Transmission Access Charge Options

September 30, 2016 Second Revised Straw Proposal

Submitted by	Company	Date Submitted
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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.

WPTF supports this change as it eliminates the incentive for the new PTO to only integrate if it were in their best financial interest and leads to the ultimate goal of reducing sub-regions in electrically connected areas.

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.

Assessment on a case-by-case basis seems appropriate.

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.

WPTF supports this definition of a “new facility.”

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.”

WPTF supports the ISO closing the gap in the previous definition between new and existing facilities.

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.

Although this makes sense as an initial starting point for each new PTO, WPTF supports phasing out the legacy facilities over a certain time period. Therefore after a number of years, there should be no legacy facilities in a sub-region. Ultimately any high-voltage transmission in a sub-region is likely to benefit the grid as a whole and therefore it is inappropriate to indefinitely maintain license plate rates for high voltage facilities.

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.

WPTF has no comments on this at this time.

Questions 7 – 12.

WPTF fundamentally disagrees with premise that projects should be classified and paid for according to a fixed label of “policy project” or “economic” or “reliability.” A policy project may provide economic benefits. Similarly, a reliability project may enable policy goals to be achieved. It will introduce distortionary incentives if a region gets benefits from a project, but does not have to pay for it. The WSC could for example continually approve expensive, high voltage policy projects in a single region, which provide benefits to the entire grid, yet are only paid for by a single region. These perverse incentives may cause the WSC to approve projects in single regions, when inter-regional projects would have met the policy need and provided additional reliability and economic benefits.

Additionally, an economic project today can push out the need for a reliability or policy project in the future. Or a policy project can push out the need for a reliability project, etc. etc. Transmission planning is not done in a vacuum and costs should not be allocated as if high-voltage projects were done for the sole benefit of the particular label that was given at the time of approval.

WPTF supports a method that acknowledges high-voltage facilities benefit the region in which they were built (or in the case of certain policy projects, built for), but also that high voltage facilities also benefit the grid as a whole. Therefore, WPTF asks that CAISO look toward SPP as a model and determine whether a study similar to how SPP developed their Highway/Byway cost allocation would be appropriate. In general, under this proposal, both the regional and the grid as a whole would pay for a portion of all high-voltage projects. WPTF suggests the additional modification that costs for policy projects be allocated to the benefiting policy region rather than the regional in which the high-voltage transmission is located. This is a departure from the SPP model which approved the "Priority Projects" under the Highway/Byway directly.

13. 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, regardless of whether their costs are allocated to only one or more than one sub-region, with exceptions only for upgrades to existing facilities as stated in ISO tariff section 24.5.1. Please comment on this proposal.

WPTF has no comments at this time.

14. The ISO proposes to drop the earlier proposal to recalculate benefit and cost shares for sub-regions and the proposal to allocate cost shares to a new PTO for a new facility that was planned and approved through the integrated TPP but before that new PTO joined the expanded ISO. Please comment on the elimination of these proposal elements.

WPTF believes that the joining PTO should share in regional costs. Please see response to 7-12.

15. The ISO proposes to establish a single region-wide export rate ("export access charge" or EAC) for the expanded region, defined as the load-weighted average of the sub-regional TAC rates. Please comment on this proposal.

WPTF acknowledges this is consistent with the practices of other ISOs and RTOs, but would appreciate additional discussion in the next draft of the TAC options with respect to whether there is potential for market distortion if the wheeling out rate is different than the load TAC? On the surface, it does seem better to have a uniform wheeling out rate, but more discussion and explanation would be beneficial.

16. Under the EAC proposal, non-PTO entities within a sub-region would pay the same sub-regional TAC rate paid by other loads in the same sub-region, rather than the wheeling access charge (WAC) they pay today. Please comment on this proposal.

WPTF supports the proposal- non-discriminatory access to transmission and believes the same rate should be charged to different entities.

17. The ISO proposes to allocate EAC revenues to each sub-region in proportion to their transmission revenue requirements. In the August 11 working group meeting the ISO presented the idea of allocating EAC revenues to each sub-region in proportion to its quantity of exports times its sub-regional TAC rate. Please comment on these two approaches for EAC revenue allocation, and suggest other approaches you think would be better and explain why.

WPTF supports discussing whether it would be appropriate to distribute export fee revenues back to all PTOs. As footprint grows CA will become surrounded and CA PTOs will get no export fee revenue because an export will export out of NV, AZ, etc. It is therefore appropriate to ask whether export fees be refunded back to all PTOs including interior ones.

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

WPTF has consistently supported and continues to support that a reduced or eliminated export fee item be addressed. We ask that this item be included in the new comprehensive TAC billing determinate stakeholder process.