**Comments of**
**The Large-scale Solar Association, The California Wind Energy Association,**
**The Independent Energy Producers Association, and sPower**
**On the Generation Driven Network Upgrade Cost Recovery Revised Straw Proposal**

The Large-scale Solar Association (LSA), the California Wind Energy Association (CalWEA), the Independent Energy Producers Association (IEP), and sPower (collectively, the Generators) hereby submit these comments on the CAISO's September 6th, 2016 document, Generator Interconnection Driven Network Upgrade Cost Recovery – Revised Straw Proposal (Proposal), and the September 13th Webcast meeting (Meeting) to discuss it.

The Generators collectively represent over 30 separate companies that, among other things, account for a large portion (and likely the majority) of active new-generation projects in the CAISO Interconnection Queue.

The Proposal identifies a potential problem with the current cost treatment for Network Upgrades (NUs) associated with generator interconnections to NUs below 200 kV that are covered under Low-Voltage Transmission Access Charges (LVTACs). (Unlike system-wide High-Voltage Transmission Access Charges (HVTACs), LVTACs are specific to each Participating Transmission Owner (PTO).) Such costs are initially paid by generation developers, but once they receive cash refunds after their projects reach commercial operation, the costs are transferred to the ratepayers in that PTO area.

The Proposal states that this structure does not comport with FERC cost-allocation principles – mainly, because such costs are borne by ratepayers in the PTO area where the projects are located, while the benefits are generally received by all ratepayers in the CAISO footprint, with the highest benefits going to those served by Load-Serving Entities (LSEs) buying the generators' energy.

The Proposal adopts "Option 1" from the Straw Proposal, which would include generator-triggered low-voltage NU costs in the PTO's high-voltage Transmission Revenue Requirement (TRR), for recovery through the CAISO HVTAC. This change would effectively spread these LVTAC costs to ratepayers in other PTO areas through the CAISO HVTAC, based on the assumption that a generator in any part of the CAISO footprint benefits all ratepayers in the entire CAISO footprint.

## Summary of Generator positions

The Generators strongly support the Proposal – specifically, the CAISO's findings that:

- **The proposed solution is fully consistent with the current long-standing and much-negotiated transmission-cost structure**. Changes that would impose additional costs on interconnecting generators (e.g., through limiting transmission-cost reimbursements) would require a complete revision in this transmission-cost structure.

- **The CAISO should act expeditiously to resolve this matter**, to avoid potential delays in VEA-area generation development.

These positions are explained further in the following sections below.

## Retention of the current transmission-cost structure

The CAISO recently completed a significant revision of generator-interconnection rules – including those related to transmission-cost reimbursement – in the lengthy and contentious stakeholder process that culminated in the Generator Interconnection and Deliverability Allocation Process (GIDAP) structure.

Some parties have suggested that this GIDAP structure should now be modified to make Interconnection Customers (ICs) bear additional NU costs through additional limitations on NU cost reimbursement. Under this alternative proposal, NU cost recovery would be even more limited, regardless of the value that these upgrades provide to the transmission network.

The Generators strongly oppose this concept and support the CAISO position that such a significant change would be a significant and inappropriate paradigm shift in CAISO rules. Moreover, this construct would raise numerous issues, as well as market-design questions and concerns, which are inappropriate for consideration in a narrow stakeholder process with a scope limited to cost allocation of generation-triggered NUs on low-voltage transmission systems.

Others suggested in the Meeting that revising the allocation of lower-voltage NU costs as proposed in the Proposal will somehow increase "underutilization" of existing or approved generation-related NUs, or increase construction of unneeded transmission facilities. There is no evidence to support this contention.

In fact, a cost-allocation change will not impact at all the existing strong incentives (described below) for developers to site generation to maximize usage of existing and approved transmission facilities for interconnection purposes, and avoid triggering any new transmission needs:

- **The GIDAP penalizes new generation for triggering significant new NUs**, by: (1) Eliminating developer reimbursement for new Area Delivery Network Upgrades (ADNUs) not approved in the annual Transmission Planning Process (TPP); and (2) limiting Reliability Network Upgrade (RNU) cost reimbursement to $60,000 per MW.
- **Generators triggering new reimbursable NU costs reduce their energy compensation for sales to CPUC-jurisdictional utilities** under the CPUC's Least-Cost, Best Fit (LCBF) approach, which counts such transmission costs (for either higher- or lower-voltage NUs) against energy prices under Power Purchase Agreements (PPAs), as pointed by CalWEA during the Meeting.

Finally, as LSA noted in the Meeting, energy from generation connected to lower-voltage transmission facilities typically must flow through higher-voltage facilities to reach consumers elsewhere. Thus, any increased interconnection to lower-voltage facilities generally (which, as noted above, would not be incented by this proposal) would not necessarily reduce utilization of those higher-voltage facilities.

## Decision-making urgency

Regardless of the PTO cost-allocation approach selected, the Generators agree with the CAISO that this matter should be resolved promptly. The Generators believe that this issue may be impeding GIA formation in the VEA area, and further delays could cause these projects to miss important milestones in their other agreements and the development process overall.

There is no need for the CAISO to conduct lengthy "benefit studies" to implement the approach in the Proposal (or any of the other approaches in the Straw Proposal), or to institute case-specific studies to decide which PTO, LSE, or other entity will "benefit" from lower-voltage NUs, as some suggested in the Meeting. As the CAISO and other stakeholders noted in the Meeting, these factors are best addressed at the CPUC or other regulatory level where procurement decisions are made.

One of the tremendous benefits of the CAISO structure is that any LSE in any CAISO PTO area is entitled to contract with generators in any other CAISO PTO area based on the best value provided to its ratepayers by those generators (considering both high- and low-voltage transmission costs). The CAISO should not interfere with that decision by imposing other requirements beyond the already-applicable regulatory oversight.