

## COMMENTS OF SPOWER AND EDF-RENEWABLES ON 2019 DRAFT POLICY INITIATIVES CATALOG

SPower and EDF-Renewables (EDF-R) (collectively, The Parties) appreciate the opportunity to comment on the CAISO's 2019 Draft Policy Initiatives Catalog (Catalog), posted August 8, 2018. These comments address two items in the Catalog: (1) "Sunset Reimbursement of Network Upgrades" (Section 6.4.1); and (2) "Resource Adequacy Enhancements" (Section 5.10).

The Parties strongly oppose the first item but support the second, for reasons explained below.

### **"Sunset Reimbursement of Network Upgrades" (Section 6.4.1)**

This item, suggested by PG&E, notes that Reliability Network Upgrade (RNU) reimbursement has been limited to \$60,000 per MW since Cluster 5 and proposes that the CAISO "explore suspending the policy where generators within the CAISO balancing area authority are reimbursed for the funds provided for the design, permitting and construction of Reliability Network Upgrades and for Local Delivery Network Upgrades."

Inclusion of this item in Section 6 of the Catalog ("Discretionary Initiatives") and not Section 5 ("Initiatives Currently Underway and Planned") may indicate that the CAISO does not intend to pursue it. However, SPower and EDF-R is offering these comments in the case the CAISO is still considering moving this topic to Section 5 and/or including it in the upcoming Roadmap/workplan.

As a threshold matter, the suggestion is ambiguous. What does PG&E mean by saying that RNU/LDNU reimbursements should be "suspended?" Would the "suspension" be temporary? If not, then of course PG&E is recommending that such reimbursements be revoked, not "suspended."

The Parties strongly oppose either suspension or revocation of these reimbursements; on the contrary, there are strong arguments in favor of both retaining and increasing them in the future. If the CAISO decides to pursue PG&E's suggestion, The Parties request that the CAISO include the reimbursement retention and increase proposals described below in the scope as well.

These positions are explained further in the remainder of this section.

**This topic should be rejected**, because:

- **Suspension/revocation is unjustified.** The Catalog provides no information justifying the recommended suspension/revocation.
- **This suggestion has already been rejected by the CAISO.** Six Cities (a municipal utility group) suggest ending RNU reimbursements in the 2018 Interconnection Process Initiatives (IPE) initiative, but the CAISO declined to include that topic in the 2018 IPE scope.

At the time, CAISO called the topic "a fundamental paradigm shift in the CAISO's generator interconnection process" and said "such a significant policy shift would need unified stakeholder support."<sup>1</sup> Certainly, as CAISO noted, there was not "unified stakeholder support" for Six Cities' IPE suggestion, as CalWEA, LSA, and SDG&E filed comments opposing it.

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<sup>1</sup> See, e.g., this May 21, 2018 CAISO meeting presentation, at slide 49:

<http://www.caiso.com/Documents/AgendaandPresentation-2018InterconnectionProcessEnhancements-May212018.pdf>.

PG&E's suggestion here goes even further by including LDNUs in its suspension/revocation proposal. Thus, this suggestion would be even more of a "fundamental paradigm shift in the CAISO's generator Interconnection Process" that would undoubtedly engender even less "unified stakeholder support."

- **Suspension/revocation would be contrary to longstanding FERC policy.** The FERC pro forma LGIP provides for Network Upgrade reimbursement (though through a different mechanism than the CAISO uses, due to the different transmission rate structure used in most other jurisdictions). No rationale has been offered as to why generators should be entitled to reimbursement elsewhere but denied it inside the CAISO.
- **Suspension/revocation would be unjust and unreasonable.** Network Upgrades are reimbursable because once they are constructed, they are available to others utilizing the transmission system.

RNUs – even those, like switching stations, which are sometimes built for only one project – can be used by others once they are in place. LDNUs (e.g., line reconductorings) are even more likely to be used by other generation projects and transmission-system users. Moreover, generators funding such upgrades get no priority whatsoever to make use of them once they are placed into service.

**If this topic is accepted, then additional issues should be considered.**

If CAISO decides to accept PG&E's suggestion to consider suspension/revocation of RNU/LDNU reimbursements, it should include the additional issues suggested below in the scope.

