

Stakeholder Comments Template

Transmission Access Charge Options

December 6, 2016 Draft Regional Framework Proposal

Submitted by	Company	Date Submitted
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The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (DER)—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

Draft Regional Framework Proposal

1. The proposal defines “new facilities” as facilities that are planned and approved under an integrated TPP that will plan new transmission infrastructure for the entire expanded BAA and will commence upon integration of the first new PTO. Please comment on the CAISO’s proposal for the definition of “new facilities.”

No comment at this time.

2. The proposal previously defined “existing facilities” as transmission facilities that are in service or have been approved in separate planning processes for the current CAISO BAA and the new PTO’s area at the time the new PTO is fully integrated into the expanded BAA. Simply stated, all transmission facilities that are included in the controlled grid for the expanded BAA and are not “new” facilities will be considered “existing” facilities. Please comment on the CAISO’s proposal for the definition of “existing facilities.”

No comment at this time.

3. The CAISO provided further details on the determination of whether a candidate PTO should be deemed “integrated” within an existing sub-region rather than designated a new sub-region. The CAISO proposed that the expanded ISO would work with the candidate PTO and other stakeholders to apply criteria specified in the tariff (listed in the December 6 proposal) for making this determination. The CAISO would then present its recommendation to the Board of Governors as part of the new PTO application process, and upon Board approval would file for FERC approval of the proposal to treat the new PTO as either a new sub-region or part of an existing sub-region. Please comment on this element of the proposal.

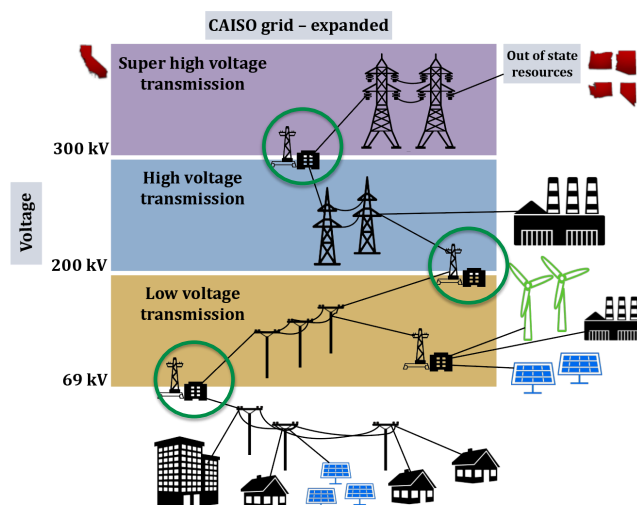
No comment at this time.

4. Consistent with the second revised straw proposal, the CAISO proposes to recover the costs of existing facilities through sub-regional “license plate” TAC rates. The CAISO has proposed that each sub-region’s existing facilities would comprise “legacy” facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

No comment at this time.

5. The CAISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits to the expanded ISO region as a whole and to each sub-region. Please comment on the use of the TEAM methodology to determine sub-regional shares of economic benefits.

In contrast to predicting shares of economic benefit and allocating economic benefits according to those approximations, the Clean Coalition advocates for a cost allocation approach based on the *actual* usage of transmission facilities by each sub-region. CAISO could deploy a simplified cost allocation approach based on the aggregate transmission energy downflow (“TED”) within each sub-region, as measured at the nodes between transmission categories, for each applicable category of transmission voltage (i.e., super-high, high, and low). Metering usage at the TED interface would provide a more precise measurement of how much each sub-region *actually* benefits from transmission infrastructure, rather than using the TEAM methodology to approximate such benefits. Below we provide a visual representation of the proposal.



Under this approach, CAISO would measure the TED at the green circles, which represent the interchange between each category of transmission facility. The total revenue requirements (“TRR”) associated with the facilities of each category would then be divided by the TED for that category, ensuring a pro rata share for the transmission costs for each kilowatt-hour of energy that comes through that level of the transmission system. The costs associated with each level of the transmission grid would be spread according to the actual use of each level of transmission, as measured at the transmission energy downflow of each level of transmission (represented by the green circles in the graphic above).

This approach has the critical additional benefit of resolving an existing market distortion on energy from distributed generation (“DG”) resources. The current TAC methodology spreads the cost of all transmission facilities among customers based on their end user metered load, or the amount of energy that crosses from the distribution system onto the customer meter. This provides an approximate, imperfect measure of transmission usage because it results in TAC being misapplied to energy that does not actually use the transmission grid. This skews the market against DG resources—hindering their cost competitiveness against centralized resources—and artificially inflates the demand for additional transmission investment. If TAC were applied based on actual transmission usage measured at the TED, transmission charges would align with cost causation by recognizing that using local renewables to serve local load decreases the need for additional transmission capacity.

