

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative Revised Straw Proposal

Submitted by	Company	Date Submitted
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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.

PG&E supports the CAISO's proposal to move forward with further consideration only of Option 1.

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).

As previously stated, PG&E supports including LV generator-driven interconnection NU costs in the HV TAC so long as both existing LV generator-driven interconnection NUs and future LV generator-driven interconnection NUs are allocated to a PTO's HV TRR for grid-wide TAC recovery purposes.

The Revised Straw Proposal highlights a critical guiding principle that should inform the outcome of this stakeholder initiative: resources interconnected to the CAISO system provide a range of services that benefit the entire system, including contributing to the balance of renewable generation providing energy and ancillary services to the market. In recent years, the majority of resources that have interconnected to the CAISO-operated transmission system have been renewable resources, contributing to the achievement of various policy goals that apply across the current CAISO footprint. This recognition of the generalized benefit of resources interconnecting to the CAISO-operated system justifies the inclusion of LV interconnection NUs in the HV TRRs of participating transmission owners.

It would be inconsistent to say that this reasoning only applies to resources that have not yet interconnected to the CAISO-operated system. If the policy is to be supported at all, it must be applied non-discriminatorily to all interconnection-driven NU costs to the LV system.

In PG&E's service territory, the vast majority of resources that have interconnected to PG&E's LV transmission system in recent years have been renewable resources, procured to meet

California RPS goals. The renewable resources, and the full range of resources interconnected to PG&E's LV transmission system, provide energy and ancillary services that contribute to the reliability and renewable generation mix supporting the entire CAISO market.

Whether the proposed cost allocation would be appropriate within an expanded ISO, where other states may not share California's renewable policy objectives, is outside the scope of this current initiative and should be addressed in the TAC Options or other regional stakeholder initiatives.

3. Other.

While some stakeholders have expressed concern that this proposal to include LV interconnection-driven NU costs in PTOs' HV TRR will lead to similar treatment of all LV transmission facilities in CAISO's BAA, PG&E believes this concern is unlikely to materialize.

PG&E further believes that the CAISO is making the right choice to proceed with Option 1 provided that the policy be applied in a non-discriminatory and consistent way, i.e. that all costs for interconnection-driven NUs to a PTO's LV transmission system be recovered through that PTO's HV TRR.