



## Comments

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### CAISO White Paper

FERC Large Generator Interconnection Rule

Pricing and Service Issues

## SECTION V - PRICING & SERVICE ISSUES & OPTIONS

In review of the three Options for Pricing and Services discussed in the CAISO White Paper, Sempra Energy Resources (SER) supports Option 1. Option 1 “conforms the ISO’s existing pricing and service provisions to those of the Final Rule”. The six “Pros” cited clearly outweighs the two ‘Cons’ listed under this Option. For the two “Cons”, there appears to be viable options available for mitigation as follows:

Con #1: If a 5-year credit back is adopted by the CAISO *it* (sic) may not provide sufficient price signals in new generator siting decisions, may result in uneconomic transmission expansion...

### Mitigation:

*The CAISO by virtue of its status of an “Independent Transmission Provider” has FERC granted flexibility to provide FTRs for system upgrades in lieu of credits.*

*Further, the advance of funds for network upgrades is not expected to be the definitive incentive for a developer to build a generation plant. A developer is incented by market prices or contractual obligations – the generation interconnection rules are a mechanism to improve the market conditions for both transmission owners and generators. The mechanism provides transmission owners and their regulatory agencies with evidence of significant intent by the generator who is willing to fund the upgrade and prove the system benefits. The mechanism is only an aid; the market conditions provide the incentive to build and operate.*

Con #2: Full benefits of NR Interconnection Service to be defined under the state’s resource adequacy or capacity rules.

*Mitigation: The current Delivery Upgrade (DU) option under the TA39 procedures has similar issues with respect to the creation of state resource adequacy regulations. SER believes that the FERC Order 2003 NR Interconnection procedures are equivalent to the DU/Reliability procedures except for the crediting mechanism.*

*Further, SER believes that the two options of ER and NR interconnection are reasonable; however we anticipate that for decision-making purposes we would require that a comprehensive interconnection study be completed.*



## **SECTION VI – MAJOR PRICING AND SERVICE ISSUES**

1. Crediting Policy: SER supports the need to offer crediting as compensation for initially funding Network Upgrades until MD02 is in place due to the fact that FTRs are not available for Intra-Zonal congestion upgrades. The CAISO’s case study on the “Mexican Generation Situation” exactly demonstrates the current lack of incentive to sponsor ‘desperately needed’ Network Upgrades due to the current zonal pricing system (i.e. no crediting mechanism or FTRs for funding transmission expansion).
2. Regional State Committees (RGCs): no comment
3. Network Service: SER prefers re-defining interconnection service under Option 1 (conforming to the FERC Final Rule (Order 2003)); therefore, the current (TA39) DU/Reliability options would be modified to conform to the NR service with the crediting mechanism.
4. Transmission Credits and CRRs: SER supports the option that the ISO offer both options (credit or CRRs) for return on the transmission upgrade investment.
5. Deliverability: SER does not support the notion to require a resource to be deliverable. With nodal pricing through the implementation of MD02, there doesn’t appear to be a need to make deliverability a requirement. Until such a time as the MD02 LMP congestion management procedures are implemented, the FERC approved CAISO Tariff Amendment 50 will mitigate gaming opportunities by subjecting generators to mitigated reference price bids which provide for cost recovery.
6. Economic Methodology: SER supports development of guidelines for workable methodologies to identify the cost-benefits of a potential network upgrade. It is impractical to attempt to develop a single, rigid, economic methodology that would apply in all cases. SER supports the current tariff language allows the flexibility for any party to sponsor/present a cost-benefit analysis and associated recommended transmission upgrades.
7. Cost-Responsibility Allocation: SER supports the *general* idea of those that pay for the upgrade will receive the benefits. Under a multiple transmission owner upgrade project, a cost reallocation to another owner should apply if net benefits are demonstrated through studies to be received by that owner.
8. Phase-In Approach: Option 1 appears to encompass the phased-in approach with regard to incorporating the MD02 elements and resource adequacy components as they are established. As far as implementing a crediting mechanism, the likelihood and timeline of



transmission enhancements on limiting intra-zonal transmission congestion will surely be enhanced.

9. Allocation of CRRs: SER's position is that *any* equipment used to upgrade the transmission transfer capability of the system whether for delivery or reliability purposes, be allocated the corresponding CRRs (provided the choice between credit and CRRs is provided as supported under #4: Transmission Credits and CRRs above).