

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

MID thanks the California Independent System Operator Corporation (“CAISO”) for the opportunity to comment on the September 30, 2016 Second Revised Straw Proposal and October 7, 2016 Stakeholder Meeting. In submitting these comments, MID reserves the right to change its position as to any of the matters discussed below or to raise new issues at a later date.

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.

MID is concerned with the potentially unduly discriminatory result that occurs by not allowing future Participating Transmission Owners (“PTOs”), deemed embedded and integrated into the CAISO, to have a one-time option to become a sub-region. As a result of eliminating this option, such entities do not have the same opportunities as entities that are not deemed embedded and integrated to avoid potential rate shocks. For the future PTO that is not embedded/integrated, the facilities in service prior to their joining as a PTO would be considered Legacy facilities, and for the embedded/integrated PTO, such facilities are not considered Legacy facilities. This circumstance arises due to the absorption of the embedded/integrated PTO into an existing sub-region, while the non-embedded/integrated PTO becomes its own sub-region. To avoid a result that has at least the initial appearance of being unduly discriminatory, MID asks the CAISO to revisit this issue.

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.

Under the CAISO’s revised proposal, “each subsequent new PTO with a load service territory that joins” the Regional ISO would become its own sub-region, “unless the new PTO is embedded within or electrically integrated with an existing sub-region.” In that case, the “new PTO would become part of the sub-region in which it is embedded or with which it is integrated.” *See* Second Revised Proposal at 7. While the CAISO offers a definition for “embedded,” the CAISO does not propose a specific definition for “integrated,” instead suggesting a case-by-case determination following criteria set forth in the Tariff, and subject to the approval of by the Board of Governors. The CAISO cites as a potential model for such criteria those set forth in establishing a new Integrated Balancing Authority Area (“IBAA”). MID is concerned with the CAISO’s proposal for addressing the “integrated” prong of determining whether a new PTO is eligible to become its own sub-region. First, IBAA has only been applied to one small sub-set of entities, those residing in the Balancing Area of Northern California (“BANC”) and Turlock Irrigation District (“TID”) Balancing Authority Areas (“BAA”). Accordingly, its usefulness as criteria that can be applied and repeated is subject to doubt. Further, the IBAA construct and criteria were heavily contested and litigated, raising the concern that the determination of whether a new PTO is eligible to become a new sub-region will be subject to contested proceedings and litigation. The fact that the ultimate decision as to whether a new PTO is eligible to become a new sub-region resides within the discretion of the regional ISO Board leaves MID uncomfortable that the decision could be subject to political or similar considerations.

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.

The crux of the CAISO’s revised definition of “new facilities” or “new transmission facilities” is whether the facilities are “transmission elements that are planned and approved via an integrated transmission planning process (TPP) for the expanded ISO BAA.” Second Revised Proposal at 6. The definition would also include a project being considered prior to the new PTO joining the Regional ISO as an “inter-regional” project under FERC Order 1000 approved provisions, and which is subsequently adopted and approved via the integrated TPP. *See id.* Stakeholders would benefit from the CAISO’s view as to what would be considered “new” transmission facilities were the Regional ISO to “go live” January 1, 2017. If specific segments of the Gateway project, for example, would be considered “new” facilities, stakeholders would understand that they should definitively account for the impact of roll-in of Gateway facilities into the CAISO’s present proposal. This information would also be helpful in extrapolating which projects would be considered “new” upon the actual “go live” date of a regional ISO.

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.”

The views requested of the CAISO in the response to Question 3 would help stakeholders’ understanding of the definition of “existing facilities.”

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.

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.

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.

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.

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.

The process going forward needs clarification. For example, stakeholders need to understand when the stakeholder process for development of the expanded region’s Transmission Planning Process (“TPP”) will occur. The TPP is a critical element of the CAISO’s TAC proposal, for example in defining “new facilities”, and understanding how the TPP would be adapted to a Regional ISO framework is critical to understanding how the TAC will impact market participants on a regional basis. Further, there is a need for clarity on when the CAISO will seek Board approval on the TAC proposal. If the CAISO is seeking Board approval of the TAC in January 2017, there is concern that the rushed timeline in December for the posting of the draft final proposal and submission of comments through the holiday season could undermine meaningful input into the process. Lastly, the CAISO should clarify how and when it intends to present the TAC proposal to the Federal Energy Regulatory

Commission (“FERC”). While MID is skeptical of conceptual filings, if the CAISO is intending on presenting the regional TAC proposal as a conceptual filing first, prior to a subsequent Tariff language filing, MID asks the CAISO to clarify this point.