Transmission Access Charge Options
Revised Straw Proposal

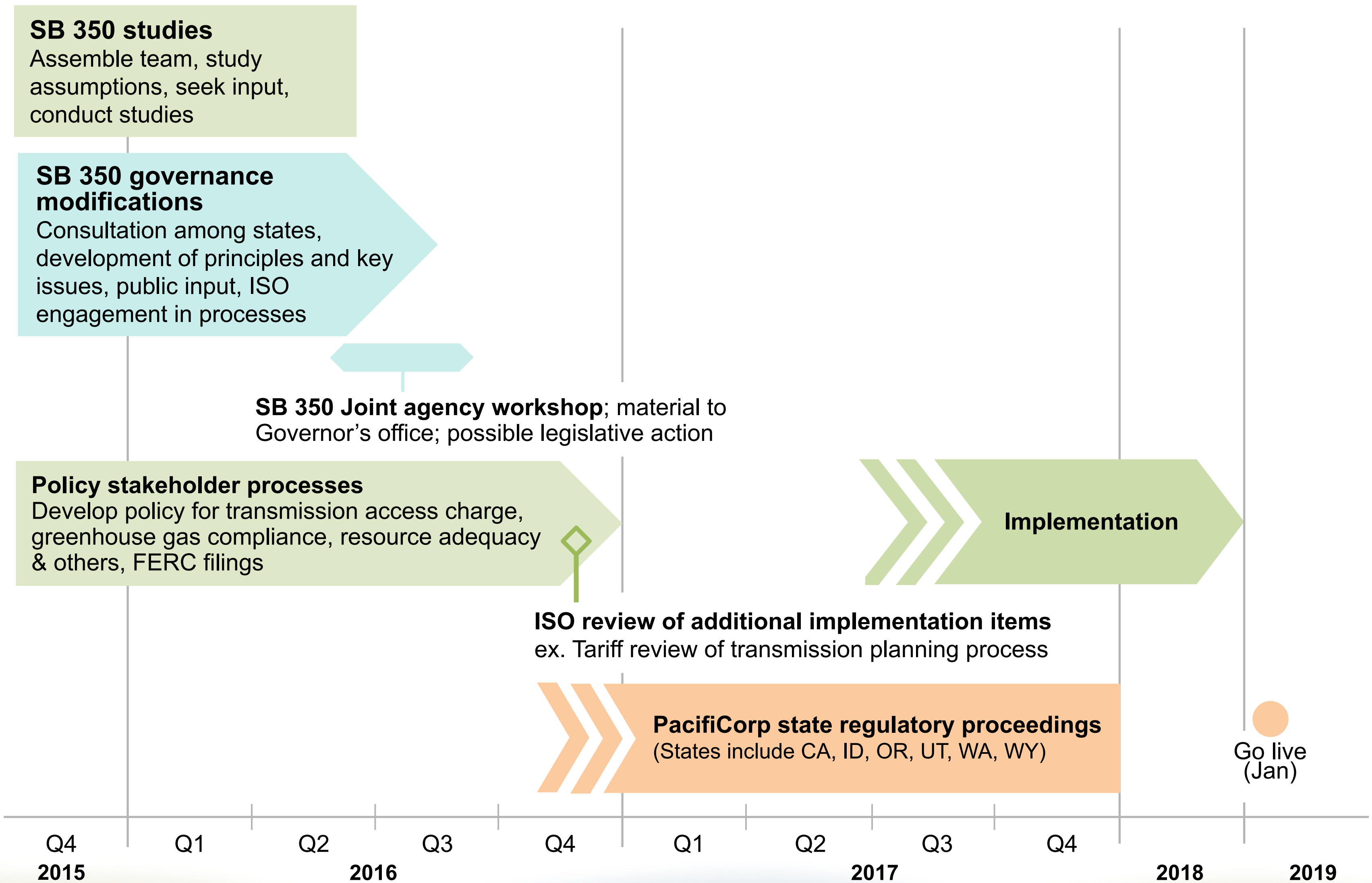
Stakeholder Meeting – June 1, 2016
Portland, Oregon

March 1, 2016 meeting agenda

Time (MST)	Topic	Presenter
10:00-10:15	Introduction and Stakeholder Process Overview	Kristina Osborne
10:15-12:00	Revised Straw Proposal	Lorenzo Kristov
12:00-1:00	Lunch break	
1:00-2:45	Proposal (continued) + open discussion	
2:45-3:00	Next Steps	Lorenzo Kristov

