

Stakeholder Comments Template

Transmission Access Charge Options

February 10, 2016 Straw Proposal & March 9 Benefits Assessment Methodology Workshop

| Submitted by | Company | Date Submitted |
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| <i>Derrick Pleger</i> | <i>Bonneville Power Administration</i> | <i>3/24/2016</i> |

The ISO provides this template for submission of stakeholder comments on the February 10, 2016 Straw Proposal and the March 9, 2016 stakeholder working group meeting. Section 1 of the template is for comments on the overall concepts and structure of the straw proposal. Section 2 is for comments on the benefits assessment methodologies. As stated at the March 9 meeting, the ISO would like stakeholders to offer their suggestions for how to improve upon the ISO's straw proposal, and emphasizes that ideas put forward by stakeholders at this time may be considered in the spirit of brainstorming rather than as formal statements of a position on this initiative.

The 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 **March 23, 2016**.

Section 1: Straw Proposal

1. The proposed cost allocation approach relies on the designation of "sub-regions," such that the current CAISO BAA would be one sub-region and each new PTO with a load service territory that joins the expanded BAA would be another sub-region. Please comment on the proposal to designate sub-regions in this manner.

BPA supports the sub-region approach.

2. The proposal defines “existing facilities” as transmission facilities that either are already in service or have been approved through separate planning processes and are under development at the time a new PTO joins the ISO, whereas “new facilities” are facilities that are approved under a new integrated transmission planning process for the expanded BAA that would commence when the first new PTO joins. Please comment on these definitions.

It is unclear how CAISO will treat transmission lines and other transmission facilities that are jointly owned by a PTO and a non-PTO utility. CAISO should add to its straw proposal to address the following questions:

- a. How will a transmission project that is partially owned by a PTO and partially owned by a non-PTO be handled in the CAISO’s Transmission Planning Process?
 - b. If a PTO and non-PTO utility have an agreement to exchange certain transmission assets in the future, how would the asset exchange be treated within the CAISO construct and would CAISO be involved in the future asset exchange transaction?
 - c. How does the CAISO currently treat asset sales and exchanges and will this treatment continue if additional parties join the CAISO?
3. Using the above definitions, the straw proposal would allocate the transmission revenue requirements (TRR) of each sub-region’s existing facilities entirely to that sub-region. Please comment on this proposal.

BPA supports allocating transmission revenue requirements of existing facilities entirely to that sub-region.

BPA would also appreciate clarification on a related issue. If a PTO has loads in a non-PTO’s BAA and purchases transmission service on the non-PTO’s transmission system to serve its load, is the PTO allowed to include the cost of purchasing transmission on another system in its transmission revenue requirement and thus in the TAC? BPA does not think a PTO should be able to include such costs in its transmission requirement because those costs are incurred for the benefit of the PTO alone.

4. If you believe that some portion of the TRR of existing facilities should be allocated in a shared manner across sub-regions, please offer your suggestions for how this should be

done. For example, explain what methods or principles you would use to determine how much of the existing facility TRRs, or which specific facilities' costs, should be shared across sub-regions, and how you would determine each sub-region's cost share.

No Comment.

5. The straw proposal would limit “regional” cost allocation – i.e., to multiple sub-regions of the expanded BAA – to “new regional facilities,” defined as facilities that are planned and approved under a new integrated transmission planning process for the entire expanded BAA and meet at least one of three threshold criteria: (a) rating > 300 kV, or (b) increases interchange capacity between sub-regions, or (c) increases intertie capacity between the expanded BAA and an adjacent BAA. Please comment on these criteria for considering regional allocation of the cost of a new facility. Please suggest alternative criteria or approaches that would be preferable to this approach.

The cost of new transmission builds to support California's or any other state or region's particular energy policies should not affect utilities that are not subject to those decisions or rules. Unless their policies are aligned and it can be proven that both benefit from the new facility (*e.g.* Costs of Transmission builds to achieve a 50% RPS in California should not be passed through to PacifiCorp customers). Therefore, BPA is not in favor of a postage stamp allocation or simple designations like >300 kV. Each new facility should be subjected to a benefits study.

6. For a new regional facility that meets the above criteria, the straw proposal would then determine each sub-region's benefits from the facility and allocate cost shares to align with each sub-region's relative benefits. Without getting into specific methodologies for determining benefits (see Section 2 below), please comment on the proposal to base the cost allocation on calculated benefit shares for each new regional facility, in contrast to, for example, using a postage stamp or simple load-ratio share approach as used by some of the other ISOs.