In addition to the current low and high voltage transmission categories, a third, very narrow super-high voltage (“SHV”) category would cover the only transmission facilities that would be eligible for region-wide cost allocation. Only *new* transmission facilities operating *at or above 300kV* and *intertying between sub-regions* would be eligible for this category and therefore eligible for region-wide cost allocation. By setting these stringent requirements, sub-regions would have increased certainty that they would only be responsible for transmission infrastructure they solicited or utilized. To the extent that they do use the SHV transmission facilities, they would pay only in accordance with their actual use. This provides a much more

simple and straightforward approach than the cost allocation methods included in the Draft Regional Framework Proposal.

In addition, this proposal would more closely tie TAC for each transmission level to actual usage of each part of the transmission grid, providing clear cost signals for the cost of energy delivery. Without this added precision of transmission fees, it is incredibly difficult to compare the cost of delivery for projects that interconnect at different voltage levels without subjecting the projects to a market distortion of a standard TAC.

6. The CAISO assumes that a new integrated TPP for the expanded ISO will retain today's TPP structure. Please comment on the structure of the current three-phase TPP process.

One flaw today's TPP structure is that the review of non-transmission alternatives to meet the needs of any individual project is not adequately included in the process. FERC Order 1000 requires transmission providers to consider alternative transmission and non-transmission solutions in regional planning processes,¹ but the current TPP structure does not provide the public stakeholders adequate opportunity to propose non-transmission alternatives to meet those needs at a lower cost. We recommend that the TPP for the expanded ISO be subject to further review and comment in order to review alternative processes to build the opportunity for non-transmission alternatives into the process. One possibility would be to extend the period between Phase 2 (when technical studies that identify a comprehensive transmission plan with recommended projects) and ISO Board approval. Based on the identification of recommended projects, developers of non-transmission alternative resources, such as DER should be provided a brief opportunity to research and propose alternatives to a transmission investment *before* the ISO Board approves the underlying transmission project. The final TPP could then incorporate these alternatives to ensure more complete consideration before the procurement process begins.

Paralleling the distribution upgrade deferral framework being developed in the California Public Utilities Commission's ("CPUC") Distribution Resource Plan proceeding ("DRP"), we recommend that the ISO clearly quantify and publicize the specific needs for which transmission infrastructure procurement is being considered. This would encourage the full consideration of non-transmission alternatives to be considered in TPP procurement decisions, parallel to how the DRP framework results in the solicitation of cost effective DER alternatives to distribution grid upgrades. The opportunity should clearly exist both for bidders to propose non-wires alternatives to defer or avoid the need for the proposed transmission project in line with California's Preferred Resource Loading Order (Energy Efficiency, Demand Response, Renewable Generation or Energy Storage), and for load-serving entities ("LSEs") and public agencies such as the CPUC to propose incentives, rates, or tariffs that would influence ISO observed loads to

¹ 136 FERC ¶ 61,051 at P 148 ("Through the regional transmission planning process, public utility transmission providers will be required to evaluate, in consultation with stakeholders, alternative transmission solutions that might meet the needs of the transmission planning region more efficiently or cost-effectively than solutions identified by individual public utility transmission providers in their local transmission process").

mitigate the need for added transmission. If a change in customer incentives, rates, or charges could be implemented at less cost than the least cost wires proposal while meeting the identified system needs, then ratepayers will benefit from this lower cost non-wires alternative.

Coordination will be necessary with the public agencies to ensure that sufficient time and information is provided for development of non-wires alternatives, including prior preparation that may be applied to specific project needs.

Incorporating this opportunity would not only bring CAISO's TPP closer in line with federal energy regulations, it would also ensure that ISO transmission planning results in more cost effective decision-making and increased savings for ratepayers.

7. The CAISO proposes to allocate the entire cost to a sub-region if a reliability project within that sub-region only addresses a reliability need of that sub-region or if a policy-driven project within that sub-region is approved only to support the policy mandates for that sub-region. Please comment on this element of the proposal.

See answer to Q5.

8. The CAISO proposes to allocate the cost of an economic project, for which the economic benefits must exceed its cost, to sub-regions in proportion to each sub-region's economic benefits. Please comment on this element of the proposal.

See answer to Q5.

9. For a reliability project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original reliability project, the avoided cost of the original project will be allocated to the sub-region with the original reliability need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

See answer to Q5.

