

Six Cities' Comments

Generator Interconnection Driven Network Upgrade Cost Recovery Initiative

Submitted by	Company	Date Submitted
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Draft Final Proposal

This template has been created for submission of stakeholder comments on the draft final proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative that was posted on February 6, 2017. 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 **February 22, 2017**.

⇒ **Do you support the California ISO's draft final proposal for the Generator Interconnection Driven Network Upgrade Cost Recovery initiative? Yes or No. Why?**

The Six Cities do not oppose the draft final proposal, primarily because it is more narrowly tailored than the CAISO's initial proposals in this initiative, which would have implemented significant revisions to the existing Access Charge methodology and, in particular, the longstanding delineation between High and Low Voltage facilities that has been an integral component of the Access Charge methodology for many years. However, the Six Cities also believe that certain aspects of the CAISO's draft final proposal remain unclear and would benefit from additional explanation.

First, the CAISO has still not directly addressed concerns that some Low Voltage Network Upgrades may be constructed to interconnect projects the output of which will be contracted to entities outside of the CAISO. As the Six Cities have commented previously, this raises a general concern regarding the CAISO's current approach of requiring the costs of Network Upgrades to be recovered via the Participating TOs' Transmission Revenue Requirements ("TRRs") instead of assigning these costs to

Interconnection Customers, which can then pass these costs through in the contract rates for the resources.

The Six Cities have identified two additional concerns with the draft final proposal, which both relate to Principle No. 3. This principle would preclude a Participating TO from including Low Voltage Network Upgrade costs in its High Voltage TRR if the interconnecting generation is used to fulfill the Participating TO's own resource needs, but this principle should not be limited to Renewable Portfolio Standard ("RPS") procurement. If the Participating TO procures the output of a resource, irrespective of whether the purpose of the procurement is for RPS purposes, the Participating TO should not be allowed to shift the corresponding Low Voltage Network Upgrade costs into the High Voltage TRR.

Further, the CAISO should be alert for the appearance of "gaming" by Participating TOs that are permitted to apply this rate treatment to Low Voltage Network Upgrades. Such Participating TOs may be incented to procure remote resources instead of local resources in order to deliberately avoid exposure to Low Voltage Network Upgrade costs. The Six Cities urge the CAISO to confirm what measures it intends to identify and mitigate this type of conduct.