

# Stakeholder Comments Template

## Transmission Access Charge Options

### May 20, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the May 20, 2016 revised straw proposal. The 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **June 10, 2016**.

#### **Revised Straw Proposal**

1. In the previous straw proposal the ISO proposed to define sub-regions, with the current ISO footprint as one sub-region and each PTO that subsequently joins as another sub-region. Now the ISO is proposing an exception 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. Please comment on whether such an embedded/integrated new PTO should become a new sub-region, be given a one-time choice, or whether another approach would be preferable.
2. The proposal defines “existing facilities” as transmission assets in-service or planned in the entity’s own planning process for its own service area or planning region, and that have either begun construction or have committed funding. The ISO proposed criteria for what constitutes a facility having “begun construction” and “committed funding” and for

how these criteria would be demonstrated. Please comment on these criteria and their use for this purpose.

The proposed definition of “existing facilities” and criteria for “begun construction” and “committed funding” appear to be a reasonable starting place. However, AWEA and Renewable Northwest encourage the ISO to consider whether there should be additional criteria related to regulatory approval or “acknowledgment” of utility-owned transmission facilities before these facilities can be classified as “existing.” The ISO should consider adding a requirement that a utility-owned transmission facility must be approved, or acknowledged, by the applicable regulatory agencies in order to qualify as having “begun construction” or having “committed funding.” For instance, PTOs would need to have PUC approval of, or IRP acknowledgement of, a utility sponsored transmission facility, in addition to meeting the requirements of “begun construction” or having “committed funding”. AWEA and Renewable Northwest are not necessarily advocating for this application, but are asking that the ISO consider whether adding it would be appropriate.

While AWEA and Renewable Northwest appreciate the clarification the ISO has offered in the Revised Straw Proposal on the definition of “existing” facilities, most stakeholders are keenly interested in how the definitions of “new” and “existing” facilities would be applied to the Gateway projects. We understand that the ISO and PacifiCorp are currently discussing proposals which may determine the treatment of the Gateway in an expanded ISO. AWEA and Renewable Northwest strongly encourage the ISO to use the same methodologies ultimately proposed in this stakeholder process for the ISO-PacifiCorp transition agreement and treatment of the Gateway segments.

3. The proposal defines “new facilities” as transmission projects planned and approved in an expanded TPP for the expanded BAA. Projects that are under review as potential “inter-regional” projects prior to the new PTO joining may be considered as “new” as long as the “existing” criteria are not met. Please comment on the potential inclusion of candidate inter-regional projects in the new facilities category.

Inclusion of inter-regional projects as “new” facilities as long as the criteria for “existing” are not met, seems reasonable. AWEA and Renewable Northwest appreciate that the ISO has clarified that inter-regional projects would still need to be adopted and approved via the expanded TPP. It is critical that facilities for which costs will be allocated across the expanded region be planned through the ISO’s new TPP. This same principle should be applied to the transition agreement the ISO is negotiating with PacifiCorp.

Because the new TPP will need to be established before any projects can be approved as “new” facilities, AWEA and Renewable Northwest encourage the ISO to initiate a stakeholder process on the TPP as soon as practicable.

4. Consistent with the previous straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional “license plate” TAC rates. The ISO’s decision to retain the previous proposal, rather than develop a new proposal for allocating some costs of existing facilities across the sub-regions, was based on the importance of retaining the principle that only new facilities planned through the expanded TPP should be eligible

for region-wide cost allocation. Please comment on the license plate approach and the logic for retaining that approach, as explained here and in the revised straw proposal.

AWEA and Renewable Northwest have supported, and continue to support, the license plate approach for existing facilities. Because of the vast difference in transmission costs between the current CAISO and other potential subregions, the license plate approach for existing facilities appears to be a necessary prerequisite for ISO expansion and realization of the associated benefits. But AWEA and Renewable Northwest recognize that some stakeholders have raised valid concerns.

The ISO's proposal provides specificity and cost allocation certainty for only existing facilities. Stakeholders are left to speculate how a body of state regulators might allocate costs for new facilities. Stakeholders have pointed out that, without understanding the entire cost allocation package, it is very difficult to determine whether the cost allocation proposed by the ISO for existing facilities is just-and-reasonable.

AWEA and Renewable Northwest believe the license plate allocation for existing facilities remains appropriate, but encourages the ISO to provide a proposal that gives parties more certainty about cost allocation for new facilities, thereby enabling stakeholders to better judge the reasonableness of the proposed treatment of existing facilities. It is possible that a sufficient level of certainty on the treatment of new facilities may be achieved when stakeholders are able to review the "back-stop" cost allocation methodology the ISO plans to put forward in the next TAC proposal. AWEA and Renewable Northwest encourage the ISO to provide as much certainty as possible in that proposal so that stakeholders can use the back-stop provision as a proxy for understanding how costs of new facilities may be allocated by a body of state regulators.

