Stakeholder Comments Template

Transmission Access Charge Options

September 30, 2016 Second Revised Straw Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the September 30, 2016 second revised straw proposal. The second revised straw 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. Submissions are requested by close of business on **October 28, 2016.**

Second Revised Straw Proposal

1. The ISO previously proposed to allow a new PTO that is embedded within or electrically integrated with an existing sub-region to have a one-time choice to join that sub-region or become a separate sub-region. The ISO now proposes that an embedded or electrically integrated new PTO will become part of the relevant sub-region and will not have the choice to become a separate sub-region. This means that the new embedded/integrated PTO's transmission revenue requirements will be combined with those of the rest of its sub-region and its internal load will pay the same sub-regional TAC rate as the rest of the sub-region. Please comment on this element of the proposal.

   No comments

2. An embedded PTO is defined as one that cannot import sufficient power into its service territory to meet its load without relying on the system of the existing sub-region. Whether a new PTO is considered electrically integrated will be determined by a case-by-

case basis, subject to Board approval, based on criteria specified in the tariff. Please comment on these provisions of the proposal.

3. The proposal defines “new facilities” as transmission projects planned and approved in an expanded TPP for the expanded ISO BAA. The integrated TPP will begin in the first full calendar year that the first new PTO is fully integrated into expanded ISO BAA. Projects that are under review as potential “inter-regional” projects prior to the new PTO joining may be considered as “new” if they meet needs identified in the integrated TPP. Please comment on these provisions.

   LS Power believes that this element of the CAISO TAC proposal should be further developed. CAISO should provide further clarification on how a transmission project that is currently under review as either a “regional project” under the CAISO Transmission Planning process or as an “inter-regional project”, with benefits to CAISO Region, will be treated under this proposal.

   If this transmission project is found to have economic and policy benefits to CAISO Region itself, will the decision to approve the project be taken under CAISO’s existing Transmission Planning Process, thereby making this an “existing” project, or will the decision need to wait until the integrated TPP begins after first PTO is integrated to CAISO, which would make this a “new” project. If the later, then this will cause unnecessary delays and potentially prevent ratepayers from the economic savings they could have achieved.

   CAISO should consider developing its proposal to address this scenario, such that CAISO can allocate benefits and costs to such projects even prior to beginning the new integrated TPP thereby meeting the objective of cost allocation without delaying the approval process.

4. The ISO previously defined “existing facilities” as transmission assets planned in each entity’s own planning process for its own service area or planning region, and that are in service, or have either begun construction or have committed funding to construct. The ISO is now simplifying the proposal to define “existing facilities” as all those placed under operation control of the expanded ISO that are not “new.” Please comment on the ISO’s proposed new definition of “existing facilities.”

   We generally agree with the proposed definition, however as described in 3 above, the proposal should include calculating the overall benefits of the transmission facilities that are currently reviewed as “existing facilities” to the entire Expanded ISO Region, such that some of the costs can be attributed to the new sub region once the integrated TPP starts. This will avoid unnecessary delays in approving and building new transmission.

5. Consistent with the previous revised straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional "license plate" TAC rates. The ISO has proposed that each sub-region's existing facilities comprise "legacy" facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

   As per our responses to 3) and 4) above, LS Power believes a distinction needs to be made between a) Existing facilities that are currently operational, vs b) Existing facilities that are currently being reviewed as potential new transmission projects under the CAISO's current TPP process. The rules proposed above should apply to existing facilities under a). Under b), there should be more flexibility in allocating costs to the new sub-region after the new PTO joins.

6. The ISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits of certain new facilities to the expanded ISO region as a whole and to each sub-region. Please comment on these uses of the TEAM.

   LS Power supports this element of the proposal.

7. For a reliability project that is narrowly specified as the more efficient or cost-effective solution to a reliability need within a sub-region, and has not been expanded or enhanced in any way to achieve additional benefits, the ISO proposes to allocate the project cost entirely to the sub-region with the driving reliability need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision.

   LS Power supports this element of the proposal.

8. For a policy-driven project that is connected entirely within the same sub-region in which the policy driver originated, the ISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision

LS Power supports this element of the proposal.

9. For a purely economic project with benefit-cost ratio (BCR) > 1, cost shares will be allocated to sub-regions in proportion to their benefits, and because BCR > 1 this completely covers the costs. A purely economic project is one that is selected on the basis of the TPP economic studies following the selection of reliability and policy projects, and is a distinct new project, not an enhancement of a previously selected reliability or policy project.

   LS Power supports this, however it is not clear how CAISO proposes to allocate costs for an Economic Study Request which provides economic benefits, but does not offer a BCR > 1 (say BCR is close to 1, for instance 0.9), but provides policy and reliability benefits to the existing CAISO Region and also possibly the Expanded ISO Region. Will this economic project be disapproved, because the BCR < 1, or will CAISO be considering the policy and reliability benefits this project offers to make an approval decision under the TPP.

10. For an economic project that results from modifying a reliability or policy-driven project to obtain economic benefits greater than incremental project cost, the ISO proposes to first, allocate avoided cost of original reliability or policy-driven project to the relevant sub-region, then allocate incremental project cost to sub-regions in proportion to their economic benefits determined by TEAM. This is called the “driver first” approach to cost allocation. The proposal also illustrated an alternative “total benefits” approach. Please comment on your preferences for either of these approaches.

11. The proposal outlined two scenarios for policy-driven projects involving more than one sub-region. In scenario 1, where a project built within one sub-region meets the policy needs of another sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the sub-region that was the policy-driver. Please comment on this cost allocation approach for scenario 1.

    LS Power supports this element of the proposal.

12. In scenario 2, where a policy project meets the policy needs of more than one sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the relevant sub-regions in proportion to their internal load for project in-service year. Please comment on this cost allocation approach for scenario 2.

13. 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, regardless of whether their costs are allocated to only one or more than one sub-region, with exceptions only for upgrades to existing facilities as stated in ISO tariff section 24.5.1. Please comment on this proposal.

    LS Power supports this element of the proposal. While this may be beyond the scope for this initiative, but consistent with LS Power's position on this issue across the nation, we support competitive solicitation for voltage levels below 200 kV as well.

14. The ISO proposes to drop the earlier proposal to recalculate benefit and cost shares for sub-regions and the proposal to allocate cost shares to a new PTO for a new facility that was planned and approved through the integrated TPP but before that new PTO joined the expanded ISO. Please comment on the elimination of these proposal elements.

    LS Power supports this element of the proposal.

15. The ISO proposes to establish a single region-wide export rate ("export access charge" or EAC) for the expanded region, defined as the load-weighted average of the sub-regional TAC rates. Please comment on this proposal.

16. Under the EAC proposal, non-PTO entities within a sub-region would pay the same sub-regional TAC rate paid by other loads in the same sub-region, rather than the wheeling access charge (WAC) they pay today. Please comment on this proposal.

17. The ISO proposes to allocate EAC revenues to each sub-region in proportion to their transmission revenue requirements. In the August 11 working group meeting the ISO presented the idea of allocating EAC revenues to each sub-region in proportion to its quantity of exports times its sub-regional TAC rate. Please comment on these two approaches for EAC revenue allocation, and suggest other approaches you think would be better and explain why.

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

    As described in some of the previous responses, CAISO should also include this additional scenario in its proposal. If a project provides economic benefits to existing CAISO sub-region (and possibly also the Expanded ISO region), plus if this project also provides Policy benefits to the existing sub-region (and possibly the new sub-region after a PTO joins), how should its benefits be estimated and cost allocated? Are there ways to address this under the current planning process rather than waiting for the new Expanded ISO TPP?