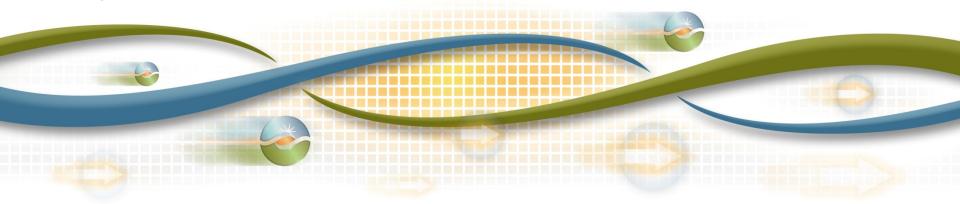


Regional transmission access charge discussion

Eric Kim Market and Infrastructure Policy

Market Surveillance Committee Meeting General Session April 19, 2016



Transmission Access Charge (TAC) is ISO's mechanism for transmission-owning utilities to recover their costs of transmission assets.

- A transmission-owning utility that transfers operational control to the ISO becomes a "participating transmission owner" (PTO)
- The PTO continues to own, maintain and operate transmission assets turned over to ISO operational control
- Each PTO submits its transmission revenue requirements (TRR) to FERC for approval to recover through the TAC



Existing TAC structure for the current ISO region was approved by FERC as part of Order 1000 compliance.

Existing TAC structure consists of:

- Postage stamp "regional" rate to recover TRR for all facilities rated > 200 kV under ISO operational control
 - \$/MWh charge to all internal load and exports
- PTO-specific "local" rates to recover TRR for all facilities rated < 200 kV under ISO operational control
 - \$/MWh charge to internal load in each PTO's territory
- Currently there is no differentiation of cost allocation based on project type (e.g., reliability, economic, or policy projects), in-service date or other non-voltage level factors



TAC options initiative will specify appropriate revisions to TAC structure for expanding the balancing authority area to integrate new PTOs.

- Revisions must be principle-based, applicable to further BAA expansion, not designed for any specific new PTO
- Initiative focuses on "regional" or high-voltage TRR only
 - Assume that < 200 kV costs continue to be recovered through PTO-specific rates
- Focus on adding a PTO with load service obligation
 - Entities who build transmission but have no load service territory become PTOs under existing TAC structure, but have no load that pays TAC
- Assume, initially, that TAC will continue to be charged as a per-MWh rate to internal load and exports



FERC orders and precedents emphasize several basic principles for allocation of TRR.

- 1. Costs must be allocated in a way that is roughly commensurate with benefits
- 2. Calculation of benefits is not an exact science
- 3. The process for determining benefits and beneficiaries must be transparent
- 4. Broad agreement among affected parties that the cost allocation is fair



Straw proposal defines sub-regions and distinguishes "new" versus "existing" facilities for transmission cost allocation purposes.

- Existing ISO footprint and a new entity joining as a PTO will each constitute a sub-region
 - Possible exception for small new PTOs embedded within or integrated with an existing sub-region
- New facilities are those approved through an integrated planning process for the expanded BAA, to commence upon integration of the first new PTO
- Existing facilities are those either in service as of the integration date or already approved through the ISO's or new PTO's separate planning process



Cost allocation to sub-regions for new facilities depends on threshold criteria and benefits assessment.

- Straw proposal would recover cost of all existing facilities as "license plate" rates for each sub-region
- To be considered for regional cost allocation (i.e., across multiple sub-regions) a facility must:
 - Be planned and approved through the integrated planning process for the expanded BAA
 - Meet at least one of the following
 - (a) Rating > 300 kV
 - (b) Create or expand interchange capacity between subregions, at any voltage level
 - (c) Create or expand interchange capacity between the expanded BAA and a neighboring BAA, at any voltage level
- A new facility that meets the above is subject to benefits assessment to determine sub-regional cost shares



Methods for assessing benefits of a facility and benefit shares for sub-regions are a major topic for developing ISO's revised straw proposal, to be posted in May

- Straw proposal would use TEAM for economic projects, with additional step to determine sub-regional shares
- Several commenting parties suggested TEAM be used more generally for other project types
- Proposal must address reliability and public policy-driven projects as well as economic projects

