

Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
<i>Charles Mee 415-703-1147</i>	<i>Office of Ratepayer Advocates</i>	<i>8/19/2016</i>

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.

Options 1 and 2. Please state if you support (please list any conditions), oppose, or have no comment on the proposal.

The California Independent System Operator's (CAISO) August 1, 2016, *Generator Interconnection Low Voltage Network Upgrade Cost Recovery Issue Paper and Straw Proposal* (Issue Paper and Straw Proposal) recommends possible changes to the currently accepted cost allocation for upgrades to low voltage transmission facilities. Currently, the CAISO requires:

“Participating Transmission Owners (PTOs) to reimburse interconnection customers ... whose generators are interconnecting to their systems for the costs of reliability and local deliverability network upgrades necessary for the interconnection.”¹

The PTOs subsequently include the costs of network upgrade reimbursement in their rate bases, and ratepayers pay the costs through either low- or high-voltage transmission access charges (TAC).²

“Network upgrades 200 kilovolt (kV) and above are considered high voltage, and are the responsibility of all customers in the CAISO as part of their high voltage TAC, while network

¹ Issue Paper and Straw Proposal, p. 3 (footnote omitted).

² Issue Paper and Straw Proposal, p. 3.

upgrades below 200 kV are currently recovered through the low voltage TAC that is the responsibility of customers only within the PTO in which the upgrades occur.”³

The CAISO observes that if a large number of generators seek to interconnect in a PTO with a “relatively small rate base,” the resulting interconnection costs may cause a “substantial increase to the local or low-voltage TAC rate, even when the local ratepayers may not receive commensurate benefit from the added generation.”⁴ The CAISO points to Valley Electric Association (VEA), a load serving entity located in Pahrump, Nevada, as an example of the potential for rate shock when a large number of generators seek to interconnect in an area in with a small number of ratepayers to pay the resulting increased low voltage TAC. ORA recognizes that the potential for an increase of 94 percent in the low voltage TAC is significant.⁵ Nevertheless, ORA questions whether the CAISO’s proposed options, which would require customers throughout the CAISO to pay for some or all of the low voltage TAC costs that are now the sole responsibility of customers within each PTO, are the correct solution to this potential problem. Requiring CAISO ratepayers to pay for low voltage TAC costs of other PTOs in addition to their own, would expose CAISO ratepayers to unacceptable risks.

VEA is under the jurisdiction of the Nevada Public Utilities Commission, so the California Public Utilities Commission (CPUC) does not have jurisdiction over VEA’s transmission projects and does not approve these facilities based on need and cost. Consequently, the CPUC cannot protect California ratepayers from the costs of VEA’s potentially unreasonable transmission projects. If implemented, the CAISO’s proposal to socialize a non-California utility’s low voltage transmission costs will expose California ratepayers to low voltage transmission access charges that have not been vetted for reasonableness by the CPUC.

Beyond VEA, the proposal, if adopted, might motivate PTOs to convert distribution facilities to low voltage transmission facilities, or choose to build new low voltage transmission facilities in an effort to shift costs to ratepayers outside their service territory. ORA therefore opposes the proposal to include any portion of low voltage transmission costs in the high voltage TAC paid by all customers.

³ Issue Paper and Straw Proposal, p. 3.

⁴ Issue Paper and Straw Proposal, p. 3.

⁵ Issue Paper and Straw Proposal, p. 7.