Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
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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.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 **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.

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.*

SCE opposes Option 1.

As to this Option, unlike many of the CAISO's stakeholder initiatives, there has been no stakeholder consensus to support its adoption and, in fact, there is significant stakeholder opposition (CDWR, ORA, NCPA, BAMx, Six Cities, and SCE) versus support (PG&E, SDG&E, and VEA) of it. The CAISO's proposal creates new socialized costs which impact all grid participants and therefore cannot and should not be adopted over the overwhelming stakeholder opposition, much less so in the expeditious and unsupported fashion proposed by the CAISO. The CAISO's foundational position – that generation benefits the entire CAISO and therefore all participants should pay for low voltage transmission needed to interconnect this generation – is both flawed and inconsistent with the long-standing CAISO positions. Moreover, there is no objective support for the CAISO position. In fact, and as explained below:

- SCE disagrees that generator driven LVNUs should be deemed – without analysis – to provide benefits to the CAISO markets for the entire region;
- SCE disagrees that the six cost principles for cost allocation contained in FERC Order 1000 are appropriate to apply to generator driven LVNUs;
- Even assuming if CAISO appropriately applied FERC Order 1000's cost allocation principles to generator driven LVNUs, they would fail to meet the "benefits transparency" principle articulated by FERC; and
- The MISO Multi-Value Project (MVP) upgrades are distinguishable and do not support the upgrades reclassification proposed here

First, CAISO has not established that facilities at issue – or more generally, LVNUs – benefit customers throughout the CAISO region. As a result, CAISO proposal to allocate LVNU costs via the High Voltage TAC is unsubstantiated.

Second, SCE disagrees the six cost allocation principles established in FERC Order 1000 support the CAISO's proposal. FERC Order 1000 is clear that:

"the six regional cost allocation principles apply to, *and only to*, a cost allocation method or methods for <u>new regional transmission facilities selected in a *regional transmission plan* for purposes of cost allocation</u>. The six analogous interregional cost allocation principles apply to, *and only to*, a cost allocation method or methods for a new transmission facility that is located in two neighboring transmission planning regions and accounted for in the interregional transmission coordination procedure in an OATT. *These cost allocation principles do not apply to other new transmission facilities* and therefore do not foreclose the opportunity for a developer or individual customer to voluntarily assume the costs of a new transmission facility…"[1] (Italics added).

Thus, the CAISO inappropriately applies a TPP standard to a very different process, the GIDAP.

Third, even if FERC Order 1000's six cost allocation principles did apply, the CAISO does not meet the fifth principle which requires that "the cost allocation method and data requirements for determining benefits and identifying beneficiaries for a transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission facility."[2]

CAISO suggests the following ways generators provide benefits to the entire market: (1) CAISO market produces efficient, least-cost market operation; (2) entry of additional resources puts downward pressure on the overall cost of energy and other services; (3) new generation can provide lower cost and more efficient opportunities for accessing resource adequacy capacity; and (4) LSEs are incentivized to procure renewable generation from the lowest cost resource, regardless of location. Regarding item (2), SCE seeks clarification whether it is the CAISO's position that generation continues to provide grid-wide benefits even during periods of negative prices, both in the case of system-wide negative prices and negative prices local to the newly interconnected generation? Concerning item (3), new generation may not be "fully deliverable"

[1] FERC Order 1000. Par. 603.
[2] Id. Par. 586(5).

and thus may be ineligible to sell Resource Adequacy capacity; and, with respect to item (4), while LSEs may be incentivized to procure renewable generation from the lowest cost resource within the CAISO today, this may not be true in a future of CAISO expansion where rules for counting out-of-state resources for RPS have not been determined and compliance requirements may affect whether California parties will seek lower cost out-of-state resources. The CAISO has not provided data and adequate documentation, as required by FERC Order 1000's fifth of six cost allocation principles, to demonstrate benefits and beneficiaries for a generator interconnection driven LVNU to allow a stakeholder to determine how those benefits were applied to a proposed transmission facility.

Fourth, during the September 13, 2016, stakeholder conference call to discuss the revised straw proposal, the CAISO cited to the example of the MVP in the MISO for support that FERC would approve the CAISO's proposed cost allocation principles at issue here. This confidence is misplaced because there was significant data and studies supporting MVP upgrades' benefits to all members of MISO. In contrast, the CAISO has made general and unsupported statements about the grid benefits of additional generation without specific quantifiable economic benefits, for example as an overall cost reduction to CAISO members, or the significant stakeholder process and refinements which characterize the MVP. By design, MVP only applies to new, and not existing, facilities. Moreover, the CAISO has not limited the generator interconnection driven LVNUs to situations where the ultimate off-takers reside within the CAISO, thus beneficiaries of the purchased energy may reside outside of the CAISO's region.

Finally, it bears noting that, requiring customers across the CAISO region to pay for the costs of LV generator interconnection facilities is a complete change to the existing cost methodology, and the assumptions that underlie such methodology, that the CAISO has proposed and championed at FERC for well over a decade. Any such change must be justified by objective evidence of costs and benefits to all impacted stakeholders. The CAISO proposal is unsupported by any such evidence.

2. <u>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)</u>. *Please state if you support (please list any conditions), oppose, or have no comment on the proposal.*

SCE opposes Option 1 and would oppose applying it to RNUs and LDNUs that have already been built and whose cost have yet to be recovered from loads. The MVP proposal cited by the CAISO as precedential only applies to new facilities[3]. System design and capital investment decisions which resulted in the completion of network upgrades at both the low voltage and high voltage levels of a PTO's system may have, to some degree, factored the existing cost allocation methodology in effect at the time those investments were made. To now, *post-facto*, change the cost allocation rules for those capital expenditures made in the past appears neither justified nor reasonable to PTOs' customers.

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

[3] FERC's Order on MISO MVP, issued October 21, 2011, Par. 10.

SCE continues to believe this is a one-off rate shock issue that can be addressed by Option 3 proposed by SCE in response to the CAISO's Issue Paper/Straw Proposal. SCE disagrees with CAISO that Option 3 doesn't address the real issue because the "real issue" is rate shock, not system wide benefits.