

GENERAL COMMENTS FROM STAKEHOLDERS

Stakeholder	Comment
DWR	<ul style="list-style-type: none"> <li>• TAC Should be based upon principles of unbundling of generation-related costs from transmission rates, and of cost causation, so as to provide appropriate price signals that will support and enhance competitive and efficient power markets.</li> <li>• TAC should consist of a Regional Transmission Charge applicable to service on facilities of 200 kV or greater, and a utility-specific Local Transmission Charge applicable to service on transmission facilities below 200 kV. To avoid pancaking, customers taking service from Local facilities would pay a combined Local and Regional Charge.</li> <li>• A clearly understood and consistent, nondiscriminatory policy must be established for applicability of ISO rates, and for TAC billing and billing of other ISO fees or charges, whether on a net load or gross load basis.</li> <li>• Nonrate issues should be resolved separately and not filed in this rate tariff. However, should the ISO proceed in this endeavor, efforts to attract additional ISO participants should be inclusive, nondiscriminatory, and fundamentally consistent with the ISO's basic mission to support competitive power markets.</li> </ul>
MID,TID	<p>While The Districts appreciate the time and effort devoted by the ISO Staff and Board in attempting, over the last six months, to modify the Transmission Access Charge ("TAC") and related provisions of the ISO Tariff and protocols to make them more conducive and hospitable to publicly-owned electric utilities, it is our judgment that the current proposal simply does not address or resolve the important core issues and concerns that preclude public agencies from becoming Participating Transmission Owners (PTOs)". Aside from our concerns about the terms of the TAC itself, the Districts are also concerned about the fact that the ISO, in the context of developing a new TAC and TAC methodology, has included other unrelated ISO Tariff changes in the TAC proposal which are apparently designed to attempt to attract a larger constituency among the California Stakeholders. As the Districts advised the ISO in a joint letter to Ms. Zola Lazic dated February 11, 2000, the Districts are particularly concerned that the ISO has undertaken to include new proposals for the governance of Metered Subsystems and the Grid Management Charge ("GMC") as part of the TAC proposal. As the Districts pointed out in their letter to Ms. Lazic, the ISO Tariff provisions respecting Metered Subsystems and the GMC are not necessary to the development of the TAC and the inclusion of Tariff changes related to these matters only makes it more difficult to reach closure on the TAC itself.</p>
MID, TID, TANC	<p>It is only reasonable that a public agency must be able to forecast customer benefit prior to turning over operational control of transmission facilities to the ISO. The current proposal offers, at best, a very questionable assurance that public agency customers will be no worse off by becoming a PTO. This simply does not provide enough incentive for public agencies, to voluntarily turn over operational control of facilities to the ISO. Although the ISO has modified its TAC proposal to eliminate the three-year review of the mitigation provisions, other objectionable features remain in the proposal. For example, the ISO's proposal for uniform treatment of all PTOs after the 10 year transition period is inconsistent with or ignores other commitments made to various classes of customers including cost caps and hold harmless provisions which will make it impossible to deliver on the promise of uniform treatment of all PTOs.</p>
Redding	<p>In the event a negotiated consensus on an overall TAC package cannot be reached quickly, Redding believes it is prudent to continue the status quo, as outlined in the TANC letter, for an additional year rather than file a TAC with serious deficiencies. It is Redding's understanding and belief that the <u>end goal is broad-based GE participation</u>. The filing of the TAC Tariff with FERC is not the end goal but <u>only one of several necessary preconditions</u> for GE participation. <u>It is important to get it right, not just get it filed</u>. A TAC without takers is not a TAC worth filing.</p>
SMUD	<p>If an acceptable compromise TAC proposal is not reached, SMUD's position on many issues addressed herein is markedly different than the comments provided herein on the proposed compromise. SMUD does not agree to any of the elements of the proposed TAC compromise unless a comprehensive agreement is reached. Needless to say we are not yet there.</p>

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<b>Access Charge Methodology</b>	
DWR, MWD	Both the Regional and Local TAC should consist of time-differentiated energy charges applicable to all transmission service subject to ISO rates, including Wheeling and service provided under Existing Contracts. MWD suggests that TOU rates could be developed after the transition period.
