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Transmission Access Charge Options Issue Paper

Powerex appreciates the opportunity to comment upon CAISO's October 23, 2015 Issue Paper on Transmission Access Charge Options for Integrating New Participating Transmission Owners, which sets out potential Transmission Access Charge ("TAC") structures that could be used following integration of PacifiCorp as a Participating Transmission Owner ("PTO") into the CAISO footprint.

As one of PacifiCorp's largest long-term point-to-point transmission customers, Powerex has a direct interest in the numerous issues that arise related to the treatment of existing long-term firm transmission rights if PacifiCorp becomes a PTO, including how transmission costs will be allocated.

Powerex agrees with CAISO that it is essential that any transmission rate design implemented to accommodate the integration of PacifiCorp comply with cost causation principles. Cost causation principles require that the costs allocated to a particular group of customers be "at least roughly commensurate" with the benefits derived by those customers. In order to ensure adherence with this principle, careful consideration must be given to the extent to which a particular rate design would alter the allocation of costs and benefits among all affected stakeholder and customer groups, including existing PacifiCorp transmission customers. Although the PacifiCorp integration may yield benefits in the aggregate, this does not guarantee that integration will generate net benefits for any given group of customers.

At this stage of the stakeholder proceeding, it is difficult for Powerex to provide detailed comments on the design of the TAC as much remains unclear how current long-term point-to-point transmission customers under the Open Access Transmission Tariff ("OATT") framework will be treated if and when PacifiCorp joins the CAISO as a PTO. However, that being said, at this early stage of the design, CAISO should take into account a number of issues in the design of the TAC to avoid shifting away from cost causation principles.

Perhaps the clearest example of moving away from cost-causation principles relates to the issue raised in the Issues Paper regarding a transitioned to a uniform TAC reflecting

the combined costs of the existing CAISO and PacifiCorp systems. In this scenario, PacifiCorp customers would face a higher TAC burden, while CAISO customers would enjoy a lower TAC than they would absent integration.¹

However, one issue that is not discussed in this analysis is that PacifiCorp transmission facilities are also used to deliver energy from the PacifiCorp BAAs into the current CAISO BAA.² Without understanding the treatment of existing PTP services, it is unclear what happens to the revenues associated with this export transmission service and whether that revenue will continue to exist in a future PTO framework.

If PacifiCorp becomes a PTO in the CAISO footprint, who will pay for both existing and new PacifiCorp transmission facilities used to serve load in the current CAISO BAA? The elimination of rate pancaking by expanding the boundary of the existing CAISO footprint, a net importing region, to incorporate the Pacificorp footprint, a net exporting region, will clearly convey benefits to the CAISO customers by eliminating the payments made to Pacificorp for use of Pacificorp export transmission. However, PacifiCorp's transmission customers, including long-term point-to-point transmission customers such as Powerex, in contrast, may experience increased costs for transmission service with little to no benefits as a result.

In future consideration of the potential TAC options, Powerex would appreciate consideration of, and information related to, how the proposals will impact all of Pacificorp's transmission customers rather than just the network load customers.

¹ Issue Paper at 11

² Since PacifiCorp's integration into the EIM, EIM Transfers have been disproportionately and systematically from PacifiCorp's BAAs into the CAISO BAA. There is reason to believe that this trend will continue following PacifiCorp's integration as a PTO. In particular, the study performed by Energy and Environmental Economics of the benefits of PacifiCorp integration highlights an expectation that deliveries of low cost renewable energy from the eastern portion of the PacifiCorp system to CAISO load would dramatically increase - deliveries that would be made possible as a result of transmission expansions on the PacifiCorp system. PacifiCorp Benefits Study at 23-25, 29; PacifiCorp Benefits Technical Appendix at 27-28. While the benefits study estimates that a portion of the output of these renewable resources will be used to serve PacifiCorp load, the benefits study acknowledges that "PacifiCorp's need and timing for additional renewable procurement remains uncertain." PacifiCorp Benefits Study at 25.