SDG&E's Comments on the
CAISO's December 15, 2015 Stakeholder Meeting
Concerning Transmission Access Charges
in an Expanded CAISO Balancing Authority

<u>Transmission Access Charge (TAC) Mechanism in an Expanded CAISO Balancing Authority</u>

- SDG&E believes detailed studies should be conducted to estimate the distribution of benefits—compared to the status quo--among consumers who would be included in an expanded CAISO Balancing Authority. Such studies would account for changes in (i) gross consumer costs, (ii) the cost of losses, (iii) congestion-related costs, (iv) producer surplus (generator "profits" that accrue to the benefit of consumers via generation ownership or Power Purchase Agreements (PPAs)), and (v) fixed costs (Resource Adequacy and transmission expansion).

- While challenging, time-consuming and relatively expensive to perform, such studies are needed to provide foundational information that will help guide decision-makers in deciding whether to pursue expansion of the CAISO Balancing Authority. And, if so, whether the benefits accruing to consumers within the expanded balancing authority support changes to the existing mechanisms for allocating fixed transmission costs among consumers within the expanded balancing authority; e.g., allocating the fixed costs of new and/or existing transmission operated above 300 kV to all consumers on a postage stamp basis.

- Prior to expanding the CAISO Balancing Authority, the CAISO and merging entity should negotiate an implementation agreement that establishes how existing, under-construction, partially- and fully-permitted, and planned transmission facilities will be treated for purposes of (i) cost recovery approval (if applicable), and (ii) cost allocation among consumers.

- While SDG&E expects that detailed studies will show that the benefits accruing to consumers within the merging balancing authorities would support a region-wide sharing of the fixed costs associated with existing and future transmission facilities operated above 300 kV, SDG&E also understands that it is impossible to precisely delineate how different transmission facilities within a merged balancing authority benefit different consumers, and by how much, over a long time frame. Accordingly, SDG&E urges simplicity in the agreed-on cost allocation mechanisms for fixed transmission costs (which, as a last resort, may mean retaining each balancing authority's existing cost allocation mechanism for transmission facilities that were constructed and permitted prior to merging of the balancing authorities).