Six Cities' Comments

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
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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.

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

   Please refer to the comments provided below in response to question #4.

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.*

   Please refer to the comments provided below in response to question #4.

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.*

   Please refer to the comments provided below in response to question #4.

4. Other

   At this time, the Six Cities do not support implementation of changes to the current structure of the High and Low Voltage Transmission Access Charges ("TAC") to allocate some or all Low Voltage Network Upgrade costs to the High Voltage Transmission Revenue Requirement ("TRR") and corresponding High Voltage TAC.

   As a threshold matter, now is not the time to amplify uncertainties and/or reallocate costs in a way that could increase transmission charges for existing CAISO customers. Given the uncertainties of regionalization, including the potential for reconfiguration of transmission charges resulting from the CAISO's TAC Options initiative and anticipated changes to the Transmission Planning Process, the CAISO should at this time avoid adopting other TAC changes, such as the one proposed in this initiative, that have the potential to increase transmission rates, even by a small amount. The Six Cities find it especially concerning that the CAISO intends to apply the changes proposed in this initiative to all Participating TOs, including new Participating TOs in an expanded CAISO footprint, even though no Participating TO other than Valley Electric Association ("VEA") (of which the Cities are aware) has concerns regarding the existing High/Low Voltage delineation. Further, the CAISO appears to have performed no analysis of possible impacts within the context of a regional ISO.

   The CAISO should revisit its decision, which appears to be based on little more than a desire for administrative convenience, to avoid consideration of changes in the cost allocation methodology that would result in costs being paid by Interconnection Customers. Continuing to insulate Interconnection Customers from the consequences of their siting decisions by requiring all CAISO transmission customers to pay for Network Upgrade costs, including those to achieve interconnection to a Participating TO's Low Voltage system, only serves to mask the true cost of these resources. If Low Voltage Network Upgrade costs should be shifted away from the Low Voltage transmission customers who are currently assigned responsibility for those costs, the costs should be borne by the interconnecting resources that are the most direct beneficiaries of the Network Upgrades.

   With respect to benefits, the CAISO's proposal to require transmission customers who pay the High Voltage TAC to fund Low Voltage Network Upgrades clearly does not comport with cost causation. In the context of other stakeholder initiatives, the CAISO has largely dismissed the Six Cities' view that the benefits of the integrated High Voltage transmission system should be paid for equally by all transmission customers. That all CAISO customers somehow benefit from the interconnection of generation resources to the VEA 138 kV system, as the CAISO claims here, is a far more tenuous claim. Beyond the interconnecting resource, the party who benefits most directly from the Network Upgrades needed to achieve interconnection is likely to be the purchaser of the resource's output.

Finally, this stakeholder initiative may benefit from a more precise discussion of the cost impacts to VEA of the current interconnection requests. The CAISO has produced an analysis that suggests VEA's Low Voltage TAC has the potential to increase to nearly $24.00/MWh, but that analysis is based upon VEA funding $75 million in Network Upgrades to its Low Voltage system. (CAISO Presentation at Slide 6.) The CAISO has provided no evidence that $75 million represents a reasonable estimate of expected Network Upgrade costs over any foreseeable time period. Similarly, the CAISO's Straw Proposal describes the rate shock that VEA's customers would experience if required to fund $25 million in Network Upgrades, producing a 90% rate increase. (*See* Issue Paper & Straw Proposal at 3.) However, it appears that the current set of interconnection requests would actually increase VEA's Low Voltage rate by a considerably lower amount to a level that is roughly equivalent to PG&E's current Low Voltage TAC rate. (*See* CAISO Presentation at Slide 6 and Issue Paper & Straw Proposal at 5, describing $9.12 million in projected Low Voltage Network Upgrade costs based on currently-queued projects.) Thus, continued application of the currently-effective TAC methodology, at least as to interconnection projects in the queue now, would not be unduly burdensome to VEA, especially in view of the fact that VEA's customers are receiving substantial benefits as a result of the blending of High Voltage transmission costs under the TAC structure.