Stakeholder Comments Template

Transmission Access Charge Options

December 6, 2016 Draft Regional Framework Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the December 6, 2016 draft regional framework proposal and the discussion at the December 13 stakeholder meeting. The 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 **January 11, 2017.**

NOTE: Items highlighted in yellow below refer to elements of the present proposal that have not changed from the prior proposal, the second revised straw proposal posted on September 28. If your organization's position on one of these elements has not changed from the comments you submitted on the September 28 proposal, you may simply refer to your prior comments in response to that item and the CAISO will take your prior comments as reflecting your current position.

Draft Regional Framework Proposal

1. The proposal defines "new facilities" as facilities that are planned and approved under an integrated TPP that will plan new transmission infrastructure for the entire expanded BAA and will commence upon integration of the first new PTO. Please comment on the CAISO's proposal for the definition of "new facilities."

   The Wyoming OCA does not have any notable concerns with the definition of "new facilities" as set forth in the December 6th regional draft proposal. However, we are concerned that there has been little to no discussion as to whether the existing transmission planning process (TPP) will be appropriate or adequate for an integrated system that includes PacifiCorp. While we agree that the "new facilities" should only be those developed based on an integrated plan once additional transmission participants have become full members, we are not yet comfortable in agreeing to the current method of developing an integrated plan, due to the lack of the planning process during the discussions that have been held thus far regarding CAISO expansion.

2. The proposal previously defined "existing facilities" as transmission facilities that are in service or have been approved in separate planning processes for the current CAISO BAA and the new PTO's area at the time the new PTO is fully integrated into the expanded BAA. Simply stated, all transmission facilities that are included in the controlled grid for the expanded BAA and are not "new" facilities will be considered "existing" facilities. Please comment on the CAISO's proposal for the definition of "existing facilities."

   The Wyoming OCA has no notable concerns regarding the definition of "existing facilities" as set forth in the December 6th regional draft proposal.

3. The CAISO provided further details on the determination of whether a candidate PTO should be deemed "integrated" within an existing sub-region rather than designated a new sub-region. The CAISO proposed that the expanded ISO would work with the candidate PTO and other stakeholders to apply criteria specified in the tariff (listed in the December 6 proposal) for making this determination. The CAISO would then present its recommendation to the Board of Governors as part of the new PTO application process, and upon Board approval would file for FERC approval of the proposal to treat the new PTO as either a new sub-region or part of an existing sub-region. Please comment on this element of the proposal.

   The Wyoming OCA has no notable concerns regarding the process set forth in the December 6th regional draft proposal for determining whether a candidate Participating Transmission Owner (PTO) should be deemed to be integrated within an existing sub-region or designated as a new sub-region.

4. Consistent with the second revised straw proposal, the CAISO proposes to recover the costs of existing facilities through sub-regional "license plate" TAC rates. The CAISO has proposed that each sub-region's existing facilities would comprise "legacy" facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

   The Wyoming OCA is in agreement with the December 6th Regional Draft Proposal that the costs of existing facilities for a sub-region should be paid by the users of the facilities of that sub-region and that a "license plate" structured rate is an appropriate means to accomplish that goal.

   The Wyoming OCA also appreciates the explicit clarification made in the September 30, 2016, Second Revised Straw Proposal that a license plate type charge that is per-MWh based for the purpose of wholesale market settlements does not intend to drive or influence the type or style of transmission rate to be charged at the retail level. The

Wyoming OCA agrees that wholesale rates are paid by the individual participating transmission owners. How those participating transmission owners then seek to include those costs in their retail rates should be a separate question with separate considerations and analyses undertaken by the participating transmission owners and the regulatory bodies that approve the retail rates.

While we believe that the theoretical cost drivers of transmission access rates include both demand and energy components, the Wyoming OCA is comfortable that for the sake of simplicity of the calculation and administrative ease, the proposed MWh based transmission access rate is acceptable at the wholesale level.

5. The CAISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits to the expanded ISO region as a whole and to each sub-region. Please comment on the use of the TEAM methodology to determine sub-regional shares of economic benefits.

   At this time, the Wyoming OCA only has a high-level, and not a working understanding of the Transmission Economic Assessment Methodology. Thus, we are not comfortable at this time either supporting or opposing the use of the TEAM methodology in the benefit analysis computation and for cost allocation decisions.

6. The CAISO assumes that a new integrated TPP for the expanded ISO will retain today's TPP structure. Please comment on the structure of the current three phase TPP process.

