

Stakeholder Comments Template

Transmission Access Charge Options Issue Paper

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the issue paper for the Transmission Access Charge Options initiative that was posted on October 23, 2015. The issue paper 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 **November 20, 2015**.

Bonneville Power Administration (BPA) appreciates the opportunity to comment on the Issue Paper outlining Transmission Access Charge Options for Integrating New Participating Transmission Owners. BPA would also like to commend the California ISO for addressing this issue early on, and soliciting feedback from stakeholders well in advance of anticipated implementation.

Several of the Public Utilities BPA serves as a Federal wholesale power marketing agency are located in PacifiCorp's East and West Balancing Authority Areas. All told, Bonneville customer loads in the PacifiCorp East and West balancing areas amount to about 650 MW worth of annual average load. BPA currently serves these loads either with contracts with PacifiCorp for Network Transmission Service, or with Grandfathered Transmission Agreements. The Transmission Access Charge that PacifiCorp may eventually adopt as it transitions to a Participating Transmission Owner in the California ISO will have a direct effect on BPA and its utility customers' costs.

1. One theme emphasized in the issue paper and in FERC orders is the importance of aligning transmission cost allocation with the distribution of benefits. Please offer your suggestions for how best to achieve good cost-benefit alignment and explain the reasoning for your suggestions.

At several points in the Issue Paper released on 10/23/15, the ISO refers to the “rate shock” that PacifiCorp customers would experience if PAC were incorporated into the existing ISO TAC structure along with all of its >200 kV facilities. BPA agrees that this option would indeed create rate shock, representing a doubling of the cost for transmission over the status quo (from \$4.22/MWh in 2019 to \$10.60/MWh). Meanwhile, in the above scenario, the TAC for current ISO customers is projected to drop significantly. At this point, as customers of PacifiCorp, it is difficult to see the commonly cited benefits that the ISO lists in its paper of “enhanced reliability,” “more access to renewables,” and “high voltage benefits everyone” resulting from such an arrangement. For example, it seems difficult to imagine customers in eastern Idaho directly benefitting from high voltage transmission in southern California, and vice versa. As was the case for PJM discussed in the Issue Paper, the ISO is also dealing with geographic areas that are just not linked enough to warrant melded TACs. The ISO recognizes this possibility in the paper, claiming “... distance and transfer capacity between service territories matter, even in the realm of high-voltage transmission.”

As such, in this endeavor, BPA advocates for the approach that most ISOs and RTOs in the United States employ, and outlined in the ISO’s Issue Paper as “Baseline 1.” The new PTO joins the ISO and maintains completely separate transmission revenue requirement recovery for all existing and currently planned transmission facilities, at all voltage levels. However, the new PTO and ISO retain the flexibility to use different allocation methods for new projects. It is BPA’s view that this methodology would be the most appropriate and equitable of those proposed by the ISO in its issue paper.

2. Please comment on the factors the ISO has identified in section 5 of the issue paper as considerations for possible changes to the high-voltage TAC structure. Which factors do you consider most important and why? Identify any other factors you think should be considered and explain why.

BPA views the following considerations from Section 5 as the most important factors in possible changes to the ISO’s high-voltage TAC structure:

- What is the geographic scope of the project?
- Which zones or sub-regions benefit from the project?
- Under what planning process was the facility approved?
- Is it a new or existing facility?

As stated above, in incorporating PAC as a PTO, the ISO is dealing with geographic regions that are too disparate to warrant a melded TAC. The risk of one region cross-subsidizing transmission builds in another without accruing the benefits is too great.

3. The examples in section 7 illustrate the idea of using a simple voltage-level criterion for deciding which facilities would be paid for by which sub-regions of the combined BAA. Please comment on the merits of the voltage-based approach and explain the reasoning for your comments.

Again, the examples in Section 7 raise some serious concerns for BPA about cost allocation and benefits. It is difficult to see how transmission customers of PacifiCorp will benefit from the examples put forth in Section 7.

4. Please comment on the merits of using the type of transmission facility – reliability, economic, or public policy – as a criterion for cost allocation, and explain the reasoning for your comments.

It is difficult to comment on the merits or drawbacks of the approaches listed in questions 4, 5, and 6 without more in-depth discussion of what they entail, and analysis of the cost implications for transmission customers.

5. Please comment on the merits of using the in-service date as a criterion for cost allocation; e.g., whether and how cost allocation should differ for transmission facilities that are in service at the time a new PTO joins versus transmission facilities that are energized after a new PTO joins.
6. Please comment on using the planning process as a criterion for cost allocation; i.e., whether and how cost allocation should differ for transmission facilities that are approved under a comprehensive planning process that includes the existing ISO PTOs as well as a new PTO, versus transmission facilities that were approved under separate planning processes.
7. The examples in section 7 illustrate the idea of using two “sub-regional” TAC rates that apply, respectively, to the existing ISO BAA and to a new PTO’s service territory. Please comment on the merits of this approach and explain the reasoning for your comments.

As stated above, BPA views “Baseline 1” to be the most equitable of those that have been discussed so far. As the ISO mentioned in its paper, this approach has precedent in other ISOs and RTOs in the country, and would serve to avoid the cost shifts and cross-subsidization issues raised above.

8. Please offer any other comments or suggestions on this initiative.

BPA appreciates the opportunity to comment and be a stakeholder in this process.