5. "New facilities" will undergo a two-step process to determine eligibility for regional cost allocation. First, the project must be planned and approved through the integrated TPP for the expanded BAA. Second, the project must meet at least one of three criteria to be a "new regional facility" eligible for region-wide cost allocation. Please comment on the two-step process to determine "new facilities."

AWEA and Renewable Northwest generally support a two step approach. Specifically, it is appropriate to require that transmission facilities which may use regional cost allocation are approved through the new TPP.

However, because under this proposal the new TPP process must be developed and implemented before a "new" facility can be approved, the two step process does have the potential to delay approval of any new transmission facilities in the expanded ISO. AWEA and Renewable Northwest are concerned that delaying the approval (and subsequent construction) of new transmission facilities may unnecessarily postpone the realization of significant benefits associated with ISO expansion. Therefore, AWEA and Renewable Northwest encourage the ISO to begin work on the new TPP initiative in a timely manner, so that approval of new transmission under the expanded TPP can begin expeditiously.

6. The proposal would allocate the cost of new reliability projects approved solely to meet an identified reliability need within a sub-region entirely to that sub-region. Please comment on the proposed cost allocation for new reliability projects.

Generally, this approach seems reasonable and tends to mitigate concerns about cost shifts that were present in the DFAX methodology. However, under this approach, the ISO's classification of projects (i.e. reliability, public policy or economic) will become an extremely contentious issue. If the ISO chooses to use this cost allocation approach, it will be imperative to ensure that projects are properly classified.

For instance, generation interconnection in one sub-region, which is used to meet another sub-region's public policy goals, may lead to a "reliability" problem in the sub-region in which the generation is interconnecting. The ISO will need to ensure that the definition of "reliability project" is properly defined, such that this project would not be classified as "reliability," thereby requiring 100% of costs to be borne by the subregion where the generation is located and 0% by the region that is using the generation for its public policy requirements.

This hypothetical situation helps illustrate why, under the ISO's proposed approach, project classification becomes such a crucial matter. Although project classification becomes a matter of critical importance under the ISO's proposal, AWEA and Renewable Northwest continue to believe that project "type" is a rather arbitrary distinction, as many transmission projects offer reliability, economic and public policy benefits.

For these reasons, and others stated in AWEA and Renewable Northwest's previous comments in this initiative, we believe that classifying new or upgraded transmission facilities as a specific type of project (e.g., "economic," "policy driven," or "reliability") is an antiquated concept which other ISO/RTOs have started to move away from (for instance, MISO's MVPs and the SPP highway-byway process). The antiquated concept of boxing projects in to a particular category should not be baked into the processes of an expanded ISO. AWEA and Renewable Northwest continue to believe that the ultimate benefits methodology used in the expanded ISO needs to account for a variety of benefit types, rather than artificially restraining the types of benefits that are calculated based on the project's "type."

Therefore, whether developed as the ISO's "back-stop" cost allocation methodology or designed by the body or state regulators, AWEA and Renewable Northwest encourage cost allocation to consider the full suite of benefits a new regional facility may offer and not constrain benefit assessment (and cost allocation) based on project "types."

7. The ISO proposes that a body of state regulators, to be established as part of the new regional governance structure, would make decisions to build and decide allocation of costs for new economic and policy-driven facilities. Please comment on this proposal.

AWEA and Renewable Northwest have supported a strong role for state regulators in many facets of an expanded ISO, including transmission cost allocation, and recognize the importance of a strong role for state regulators in an expanded ISO. However, we are slightly surprised by the ISO's change in direction on this initiative. During the February

and March meetings, the ISO appeared to be making significant progress in determining benefit assessment methodologies that could be used in cost allocation. While agreement from a body of state regulators should provide assurances that states will have a meaningful role in cost allocation, AWEA and Renewable Northwest are concerned that the lack of certainty associated with how a body of state regulators might allocate costs could cause concern for some entities. For instance, it may make it much more difficult for potential PTOs to conduct assessments of the net benefits of ISO participation.

AWEA and Renewable Northwest encourage the ISO to work to provide additional certainty on cost allocation in the next proposal. The ISO may wish to develop guiding principles for the body of state regulators to use. Additionally, AWEA and Renewable Northwest urge the ISO to continue to develop the benefits assessment methodologies it began working on in early 2016. This work could serve as the ISO's back-stop allocation methodology and/or could serve as a starting place for the body of state regulators. As discussed more below, AWEA and Renewable Northwest hope the ISO will put forward as much detail as possible in the "back-stop" provisions slated for release with the next version of the Straw Proposal. Continuing to develop details of cost allocation and the new Transmission Planning Process will be critical to ensuring that the ISO's ability to plan, approve, and cost allocate new transmission facilities in an expanded ISO is not unnecessarily delayed.

