

Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
<i>Colin Rizzo, Esq. (415) 703-1784</i>	<i>California Public Utilities Commission</i>	<i>September 20, 2016</i>

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 Sept 6, 2016. The proposal and other information related to this initiative may be found at: <http://www.aiso.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 **Sept 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.

The Staff of the California Public Utilities Commission (CPUC Staff) appreciates the opportunity to comment on the California Independent System Operator Corporation's (CAISO) proposal to revise the structure of how participating transmission owners (PTOs) reimburse their interconnection customers (ICs) whose generators are interconnecting to their systems for costs of reliability and local deliverability network upgrades necessary for interconnection. This initiative would, in effect, modify the PTO cost recovery methodology for low-voltage (LV) interconnection network upgrades (NUs).

Below, CPUC Staff addresses the questions presented by the CAISO.

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.*

CAISO's revised straw proposal states that, "The ISO has reviewed the stakeholder comments received on the draft straw proposal. After careful consideration, the ISO proposes to move forward with Option 1 from the draft straw proposal, but not Option 2."¹ Generally, Option 1 provided that

¹ Generator Interconnection Driven Network Upgrade Cost Recovery (GID NUCR) *Revised Straw Proposal*, September 6, 2016, page 9.

current and future LV interconnection NUs would be included in a PTO's high voltage (HV) transmission revenue requirement (TRR) for the grid-wide transmission access charge (TAC) cost recovery. Option 1 is aimed to recognize that generators: (1) provide energy and ancillary services to the entire ISO markets for the entire region; and (2) support public policy goals including resource adequacy, reliability, and renewable generation. Conceptually, it appears to CPUC Staff that CAISO's Option 1's underlying intent is to recognize that once interconnected into the ISO controlled grid, a resource is connected to the ISO market and benefits all ISO ratepayers, not just those in the local area.

CPUC staff believes there are general threshold issues that should be addressed, some of which CPUC Staff identifies below, should the CAISO seek to proceed with some form of the significant cost recovery policy shift outlined in the revised straw proposal. The CPUC agrees that modifying the cost recovery methodology for LV NUs could be a positive solution under proper circumstances but the proposal should be refined to limit its scope and potential for unintended ratepayer consequences.

First, CPUC Staff recommends that Option 1 only be allowed if CAISO allows a PTO to protest. Thus, when a PTO (or PTOs) elects to protest the NUs being assigned from a particular project to the PTO, such a protest could trigger a review test to verify that the NUs do not provide significant *local reliability benefits*. There should be an assessment of whether the NU specific to this new generation and the associated low voltage NUs in question provide substantial local reliability benefits such as meeting local capacity requirements or mitigating projected thermal overload, voltage or stability problems associated with serving local loads. If such a test identifies a significant local benefit, then the costs should not be socialized throughout the ISO markets. Alternatively, if these local benefit criteria cannot be clearly met, then it would appear that the generation being interconnected represents "system" or "market-wide" benefits. Consequently, it would then be reasonable to socialize those interconnection-related costs addressed by Option 1 throughout the ISO markets. If the CAISO edits the tariff specifically to require the PTO to protest, and require an extra review – then policy Option 1 as proposed could have a far limited applicability and scope – and avoid unintended consequences.

While CAISO is accustomed to not providing tariff language during stakeholder initiatives and prior to CAISO board approval, this common CAISO practice makes understanding the far reaching and potentially unintended consequences of this policy proposal particularly challenging. In this instance, the CAISO's policy proposal would modify, at least – in a manner unspecified by the initiative – an existing and complex 117 page tariff.²

CPUC Staff reviewed the existing tariff in light of the policy proposal, and in particular, CPUC Staff reviewed Appendix Y of the Generator Interconnection Procedures (For Interconnection Requests) to try to conceptualize how the CAISO could implement its policy proposal.³ CPUC Staff suggests that in order to incorporate the refinement to the Option 1 proposal described above, CAISO would need to

²Appendix Y GIP, For Interconnection Requests, Generator Interconnection Procedures (GIP), section 12.3 Network Upgrades, page 54 of 117.

³Appendix Y GIP, For Interconnection Requests, Generator Interconnection Procedures (GIP), section 12.3 Network Upgrades, page 54 of 117.

modify Section 12.3.1, Network Upgrades.⁴ If so, CAISO should consider adding the following language to implement the option only when specifically requested:

- *Where a network upgrade is charged to a low voltage interconnection customer but that network upgrade does not purely provide significant local reliability benefits, but rather provides significant benefits to an ISO PTO and does not adversely impact the ISO PTOs ratepayers, then the network upgrade shall be reassigned from the low voltage interconnection customer to the assigned high voltage transmission access charge of the assigned beneficiary PTO or PTOs.*

Finally, as CPUC Staff reviewed Appendix Y, it appears that some definitions may (or may not) need to be updated along with other tariff language if Option 1 is implemented. Therefore, CPUC Staff recommends that when CAISO publishes the Final Draft Proposal, CAISO highlight the specific areas in which the tariff and the applicable definitions may need to be updated to implement Option 1. Even if the CAISO does not provide the exact tariff revisions, the CAISO should explain to stakeholders in general terms how the tariff will be modified. CPUC Staff proposes that the tariff modifications be relatively limited in scope, require a PTO protest, and subsequent review since Option 1 will cause a significant shift in which ratepayers pay for which costs for NUs.

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.*

Generally, CPUC Staff does not support retroactive cost allocation changes for reliability network upgrades (RNUs) or local deliverability network upgrades (LDNUs) that have already been built and whose costs have yet to be recovered. The only exception CPUC Staff can contemplate where such reallocation may be reasonable is if the costs in question otherwise meet conditions for inclusion in the high-voltage TAC as described under Option 1 *and* if an entity demonstrates that there is **substantial hardship** (e.g., Valley Electric Association) because these costs represent a **large share** of a PTO's total low voltage plus high voltage revenue requirement. Otherwise, CPUC Staff opposes applying Option 1 retroactively to RNUs and LDNUs that have already been built and whose costs have yet to be recovered from loads.

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

Several parties commented in their initial comments and on the September 13, 2016 stakeholder call that CAISO should consider this initiative's compatibility with the Regional ISO expansion initiative, the Regional TAC, or alternatively, include this initiative in the ISO's Regional TAC initiative.

At this point, CPUC Staff is not taking a position on how these costs would be allocated under a Regional ISO expansion. Indeed, the issue presented before stakeholders in this initiative is narrowly focused on cost/benefit allocation principles within the existing CAISO footprint. However, CPUC Staff recommends that CAISO keep the objectives and outcomes in mind in this initiative as it

⁴Appendix Y GIP, For Interconnection Requests, Generator Interconnection Procedures (GIP), section 12.3 Network Upgrades, page 54 of 117.

concurrently develops the initiatives under the Regional ISO expansion. CPUC Staff also recommends that CAISO consider stating, in broad terms, how the cost allocation policy could affect the latest transmission cost recovery paradigm proposed for a multi-state ISO.