   The three step solution described at a very high level in the December 6th Draft Regional Framework Proposal appears to be reasonable. These steps include: (1) identifying a reliability or public policy need or an economic benefit of a transmission project; (2) evaluating the pros and cons of alternative solutions; and (3) determining that the inter-regional project is the most cost-effective solution and thus, including it in the comprehensive transmission plan. The Wyoming OCA is supportive of this big picture transmission planning process. However, as we stated in response to Item #1, our familiarity with the specifics of the current transmission planning process is quite limited and there have been essentially no focused discussions on how the current detailed process might change with regional expansion of the ISO. We believe it will be important to have further discussions about the transmission planning process prior to receipt of regulatory approval of the ISO expansion.

7. The CAISO proposes to allocate the entire cost to a sub-region if a reliability project within that sub-region only addresses a reliability need of that sub-region or if a policy-driven project within that sub-region is approved only to support the policy mandates for that sub-region. Please comment on this element of the proposal.

   The Wyoming OCA is in agreement with the proposed concept that if a project is built to address reliability in a sub-region then that sub-region should bear the cost, and the same applies if a project is built to address the policy of one sub-region and not others. This concept having the cost causers pay is one with which we strongly agree and generally believe it should be the underpinning of cost allocation processes.

8. The CAISO proposes to allocate the cost of an economic project, for which the economic benefits must exceed its cost, to sub-regions in proportion to each sub-region's economic benefits. Please comment on this element of the proposal.

   The Wyoming OCA prefers that the cost allocation for new projects be based on cost causation rather than benefit analysis, particularly for reliability or policy categorized projects. If the economic savings associated with a project within one sub-region causes that project to be built, it appears to the Wyoming OCA that the costs of the project were driven by the benefits for that sub-region and thus, all of the costs should be attributed to that sub-region. In other words, the cost-benefit analysis associated with the transmission planning decision to build that project should also drive the method for allocating the costs of the project once it is built.

   The proposal to allocate costs strictly on a benefit analysis also appears to be inconsistent with the cost allocation for projects that began as reliability or policy projects but were enhanced to also provide economic benefits to multiple sub-regions. The proposed cost allocation method for these enhanced projects begins with allocating the full avoided cost of the original project to the sub-region with the policy or reliability driven need and then allocating the remaining cost on a benefit analysis. This is a far cry from allocating *all of the costs* based on the benefit analysis for each sub-region. This method begins with the cost driver and then moves into benefit analysis. While the Wyoming OCA prefers that cost drivers be the underpinning for all cost allocation analysis, at least the proposal for enhanced projects has a portion of the cost allocation based on cost-causation and not strictly benefit analysis. At a minimum, we would like to see the same done for all economic categorized projects. Again, the transmission planning analysis that drives a project to go forward should also drive who pays the costs of that project.

9. For a reliability project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original reliability project, the avoided cost of the original project will be allocated to the sub-region with the original reliability need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

   See comments to item #8 above.

   Also, as noted above, the Wyoming OCA is pleased to see the cost driver of the project (that is, the project began as a reliability or policy project and thus, the avoided costs should be allocated to the sub-region(s) with the reliability or policy need(s)) be incorporated into the proposed cost allocation scheme. However, it is not clear to the Wyoming OCA why the proposal then switches to a benefit-based allocation for the costs over and above the avoided costs. We believe it is more appropriate to also have those costs allocated on a cost driver basis. In other words, there has to be an economic analysis done to show the economic benefits of enhancing the original project so that it becomes an economic project rather than simply a reliability or policy project. Those sub-regions who benefit from the enhancement of the project in the original analysis – thus causing the decision to move forward with the enhancement as part of the construction – should receive the costs associated with that enhancement through the cost allocation process. If a sub-region receives some unexpected or minor benefits from the enhanced project, but those were benefits either individually or collectively did not drive the decision to build an enhanced transmission project, those sub-regions should not be allocated costs associated with that enhancement.

It is also troubling that nothing in the proposal appears to limit the costs allocated to the sub-region with incidental benefits. As we read the proposal, the sub-region to whom the enhancement costs are being allocated could end up in a situation where the costs allocated to it could exceed its incidental or non-planned benefits. If this is not the case, and there is a limitation to be imposed such that the costs will not exceed the benefits for the sub-regions not driving the project, the Wyoming OCA suggests that a specific, explicit statement expressing such limitation be included in the proposal.

