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. Submissions are requested by close of business on **June 10, 2016.**

Revised Straw Proposal

BAMx appreciates this opportunity to provide comments on the California Independent System Operator's (CAISO) Revised Straw Proposal (RSP) on the Transmission Access Charge (TAC) Options for Integrating New Participating Transmission Owners (PTO) dated May 20, 2016, followed by a stakeholder meeting held on June 1, 2016. BAMx recognizes that the CAISO has addressed some of our prior concerns with the initial straw proposal, but we are disappointed that the CAISO has not responded to the BAMx comments regarding the need to evaluate the benefits of existing transmission infrastructure realized across sub-regions and participants and, if benefits are identified, the consideration of alternatives for allocating the costs associated with them. The TAC methodology should not unreasonably burden the existing CAISO ratepayers with high costs of both existing and new facilities. Fundamentally, BAMx supports the concept of beneficiary-based allocations of the costs of both existing and new transmission across all sub-regions, the goal being to provide an equitable allocation of costs for all entities within the

[1] BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities, City of Santa Clara, Silicon Valley Power, and Port of Oakland.

expanded ISO.[2] BAMx also notes that there remains a lack of detail in some of the most critical areas of the RSP. Given the dearth of specificity in the CAISO RSP, BAMx finds it very difficult to provide any concrete positions at this time. In this response, BAMx raises several questions and seeks clarifications on some of the key elements of the RSP.

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.

   BAMx seeks clarification on CAISO's proposal for a one-time choice for a new PTO that is embedded within or electrically integrated with an existing sub-region to join that sub-region or become a separate sub-region. Does the CAISO intend that this option would be available both to potential new PTOs that are not within the CAISO BAA and those that are currently within the CAISO BAA, but are non-PTOs? Would the option be available to entities that have left the CAISO BAA and later re-join as PTOs? Please explain your rationale.

   BAMx appreciates the challenge facing the CAISO of providing sufficient incentive for new PTOs to join the expanded ISO, while equitably treating entities within the then-current CAISO BAA (i.e., current PTOs and current non-PTOs). Given that a license-plate approach for existing transmission would not allocate the cost of one sub-region's use of (i.e., wheeling across) the transmission system of other sub-regions, we have concerns that such an option could lead to cost shifts. For example, PTO-A decides to join the expanded ISO, PTO-A's per MWh transmission costs are higher than the sub region they are integrated with and so PTO-A chooses to join the sub-region and lower their transmission costs; PTO-B also decides to join the expanded ISO, but PTO-B's per MWh transmission costs are lower than the sub region they are integrated with and so PTO-B chooses to become a separate sub-region, thereby maintaining their lower transmission rate, but is now able to wheel across the existing sub-region at no cost. Would the CAISO's current proposal provide an incentive to the existing PTOs within the CAISO BAA with low utility-specific HV TAC, but are paying the higher CAISO-wide postage-stamp rate to leave the CAISO BAA and rejoin it to form its own sub-region? Is the CAISO open to considering a license-plate rate for all the PTOs with load service territories in its existing BAA? The CAISO's proposed approach appears to provide a mechanism to ensure the potential new PTOs' interests will be met, without ensuring that the interests of current CAISO participants will be met. There needs to be clear criteria for determining whether or not a new PTO should be integrated into an existing sub-region, and the terms under which it may do so.

[2] BAMx Comments on the CAISO Straw Proposal and Benefits Assessment Methodology, p.4., http://www.caiso.com/Documents/BAMxComments-TACOptions-StrawProposal-BenefitsAssessmentMethodologies.pdf

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.

   BAMx has no comment on this issue at this time.

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.

   BAMx has no comment on this issue at this time.

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.

