Stakeholder Comments Template

Transmission Access Charge Options

September 30, 2016 Second Revised Straw Proposal

Submitted by	Company	Date Submitted
David Smith *303-299-1545*	*TransWest Express LLC*	*October 28, 2016*

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

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.

   No comment at this time.

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.

No comment at this time.

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.

TransWest agrees with the provision that projects under review as potential "inter-regional" projects should be considered as "new" only if they were not approved as such. If a project is approved as an "inter-regional" project before prior to the integrated TPP, these facilities should be considered as "existing" facilties and cost allocated accordingly.

These provisions that provide for continuity to the planning processes of multiple regions is very important to maintain as potential PTOs consider and join the expanded ISO BAA. It is also very important that these planning processes utilize consistent cost allocation methods for both potential inter-regional projects and for potential expanded BAA regional (or inter-sub-regional) projects.

There are a number of potential regional, inter-regional and inter-sub-regional transmission projects that are under review by the ISO, other regional planning entities and the Renewable Energy Transmission Initiative 2.0. The cost allocation method used for these projects should be consistent whether reviewed by multiple regions or within an expanded BA with sub-regions.

The CAISO's second revised proposal (proposal) for the cost allocation method of "complicated" Policy projects appears to differ from the method the ISO uses for inter-regional transmission projects. The inter-regional cost allocation method is based on avoided cost, yet the ISO's proposal for these same projects within an integrated TPP won't use an avoided cost method. The proposal cites a concern of being able to achieve a "credible avoided cost for an alternative pure policy" project.

TransWest has the following concerns:

a.) the inter-regional process may be flawed by the same concern cited within the proposal,

b.) the cost allocation method for the same projects may differ depending on whether the project is being considered for cost allocation amongst two regions (assuming the ISO is not proposing a change) or if it is between two sub-regions, and

c.) this potential difference in method would cause significant discontinuity in the review of these projects over subsequent annual processes and this will lead to regions or sub-regions seeking delays (or unwarranted advancements) in project approvals to lower their respective cost allocations for these projects.

The ISO should clarify whether projects under review as potential “regional” projects and/or approved within another regional planning process that are sponsored by the new PTO may be considered as “new” in the new integrated TPP. PacifiCorp’s Gateway project is currently under review by the NTTG as a regional project sponsored by PacifiCorp. There are other potential “regional” projects, particularly in New Mexico and Arizona that may also be considered within a regional planning process prior to the BAA expanding into this region.

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.”

   See above request for clarification on potential “regional” projects under review by other planning regions.

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.

   No comment at this time.

6. The ISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits of certain new facilities to the expanded ISO region as a whole and to each sub-region. Please comment on these uses of the TEAM.

   No comment at this time.

7. For a reliability project that is narrowly specified as the more efficient or cost-effective solution to a reliability need within a sub-region, and has not been expanded or enhanced in any way to achieve additional benefits, the ISO proposes to allocate the project cost entirely to the sub-region with the driving reliability need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision.

   No comment at this time.

8. For a policy-driven project that is connected entirely within the same sub-region in which the policy driver originated, the ISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision

   No comment at this time.

9. For a purely economic project with benefit-cost ratio (BCR) > 1, cost shares will be allocated to sub-regions in proportion to their benefits, and because BCR > 1 this completely covers the costs. A purely economic project is one that is selected on the basis of the TPP economic studies following the selection of reliability and policy projects, and is a distinct new project, not an enhancement of a previously selected reliability or policy project.

   No comment at this time.

10. For an economic project that results from modifying a reliability or policy-driven project to obtain economic benefits greater than incremental project cost, the ISO proposes to first, allocate avoided cost of original reliability or policy-driven project to the relevant sub-region, then allocate incremental project cost to sub-regions in proportion to their 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.

    No comment at this time.

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.

    TransWest views this cost allocation approach as materially flawed for several reasons. The method differs from the method used for inter-regional projects in advance of an integrated TPP, which will cause the problems outlined in TransWest’s response to question 3.

    The main driver for some potential regional transmission projects is likely to be directly associated with a policy decision by the CPUC, yet this approach would negate or understate this main driver in lieu of market projections of production costs. The renewable resources associated with the potential CPUC policy to develop remote resource areas outside of California will be based in part on the assumption that long term PPAs providing long term economic benefit will be put in place, yet these economics will not be considered in the cost allocation method. This simply does not follow the FERC 1000 beneficiary pays principle. This would result in the beneficiary of a limited type of (non-policy related) economics pays while other beneficiaries (PPA holders) won't.

TransWest has suggested in the past and repeats now, that the TEAM should be expanded to capture the underlying economic benefits associated with the policy drivers. Only this approach could be considered a "total benefits" approach. The proposed approach is more aptly named a "driver last" approach.

12. <u>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.</u>

    See above response. It is not likely that other states will identify specific renewable resource areas as a policy need in the same way California does. The PacifiCorp IRP does not specifically identify specific locations as policy needs in the same way the California CPUC and ISO does. The total benefits approach that includes <u>all</u> economic benefits would alleviate the need for other states to adopt the same regulatory and system planning approach as California.

No comments at this time on remaining questions.