10. For a policy-driven project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original policy-driven project, the avoided cost of the original project will be allocated to the sub-region with the original policy need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

See answer to Q5.

11. In the December 6 proposal the CAISO introduced an approach for allocating costs more granularly than just to sub-regions for certain policy-driven projects and for the policy-driven costs of projects that provide economic benefits in addition to meeting policy needs. The proposal is based on the following principles: If a project that meets policy

needs is built within a different sub-region from the state or local regulatory authorities driving the policy need, the policy-related project cost will be allocated only to the load of those regulatory authorities driving the policy need. Alternatively, if a project that meets policy needs is built within the same sub-region as the state or local regulatory authorities driving the policy need, that project is deemed to provide benefits to the entire sub-region and therefore the policy-related costs will be allocated to the sub-region as a whole rather than on a more granular basis. Please comment on these principles.

No comment at this time.

12. Continuing with the scenario of item 10 and applying the principles above, for a policy-driven project, if the new project is built outside the sub-region where the regulatory authorities driving the policy need are located, the ISO will allocate the policy-related avoided cost to the load served under the state or local regulatory authority or authorities whose policy mandates drove the need for the original project. Please comment on this proposal.

No comment at this time.

13. Similarly, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the associated avoided cost to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. Please comment on this proposal.

No comment at this time.

14. For a policy-driven project that supports policy mandates of more than one sub-region, or that is built in one sub-region to meet the policy mandates of another sub-region, the ISO will calculate the economic benefits of the project and allocate costs to each sub-region in proportion to the sub-region's benefits, but only up to the point where each sub-region's cost share equals the sub-region's benefits. Any additional cost of the project will be allocated to the load served under the state or local regulatory authorities within each sub-region, other than the sub-region in which the project is built, whose policy mandates drove the need for the project. Please comment on this proposal.

No comment at this time.

15. Continuing with the scenario of a policy-driven project that supports policy mandates of more than one sub-region, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the project costs to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. In such cases, if the project also supports policy mandates within the same sub-region in which the project is built, the ISO will allocate that sub-region's share of the policy-driven costs to the entire sub-region as part of the sub-regional TAC. Please comment on this proposal.

No comment at this time.

16. Competitive solicitation to select the entity to build and own a new transmission project would apply to all new transmission projects rated 200 kV or greater, of any category, with exceptions only as stated in ISO tariff section 24.5.1 Please comment on this proposal.

The Clean Coalition suggests that the competitive solicitation also extend to non-transmission alternatives that could meet the required needs of the approved transmission projects. As stated above, FERC Order 1000 requires transmission planning to incorporate consideration of non-transmission alternatives, and incorporation of that principle in competitive solicitation decisions would better ensure that ISO customers pay only for the most cost-effective solution to meet their needs.

17. The proposal indicated that the ISO would establish a formula for a single export rate (export access charge or “EAC”) for the expanded region, and under the proposal, non-PTO entities would pay the same sub-regional TAC rate paid by other loads in the same sub-region. Please comment on this proposal.

The Clean Coalition supports the EAC concept. This ascribes charges for usage of the transmission system at the point where the energy exits the ISO grid, resulting in charges that closely align with metered transmission usage. The Clean Coalition supports the principle that transmission charges should directly correspond to actual use, and this proposal is in full alignment with that principle.

The EAC concept could be incorporated into the Clean Coalition’s alternative TAC Options solution detailed in Question 5. In that approach, the ISO should reduce the TRR for economic and policy-driven new SHV by subtracting any applicable EAC revenues, and then apportion the remaining TRR to each region and sub-region in proportion to their metered use of transmission assets.

18. The EAC would be calculated as the sum of all high-voltage transmission revenue requirements (TRRs) of all PTOs within the expanded BAA divided by the sum of the projected internal load for the entire expanded BAA. Please comment on this element of the proposal.

No comment at this time.

19. The CAISO proposes to allocate shares of the EAC revenues to each sub-region in proportion to their total high-voltage TRR. Please comment.

No comment at this time.

20. The CAISO proposes to break down each sub-region’s share of the EAC revenues into portions to be allocated to the sub-regional TAC and each state or local regulatory authority whose load is paying a share of the high-voltage TRR for policy-driven

transmission whose costs are not included in the sub-regional TAC. These shares of the sub-region's EAC revenue would be in the same proportion as the corresponding shares of the sub-regional high-voltage TRR. This element of the proposal would not affect the allocation of EAC revenues between sub-regions. Please comment on this proposal.

No comment at this time.

21. Please provide any additional comments on topics that were not covered in the questions above.

No comment at this time.