Timeline for regional integration activities

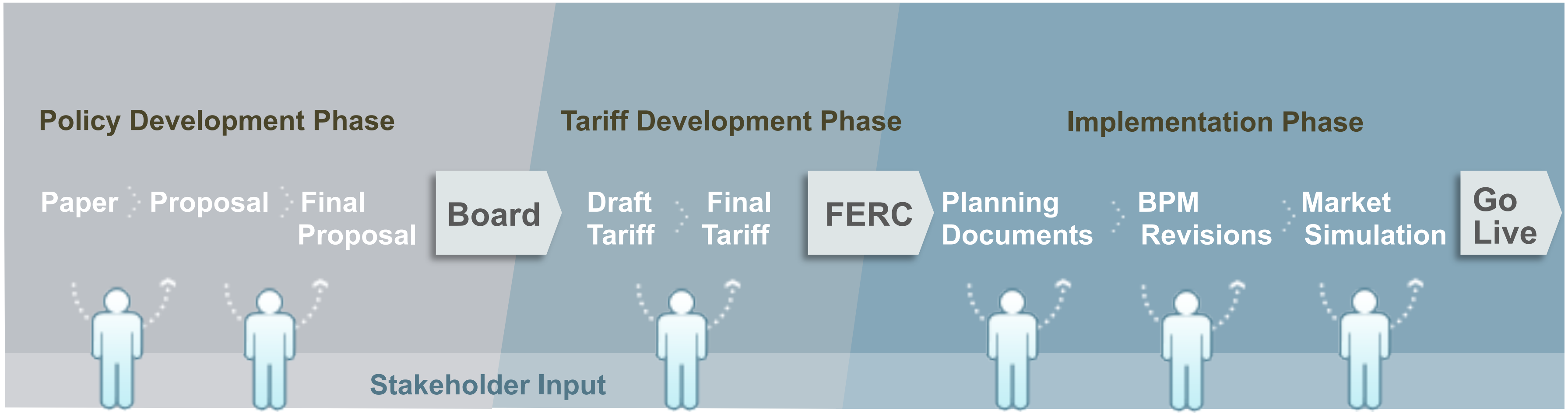
Note: Designed to allow PacifiCorp to obtain state regulatory approvals before the end of 2017



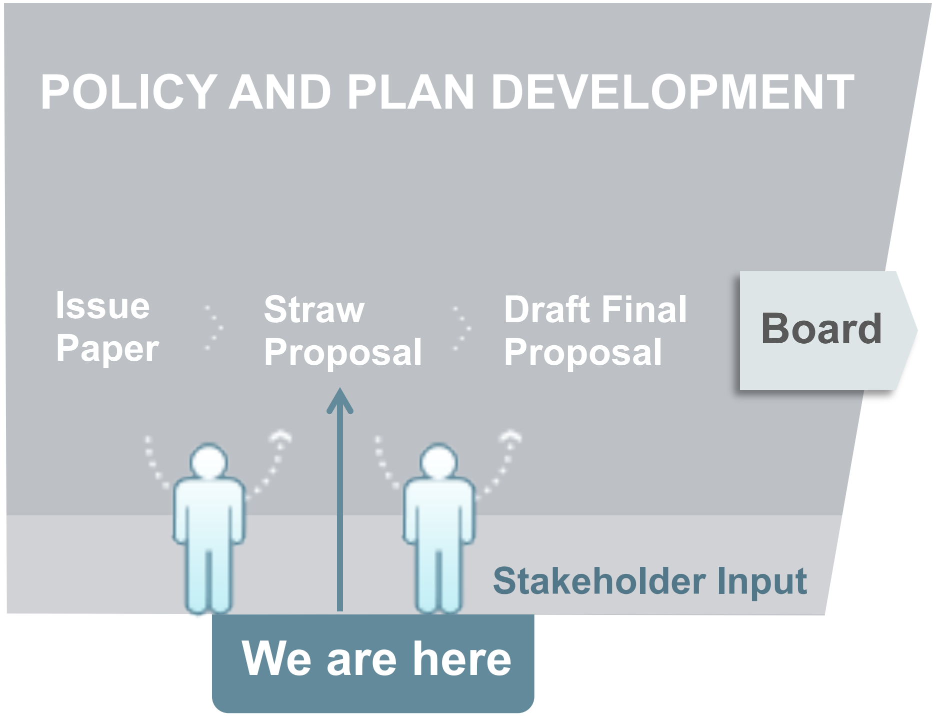
California ISO

ISO Stakeholder Engagement Process:

This diagram represents the typical process, often phases will run in parallel.