MID, TID	The Districts do take exception to the ISO's proposal insofar as it defines "high voltage transmission" facilities to include all facilities above 200 kV regardless of the location of such facilities. The Districts have consistently advised the ISO that they would retain the right to control all transmission facilities behind the meter irrespective of the voltage of such facilities. Public agencies, such as MID and TID, must insist on retaining autonomy and control of facilities up to the metered point of interconnection with the ISO Controlled Grid. While there may be circumstances under which it would be mutually advantageous to turn over high voltage facilities located behind the meter to the Operational Control of the ISO, each new PTO should have the option of retaining complete autonomy and control of such facilities upon executing the Transmission Control Agreement ("TCA").
<b>Comply with ISO Tariff and applicable Agreements</b>	
MID, TID	The ISO's proposal respecting the status and obligations of new PTO's is unacceptable for a variety of reasons, including the requirement that a new PTO comply with all ISO Tariffs and Protocols and applicable agreements is too broad. While some Market Participants may wish to become PTOs and subscribe to all terms and conditions of the ISO Tariff, Protocols and pro-forma agreements, other Market Participants may wish to contract with the ISO for specific services or purposes, in which case, portions of the ISO Tariff, and Protocols and certain of the ISO's related pro-forma agreements should not be applicable. To accommodate this concern, the ISO should establish the flexibility for Market Participants to enter into separate bilateral agreements for specific purposes. These separate "arms length" agreements should govern the relationship of the parties and designate those provisions of the ISO Tariff and Protocols which are appropriate and necessary.
<b>Existing Contracts - FTR Issues</b>	
Enron	The latest changes provide even more special treatment to those with existing contracts (e.g. FTRs, MSS). We have always argued for comparable treatment and non-discriminatory access. The proposal does not achieve that for ten years and, in fact, widens the disparate treatment in many respects. We will have to look at this as a whole, but these non-comparable provisions coupled with the significant cost shift make this an unpalatable package. It does not seem to foster a competitive market in which all parties have equal access.
MID, TID	The Districts oppose the notion that a new PTO must surrender all of its Existing Contract rights and turn over <u>all</u> facilities and entitlements to the Operational Control of the ISO. Both MID and TID have consistently taken the position that the ISO should not have the option or autonomy to control any transmission facilities (high voltage or otherwise) or generating facilities located behind the point of interconnection with the ISO Controlled Grid. The Districts will not alter their position on this point to achieve agreement on a grid-wide regional access charge
WAPA	Western has Congressional directives and Federal statutory obligations that require it to have FTRs into perpetuity. These include rights on the COTP and PACI. Western is agreeable to addressing these indefinite FTRs when the TCA is negotiated.

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<b>Gross Load Issues</b>	
CAC/EPUC	<p>The TAC should be allocated to QF load only to the extent the energy serving the load is delivered over the ISO controlled grid. Allocating the TAC to QF load that is being served by QF generation over non-ISO facilities would unlawfully discriminate against QF load. The discrimination is untenable in contrast to the treatment accorded both customer load served by a utility distribution company (UDC) and customer loads within UDC classes. Discrimination against QFs in grid access is prohibited expressly by the provisions of the Federal Power Act (FPA) and the Public Utilities Regulatory Policies Act (PURPA). Moreover, a QF generator is expressly permitted to serve certain loads under California law, particularly Section 218 of the Public Utilities Code. The imposition of the TAC to QF load that is not relying upon the ISO system is insupportable.</p> <p>Assuming the ISO appropriately exempts QF load from TAC allocation, there is no reasonable claim of “opening the floodgates” to a comparable exemption for municipal utilities. QF operations are statutorily and operationally distinguished from municipal utility generation. Both the circumstances and law governing QF load differ materially from those affecting municipal load.</p>
MID, TID	<p>MID and TID are also opposed to the ISO’s proposal that “Billed loads and exports should pay the TAC and GMC” without exception. The Districts have consistently taken the position that new PTOs should only pay the charges associated with their actual use of the ISO Controlled Grid or services actually provided by the ISO. The current proposal fails to limit the application of either the TAC or the GMC in this manner. Moreover, at the March 3, 2000 meeting of the ISO Board, Mr. Terry Winter made it abundantly clear that the ISO would not accept any proposal to bill the TAC and GMC on a net rather than gross basis. Neither MID nor TID can agree to accept a proposal which would obligate either District to pay for transmission or other services it does not use.</p>
