

**COMMENTS ON THE UTILITY REFORM NETWORK REGARDING  
TRANSMISSION ECONOMIC ASSESSMENT METHODOLOGY**

**November 30, 2016**

The Utility Reform Network (“TURN”) offers the following comments regarding the Transmission Economic Assessment Methodology (“TEAM”), which the California Independent System Operator (“CAISO”) reviewed at its November 16, 2016 stakeholder meeting.

TURN generally supports the CAISO’s efforts to update documentation to the TEAM. While it is taking these steps, TURN recommends the CAISO address two specific issues:

Congestion Costs: The CAISO stated that “ISO’s Transmission revenue” – including “congestion costs” – is subtracted from “gross load payments” to yield “net load payments”.<sup>1</sup> TURN understands that when the TEAM was developed last decade, such congestion costs were assumed to be fully allocated to load at no extra cost to load. Since congestion costs are assumed to accrue fully to load, the amount of such costs needed to be subtracted from a scenario’s gross benefits to avoid double-counting benefits. However, the assumption that congestion costs are allocated fully to load is not necessarily valid for energy markets like the CAISO’s. For example, the PJM Interconnection is now addressing concerns that only about *half* of its congestion costs are returned to customers.<sup>2</sup> In implementing TEAM, the CAISO should assess whether the assumption that all congestion costs are allocated to load is reasonable for the CAISO and, if appropriate, adjust its implementation of TEAM if less than 100 percent of congestion costs are allocated to load.

Capacity Benefits: The CAISO stated that “system capacity benefits” may also be attributed to transmission projects and listed in its bullets some of the drivers of such possible value.<sup>3</sup> However, documentation of how such estimates are made is lacking. TURN recommends the CAISO provide clear documentation of and criteria for how it makes such estimates. Further,

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<sup>1</sup> See slide 23 of “Preliminary Policy and Economic Assessment Results”, November 16, 2016, available at [https://www.caiso.com/Documents/Presentation\\_2016-2017TransmissionPlanningProcessStakeholderMeetingNov16\\_2016.pdf](https://www.caiso.com/Documents/Presentation_2016-2017TransmissionPlanningProcessStakeholderMeetingNov16_2016.pdf).

<sup>2</sup> See letter to PJM Interconnection from consumer advocates at <https://www.pjm.com/~media/about-pjm/who-we-are/public-disclosures/20160826-opsi-letter-and-resolution-regarding-ftr-construct.ashx>.

<sup>3</sup> See slide 25 of Preliminary Policy and Economic Assessment Results.

such documentation should reflect whether such assumptions will be the CAISO's own assumptions or whether it will rely on the conclusions of other authorities, such as the California Public Utilities Commission or the California Energy Commission. The CAISO's documentation of capacity benefits in specific TEAM studies should also provide the basis for such specific studies' assumptions.<sup>4</sup>

TURN appreciates this opportunity to provide comments on the TEAM.

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<sup>4</sup> TURN notes the CAISO's analysis of capacity value performed for one "economic" transmission project – the Delaney-Colorado River ("D-CR") project – appeared to have been based on the CAISO's own litigation position and internal analysis. (See the CAISO's *2013-2014 Transmission Plan*, July 16, 2014, pp. 259-265, available at [https://www.aiso.com/Documents/Board-Approved2013-2014TransmissionPlan\\_July162014.pdf](https://www.aiso.com/Documents/Board-Approved2013-2014TransmissionPlan_July162014.pdf).) Despite the D-CR project's lack of cost-effectiveness without such capacity benefits, the CAISO apparently did not perform any sensitivity analyses regarding these capacity benefits (see pp. 267-268 of the *2013-2014 Transmission Plan*).