

# Stakeholder Comments Template

## Transmission Access Charge Options

### December 6, 2016 Draft Regional Framework Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the December 6, 2016 draft regional framework proposal and the discussion at the December 13 stakeholder meeting. The proposal, presentations 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **January 11, 2017**.

**NOTE:** Items highlighted in yellow below refer to elements of the present proposal that have not changed from the prior proposal, the second revised straw proposal posted on September 28. If your organization's position on one of these elements has not changed from the comments you submitted on the September 28 proposal, you may simply refer to your prior comments in response to that item and the CAISO will take your prior comments as reflecting your current position.

### **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."

**The TPP and transmission cost allocation process needs to be reflected in Tariff language, and a stakeholder process should precede any proposal to amend the CAISO Tariff. LADWP understands that the CAISO intends to present the framework proposal to the new regional ISO Board before committing to initiating a stakeholder initiative**

to address changes to the comprehensive Transmission Planning Processes (TPP) that will be needed to accommodate an expanded regional ISO.

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.”

At present, the comprehensive TPP distinguishes between “new” facilities (for which there is a competitive solicitation) and “an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility” (for which the incumbent TO has a right of first refusal). For upgrades, Section 24.4.10 of the CAISO tariff states, in relevant part:

A Participating Transmission Owner will have the responsibility to construct, own, finance and maintain any Local Transmission Facility deemed needed under this section 24 that is located entirely within such Participating Transmission Owner’s PTO Service Territory or footprint, as well as any upgrade or addition to an existing transmission facility.

While LADWP appreciates the CAISO’s attempt to simplify the definition of “existing facilities” as all those placed under operational control of the expanded ISO that are not “new,” potential for confusion still exists with respect to the definitions in the current CAISO Tariff of and the treatment of new facilities and upgrades in the TPP. LADWP urges the CAISO to develop more specific definitions of existing facilities as part of its TAC Options final proposal.

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.

The draft TAC Framework Proposal generally intends that the term “integrated with” will capture the situation in which a new PTO has “significant interconnections with one or more PTOs in an existing sub-region” of the regional ISO, and will benefit significantly from the transmission system of the sub-region with which it is

integrated. The CAISO states that the regional ISO would consider the following criteria to determine whether a PTO is “integrated”:

- (1) the number of interties between the new PTO and the existing sub-region;
- (2) whether the new PTO’s transmission system runs in parallel to major parts of the existing sub-region;
- (3) the frequency and magnitude of unscheduled power flows at applicable interties;
- (4) the number of hours where the actual direction of power flows was reversed from scheduled directions; and
- (5) the proportion of the new PTO’s annual and peak load served over the facilities of the relevant sub-region of the regional ISO.

The CAISO states that that the regional ISO would “work with the candidate new PTO and other stakeholders” to apply the specified criteria in the tariff for determining whether the new PTO should be integrated into an existing sub-region. The ISO would then make a recommendation for approval by the Board of Governors as part of the new PTO application process. Upon Board approval, the regional ISO would file for FERC approval of the proposed TAC treatment of the new PTO.

The December 6, 2016, Draft Regional Framework TAC Options Proposal concedes that the term “integrated” is hard to define, and that specific criteria to define whether a prospective PTO is “integrated with” an existing sub-region “would be challenging if not impossible to spell out in formulaic terms so as to correctly capture each potential future case.” (TAC Options Proposal at 10)

LADWP urges the regional ISO Board to abandon the proposed criteria-based case-intensive “integrated” test, because the proposed approach to determining whether or not a candidate PTO is “integrated with” an adjacent sub-region is likely to lead to protracted disputes and contentious arguments about the appropriate weight to be given to various criteria.

LADWP favors a far simpler method, which will not only avoid rate-shock for candidate PTOs, but also will be more likely to result in new participants joining the regional ISO. Specifically, LADWP suggests that the regional ISO Board adopt the following methodology:

If a candidate PTO is not “embedded within” an existing CAISO sub-region at the time it seeks to join the CAISO, the candidate PTO shall be allowed to choose whether to join a then-existing sub-region of the regional ISO that is adjacent to its service territory, or to join the regional ISO as its own new sub-region.

This method will be far less complicated than the proposed case-by-case application of an “integrated with” test using the criteria suggested by the TAC Options Proposal. The criteria suggested by the TAC Options Proposal fail to provide a candidate PTO

with sufficient information sufficient to allow it to know in advance whether it would be deemed to be “integrated with” an existing sub-region. As a result, implementation of the proposed criteria-based “integrated” test on a case-by-case basis is likely to be problematic.

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.

LADWP supports this concept, provided that a potential PTO entity that is not “embedded within” or “electrically integrated with” a then-existing sub-region has a one-time choice whether to elect to join either the largest sub-region (i.e., the sub-region comprising the CAISO as it exists today), or to become a separate sub-region.

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.
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.
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.
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.

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.
  
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.
  
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.
  
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.

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.
  
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.
  
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.
  
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.

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