10. <u>For a policy-driven project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original policy-driven project, the avoided cost of the original project will be allocated to the sub-region with the original policy need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.</u>

    See response to item #9

11. <u>In the December 6 proposal the CAISO introduced an approach for allocating costs more granularly than just to sub-regions for certain policy-driven projects and for the policy-driven costs of projects that provide economic benefits in addition to meeting policy needs. The proposal is based on the following principles: If a project that meets policy needs is built within a different sub-region from the state or local regulatory authorities driving the policy need, the policy-related project cost will be allocated only to the load of those regulatory authorities driving the policy need. Alternatively, if a project that meets policy needs is built within the same sub-region as the state or local regulatory authorities driving the policy need, that project is deemed to provide benefits to the entire sub-region and therefore the policy-related costs will be allocated to the sub-region as a whole rather than on a more granular basis. Please comment on these principles.</u>

    The Wyoming OCA appreciates the attempt that the December 6th Draft Regional Framework Proposal makes to assign costs to the cost causer, however, the end result does not seem to fully accomplish that goal.

    This aspect of the proposal indicates that if a project is driven by a policy of some entity in the same sub-region in which the project is built, it is assumed that the entire sub-region in which the project is built receives benefits, and therefore the costs are allocated to the entirety of the sub-region. PacifiCorp is the perfect example where this is not true.

If PacifiCorp's service territory were to become a sub-region of the ISO, it is clear that different states have different policies which drive different costs, and all six PacifiCorp states do not benefit from each of these policies. Thus, the Wyoming OCA takes issue with the premise of the proposal as to who benefits from specific policies.

This aspect of the proposal also indicates that if a project is built in a different sub-region than the sub-region in which the policy driver is located, then "CAISO proposes to allocate cost shares corresponding to the policy benefits of the project to the load served under the state or local regulatory authority or authorities…whose policy mandates drove the need for the project." This is precisely the type of allocation process that the OCA believes is appropriate in that it directly allocates the costs to the cost causer. However, that same allocation procedure is not proposed above when the policy comes from the same sub-region where the project is built; it is only proposed when two different sub-regions are involved. Yet, the same situation can occur when only certain loads within the sub-region are deemed to benefit from any particular policy.

Furthermore, the Wyoming OCA is puzzled at what the next step of this granularity is intended to be. Up until this latest attempt at granularity, it was the understanding of the Wyoming OCA that each sub-region (which is generally comprised of the service area of a participating transmission organization) would have its own set of transmission access rates computed from the sum of the revenue requirements of the existing facilities and the revenue requirement of the allocation costs associated with new, integrated facilities. However, with this granularity, it is foreseen that additional sets of rates for specific states or jurisdictions could be needed within each sub-region. We simply wish to clarify that additional sets of rates for specific areas will need to developed based on the proposed policy and that is what is intended with the clarification in the December 20, 2016 Addendum to Draft Regional Framework Proposal.

It is worthy of note here that even without the proposed granularity for certain projects, a special cost allocation process has been put into place by PacifiCorp for addressing policy projects that may not benefit or be necessary for the entire system. The costs that are over and above the costs that otherwise would have been incurred, and driven by "jurisdiction-specific initiatives" are assigned specifically to the states imposing the special policy-related requirements.

12. Continuing with the scenario of item 10 and applying the principles above, for a policy-driven project, if the new project is built outside the sub-region where the regulatory authorities driving the policy need are located, the ISO will allocate the policy-related avoided cost to the load served under the state or local regulatory authority or authorities whose policy mandates drove the need for the original project. Please comment on this proposal.

    See comments to items #10 and 11.

13. Similarly, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the associated avoided cost to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. Please comment on this proposal.

    See earlier comments to items # 9, 10, and 11

14. For a policy-driven project that supports policy mandates of more than one sub-region, or that is built in one sub-region to meet the policy mandates of another sub-region, the ISO will calculate the economic benefits of the project and allocate costs to each sub-region in proportion to the sub-region's benefits, but only up to the point where each sub-region's cost share equals the sub-region's benefits. Any additional cost of the project will be allocated to the load served under the state or local regulatory authorities within each sub-region, other than the sub-region in which the project is built, whose policy mandates drove the need for the project. Please comment on this proposal.

    See earlier comments to items # 9,10, and 11

15. Continuing with the scenario of a policy-driven project that supports policy mandates of more than one sub-region, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the project costs to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. In such cases, if the project also supports policy mandates within the same sub-region in which the project is built, the ISO will allocate that sub-region's share of the policy-driven costs to the entire sub-region as part of the sub-regional TAC. Please comment on this proposal.

    See comment to item #11 above

16. 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, with exceptions only as stated in ISO tariff section 24.5.1 Please comment on this proposal.

