[1] Straw Proposal at 3.
[2] *Id.*
[3] *Id.*

The basis for the $25 million projection is not provided in the Straw Proposal, and later calculations in this same Straw Proposal stand in contrast to that projection. In Table 1, the Straw Proposal shows that VEA has 5 active projects that have either Phase-1 or Phase-2 cost information.[4] However, VEA has yet to execute a single GIA.[5] Even if VEA were to execute GIAs for all five projects listed, the CAISO's total estimated low-voltage network upgrade costs for VEA are $9.12 million.[6] This means that the cost based on available information is $9.12 million – not $25 million. Increases above $9.12 million due to speculative future development is not grounds for revising a long-standing cost allocation system.

What has been demonstrated and supported is that the high-voltage TAC has more than tripled since 2008.[7] The CAISO's proposal to further increase the high-voltage TAC for all PTOs for local costs that result in local benefits is unreasonable and inconsistent with cost causation principles. The CAISO states that there are "90 active generation interconnection projects in the CAISO queue with executed Generation Interconnection Agreements (GIAs)."[8] These GIAs encompass only four PTOs, as compared to the 15 PTOs listed in Table 2.[9] Therefore, though the CAISO claims that the "options presented would apply to all PTOs in the ISO system,"[10] there are a maximum of 4 PTOs incurring costs, which would be shifted to the whole of the load making up the Metered Demand and Exports that pay the TAC and the Wheeling Access Charge. Aside from a cursory mention that increased development could "generally support"[11] broader policy goals of RA, reliability, and renewable generation, the Straw Proposal makes no effort to square the provided cost shifting options with cost causation principles. Indeed, such options do not appear consistent with cost causation, nor the practices of any other ISO/RTO.[12] Ironically, in broader discussions on transmission cost allocation, the ISO has rejected calls to move to a postage stamp rate for existing high voltage transmission that truly do have a nexus to regional benefits, as opposed to low voltage network interconnection facilities that do not under any reasonable set of assumptions.

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4 *Id.* at 5.
5 *Id.*
6 *Id.*
7 *See, e.g.,* 2016 TAC Rates, *available at* https://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJan1_2016.pdf.
8 Straw Proposal at 5.
9 *Id.* at 6.
10 *Id.* at 5.
11 *Id.* at 5.
12 A summary of ISO/PTO practices is provided by the National Renewable Energy Laboratory, which is *available at* http://www.nrel.gov/docs/fy11osti/49880.pdf (for example, ISO-NE's "Smaller projects are categorized as Local Benefit Upgrades (LBU). LBUs are transmission upgrades rated below 115 kV and do not provide a regional benefit and therefore, costs are allocated through the LNS."); *see also* CAISO's Transmission Access Charge Options Issue Paper (October 23, 2015), *available at* https://www.caiso.com/Documents/IssuePaper-TransmissionAccessChargeOptions.pdf.

B. The CAISO is Already Addressing Low-Voltage TAC in a Pre-Existing Initiative, and this Straw Proposal Conflicts with those Efforts

The CAISO is already conducting a review of the TAC and is examining how PTOs should bear upgrade costs in the Transmission Access Charge Options for Integrating New Participating Transmission Owners Initiative ("TAC Initiative"). The TAC Initiative contains proposals that could have broad and far-reaching impacts on the electric market, and has been subject to review and participation by stakeholders. An important assumption that goes into the TAC Initiative is that low voltage facility costs "will be recovered entirely from the territory of the PTO whose system the facility connects to."[13] Regional cost allocation is only proposed for certain higher voltage facilities, unless a lower voltage facility qualifies as a "new regional facility" that can satisfy various competitive solicitation, integrated transmission planning, and interconnection requirements.[14] Even then, the costs for those new low voltage facilities that would serve the expanded ISO would be allocated to multiple PTOs in accordance with a new body of state regulators formed as part of a new ISO regional governance structure.[15]

Whatever the final outcome of the TAC Initiative, this Straw Proposal clouds the waters with respect to the pre-existing efforts in the TAC Initiative, and does so for the purpose of addressing speculative and unsupported rate impact claims for a single PTO. The Straw Proposal's broad cost allocation, under the guise of furthering high level and general policy goals, conflicts with the more precise low voltage cost allocation structure proposed in the TAC Initiative.

C. The CAISO Should Evaluate the Connection Between Customers and Network Upgrade Costs

Despite a willingness to modify long-standing PTO allocation principles, the CAISO is "not proposing options that would...shift network upgrade costs to the interconnection customers who trigger them," stating that it would result in a "fundamental paradigm shift for generation development."[16] This ignores the root problem that is facing VEA and other PTOs – the CAISO's policy adopted to date fails to allocate the interconnection costs for generators directly to the developers causing the costs to be incurred. This policy compromise has led to a dilution of price signals for generators to minimize interconnection costs by picking favorable locations, and contributes to the policy conundrum that the ISO faces here.

However, the solution to the problem is not to exacerbate the problem by further diluting cost causation principles by broad socialization of interconnection costs, particularly for facilities for which there is no reasonable connection between the costs of the local facilities and regional beneficiaries.

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[13] TAC Working Group Presentation (August 11, 2016) at slide 4, *available at* https://www.caiso.com/Documents/Agenda-Presentation-TransmissionAccessChargeOptionsWorkingGroup-Aug11_2016.pdf.

[14] TAC Initiative Revised Straw Proposal at 4, 6.

[15] *Id.*

[16] Straw Proposal at 4-5.

Indeed, the ISO's own arguments to the contrary undercut their entire TAC design which allocates costs of low voltage facilities, not just generator interconnection costs, to the customers of the PTO.

The issues pertaining to SCE are instructive on this point. SCE has not turned over operational control of its lower voltage system to the ISO. Yet, customers of SCE would be expected to pick up shares on interconnection costs to lower voltage systems of PTOs who have, when there is no operational difference in how the generators affect the overall optimization or achievement of policy goals.

Section 2: Individual Responses

1. Option 1. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*

   CMUA does not support option one, for the reasons provided above.

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.*

   CMUA does not support option two, for the reasons provided above.

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.*

   CMUA does not support a percentage limit as described in options 2b and 2c, for reasons provided above.

4. Other