   BAMx believes that a license plate approach could be equitable, but only if the costs of new facilities are allocated

   (I) on the same (license-plate) basis; or

   (II) only to the beneficiaries of those facilities. This would include

   i) allocating the costs for inter-regional reliability projects that meet the following two criteria: (a) interconnects two or more sub-regions or upgrades an existing interconnection, regardless of voltage level, or (b) creates a new or upgrades an existing intertie with a BAA adjacent to the expanded ISO BAA, regardless of voltage level;

   ii) allocating the costs of policy-driven facilities to the specific LSEs contracting with the generation resources that are dependent on the policy-driven facilities; and

   iii) allocating the costs of economic projects to the beneficiaries of the projects.

   Because the RSP does not identify how the cost of new facilities would be allocated, it is not possible to determine whether the license-plate approach for existing facilities is appropriate.

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."

BAMx supports the first step of the two-step process, that is, the project must be planned and approved through the integrated TPP for the expanded BAA. However, BAMx suggests that under the second step, to be a "new regional facility" eligible for region-wide cost allocation, the project must meet at least one of the two criteria included in our response to question #4 above (Section II.i).

BAMx also agrees with the Transmission Agency of Northern California's (TANC) concerns that the TAC Options are being developed separately from and without consideration for the Transmission Planning Process (TPP) especially in regards to project approval and classification. This does not allow for informed decision-making and provides for a fragmented, piecemeal approach for regional planning.

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.

   BAMx could support the concept of the cost of new projects approved solely for reliability needs to be allocated entirely to that sub-region. However, BAMx seeks more details on how such determination would be made, including the study methodology, and the approach that would be implemented under presumably an expanded ISO Transmission Planning Process (TPP).

   The RSP (p.8, footnote #8) states the following.

   > "An economic or policy-driven transmission project that also has reliability benefits to a sub-region or that offsets an otherwise needed reliability project would be treated as an economic or policy-driven project per point 8 in this section."

   This proposal implies that even if a certain sub-region has a reliability need for a given project, it will avoid paying exclusively for that transmission if it is successful in having the project classified as an economic or policy-driven project, and in turn, having its cost paid by region-wide ratepayers. This provides an opening for gaming, as participants in a sub-region could over-state the economic benefits or attribute the transmission upgrade to a sub-regional policy to avoid paying for a sub-region reliability benefit. As a potential example, although the PacifiCorp's (PAC) Gateway Segments D, E & F (more so for H) form backbone facilities within PAC providing reliability value to its internal load, costs could be allocated on a yet-to-be-determined economic/policy-driven project methodology. BAMx is very concerned about the implications of such a proposal given the lack of details on how or why a given project would be classified as a policy-driven or an economic project even if it also has significant reliability benefits.

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.

   As we noted in our response to Q.4, the RSP contains no guidelines for the cost allocation of new regional economic and policy-driven projects, it is not possible to determine whether a license-plate cost allocation of existing facilities would be just and reasonable. BAMx is also concerned how public entities would be represented on a body of state level regulators.

   The RSP states that the details of expanded TPP will be developed in 2017 and it will be designed to align with and support cost allocation provisions developed in this TAC initiative. However, the RSP contains no information on how the new proposed body of state regulators would be integrated into the TPP. By introducing the concept of a body of state regulators under the new regional governance structure to make decisions to build and decide allocation of costs for new economic and policy-driven facilities, the CAISO has managed to avoid making the necessary decisions on the benefits assessment methodology in the short term. However, this change does not provide any guidance to determine if it is beneficial in the long term. BAMx continues to support allocation of costs of policy-driven facilities to the specific LSEs contracting with the generation resources that are dependent on the policy-driven facilities.

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.

   BAMx has no comment on this issue at this time.

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.

   BAMx has no comment on this issue at this time.

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.

    BAMx notes that the rationale justifying a single WAC export rate as proposed under the RSP also could be used to justify a postage stamp TAC rate, rather than the license plate rate proposed for the existing facilities. In the same way that exports are assumed to benefit from the entire expanded ISO grid facilities, deliveries to load within the expanded ISO could be assumed to benefit from all existing facilities. CAISO should explain why exports should be treated on a postage stamp basis, while deliveries to load within the expanded ISO should be treated on a license-plate basis. Please explain whether the same single WAC would be applied to all non-PTOs within the CAISO BAA. The RSP also fails to explain how the revenues from the single WAC export rate will be allocated among the sub-regions.