    The Wyoming OCA does not object to this proposal and, in general, supports the concept of competitive solicitation.

17. The proposal indicated that the ISO would establish a formula for a single export rate (export access charge or "EAC") for the expanded region, and under the proposal, non-PTO entities would pay the same sub-regional TAC rate paid by other loads in the same sub-region. Please comment on this proposal.

    The Wyoming OCA is concerned about and does not support the concept of a single export rate for the expanded ISO region. We fail to understand why this is appropriate when the current CAISO approved tariff does not have a single rate for the entire set of exports using CAISO controlled facilities but has a different wheeling rate (which is the equivalent of an export rate in today's regime) for each Participating Transmission Organization. This concept, of different rates for different transmission participants, should continue with an expanded regional ISO. At a minimum, there should be different rates for each sub-region of the expanded ISO. We also believe it would be acceptable to continue the current practice of differentiating the export rates for wheeling done only over the facilities of one transmission owner versus wheeling over joint facilities.

Today, Wheeling Access Charges are discussed at Sections 14 and 26 of CAISO's approved tariff. In reviewing the applicable tariff language, it is clear that each participating transmission owner's local access and local wheeling rate begins with its own unique transmission access revenue requirement. There is no clear explanation as to why this does or should not continue in the current proposal. Certainly, concern is expressed in the current proposal that having individual rates for individual export areas or export points could allow a distortion of the efficiency of the system by allowing exporters to pick and choose their preferred export carrier and/or path. Yet, there is no explanation as to why this is not a problem today and why regional integration would aggravate the problem.

Given the disparity in the cost of transmission between the current CAISO transmission participants and PacifiCorp, the development of a combined rate has significant cost shifting implications. As noted early on in the Transmission Access Charge stakeholder process, the average cost associated with CAISO's transmission is more than double and nearly triple the cost associated with PacifiCorp's transmission. Blending these rates clearly has the effect of raising the wheeling costs of PacifiCorp's export (wheeling) customers. In earlier comments, dated October 28, 2016, PacifiCorp also noted that the proposal "will impair its ability to compete in the bilateral markets…and cause a significant increase in costs to retail customers."

There is no reason to change the entire structure of the export rates from the current wheeling rate structure currently in place. The revenue requirement of each participating transmission owner should be the starting point for individualized rates for different transmission owners. Blended or layered rates would only be appropriate if a wide swath of the integrated system were used in the export (wheeling) process.

18. The EAC would be calculated as the sum of all high-voltage transmission revenue requirements (TRRs) of all PTOs within the expanded BAA divided by the sum of the projected internal load for the entire expanded BAA. Please comment on this element of the proposal.

    See comments to item #17 above.

19. The CAISO proposes to allocate shares of the EAC revenues to each sub-region in proportion to their total high-voltage TRR. Please comment.

    It makes no sense as to why the revenues would be allocated on an individual participating transmission owner's transmission revenue requirement when the rates that are generating those revenues are based on a system wide average cost. This proposal appears to be a not-well-hidden attempt to shift revenues to the existing California participating transmission owners. To be clear: since the export rates are proposed to be calculated using the weighted average of the expanded owners costs (revenue requirement) the rate will be less for the California transmission owners on the whole than if only the California costs were used to establish the rate. Yet, the revenues are proposed to be allocated on the proportion of costs to each of the respective groups of owners. Thus, collectively, more export revenues will be allocated to the current CAISO transmission participants because they have the higher revenue requirements (that is, higher costs).

It would be more appropriate for the rates to be based on the individual transmission entities' costs and then to allocate the export revenues on the revenue requirements. Alternative, it would be appropriate to allocate the revenues, especially wheeling revenues that use the facilities of more than one transmission owner, on the volume of wheeling done over the system.

20. <u>The CAISO proposes to break down each sub-region's share of the EAC revenues into portions to be allocated to the sub-regional TAC and each state or local regulatory authority whose load is paying a share of the high-voltage TRR for policy-driven transmission whose costs are not included in the sub-regional TAC. These shares of the sub-region's EAC revenue would be in the same proportion as the corresponding shares of the sub-regional high-voltage TRR. This element of the proposal would not affect the allocation of EAC revenues between sub-regions. Please comment on this proposal.</u>

    The Wyoming OCA's general position is that the revenues should follow the same trail as costs. For related cost and revenues, the allocation methods should be as consistent as reasonably possible.

21. <u>Please provide any additional comments on topics that were not covered in the questions above.</u>

    The Wyoming OCA has no additional comments at this time. We appreciate the multitude of opportunities we have been given to provide public input in this matter.