

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.

NCPA's comments:

NCPA opposes both options put forth in the Straw Proposal. In this Issue Paper and Straw Proposal, the ISO is proposing to fundamentally change the rules that were put in place at the initiation of the ISO markets. The Issue Paper does not provide sufficient evidence support its departure from years of precedent or for the significant additional costs it proposes to add into the High Voltage Transmission Access Charge (which has already tripled since 2008).

When Valley Electric Association (“VEA”) joined the ISO as a PTO, it was well aware of the ISO’s rules for differentiating between low voltage and high voltage transmission. And, over the years, it and its ratepayers have benefitted from those rules. Its utility-specific High Voltage TAC is about \$21/MWh; the CAISO TAC is about \$11/MWh, meaning that VEA has seen significant savings as a result of becoming a PTO. The ISO now focuses on the significant increase in its Low Voltage TAC from network upgrades—it does not demonstrate that the rules that have been in place since before VEA became a PTO have resulted in an unjust outcome or outweighed the benefits it has received from being a PTO. Nor does it demonstrate that the increases in its Low Voltage TAC will even outweigh the benefits it will receive from the generator interconnections in question. Generally such

benefits, if any, will be primarily realized by the entity that is contracting for the output of the generator, not the market in general.

The end result is that the ISO has proposed to erode its long-standing distinction between low voltage and high voltage facilities by adopting an implicit “ability to pay” standard for cost allocation. This is unreasonable and should be withdrawn.

The ISO states in its proposal that generator interconnections that require low-voltage network upgrades may sell their energy or capacity outside the footprint of the particular PTO to which they connect. This is certainly a possibility. But the Issue Paper does not demonstrate, and nor does it logically follow, that the benefits of those upgrades accrue to the CAISO grid as a whole. To the extent the ISO can demonstrate a problem—i.e., to the extent it can show that certain PTOs are paying for network upgrades that are out of proportion to their share of the benefits¹— it should allocate costs to the entities that it can show receive the actual benefits of the upgrades rather than spreading them across the grid as a whole.

NCPA is additionally concerned that the ISO has not made any attempt to integrate this proposal with its larger efforts to develop a regional Transmission Access Charge. In that process, the ISO has proposed to maintain the traditional distinction between high-voltage and low-voltage facilities precisely because it is aware that the benefits of the latter are generally more localized than those of the former. That is consistent, of course, with the ISO’s long-standing process. Its departure from it in this process alone is not justified by the facts at hand. Any changes to the structure of the Transmission Access Charge should be considered on a comprehensive basis rather than done on an *ad hoc* basis when a particular PTO encounters a situation to which it objects.

Finally, NCPA is concerned that the ISO appears to be fast-tracking this proceeding without providing sufficient opportunity for study of its implications or the precedent it might set. Changes to the fundamental principles on which costs in the ISO are allocated are not appropriate for an expedited stakeholder process. Nor are they appropriate to be segregated from other on-going processes, as a spokesperson for the ISO stated it was doing when asked about this process’s relationship to on-going regionalization discussions. If the ISO decides to pursue this matter further, it should do so in the context of those other stakeholder processes.

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

See 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.*

See above.

¹ And in doing so, the ISO should also consider whether the PTO has received corresponding benefits through paying a reduced High Voltage TRR.

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.*

As noted, NCPA objects to both options presented by the ISO. However, it also believes the proposed 5% limit is both low and arbitrary. The High Voltage TAC has been increasing rapidly, as has the Low Voltage TAC of certain PTOs (such as PG&E). A 5% increase in VEA's TAC, therefore, does not rise to the level of necessitating a fundamental alteration in the ISO's cost allocation rules.

4. Other

No other comments at this time.