

Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
<i>Fernando E. Cornejo</i> fernando.cornejo@sce.com <i>Berton Hansen</i> berton.hansen@sce.com	<i>Southern California Edison</i>	<i>August 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.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 **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.

SCE proposes a new “Option 3” to mitigate rate shock to VEA customers by extending the time period for which an interconnection customer receives repayment of network upgrades so that the levelized payments do not cause rate shock to VEA customers

Southern California Edison (SCE) appreciates the opportunity to comment on the CAISO’s proposal to address the concern of potential rate shock on ratepayers. This issue recently surfaced due to generation developers seeking to interconnect significant MWs of generation resources to the low-voltage portion of Valley Electric Association’s (VEA) electrical system and the resulting network upgrades needed to that system. Under the current CAISO rules, these low-voltage network upgrades, estimated in the tens of millions of dollars, would cause VEA’s ratepayers to shoulder a precipitous rate increase. This appears to be a unique circumstance, and to the extent it is unique, the CAISO can

address it through a tariff waiver request¹. For emphasis, SCE does not think the current approach to interconnection, payment and cost allocation is materially flawed. In SCE's view the system has worked reasonably well and should continue. However, to the extent the CAISO believes that the issue at hand presents a definitive rate shock issue and that the impacts of such rate shock should be addressed, the CAISO can seek a one-time waiver and focus on the narrow issue of rate shock. At a high-level:

- 1) The CAISO should define a threshold for VEA customer "rate shock". The threshold should consider impact based on the effective rate (the combined High Voltage and Low Voltage rate) that VEA customers pay prior to the upgrades.
- 2) If low voltage interconnection facilities would cause costs to increase above this threshold, the CAISO should extend the time period for an interconnection customer to receive repayment of network upgrades (for example 20 years instead of the current 5 years), so that the rate increase to VEA customers does not exceed the defined threshold.

SCE includes a numeric example at the end of these comments to illustrate how Option 3 is proposed to work. For clarity, this approach is being proposed only to address the VEA rate shock issue. In addition, since Option 3 only extends the length of time network upgrade costs are repaid to the interconnection customer, it does not represent a fundamental paradigm shift for generation development and capacity procurement in the CAISO region or raise some of the myriad issues with which other regions struggle.

It would be inappropriate to address the issue of disproportionate interconnection-driven network upgrades being triggered relative to the local energy needs of the interconnecting PTO

SCE respectfully disagrees with the statement made by the CAISO during the August 8, 2016, stakeholder webcast that the Issue Paper & Straw Proposal should address a two-pronged policy issue: (1) Network upgrades triggered by generator interconnections are not proportional to the local need of the interconnecting PTO; and (2) rate shock in exceptional circumstances. Although SCE agrees concerns related to rate shock may be appropriately addressed depending on the circumstances at issue, the issue of relative interconnection size goes beyond the construct of the existing Generator Interconnection and Deliverability Allocation Procedures (GIDAP). The CAISO has been explicit in

¹ Under Option 3, CAISO would likely need to file with FERC for a waiver from Appendix DD Section 14.3.2.1 of its Tariff and Section 11.4 of its LGIA.

its intent that “any solution to this be compatible with and retain the fundamental design and features of the GIDAP²” and thus issues beyond such a paradigm should not be addressed in this forum.

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

SCE does not support Option 1.

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.*

SCE does not support Option 2.

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 described below, rate shock should be based on SCE’s proposed methodology. SCE does not have a recommendation regarding what specific percentage increase would constitute rate shock.

4. Other

Option 3 would limit the amount of the Low Voltage (LV) and High Voltage (HV) costs that the PTO actually pays in a given year, since that should be a measure of the basis of any “rate shock”. The amount of LV Plant that would be subject to Option 3 would be developed as follows:

Each PTO pays the same HV rate (currently about \$11.13 per MWh as of June 2016), plus their own LV costs. In the case of Valley Electric Association (VEA), their HV costs are \$21.90 per MWh, and their LV costs are \$6.26 per MWh. But the total CAISO transmission costs that VEA actually pays are the grid wide HV TAC rate of \$11.13, plus their LV costs of \$6.26 (times their MWh of load). The measure of rate shock should be relative to that amount of \$11.13 + \$6.26 = \$17.39 per MWh. Any increase in LV costs attributable to a LV Network Upgrade that is in excess of a given refunded percentage, say 10% of that \$17.39/MWh amount, should be borne by the interconnection customer over an extended period. That is, rather than receiving refunds over 5 years per the current tariff, the interconnection customer(s) causing the rate shock would receive refunds over a longer period (for example, over 20 years). Rate impacts can be approximated by evaluating changes to Gross Plant. To implement this concept, SCE proposes the

² Id., p. 4

following way to determine how much costs associated with a given LV Network Upgrade may be borne by the interconnection customer over an extended period of time:

- 1) Determine the total transmission Gross Plant of the VEA, divided into HV and LV components.
- 2) Adjust the HV component of Gross Plant by the ratio of the ISO Grid Wide HV TAC rate to VEA's Utility-Specific HV Rate. For example, if the total Gross Plant is \$120 million, of which the HV Gross Plant is \$100 million (and \$20M is LV Gross Plant), and using the ratio for VEA of $(\$11.13/\$21.90) = 50.8\%$, then the "Adjusted HV Gross Plant" would be $50.8\% \times \$100\text{M HV Gross Plant} = \50.8 million .
- 3) Add the LV Gross Plant to the Adjusted HV Gross Plant to derive the "Adjusted Total Gross Plant". In this example, Adjusted Total Gross Plant would be $\$50.8\text{M Adjusted HV Gross Plant} + \$20\text{M LV Gross Plant} = \70.8 million .
- 4) If the Gross Plant of the LV Network Upgrade is in excess of 10% of \$70.8 million, then the excess over that amount would be the responsibility of the interconnection customer to recover over an extend period of time (e.g. 20 years rather than 5). For example, if the LV network Upgrade cost \$20 million, then \$7.08 million ($10\% \times \$70.8\text{M}$) would be included in the VEA's LV rates, while $\$20\text{M} - \$7.08\text{M} = \$12.92\text{ million}$ would be borne by the interconnection customer and refunded over an extended period.³
- 5) The amount refunded to the interconnection customer over an extended period of time would not be subject to revision.

³ This \$12.92 million could also be tested against the LV cap. For example, first assume the LV cap is determined to be \$2,000/MW, and this facility is 90MW with total LV costs of \$20M. Here the costs is below the threshold ($\$20\text{M}/\$90\text{MW} = \$222.22/\text{MW}$) so the entire \$12.92M would be refunded to the interconnection customer. Now consider a second example where the facility is only 8MW but still has \$20M LV costs. Here the LV costs exceed the threshold ($\$20\text{M}/8\text{MW} = \$2,500/\text{MW}$). Rather than refunding the entire \$12.92M, under a LV cap approach only $2,000/2,500 \times \$12.92\text{M} = \10.34M would be refunded. The residual amount ($\$12.92\text{M} - \$10.34\text{M} = \$2.58\text{M}$) would not be subject to refund and the interconnecting customer would pay the \$2.58M without refund. The idea of a cap is consistent with the current GIDAP and provides an incentive for interconnecting parties to have some consideration and the potential for some cost responsibility when siting projects.