

Stakeholder Comments Template

Transmission Access Charge Options

May 23, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
<i>(submitter name and phone number)</i>	<i>Bonneville Power Administration</i>	<i>June 10, 2016</i>

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**.

Introduction

The Bonneville Power Administration appreciates the opportunity to comment on the CAISO's Revised Straw Proposal regarding Transmission Access Charge Options for Integration New Participating Transmission Owners.

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.**

BPA does not currently see anything wrong with creating an option for a new PTO to join an existing sub-region or create a new sub-region. However the existing sub-region

should have an avenue to refuse to join with the new PTO if they are economically harmed (increased TAC rate) or through a set of criteria or an evaluation process where it is deemed that the joining of the two PTO's isn't feasible.

- 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.**

In Section 3 concept (d) the CAISO seems to disregard the fact that an entity can spend a sufficient amount of cash to meet the 5% IRS standard of the total cost of the project on permitting-related activities prior to securing approval within the planning process.

- If an entity has committed funding to the project for project permitting sufficient to meet the IRS definition but has not been approved within the entity’s separate planning process, would it be considered an existing facility or a new facility?
- For an entity like PacifiCorp that is active in six states, what constitutes approval within the entity’s separate planning process?
- If a transmission project has been entered into by multiple non-PTO entities and then becomes classified as a new facility upon one of the members joining the CAISO as a PTO, how would the CAISO treat the non-PTO parties and also how would the CAISO analyze the integrated TPP for the expanded ISO BAA?

- 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.**

BPA has no comment 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.**

BPA supports the license plate approach to the TAC rates.

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.”**

Section 4, “new facilities”, criteria (b) and (c) state that a new or upgraded interconnection regardless of the voltage level will be applied to the entire expanded ISO. The statement that “regardless of voltage level” is too open-ended and needs to have a floor of 200 kV since that is the cutoff for the High Voltage Access Charge (HVAC). As written, this statement opens the door for distribution level voltage facilities that would normally get assessed the Low Voltage Access Charge (LVAC) which is applied on a sub-regional basis to roll the costs of these facilities into the regional ISO (BAA). Is the CAISO’s intention to remove the HVAC and LVAC delineation for interconnected facilities and place all interconnected facilities under one TAC?

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.**

BPA has no comment at this time.

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.**

Bonneville believes this proposal is outside of the scope of the TAC Straw Proposal. The future governance of the region wide ISO should be determined in and through the regional discussions occurring before the California Energy Commission and the related stakeholder processes. This statement presumes the governance model that will be adopted by the governance stakeholder process. Bonneville recommends that the TAC Straw Proposal not reference specific governance recommendations, but instead state that decisions regarding cost allocation for new economic and policy-driven facilities will be determined by the regional-ISO governing body or the regional body so designated to address such allocations, as determined through the governance stakeholder process.

Bonneville also notes that allowing a committee made up of only state regulators to determine the cost allocation of new facilities between regions is too narrow. Within the sub-regions are a number of entities that are not regulated by the state commissions,

including loads served by Bonneville. These loads (or in the case of Bonneville's customers, Bonneville) will pay the regional and sub-regional TACs, but then have no voice in how these allocations are determined or assessed. Representation on the committee should be balanced and consider the interests of all users of the transmission system in the sub-region – not just those regulated by state commissions. More generally, Bonneville believes that the ISO governance structure should include a place where the voice of entities uniquely situated in the region, such as the federal Power Market Administrations, can be expressed and understood.

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.**

This question seems to imply that only the entity who constructs the line is entitled to ownership of the line. Has the CAISO considered that bidding for construction and ownership of the transmission line could be two separate agreements? This would allow for PTO's (sub-regions) to share funding with a non-PTO entity and still bid out for construction, reducing the overall cost to ISO rate payers.

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.**

BPA has no comment at this time about the "back-stop" provisions but would again like to express its concerns regarding the proposed regional governance structure addressed in our response to #7.

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.**

BPA has no comment at this time.

- 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.**

BPA has no comment at this time.

- 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.**

BPA does not agree with a fixed five year benefits recalculation of new regional facilities.

In addition Bonneville is concerned that this aspect of the proposal may create uncertainty and potential disputes for those paying for the TACs in their respective sub-regions. If the ISO (or other governing body) determines that a particular new facility should be allocated to a specific sub-region, that decision should stand unless a new PTO joins and the addition of those new facilities changes the characteristics of the original facility. Without this, payers of the regional and sub-regional TACs will have little certainty that the rates they pay for transmission will remain stable over time as disputes over whether a particular sub-region allocation should (or should not) be allocated to a region occur every five years or when a new PTO joins the ISO.

In general, Bonneville believes there should be connection between the event causing the sub-region reallocation and the new facilities being reallocated. Therefore only those facilities that are directly impacted by the addition of the new PTO should undergo recalculation. The addition of a new PTO should not trigger a wholesale recalculation of “all” new regional facilities. The current straw proposal creates two general metrics for recalculating the sub-regional share for new facilities – the entrance of a new PTO or five years. Neither of these metrics, though, are connected to the new facilities. The addition of a new PTO *may* require revisiting the sub-regional benefit share *if* the addition of the new PTO’s facilities changes the characteristics sub-regional facilities. For instance, if a utility in Idaho were to join as a PTO, it may be appropriate to re-determine the sub-regional benefits of facilities in PacifiCorp affected by that PTO. But, if a utility in the southern California area were to join as a new PTO, it is not at all clear how that new PTO would require revisiting the sub-regional benefit allocation in other sub-regions in the Pacific Northwest. In short, changes to the sub-regional allocation should be connected to the facilities that were allocated to a region, and changes to that allocation should be for reasons related to the transmission system that change the character of the new facilities.

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

Can the CAISO explain the reasoning behind dropping the voltage for a transmission project to be considered a regional facility from 300 kV to 200 kV that occurred between the last two straw proposals?