ORA	<p>The additional conditions (“(c) was serving the customer’s Load on the ISO Operations Date; and (d) is a party to an Existing Contract that remains in force, pursuant to which the owner of the Generating Unit compensates the Participating TO to which it is directly or indirectly connected for the embedded costs of the transmission facilities turned over the ISO’s Operational Control”) are unnecessarily restrictive and prematurely attempt to resolve issues that are points of contention in other forums. It is critical in seeking to resolve a revised TAC that non-essential issues should not be brought into the ISO’s proposal -- there are already enough controversial issues at stake that the controversy does not need to be expanded with issues like net vs. gross load. ORA’s February 2 comments explained that the issue of whether to use net vs. gross is not only a matter for ISO consideration. It is also an issue in forums like the CPUC’s Distributed Generation Rulemaking proceeding, and once it is resolved there, the TAC can be revised to reflect the outcome.</p>
<b>Mitigation Issues</b>	
Anaheim	<p>Deeply concerned with the proposed caps on so-called “cost shifts” to the existing PTOs. Although the levels of the currently proposed cost shift caps reflect an improvement from previous proposals, the Cities remain convinced that such caps are neither necessary nor appropriate. If the benefits of broader participation in the ISO by new PTOs receive appropriate recognition, it is likely that there will be no net cost shifts to the existing PTOs. Certainly the cost shifts claimed by the existing PTOs give no recognition to the cost reductions identified by the ISO that the existing PTOs will enjoy as a result of increased transfer capability and reduced congestion resulting from participation by additional PTOs. Those benefits, along with the ten-year transition period to a Grid-wide access charge, provide adequate mitigation for any cost shifts to existing PTOs. Cost shift caps are based upon a one-sided view of the effects of participation by new PTOs and are not appropriate. Moreover, they are inconsistent with the full cost recovery treatment to be afforded to transmission additions that are currently planned by the existing PTOs.</p>

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<b>Mitigation Issues</b>	
CCSF, Palo Alto Redding	The hold harmless approach embodied in the current proposal needs to be broadened. There are many additional costs, which will be major additional burdens to some existing contract holders/transmission owners who may wish to become new Participating Transmission Owners (PTOs). Those burdens, including neutrality, UFE, Grid Operations Charges, other ancillary services and costs for out-of-market calls, need to be included in the hold harmless provision. The ISO Tariff should fully specify a more encompassing hold harmless provision that incorporates all additional costs. If all additional costs cannot be specified, the Tariff should provide that <i>all</i> additional costs will be fully specified, along with FTR rights, when the New PTO executes the Transmission Control Agreement.
LADWP	<ul style="list-style-type: none"> <li>• It is of critical importance that during the TAC transition period Los Angeles' customer/owners not bear any net increase in costs as a result of turning over operational control of its transmission facilities to the ISO. The current "hold-harmless" provisions of the ISO TAC proposal only focuses on the net effect of paying the TAC and the GMC. Los Angeles' participation in the ISO will entail additional identifiable costs and lost opportunities (<i>e.g.</i>, neutrality payments and lost revenues from providing transmission service). In addition, there are other costs and lost benefits (particularly those arising from operating a control area with significant transmission assets reaching into four neighboring states) that are difficult to quantify with precision but are nonetheless real. These costs and lost benefits are simply not accounted for in the current "hold-harmless" provisions.</li> <li>• Unless these additional costs and lost benefits are adequately addressed in the TAC proposal, Los Angeles projects that it would suffer a significant net increase in costs during the early years of the transition period. To address this issue, Los Angeles and others have proposed that in year one of the ten-year transition period, the grid-wide rate be designed to collect between 35 to 45 percent of the high-voltage transmission revenue requirements, with a straight-line transition from TAC area to the grid-wide rate over the remaining transition period. In Los Angeles' view, any promise of long-term benefits to offset short-term losses must be carefully evaluated in the context of the regulatory process and the fact that the industry is in the midst of fundamental restructuring.</li> <li>• The current TAC proposal includes a "cap" on the amount of additional transmission costs that can be incurred by the existing PTOs. Los Angeles believes that this additional mitigation measure is unwarranted. The long transition period in the current TAC proposal is more than adequate in muting any necessary rate increases for existing PTOs. Existing PTO customers will benefit immediately from Los Angeles' infusion of substantial transmission capacity into the ISO grid, while Los Angeles' customers would continue to bear virtually the full burden of the associated costs during the transition period.</li> </ul>
MID, TID	The ISO's proposal to limit the impact of its TAC transition on the original PTOs (PG&E, Edison and SDG&E) is flatly unacceptable to the Districts. Part of the bargain struck in AB 1890 is that each of the original PTOs would recover its entire stranded cost from its customers. The proposed cap would allow the IOU's customers to benefit from the addition of new transmission facilities provided by public agencies without paying the full value of those facilities. The proposal has the effect of allowing the IOUs to spread the responsibility for stranded cost recovery to the customers of public agencies that become PTOs. This is unacceptable to the Districts.