- **The CAISO should examine the continued reasonableness of the \$60K/MW RNU reimbursement limit.** That limit was established back in 2012 based on a percentage of RNU costs for Clusters 1-2. At the time, the repayment limit "was determined to result in full cash repayment for RNUs for the majority of projects, and to provide an incentive for interconnection customers to avoid siting projects in locations where the costs of RNUs needed to support the interconnections would be inappropriately high."<sup>2</sup>

As the PTOs' Per-Unit Costs have demonstrated, PTO construction costs have increased rapidly over the last few years; applying a 4-5% annual escalation factor to the limit would probably raise it to the \$80K/MW range by now, and examination of actual costs for later clusters might raise that figure further. Fundamental changes in treatment of above-limit costs should not be made in any case until those limits are updated, and updates should be considered aside from any such rule changes.

- **RNU costs above the limit should be reconsidered if later projects make use of the subject RNUs.** As noted above, often a project will finance an RNU (e.g., a switching station) that is later used by other projects. (This possibility is increased by PTO requirements to over-build such facilities beyond the need of the generation project funding them, e.g., requirements for a Breaker And A Half (BAAH) configuration).

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<sup>2</sup> See the 2018 IPE Issue Paper (<http://www.aiso.com/Documents/IssuePaper-2018InterconnectionProcessEnhancements.pdf>), pp.33-34, and the CAISO's GIDAP filing at FERC (<http://www.aiso.com/Documents/May252012GIDAPAmendmentER12-1855pdf.pdf>, p.50).

If 100 MW Project A funds a \$10 million switching station, it would suffer a \$4 million forfeit ( $\$10M - (100MW * \$60K/MW)$ ). However, if later-queued 100 MW Projects B and C later interconnect using the switching station, clearly the cost was not excessive by this standard (since  $300MW * \$60K/MW = \$18M$ ).

In other words, if the Project A had a 300 MW capacity, it would have fully recovered the switching-station cost. There is no rationale for limiting reimbursement simply because the capacity using it comes in three projects instead of one, or because the RNU is used by two or three clusters instead of one.

Project A should thus be able to recover the forfeited amounts if additional projects later make use of the RNU such that the cost per MW of all those projects combined falls to \$60K or less.

### **Conclusion**

The CAISO should exclude PG&E's suggestion from the 2019 Roadmap. If it decides to include that suggestion, it should also include the additional issues suggested above in the scope of that initiative.

### ***"Resource Adequacy Enhancements" (Section 5.10)***

This initiative will explore "reforms are needed to the CAISO's resource adequacy rules, requirements, and processes to ensure the future reliability and operability of the grid." A variety of topics are listed, among them "effective load carrying capability (ELCC) for wind and solar resources." The Parties support retention of this topic overall in Section 5, and expeditious treatment of the ELCC issues, for the reasons discussed below.

The CAISO is awarding monthly and annual Resource Adequacy (RA) Net Qualifying Capacity (NQC) values to solar projects using ELCC values (much lower than the previously effective Exceedance methodology values) but continuing to use the outdated and much higher Exceedance-based values in new-generation Deliverability Assessments. The CPUC adopted the lower ELCC values nearly a year ago (October 2017), and continued use of the higher figures in CAISO studies is impeding generation development efforts in areas where RA has been considered scarce but where it may now be available.

The CAISO is thus modeling earlier-queued solar generation, and that in the current study clusters, at about twice the current NQC values. This is resulting in both: (1) False indications that deliverability is not available in areas where it might be; and (2) overstatement of the impact of new cluster-study projects. Both of these effects are likely depriving new projects of deliverability awards in some areas and triggering new Delivery Network Upgrades (and costs) that are not really needed.

Likewise, earlier-queued projects under development are probably also funding unneeded DNU's. Those upgrades should drop out in annual Reassessments once ELCC values are incorporated.

### **Conclusion**

The Parties urge the CAISO to retain this topic overall in Section 5, and to pursue the ELCC portion of the investigation as soon as possible (as a separate topic if necessary).