

Washington Utilities and Transportation Commission Comments

Transmission Access Charge Options Issue Paper

Submitted by	Company	Date Submitted
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The Washington Utilities and Transportation Commission (UTC) appreciates the opportunity to submit comments on the Issue Paper discussing Transmission Access Charge Options for Integrating New Participating Transmission Owners. The UTC regulates the rates and charges for the provision of electricity service to PacifiCorp's retail ratepayers within the State of Washington. PacifiCorp operates two balancing areas (BAs), east and west. Constraints on long-term firm transmission capacity between PacifiCorp's east and west BAs limit the ability of generation assets in the east BA to serve retail load in the west BA, and result in PacifiCorp primarily relying on generating resources in its west BA to serve Washington state retail customers. FERC recognized these limitations in a recent order.¹

Should PacifiCorp or any other electric utility subject to UTC jurisdiction for retail rate regulation join the California ISO (CAISO) as a participating transmission owner (PTO), the UTC's interest is in ensuring fair, just, reasonable and sufficient rates for retail ratepayers such that any costs, including any transmission access charges (TAC), resulting from joining an ISO are commensurate with the benefits of such action, such reasonable costs are fairly and accurately allocated to retail ratepayers and that there is no rate shock resulting from the utility's or CAISO's actions.

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.

The options in the Issue Paper are focused primarily on existing costs and methods of averaging or phasing in a merger of costs. While the paper identifies a number of factors to address in determining cost allocation, without specific and transparent analysis of these factors and the identification of benefits, the options are simply calculations of cost and can only be considered as such. Further, the Issue Paper recognizes that merging the existing CAISO and PacifiCorp

¹ See *Order on Proposed Market-Based Rate Tariff Changes*, Docket No. ER-15-2281-000, *et al.*, 153 FERC ¶ 61,206, n.28 (Nov. 19, 2015).

TACs would result in significant rate shock to PacifiCorp customers. As discussed above, this is not in the best interest of PacifiCorp retail customers, nor is it based on any analysis of aligning benefits. The transmission constraints noted above should be considered, among other factors, in determining an appropriate TAC. There would likely be limited or no benefit for many PacifiCorp customers in melding the existing charges. For this reason, the UTC suggests that CAISO consider retaining existing TACs for both CAISO and PacifiCorp and work in this stakeholder process to identify the factors for determining benefits required to allocate the costs of any new transmission projects developed within the new ISO.

Further, data in the Issue Paper indicate that CAISO's TAC is projected to increase by nearly one-third over the next six years without PacifiCorp joining the CAISO. The Issue Paper does not detail, but the UTC assumes, that those cost increases are driven by transmission additions planned by CAISO and current PTO's exclusively for the current ISO footprint.² Any reasonable transmission planning standard used for these transmission expansions would be based solely on the needs of those entities in the current CAISO footprint and therefore should not be assigned to PacifiCorp's ratepayers without a determination of any incremental benefits.

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.

CAISO should not proceed in its work to evaluate options for a revised TAC without a detailed and transparent analysis of benefits, or of how to align benefits with costs. The Issue Paper recognizes the importance of applying FERC Order 1000 principles in determining an appropriate TAC for a regional ISO. The first such principle is that costs be allocated in a way that is roughly commensurate with the benefits. The fifth principle requires that the process for determining benefits and beneficiaries must be transparent.

Section 5 of the Issue Paper identifies a number of factors to consider in allocating costs. Of these factors, the UTC finds the following to be most important:

- What is the geographic scope of the project?
- Which zones or sub-regions benefit from the project?
- Is it a new or existing facility?
- Under what planning process was the facility approved?
- What happens upon the new PTO's withdrawal?

However, the existence of system constraints and identification of physical operational characteristics are not listed as specific factors in Section 5. Given the constraints discussed above and the distinct geographic areas in which PacifiCorp operates, CAISO must ensure that system constraints and physical operational data are considered as factors, or as a part of determining the geographic scope of a project or whether zones or sub-regions will benefit.

² The UTC recognizes that some of the cost may be due to rising operation and maintenance expenses for the transmission assets currently under CAISO's operational control.

Transparency in the cost and benefit factors and detailed analysis is critical in determining cost allocation to support a change in the TAC that would be borne by PacifiCorp's or other ratepayers in the event of a regional ISO.

Further, the TAC structure should accommodate the withdrawal of a PTO from the CAISO without undue burden or impediment. Separate TACs for PacifiCorp's transmission systems and the CAISO's existing systems would best preserve a PTO's option of withdrawal without undue burden on the withdrawing PTO or other PTOs remaining in the ISO.

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.

The UTC emphasizes the fundamental importance of demonstrating benefits prior to assigning costs. Any one factor, in and of itself, should not be applied to determine how to allocate costs of a facility. For example, a facility's electrical characteristics alone, i.e., the voltage level, is more the result the application of the benefits criteria than the voltage level. Evidence exists for the conclusion that transmission facilities below 200 kV do not benefit load beyond the local level and, therefore, should not be assigned to load beyond the local level. However, to assign higher voltage transmission costs to an entity joining an ISO, evidence must be provided beyond the facility's voltage level to show tangible benefits.

Further, any voltage-based approach that alters the current cost assignment must be supported by a transparent, internally consistent and reproducible measure of benefits under a defined benefit criteria. To date, load in PacifiCorp's BAs have driven the cost of its TAC and the load in CAISO have driven the cost of the CAISO TAC resulting in a cost that is nearly double that of PacifiCorp's on a per MWh basis. Categorizing transmission assets by voltage level to assign greater transmission costs to PacifiCorp would negate the underlying assignment of costs to the load that historically caused the cost without any measure of specific and tangible benefit.

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.
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.

As discussed above, the cost of existing transmission in PacifiCorp's BAs and in CAISO is driven by the load served in the respective BAs. The Issue Paper does not present sufficient analysis to support a deviation from assigning the costs of existing facilities to the historic cost causers. Using an in-service date criterion for cost allocation would recognize the historical cost

allocation, but allow for incremental cost allocation for new transmission facilities based on demonstrated benefits.

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.

Another factor supporting incremental cost allocation after a PTO joins CAISO is the difference in planning processes and participants prior to and after joining CAISO. Specifically, the current CAISO TAC was designed to address costs for transmission planned under CAISO-specific planning processes and for a specific set of participants. As new PTOs join and CAISO becomes a regional entity, new planning processes will be developed to address the interests and needs of the expanded set of participants.

Without the benefit of a new regional governance structure to guide the design of the contemplated joint PacifiCorp/CAISO transmission operating entity, CAISO should retain the existing transmission access charges for PacifiCorp and CAISO. It is premature and arguably inappropriate to determine cost assignment before the planning entity that would approve a transmission project has been established.

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.

Consistent with the comments above, the UTC finds merit in adopting “sub-regional” TAC rates for the existing transmission facilities, i.e., “Baseline 1”, barring CAISO presenting analysis supporting a deviation from assigning existing facility costs to historic cost causers. Specifically, the CAISO TAC process must demonstrate the tangible benefits to ratepayers of allocating existing costs from one “sub-region” to another, i.e., from the CAISO footprint and either of PacifiCorp’s two BAs.

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

The UTC reiterates its concern that governance issues be addressed prior to decisions being made on policy issues such as the TAC. Prior to considering such policy issues, it is important to have regional representation at the board level and below that matches the regional footprint.