

Stakeholder Comments Template

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
<i>Joyce Kinnear: 408-615-6656, City of Santa Clara Electric Department, 1500 Warburton Avenue, Santa Clara, CA 95050.</i>	<i>City of Santa Clara, dba Silicon Valley Power (SVP) on behalf of the Bay Area Municipal Transmission group (BAMx)¹</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.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.

[BAMx Comments](#)

The allocation of cost responsibility for network upgrade costs associated with generator interconnections was anticipated when Valley Electric Association (VEA) was deciding to join the CAISO in 2011. The Questions & Answers provided to stakeholders at that time² were largely focused on generation interconnecting with VEA and how such generation interconnection requests would be folded into the CAISO tariff processes. The CAISO's responses specifically addressed the refund of generator funded reliability upgrades that are included in the Transmission Access Charge

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara's Silicon Valley Power.

²http://www.caiso.com/Documents/ISOResponses_QuestionsAboutMemorandumofUnderstandingBetweenValleyElectricAssociationandISO.pdf

(TAC) once the generator achieves commercial operation.³ VEA has enjoyed the benefit of the CAISO's current TAC cost allocation methodology. The VEA Utility-Specific High Voltage (HV) TAC Rate is \$21.8988/MWh,⁴ yet as a result of becoming a Participating Transmission Owner (PTO) pays a net HV TAC Rate of \$11.2181/MWh, reflecting a savings of \$10.68/MWh. Despite this large and ongoing financial benefit through the HV TAC, VEA has now proposed that it modify long standing LV cost allocation methods to further spread its expensive cost structure to the other rate payers in the state. CAISO needs to provide evidence that interconnecting generators provide system benefits that justify everyone paying the costs for their required additions to the system.

The approaches identified in the CAISO stakeholder conference call embrace a "let California customers and rate payers pay for everything" approach built upon the perspective that "since California rate payers are already supporting one of the highest in the nation and ever growing transmission revenue requirements, they will not notice a little more." This is a concerning point of view, especially in the context of the regionalization studies underway where it is anticipated that many additional small and large PTOs would be joining a Regional ISO. The equitable allocation of transmission cost is an issue being debated in the current TAC Options stakeholder process.⁵ The VEA transmission cost allocation issue should be part of the comprehensive stakeholder review and consideration of TAC Options. This proposal should be moved to that forum to be reviewed by a broad range of stakeholders in an overarching methodology analysis rather than being addressed individually without consideration of its consequences under regionalization.

CAISO must justify the compressed schedule for this major modification in cost allocation methodology for one PTO, which could conceivably be expanded to other PTOs, particularly as a result of regionalization. It should not move such a significant policy question through on an expedited basis simply because a few generators are in the queue. The cost allocation rules were well known at the time the generators submitted their applications.

With respect to the "solutions" presented, BAMx is concerned that the proposal to move Low Voltage (LV) facilities into the HV Transmission Revenue Requirement (TRR) is inconsistent with years of past practices, as well as the rationale for the current HV/LV cost allocation that have been found to be just and reasonable by FERC. The new position presented in the current stakeholder process that LV facilities (in this case, those that interconnect generation) can "benefit(s) all ISO ratepayers and not just those in the local area" is counter to the past treatment and view of such facilities. The CAISO's October 23, 2015 "Transmission Access Charge Options for Integrating New Participating Transmission Owners Issue Paper" states that

"Moreover, FERC likely would find that low-voltage facilities only provide local, not regional, benefits, and therefore would likely approve PTO-specific rates for such facilities."⁶

³ Ibid. Q&A 17

⁴ http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJun1_2016.pdf

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<http://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionAccessChargeOptions.aspx>

⁶ <http://www.caiso.com/Documents/IssuePaper-TransmissionAccessChargeOptions.pdf>

BAMx does not agree with the CAISO's premise that generation interconnection related LV Reliability Network Upgrades (RNUs) and Deliverability Network Upgrades (DNU) should potentially be included in the HV TAC. Moreover, if implemented, the implications of this particular stakeholder process are much broader than suggested by the presentation and accompanying Issue Paper and represent a significant "fundamental paradigm shift" for the principles that were established for transmission cost allocation. All options should remain on the table (including requiring the interconnection customer to bear the cost).

Some other issues to be reviewed and discussed included the following:

1. If LV facilities that enable generation interconnection are now perceived to provide system benefits such that their costs can be justified to be rolled into the HV TAC, then should not all LV RNUs and DNUs be treated similarly? The variations in Option 2⁷ equivocate on whether such benefits do, in fact, exist. The Option 2 alternatives suggest that such "benefits" only exist in small PTOs, without providing support for such claims.
2. Why is it reasonable to assume that only new installations of such facilities provide such benefits? If such benefits are shown to exist, all similar facilities, both old and new, should be treated in the same fashion.
3. If a general reference to system benefits is a sufficient rationale to consider including generation interconnection related LV RNUs and DNUs in the TAC, why does it stop at this point? Could it not also be argued that the parallel paths available through the LV networks provide support to the HV grid and therefore a portion of the LV revenue requirement be included in the HV TAC?

BAMx is concerned that a fundamental tenet of the current transmission rate structure could be set aside so nonchalantly. While the current structure may not be highly precise in the consideration of the varied uses individual pieces of transmission equipment may support, it has clarity and ease of application as strong reasons for its acceptance. BAMx does not believe that one can open this box without a myriad of issues being released. This particular issue does not rise to the level of justifying such an attempt.

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

⁷ Option 2 entails splitting the cost recovery for low-voltage network upgrades between the low-and high-voltage TAC

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.*

[See above](#)

4. Other