

**SDG&E's Comments on the
CAISO's September 6, 2016**

***“Generator Interconnection Driven Network Upgrade Cost Recovery,
Revised Straw Proposal”***

The CAISO's September 6, 2016 *Generator Interconnection Driven Network Upgrade Cost Recovery, Revised Straw Proposal* notes that “PG&E and SDGE both proposed” that the logic for allocating the costs of generator interconnection-driven low voltage network upgrades to the high voltage Transmission Access Charge (TAC), applies equally to (i) the costs of yet-to-be built low voltage network upgrades, and (ii) to the unrecovered costs of existing low voltage network upgrades. The CAISO seeks “additional stakeholder input” on the question of whether the unrecovered costs of existing low voltage network upgrades should be allocated to the high voltage TAC.

This question was discussed at the CAISO's September 13, 2016 stakeholder web conference. No specific objections to PG&E's and SDG&E's proposal were raised during the call. SDG&E reiterates its position that generator interconnection-driven low voltage network upgrades benefit CAISO consumers broadly, and that the costs of these facilities therefore need to be allocated broadly. These benefits exist for generator interconnection-driven low voltage network upgrades that are already in service, and will exist for generator interconnection-driven low voltage network upgrades that are placed in-service in the future.

An allocation of the unrecovered costs of existing low voltage network upgrades, and of the costs of new low voltage network upgrades, to the high voltage TAC will provide reasonable alignment with FERC's cost allocation principles. As the Valley Electric example vividly illustrates, continuing with the current cost allocation scheme for interconnection-driven low voltage network upgrades is likely incompatible with FERC's just and reasonable standard. Recognizing this situation, the CAISO notes that there is “some urgency to the present matter.”

In consideration of the above points, SDG&E recommends that the CAISO's September 6, 2016 *Generator Interconnection Driven Network Upgrade Cost Recovery, Revised Straw Proposal* be further revised as follows:

- Section 4 -- Revise the second sentence in the second paragraph to read as follows:

“The ISO's market produces the efficient, least-cost market operation cost-optimizing between the production of energy and ancillary services; the availability and production of energy from existing resources and the new entry of additional resources puts downward pressure on the overall cost of energy and other services.”

- Section 6, “Option 1 (ISO Proposal)” – Revise the first sentence to read as follows:

“Include (i) the unrecovered cost of existing generator-triggered low-voltage facilities, and (ii) cost of new generator-triggered low-voltage facilities, in the PTO’s high-voltage TRR for recovery through the high-voltage TAC.”