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<b>Mitigation Issues</b>	
ORA	ORA can accept the level of transmission rates that ratepayers of the investor owned utilities would be asked to possibly pay, as being justified by improvements in market efficiency and resulting decreases in energy costs (particularly reduced congestion costs). However, the burden of potential rate increases in the transmission rate component is now at a point where it cannot be pushed further by negotiations with transmission owners for other service areas (i.e., municipal utilities). The municipals will receive significant benefits from the current TAC proposal, by being able to convert contracts for "point-to-point" transmission service to "network" transmission service, and by receiving tradable Firm Transmission Rights in exchange for the specifically designated rights of their current transmission contracts. The current proposal also includes considerable financial protection for their ratepayers. If the municipals continue to seek reductions in the amount that would be paid by ratepayers in their service areas, the burden of potential transmission rate increases to the investor-owned utilities' service areas must also be reduced.
Anaheim	Deeply concerned with the proposal that new PTOs be required to utilize "benefits" from the revised TAC to reduce their transmission investment. The Cities are also opposed to the proposal that new PTOs be required to utilize any net benefits from participation in the ISO to "buy down" their transmission revenue requirements. Although this requirement purportedly is designed to levelize the average investment in transmission facilities over time, there would be no corresponding obligation on the existing PTOs to work toward such levelization. Indeed, the existing PTOs would be free to add to their transmission investment and immediately recover the costs of such added facilities through the Grid-wide portion of the access charge. Moreover, the requirement that new PTOs utilize net benefits to reduce their transmission revenue requirements would have the effect of depriving the new PTOs of any return on the capital that would remain invested. The buy down obligation, at least theoretically, would result in a return <u>of</u> capital to the new PTOs, but there would be no return <u>on</u> the capital balances that remained outstanding. Any mechanism for levelizing average transmission investment should be applicable on a non-discriminatory basis to all PTOs. The current buy down proposal is discriminatory, will deprive new PTOs of an appropriate return on their investments, and will not necessarily achieve the stated objective of levelizing average transmission investment.
TANC	<ul style="list-style-type: none"> <li>• The cost shift cap, and the way it is calculated, fails to accurately capture the system benefits that Governmental Entities bring to the CAISO and fails to calculate related increased costs that Governmental Entities will incur if they become PTOs.</li> <li>• The proposal to charge TAC and GMC on all loads and exports does not follow the current policy of pay for use or cost causation that is embodied in the current ISO Tariff.</li> <li>• The loss of congestion protection and the "hold harmless" provision in year eleven have a substantial cost impact on TANC Members.</li> </ul>
Vernon	Vernon has raised a threshold issue which Vernon believes must be determined in accordance with constitutional principles if the City Council of the City of Vernon elects to turn over 100% of the operation and control of Vernon's transmission assets to the ISO Corporation to be used to benefit third parties. A legal opinion is provided identifying the constitutional principals which could preclude the City Council of the City of Vernon from electing to provide the operation and control of Vernon's transmission assets to the ISO Corporation to be used to benefit third parties. The ISO Tariff must provide recovery of Vernon's [full] revenue requirement associated with Vernon's transmission investment in its transmission assets.

