

Stakeholder Comments Template

Transmission Access Charge Options Issue Paper

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the issue paper for the Transmission Access Charge Options initiative that was posted on October 23, 2015. The issue paper and other information related to this initiative may be found at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionAccessChargeOptions.aspx>

Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **November 20, 2015**.

1. One theme emphasized in the issue paper and in FERC orders is the importance of aligning transmission cost allocation with the distribution of benefits. Please offer your suggestions for how best to achieve good cost-benefit alignment and explain the reasoning for your suggestions.

CMUA has set forth guideposts, below, with the intent to help examine alternative TAC methodologies. With direct relevance to this question, it is important to consider benefits to new entrants when considering the allocation of transmission costs. All manner of benefits to new entrants should be considered when assessing the equities of how the embedded costs of transmission are allocated. Increased market revenue or reduced energy costs, for example, realized through access to a broader high voltage network, are relevant to determining how to allocate the transmission costs. Those that use the grid should pay the costs.

2. Please comment on the factors the ISO has identified in section 5 of the issue paper as considerations for possible changes to the high-voltage TAC structure. Which factors do

you consider most important and why? Identify any other factors you think should be considered and explain why.

See Answer to 3, below.

3. The examples in section 7 illustrate the idea of using a simple voltage-level criterion for deciding which facilities would be paid for by which sub-regions of the combined BAA. Please comment on the merits of the voltage-based approach and explain the reasoning for your comments.

CMUA is not aware of compelling reasons to alter the current methodology, though the potential dramatic expansion of the geographic scope of the CAISO raises the prospect that changes may be needed to align transmission costs and benefits. There is a long history of analysis and administrative proceedings in which the 200 kV High Voltage split was determined and the reasons why it is just and reasonable. Until such time as there are new factors and new empirical analysis to support a change, the current voltage split should be maintained.

4. Please comment on the merits of using the type of transmission facility – reliability, economic, or public policy – as a criterion for cost allocation, and explain the reasoning for your comments.

This is a thorny issue but, again, the onus is on anyone proposing changes to make a compelling case to change what has already been shown to be just and reasonable after an extensive stakeholder process and FERC proceeding.

5. Please comment on the merits of using the in-service date as a criterion for cost allocation; e.g., whether and how cost allocation should differ for transmission facilities that are in service at the time a new PTO joins versus transmission facilities that are energized after a new PTO joins.

Please see Answer to 6, below.

6. Please comment on using the planning process as a criterion for cost allocation; i.e., whether and how cost allocation should differ for transmission facilities that are approved under a comprehensive planning process that includes the existing ISO PTOs as well as a new PTO, versus transmission facilities that were approved under separate planning processes.

More information is needed on the status of various projects in other planning regions in which new PTO's participate, before this question is answered in any meaningful way. CMUA is wary of expensive projects "waiting in the wings" that will enable new PTOs to have their cake and

eat it too, namely avoid transmission cost exposure for existing California-located facilities, while rolling in new expensive transmission into any broad allocation. Any such result would be strenuously opposed. CMUA is also concerned that the TAC analysis to-date has not considered whether application of the CAISO deliverability criteria for Resource Adequacy resources would require transmission upgrades for the potential new PTOs, and how the costs for such upgrades would be allocated.

7. The examples in section 7 illustrate the idea of using two “sub-regional” TAC rates that apply, respectively, to the existing ISO BAA and to a new PTO’s service territory. Please comment on the merits of this approach and explain the reasoning for your comments.

Based on the information provided to date, CMUA is concerned that the sub-regional approach indicated for integration for PacifiCorp, while integrating it as a new PTO into a single market structure, could allow free ridership on expensive transmission built and paid for by California consumers. There is a need for further explanation of the sub-regional approach and how it would be consistent with cost causation and “beneficiary pays” principles.

8. Please offer any other comments or suggestions on this initiative.

CMUA offers the following additional comments:

CMUA supports the calls from other stakeholders to have a common set of data to consider allocation options, and further believes that it should include transmission revenue requirement and load data from other potential PTOs. At a minimum, each of the entities that has become an EIM Entity should be included to assess what TAC impacts would flow from these entities becoming PTOs. CMUA would have no objection to a Westwide database of transmission owners above a minimum size to analyze whether they could have a meaningful impact on the TAC. CMUA suggests that a working group be set up to scope out the data collection effort and what may be necessary. Related to this, the CAISO's proposed schedule is simply too aggressive for a reasoned decision on such a complex topic which will require extensive data analysis and be filled with countervailing equitable considerations. The CAISO has not explained why it is pushing this issue out ahead of other core issues such as Governance.

Consideration needs to be given not just to the voltage level of facilities, but also to their function. A functional test should be applied to ensure that the facilities selected are networked transmission. This was done early in the CAISO formation process. CMUA is generally aware of possible differing functions of high-voltage facilities in the West that may not be networked transmission but built at high voltages due to the long distances that must be traversed to deliver energy.

The CAISO should confirm that the Wheeling Access Charge would be similarly affected by changes in methodology to recover the embedded cost of high voltage facilities.

The CAISO should develop core principles against which to measure all proposals. Our initial suggestions for core principles should include: (1) cost allocation should track cost causation principles; (2) "beneficiary pays" concept should not be jeopardized to facilitate any particular transaction, and any transition period or allocation methodology considered should account for the overall benefits a new Participating Transmission Owner is expected to receive from integration with the CAISO.

There is a linkage between TAC and CRR allocation because a foundational element of the CRR design is that those that pay for the embedded cost should get the first shot at most of the CRRs. The extent to which PacifiCorp transmission customers pay for the embedded cost, therefore, may affect how CRRs are allocated to load in their service territory. Further, it seems that such new CRRs (and additional CRR sources and sinks) will likely affect the distribution of CRRs to existing CAISO load-serving entities. This should be put on a parallel track with TAC.