In addition, AWEA and Renewable Northwest ask the ISO to consider, in light of this proposal, whether it would be appropriate for the ISO to reconfigure its schedule for this initiative such that the regional TAC proposal would not be put before the ISO Board until there is more certainty on the ISO's potential governance structure and the make-up of the body of state-regulators. This would give the ISO additional time to develop the "back-stop" cost allocation methodologies, which will be useful to the body of state regulators, but will also allow the process to continue to move forward.

Finally, we encourage the ISO, if it has not already done so, to confirm that the state regulators, who would presumably be asked to participate in this activity, support this type of a role for themselves.

8. Competitive solicitation to select the entity to build and own a new transmission project would apply to: (a) economic and policy-driven transmission projects approved by the body of state regulators for regional cost allocation, and (b) new projects whose costs are allocated entirely to one sub-region but are paid for by the ratepayers of more than one PTO within that sub-region. The ISO has determined that this policy is consistent with FERC Order 1000 regarding competitive solicitation. Please comment on this proposal.

Generally, AWEA and Renewable Northwest support principles that ensure the greatest number of transmission projects are open to competitive solicitation. Competitive solicitations tend to help reduce costs of transmission projects which ultimately provides benefits to end-use customers.

The ISO should continue to explore ways that multiple types of benefits can be considered in cost allocation methodologies. By assessing more benefit types, additional

transmission projects in the expanded ISO would likely be subject to competitive solicitation, increasing the benefits ratepayers would realize from an expanded ISO.

Finally, AWEA and Renewable Northwest believe that it is critical that these same principles for competitive solicitation be applied to all transmission costs that are allocated across the region, regardless of whether those transmission facilities enter the ISO's transmission revenue requirement through a transition agreement or through a future TPP.

9. FERC Order 1000 requires that the ISO establish in its tariff "back-stop" provisions for approving and determining cost allocation for needed transmission projects, in the event that the body of state regulators is unable to decide on a needed project. The revised straw proposal indicated that the ISO would propose such provisions in the next proposal for this initiative. Please offer comments and your suggestions for what such provisions should be.

Please see our comments on the Initial TAC Straw Proposal. AWEA and Renewable Northwest believe that the ISO was generally heading in the right direction for cost allocation for public policy and economic projects, but still strongly encourages the ISO to develop a benefits assessment approach that does not rely on a project's classification as reliability, economic, or public policy. Instead, the ISO's benefits assessment methodology should take into account all of the benefits the transmission project provides.

AWEA and Renewable Northwest encourage the ISO to provide as much detail as possible on the "back-stop" provisions in the next proposal. This detail will allow stakeholders to use the ISO's "back-stop" proposal as a proxy for understanding how costs for new facilities might be allocated. Of course, AWEA and Renewable Northwest reserve the right, and look forward to, commenting on this more as the ISO's back-stop methodology is developed.

10. The proposal indicated that the ISO would establish a formula for a single export rate (wheeling access charge or WAC) for the expanded region, and this rate would be a load-weighted average of all sub-regional license plate rates plus any region-wide postage stamp rate. Please comment on this proposal.

While this proposal may be a reasonable starting place, the ISO will need to provide additional details on how the revenues collected from the WAC would be distributed to the sub-regions and PTOs that comprise the sub-regions.

11. The ISO proposed to retain the provision that once the BAA was expanded and a new TPP instituted for the expanded BAA, any subsequent PTO joining at a later date could be responsible for a cost share of new regional facilities approved in the expanded TPP, based on the benefits the new PTO receives from each such facility. Please comment on this proposal.

12. The ISO dropped the proposal to recalculate sub-regional benefit shares for new regional facilities every year, and instead proposed to recalculate only when a new PTO joins the expanded BAA and creates a new sub-region, but at least once every five years. Please comment on this proposal.

Upon hearing concerns from other stakeholders, we believe that recalculation of benefits may be an unnecessary complication to the process. As some stakeholders have pointed out, the recalculation of benefits has the potential to create uncomfortable circumstances in the instance that a project's benefits drop dramatically when it is recalculated. AWEA and Renewable Northwest encourage the ISO to consider generally dropping the recalculation proposal. Perhaps recalculation would be warranted if the ISO used an allocation method similar to what was proposed by BAMx for public policy.

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