

**Comments of Powerex Corp. on Transmission Access Charge Options
Working Group**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on CAISO's August 11, 2016 working group meeting on Transmission Access Charge ("TAC") options. At the workshop, CAISO provided an overview of a number of changes that it is considering making to the existing TAC structure to accommodate the integration of new Participating Transmission Owners ("PTO") from outside the existing CAISO balancing authority area ("BAA"). Among other things, CAISO proposes to implement a modified version of its existing Wheeling Access Charge ("WAC")—which would be referred to as the "export access charge" ("EAC"). Specifically, CAISO would adopt a single, region-wide EAC rate for wheel-through schedules and for export schedules from the expanded ISO region. CAISO proposes that the rate would be a load-weighted average of the TAC rates for each sub-region within the expanded ISO (*i.e.*, the average of the TAC rate for the existing CAISO grid and the TAC rates for each of the integrating PTO systems).

Powerex continues to support CAISO's decision to explore whether changes to its existing TAC and WAC structures are necessary to support the anticipated expansion into a regional market. Powerex believes, however, that proceeding directly to a discussion of the potential EAC rate structure skips a critical step. Specifically, before considering what level of charge to apply to all exports and wheel-through schedules, CAISO and its stakeholders should consider whether an access charge should necessarily apply to *all* export and wheel-through schedules from the expanded ISO footprint *in the first place*.

As explained in its earlier comments in this proceeding,¹ Powerex believes that CAISO's current practice of applying an access charge to all exports and wheel-through schedules has created barriers to efficient interregional trade and deters transactions that could confer significant benefits on CAISO and its customers. While Powerex will not reiterate its concerns with the *existing* approach in full here,² Powerex believes that the expansion of the CAISO footprint to a broader geographic region merits additional examination of these charges. In particular, a

¹ See, *e.g.*, Comments of Powerex Corp. on Transmission Access Charge Options Straw Proposal at 3-4 (Mar. 23, 2016), *available at* <http://www.caiso.com/Documents/PowerexComments-TACOptions-StrawProposal-BenefitsAssessmentMethodologies.pdf>; Comments of Powerex Corp. on Transmission Access Charge Options Revised Straw Proposal (June 10, 2016), *available at* <http://www.caiso.com/Documents/PowerexComments-TransmissionAccessChargeOptions-RevisedStrawProposal.pdf>.

² For a full discussion of the WAC's effect on interregional trade, see Comments of Powerex Corp. on Flexible Resource Adequacy Criteria and Must Offer Obligation – Phase 2 Straw Proposal at 18-21 (Jan. 6, 2016), *available at* <http://www.caiso.com/Documents/PowerexComments-FlexibleResourceAdequacyCriteria-MustOfferObligation-StrawProposal.pdf>.

more tailored approach that limits the application of the proposed EAC to exports and wheel-through schedules relied upon to serve firm load—but waiving that charge for schedules that represent economic displacement transactions—has the potential to significantly increase the participation of flexible external resources that can aid the expanded CAISO market in meeting the challenges of renewable integration. CAISO’s current proposal to simply extend the existing construct (whether priced regionally or sub-regionally) to all wheel-through and export schedules out of the expanded footprint of a regional ISO, in contrast, will only serve to create new barriers to inter-regional trade and inhibit the efficient integration of renewable resources.³

The goal of CAISO’s TAC initiative, and other stakeholder initiatives addressing regional integration, should not be limited to simply extending CAISO’s existing frameworks to a broader geographic region. Instead, Powerex urges the CAISO to use these initiatives to examine and implement structures that are capable of ensuring just and reasonable results in the long term that serve the interests of consumers across the broader western region. With CAISO’s decision to extend the timeline for this and other regional integration initiatives in light of Governor Brown’s decision to defer the submission of a governance proposal to the California legislature until next year, CAISO now has the time necessary to engage in a deeper review of its existing transmission access charge structure. Powerex encourages CAISO to seize this opportunity to evaluate solutions that will better achieve its market efficiency and renewable integration objectives and maximize the benefits of regionalization throughout the west.

³ Powerex notes that bilateral trade currently occurs between BAAs that are considering integration, such as PacifiCorp, and other entities in the west. A very large fraction of this trade utilizes transmission service procured under the Open Access Transmission Tariff framework on a monthly or annual basis, and hence does not involve a “hurdle rate” for daily, hourly or sub-hourly transactions. Replacing this existing framework with one in which all exports and wheel-through schedules *are* subject to an hourly charge could actually reduce the efficiency of trade with external entities following integration. Powerex believes an EAC structure can be developed that equitably recovers the fixed costs of the transmission system but does so without erecting new barriers to inter-regional trade and the efficient integration of renewable resources.