BPA is in favor of using a calculated benefit study for each new regional facility. BPA does seek more clarification as to how the CAISO intends on calculating benefits and holistically applying a new TAC rate to a sub-region that has large areas of its BAA separated geographically and by limited transmission capacity, such as PAC-E and PAC-W. A new facility in one area would provide limited to no benefit to the other area in its own BAA. In such circumstances CAISO should consider having one sub-region with two separate TAC rates or add an additional sub-region. The CAISO touched on this concern when it stated that “For example, it would be difficult to show that a facility in San Diego area provides load ratio share benefits to customers in Utah based solely on its voltage level, even if the facility is rated at 500 kV, without further demonstration of benefits”.

7. The straw proposal says that when a subsequent new PTO joins the expanded BAA, it may be allocated shares of the costs of any new regional facilities that were previously approved in the integrated TPP that was established when the first new PTO joined. Please comment on this provision of the proposal.

No Comment.

8. The straw proposal says that sub-regional benefit shares – and hence cost shares – for the new regional facilities would be re-calculated annually to reflect changes in benefits that could result from changes to the transmission network topology or the membership of the expanded BAA. Please comment on this provision of the proposal.

BPA thinks it makes sense to reassess sub-regional benefit shares periodically. BPA suggests considering every five years allowing for various conditions or when a new PTO joins. In addition, BPA has the following specific concerns and questions:

- a. Extreme conditions can lead to skewed results in annual studies, such as poor water years, extended and numerous outages, etc. How does CAISO plan to account for these types of extreme conditions?
 - b. Changing topography of the transmission system could lead to an unintended rate shock for some customers (through a large percentage increase in the TAC). What measures does the ISO undertake to limit this outcome or mitigate the impact if it were to occur?
 - c. BPA also suggests that studies should be conducted in a transparent and agreed upon manner, and include input from members of all affected parties.
9. Please offer any other comments or suggestions on the design and the specific provisions of the straw proposal (other than the benefits assessment methodologies).

No Comment.

Section 2: Benefits Assessment Methodologies

10. The straw proposal would apply different benefits assessment methods to the three main categories of transmission projects: reliability, economic, and public policy. Please comment on this provision of the proposal.

No Comment.

11. The straw proposal would use the benefits calculation to allocate 100 percent of the cost of each new regional facility, rather than allocating a share of the cost using a simpler postage stamp or load-ratio share basis as some of the other ISOs do. Please comment on this provision of the proposal.

BPA is in favor of using a benefits calculation to allocate costs of new regional facilities; however, until more detailed description is presented regarding the new options being considered such as TEAM and DFAX, BPA is unable to support any one approach.

BPA would like to reiterate that economic benefit and reliability need are two separate measurements and if a policy or proposal from one sub-region (#1) causes a new transmission build in a neighboring sub-region (#2) and if the cost ratio share of the new transmission build is greater than the benefit to sub-region (#2), then that sub-region or its customers located within that sub-region should not be subjected to the full cost ratio share.

More transmission capacity does not always indicate greater reliability or economic benefit when sufficient capacity already existed. The new benefit calculation would need to account for this fact. The DFAX model appears to incorporate this concept because it includes a calculation of the directional percentage usage of the upgrade by sub-regions.

12. Please comment on the DFAX method for determining benefit shares. In particular, indicate whether you think it is appropriate for reliability projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

Details about the DFAX methodology were not included in the Straw Proposal. BPA does not have enough information on this methodology to know whether or not we support it.

13. Please comment on the use of an economic production cost approach such as TEAM for determining benefit shares. In particular, indicate whether you think it is appropriate for economic projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

No Comment.

14. At the March 9 meeting some parties noted that the ISO's TEAM approach allows for the inclusion of "other" benefits that might not be revealed through a production cost study. Please comment on whether some other benefits should be incorporated into the TEAM for purposes of this TAC Options initiative, and if so, please indicate the specific benefits that should be incorporated and how these benefits might be measured.

No Comment.

15. Regarding public policy projects, the straw proposal stated that the ISO does not support an approach that would allocate 100 percent of a project's costs to the state whose policy was the initial driver of the need for the project. Please indicate whether you agree with this statement. If you do agree, please comment on how costs of public policy projects should be allocated; for example, comment on which benefits should be included in the assessment and how these benefits might be measured.

No Comment.

16. At the March 9 and previous meetings some parties suggested that a single methodology such as TEAM, possibly enhanced by incorporating other benefits, should be applied for assessing benefits of all types of new regional facilities. Please indicate whether you support such an approach.

The TEAM methodology was not included in the Straw Proposal. BPA does not have enough information on this methodology to know whether or not we support it.

17. Please offer comments on the BAMx proposal for cost allocation for public policy projects, which was presented at the March 9 meeting. For reference the presentation is posted at the link on page 1 of this template.

No Comment.

18. Please offer any other comments or suggestions regarding methodologies for assessing the sub-regional benefits of a transmission facility.

No Comment.