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<b>Metered Subsystems</b>	
MID, TID	<p>The entire ISO proposal on Metered Subsystems (“MSS”) is unacceptable to the Districts for the reasons set forth in previous MID and TID correspondence and pleadings on the subject. Moreover, the MSS proposal is entirely unrelated to the TAC. Issues related to the ISO’s complex and controversial MSS proposal should be addressed in the context of other proceedings such as the Unresolved Issues Docket rather than as a part of the TAC proposal.</p> <p>The Districts also disagree with the ISO’s proposal that a public agency must first be a PTO in order to qualify as a MSS.</p>
<b>Revenue Review Panel Issues</b>	
Anaheim	<p>Deeply concerned with the proposal to establish a review panel to evaluate the revenue requirements of entities not subject to the jurisdiction of the Federal Energy Regulatory Commission. The current TAC proposal provides for creation of a Revenue Requirement Panel to review the revenue requirements of PTOs that are not subject to the jurisdiction of the FERC. The Cities are not willing to abdicate their existing authority to establish rates for the recovery of their costs. The Cities would support establishment of generally applicable and non-discriminatory principles for the determination of revenue requirements of all PTOs. With respect to the transmission revenue requirements of the Cities, however, the responsibility and authority for implementing such principles must remain with the City Councils, subject to any review procedures authorized by California law. The Cities also object to the provision in §7.1.5 of the draft tariff language that would require submission of the Cities’ unbundled rates for retail transmission service to the ISO for review. Quite apart from the Cities’ objections to outside review of their transmission revenue requirements, the ISO has no legitimate interest in the Cities’ rates to retail customers.</p>
CPUC	<p>The CPUC opposes the provision in the ISO Management’s TAC proposal whereby an ISO-appointed Revenue Panel would be the only entity to decide the amount of revenue requirement associated with the regional transmission facilities of a New PTO, which would be rolled into the transmission rates paid by ratepayers of existing PTOs. We believe that the amount of revenue requirement subject to those caps must still reflect just and reasonable rates for the ISO to passthrough these costs to the existing PTOs’ ratepayers. The CPUC urges that FERC, not the Revenue Review Panel be the decisionmaker that determines the justness and reasonableness of the ISO’s charges. This would ensure due process to parties wishing to challenge the revenue requirement and would allow for discovery rights, ALJs who could rule on discovery disputes and ensure proper accounting. The ISO is FERC jurisdictional and we believe that the ISO needs to modify this aspect of the proposal in order to make it lawful and to respect the due process rights of parties affected by the rolling in the revenue requirement of a New PTO’s regional transmission facility costs.</p>
MID, TID	<p>To the extent that this portion of the ISO’s TAC proposal vests the ISO or a Revenue Review Panel with the authority to review or regulate the rates or revenue requirements of publicly-owned electric systems, the proposal is flatly unacceptable. Under California law, the public agencies which own and operate municipal electric systems, including irrigation districts, are charged with the responsibility of regulating the rates and terms and conditions of service offered to their customers. In the case of MID and TID, each Board has the autonomy and obligation to set and collect rates for electric service. There is no legal basis upon which to delegate or share that responsibility with the ISO or with an independent Revenue Review Panel. Either District may agree to make an informational filing of its rates and its revenue requirements with the ISO or with an independent Revenue Review Panel as long as it is clear that the District does not relinquish the authority or obligation to determine its own revenue requirements or set its own rates.</p>

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<b>Other ISO Litigation</b>	
DWR	Nothing in TAC should compromise or conflict with the ultimate disposition of issues being litigated in the Unresolved Issues docket (ER98-3670), or any other pending proceeding, including allocation of RMR costs and UFE.
TANC	Wheeling revenues from joint facilities are allocated based on revenue requirement, but charges are based on ownership - not consistent, an artifact of current design. Someone with high revenue requirements and low ownership makes out. This is being challenged in the Unresolved Issues case.
<b>Process</b>	
DWR	DWR reluctantly finds it necessary to express concern regarding the process used to develop the proposed TAC after the ISO TACWG was superseded by a process involving negotiations among and between a limited number of ISO Board members in an executive session environment. DWR had written, requesting to participate in the negotiating team because its substantial interest would not be otherwise be represented. No response from the ISO has been received. Although comments from stakeholders have been solicited, it is not clear that these received serious consideration in this process. Therefore, DWR cannot join in any claim that the ISO TAC proposal reflects a stakeholder consensus.
Palo Alto	Thanks for your mail informing us of the changes in the ISO TAC Proposal approved by the Board following the meeting on last Friday, March 3, 2000. I have been impressed with the Board meetings related to TAC that I have attended. I have found the Board and ISO management responsive to some, if not all, of our concerns.
Phoenix	I want to compliment you and your team for the terrific document management you've had throughout this project. This is a great example - the changes are clearly marked and explained, and the recipient doesn't have to go through a side-by-side comparison to figure them out. Nice job!