ISO Stakeholder Process



Initiative Schedule

Milestone	Date
Issue Paper posted	October 23, 2015
Straw Proposal & Spreadsheet Tool posted	February 10, 2016
Stakeholder meeting	March 1
Working group on benefits methodologies	March 9
Stakeholder comments due	March 23
Post Revised Straw Proposal	May 20
Stakeholder meeting	June 1
Stakeholder comments due	June 10
Post Draft Final Proposal	June 28
Stakeholder meetings & comments	Dates TBD
Present proposal to ISO Board of Governors	August 31

Revised Straw Proposal

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

- A transmission-owning utility transferring 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
- ISO "operational control" involves performing balancing authority area (BAA) and transmission operator (TOP) functions through day-ahead and real-time markets

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

The ISO now proposes revisions to the TAC structure to apply to the “expanded BAA” formed when a new PTO with a load service territory joins the ISO.

- Proposal focuses on “regional” or high-voltage TRR only
  - Assumes that < 200 kV costs continue to be recovered through PTO-specific rates
- Focuses 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
- Assumes that TAC will continue to be charged as a volumetric (per-MWh) rate to internal load and exports

Key definition: Sub-region

- FERC Order 1000 terminology => the current ISO footprint is a “region”
- Once the BAA is expanded, the expanded BAA will become the “region,” and it will be useful to define “sub-regions”
- A “sub-region” will be defined for the current ISO BAA (“CAISO”) and each PTO that joins the expanded BAA, with certain exceptions
- A new PTO is embedded within or electrically integrated with an existing sub-region will have a one-time choice (prior to integration) to join that sub-region or become a separate sub-region

Key definition: Existing Facilities

- "Existing facilities" are transmission assets in-service or planned in the entity's own planning process for its own service area or planning region, and have either begun construction or have committed funding.
- "Begun construction" will use IRS criteria for determining renewable energy project eligibility for tax credits:
  - Begun physical work of a significant nature, or
  - Satisfy a safe harbor based on funds paid or incurred
- "Committed funding" would be demonstrated by either publicly disclosed corporate financial documents or affidavit of appropriate corporate executive

Key definition: New Facilities

- "New facilities" are transmission projects planned and approved in an expanded TPP for the expanded BAA.
  - Details of expanded TPP will be developed in 2017
  - Expanded TPP will be designed to align with and support cost allocation provisions developed in this TAC initiative
  - Expect expanded TPP to be structurally similar to today's TPP
- A project under review as a potential "inter-regional" project prior to joining may be considered "new" as long as the criteria for "existing" are not met

Revised Straw Proposal: Existing Facilities

- TRR associated with existing facilities will be recovered through sub-regional "license plate" TAC rates for each sub-region
- *This means that the only facilities eligible for "regional" cost allocation (i.e., to multiple sub-regions) will be "new" facilities approved in the expanded TPP*
- When a subsequent new PTO joins the expanded BAA, that PTO will have a sub-regional license plate rate for its existing facilities and will not be responsible for costs of the existing facilities brought by prior PTOs.

Revised Straw Proposal: New Facilities

Two steps determine eligibility for regional cost allocation:

1. Facility must be planned and approved through the integrated TPP for the expanded BAA. This makes it a “new” facility, but this is just the first step.
2. Facility must meet at least one of the following to be a “new regional facility”:
   a) Voltage rating >200 kV [revised from previous proposal]
   b) Interconnects or increases interconnection capacity between two sub-regions
   c) Creates, increases, or supports increase of intertie between expanded BAA and a neighbor BAA

Costs of facilities not meeting any of these criteria will be allocated entirely to the sub-region in which they interconnect

Cost allocation for new regional facilities

Reliability project approved solely to meet an identified reliability need within a sub-region:

- Cost will be allocated entirely to that sub-region (i.e., included in the license plate sub-regional rate)

Economic or policy-driven facility:

- Decisions to build and cost allocation will be determined by a <u>body of state regulators</u> to be formed as part of a new ISO regional governance structure in conjunction with the integration of the new PTO into the expanded BAA
- Such facilities will be open for competitive solicitation to determine who will build

Additional considerations and provisions

- FERC Order 1000 requires the ISO to have back-stop provisions to approve and allocate costs of needed economic or policy-driven projects
  - To be addressed in next TAC Options paper
- Region-wide export rate: ISO will specify a single export rate (wheeling access charge or WAC) for the entire expanded region, as a load-weighted average of all sub-regional rates plus any region-wide rate.

Possible additional provisions (raised in prior proposal)

Subject to alignment with cost allocation approaches adopted by new body of state regulators:

- A subsequent PTO that joins the expanded BAA at a later date may be allocated a cost share for a "new regional facility" that was approved previously in the expanded TPP
- Sub-regional cost/benefit shares for new regional facilities may be recalculated when a new PTO joins and creates a new sub-region, or not less than every five years.

Next steps …

Please submit written comments by June 10.