In the table below, we summarize our understanding using an example with two new PTOs, PTO-A and PTO-B joining the expanded ISO. PTO-A has an existing HV TAC rate ($13.50/MWh) that is higher than the CAISO's sub-regional HV TAC ($11.25/MWh). In the other direction, PTO-B has a much lower existing HV TAC rate ($4.50/MWh).

Now consider the case where major new regional facilities within PTO-B are added that increases the transmission cost by $2/MWh for all sub-regions. Under the expanded ISO, not only will all ratepayers within the expanded ISO incrementally pay $2/MWh for all of their load, but the expanded ISO will need to incrementally charge $2/MWh to exports from the expanded BAA, increasing the overall WAC to $12/MWh.

<table>
<tr><th>Entity</th><th>Load Ratio Share (%)</th><th>License-Plate HV TAC ($/MWh)</th><th>Existing CAISO WAC ($/MWh)</th><th>Proposed WAC w/o New Regional Facilities ($/MWh)</th><th>License-Plate HV TAC for existing w/New Regional Facilities shared via postage-stamp ($/MWh)</th><th>Proposed WAC w/New Regional Facilities ($/MWh)</th></tr>
<tr><td>CAISO</td><td>75%</td><td>$11.25</td><td rowspan="3">$11.25</td><td rowspan="3">$10.0</td><td>$13.25</td><td rowspan="3">$12.0</td></tr>
<tr><td>New PTO-A</td><td>5%</td><td>$13.50</td><td>$15.50</td></tr>
<tr><td>New PTO-B</td><td>20%</td><td>$4.50</td><td>$6.50</td></tr>
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Pre-regionalization, when PTO-A or PTO-B paid $11.25/MWh towards WAC for their imports from the CAISO, each used to pay its share towards the existing transmission infrastructure within the CAISO BAA. Post-regionalization, the CAISO does not have PTO-A or PTO-B sharing any cost associated with the CAISO's existing facilities, but on the other hand, the CAISO ratepayers end up incrementally paying for the new regional transmission facility with a total HV TAC of $13.25/MWh (= $11.25 + $2).

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.

BAMx supports the concept of a subsequent new PTO (PTO#2) joining the expanded BAA paying for its allocated share of the cost of any new regional facilities that were previously approved in the integrated TPP. BAMx agrees with the CAISO's rationale to ensure that PTO#2 is paying a fair share for projects from which it actually receives significant benefits. However, BAMx notes that this very same argument supports an allocation of costs of existing transmission from which it receives benefits to new PTO#1 and all subsequent PTOs, rather than the proposed pure license plate approach for existing facilities. Simply using the date when the first new sub-region joins the ISO to forever set the demarcation between Existing and New appears on the face to be arbitrary and unfair to current PTOs and non-PTOs within the CAISO BAA.

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.

    BAMx could consider supporting this as part of a comprehensive proposal that addresses both new and existing facilities.

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

    BAMx echoes TANC's comment regarding the CAISO proposal to present conceptual filings at FERC prior to completing a Stakeholder process on the detailed tariff. As stated by TANC, the CAISO should ensure that its process does not result in an end-run around the principles and requirements of Order 1000, which mandates consultation with stakeholders in the proposal of tariff revisions regarding regional planning and the development of cost allocation method(s) for new regional facilities. The indication during the June 1 stakeholder meeting that the CAISO may pursue conceptual filings with FERC is of concern given the vague, disjointed and incomplete proposals that have been provided for stakeholder review thus far. Submission of conceptual filings following such proposals could serve to effectively undermine the Order 1000 principle of consultation with stakeholders, as filing conceptual proposals on discrete components may serve to entrench such proposals and constrain the flexibility that may be needed to move towards a comprehensive proposal that reflects broader region-wide stakeholder consensus.