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.***

The Transmission Agency of Northern California (TANC) appreciates this opportunity to provide these preliminary comments on the California Independent System Operator (ISO) Issue Paper on Transmission Access Charge Options for Integrating New Participating Transmission Owners (Issue Paper). TANC believes that this is a very important initiative being undertaken by the ISO. First and foremost, TANC wishes to express it unwavering support for the key transmission ratemaking principle of beneficiary pays. That principle holds that those entities that benefit from transmission facilities should pay for those transmission facilities.

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.

   As mentioned above TANC believes it is critical that any transmission cost allocation must align with 'the beneficiary pays' principle. TANC also believes it is necessary that transmission cost allocation recognize that for costs to be allocated to a party there must also be a specific 'need' being addressed. The need could be current or future, but the ability to identify a marginal benefit for an entity that does not have a current or forecasted need should not result in costs being allocated to that entity. Additionally, the calculation and definition of benefits should be established with a minimum criteria.

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.

   As a general matter, TANC believes that the geographic scope and benefits of the project are the most critical and important, as these two characteristics address beneficiary pay (and need) for required transmission assets.

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.

   While a voltage 'bright line' designation may represent a simple mechanism for developing sub-regions, it may not be appropriate or accurate. As the ISO's footprint expands the treatment of network compared to regional may become more blurred. TANC notes that this is not a new occurrence as since the start-up of the ISO the voltage levels of the transmission facilities turned over to the operational control of the ISO in certain cases varied from others. Likewise, TANC is not convinced that all transmission facilities above 300-kV necessarily would provide system-wide benefits.

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.

   TANC believes cost allocation should be on a basis of: (1) need; and (2) benefit; regardless of whether the project is reliability, economic, policy or multi-valued.

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.

   TANC believes that all facilities should be examined under the same assessment regardless of timing of the development, construction and operation.

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.

   TANC believes that all facilities should be examined under the same assessment regardless of timing of the development, construction and operation.

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.

   TANC recognizes that this approach may be favored by those looking to join the ISO and provide for a geographic expansion of the ISO's current footprint. However, prior to the establishment of "sub-regional" TAC rates there are several questions and issues that need to be addressed. Over time could there be multiple "sub-regional" TAC rates? We believe it is important to determine when and how new "sub-regions" would be designated.

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

   TANC commends the ISO for seeking stakeholder input on these issues. We recognized that changes to how the TAC is construed represent a deviation from the status quo. As this is such an important component of developing a regional market TANC strongly believes that this process should: (1) be done in a robust and transparent stakeholder process; (2) consist of accurate and current data of existing and projected future transmission costs to allow all stakeholder to assess and model impacts of different alternatives; (3) provide sufficient time for the vetting of alternatives; and (4) focus on a process that will result in 'getting it right – not just doing it fast'.