Stakeholder Comments Template

Transmission Access Charge Options

December 6, 2016 Draft Regional Framework Proposal

Submitted by	Company	Date Submitted
Lanette Kozlowski (415) 973-2081	*Pacific Gas and Electric Company*	*January 11, 2017*

PG&E appreciates the opportunity to comment on the December 6, 2016 Draft Regional Framework Proposal for Transmission Access Charge ("TAC") Options ("Proposal"). PG&E continues to support a larger regional footprint that benefits energy markets and customers, and will continue to constructively participate in stakeholder processes supporting that objective. That said, PG&E believes it is imperative to fully understand potential costs to customers. There is a current lack of clarity on several threshold issues pertaining to regional expansion, and competing stakeholder processes that may supplant or transform any position that PG&E could take on the key issues presented in the TAC proposal. PG&E recommends that the CAISO focus on resolving governance issues, which could provide reassurance to stakeholders inside and outside of California, prior to expending additional time and effort on the TAC proposal in the current format.

While PG&E appreciates the CAISO's efforts to accommodate a host of stakeholders with divergent interests through the most recent Proposal, until the governance issues are decided, PG&E is unable to comment further on the details of the treatment and cost allocation of policy projects. PG&E's previously submitted comments on prior stakeholder proposals properly convey our positions on the key issues, and we do not submit any new comments to this template. For the template questions that we have previously submitted comments to, we reference our previously reported comments. We also plan to respond to the issues presented in Questions 3, 10-15, and 20 in a future proposal, once governance issues for an expanded ISO are resolved. PG&E looks forward to responding to these, and other TAC related questions once CAISO releases a complete proposal on regionalization and its various components. koz

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.”

   Please See PG&E’s response to Q3 in the Second Revised Straw Proposal Comments.

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.”

   Please See PG&E’s response to Q4 in the Second Revised Straw Proposal Comments.

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.

   PG&E has no comment at this time, but reserves the right to comment on a future proposal.

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.

   Please See PG&E’s response to Q4 in the Second Revised Straw Proposal Comments.

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.

   Please See PG&E's response to Q6 in the Second Revised Straw Proposal Comments.

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.

   Please See PG&E's response to Q18 in the Second Revised Straw Proposal Comments.

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.

   Please See PG&E's response to Q7and Q8 in the Second Revised Straw Proposal Comments.

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.

   Please See PG&E's response to Q9 in the Second Revised Straw Proposal Comments.

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.

   Please See PG&E's response to Q10 in the Second Revised Straw Proposal Comments.

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.

PG&E has no comment at this time, but reserves the right to comment on a future 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.

    PG&E has no comment at this time, but reserves the right to comment on a future proposal.

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.

    PG&E has no comment at this time, but reserves the right to comment on a future 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.

    PG&E has no comment at this time, but reserves the right to comment on a future 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.

    PG&E has no comment at this time, but reserves the right to comment on a future 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.

    PG&E has no comment at this time, but reserves the right to comment on a future 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.

    Please See PG&E's response to Q13 in the Second Revised Straw Proposal Comments.

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.

    Please See PG&E's response to Q15 in the Second Revised Straw Proposal Comments.

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.

Please See PG&E's response to Q17 in the Second Revised Straw Proposal Comments.

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.

Please See PG&E's response to Q4 of Topic 2 in the August 11, 2016 Stakeholder Working Group Comments.

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.

PG&E has no comment at this time, but reserves the right to comment on a future proposal.

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

PG&E has no additional comments at this time.