

Stakeholder Comments Template

Transmission Access Charge Options

August 11, 2016 Stakeholder Working Group Meeting

Submitted by	Company	Date Submitted
Derek Pleger, Power Services, Transfer Services (503) 230 -3000	Bonneville Power Administration	8/24/2016

The ISO provides this template for submission of stakeholder comments on the August 11, 2016 stakeholder working group meeting. Topic 1 of the template is for comments on the default cost allocation provisions for new regional transmission facilities, the topic of the morning session of the working group. Topic 2 is for comments on the region-wide TAC rate for exports, which the presentation referred to as the “export access charge” (EAC) and was the topic of the afternoon session of the working group. The ISO invites stakeholders to offer their suggestions for how to improve upon the ideas discussed in the working group meeting.

The presentation for the August 11 meeting 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 **August 25, 2016**.

Topic 1. Default Cost Allocation Provisions for New Regional Transmission Facilities

Context

For purposes the working group discussion the ISO assumed that the current structure of the transmission planning process (TPP) would be retained for the expanded BAA. That is, the TPP would consist of a first phase for specifying and adopting planning assumptions including public policy directives that would drive transmission needs, as well as a study plan. The second phase would consist of a sequential process for performing planning studies and identifying reliability projects, followed by policy-driven projects, and finally economic projects. With each successive

project category, the ISO may identify a project that serves the need of a project identified in a prior category, in which case the project would be labeled by the last category in which it was identified, but its cost allocation would reflect the benefits in all categories.

By design these two TPP phases take 15 months, at the end of which the ISO would present the comprehensive transmission plan for approval to the governing board for the expanded BAA. At the working group meeting the ISO also pointed out that while the concept of a “body of state regulators” or “Western States Committee” is still under discussion in the context of governance for the expanded BAA, no details have been developed or proposed regarding this entity’s role with regard to transmission planning and cost allocation. Moreover, once the default provisions being discussed in the working group are finalized, filed and have been approved by FERC for inclusion in the ISO tariff, any variations or deviations from those provisions would also have to be filed and approved by FERC. Stakeholders should therefore view the current effort to develop default cost allocation provisions as determining the rules that would govern transmission cost allocation for the expanded BAA.

Stakeholders should assume for purposes of their comments that the current ISO TPP structure would be followed in an expanded TPP performed for the expanded BAA. Parties wishing to comment on or suggest alternatives to these assumptions may add any additional comments at the end of this topic.

Questions

1. The working group presentation assumed we would use the current Transmission Economic Assessment Methodology (TEAM) to calculate a project’s economic benefits to the BAA as a whole and to each of the sub-regions. Currently TEAM calculates the following types of benefits: efficiency of the economic dispatch, reduction of transmission line losses, and reduction of resource adequacy capacity costs. Are these economic benefit types sufficient for purposes of cost allocation, or should other types of benefits be included? Please describe any additional benefit types you would include in the benefits assessment and suggest how they could be quantified.
2. The ISO’s presentation suggested that a sub-region’s avoided cost for a needed transmission project could be included among the benefits of a project with region-wide benefits. For example if project A with region-wide economic benefits enables sub-region 1 to avoid a reliability project B that would have cost \$40 m, then the \$40 m avoided cost should be included in the total benefits of project A for purposes of cost allocation to the sub-regions. Please comment on whether such avoided costs should be included in the benefits for cost allocation purposes.

3. In the example of Question 2 a specific project B was identified to meet a reliability need, and so its avoided cost could be viewed as a realistic estimate of the cost to sub-region 1 of mitigating its reliability need. In many instances in practice, however, cost-effective projects may be identified that provide economic, policy and reliability benefits without the planners ever identifying less costly but narrowly-scoped hypothetical alternative projects that could serve to provide concrete avoided cost estimates. Do you think it is important to perform additional studies to determine meaningful avoided cost estimates to use in cost allocation, perhaps by identifying hypothetical alternatives that would not ordinarily be considered in the TPP? Are there other approaches you would favor for estimating avoided costs to use in cost allocation? What other methods should the ISO consider for allocating reliability or policy “benefits” to a sub-region absent a well-defined project that can be avoided?

4. The cost allocation approach presented at the working group for projects with benefit-cost ratio $BCR < 1$) started by first allocating cost shares equal to economic benefits, and only after that allocating remaining costs to the sub-region(s) driving the reliability or policy need. In the discussion, some parties suggested reversing this order, i.e., to start by allocating a cost share to the sub-region with the reliability or policy driver base on the avoided cost of the reliability or policy project it would have had to build, and only then allocating remaining costs based on economic benefit shares. Please state your views on these two approaches, or describe any other approach you would prefer and explain your reasons.

5. The presentation at the working group suggested that all facilities > 200 kV planned through the expanded TPP would be assessed for potential region-wide economic benefits. Some parties suggested the ISO should apply threshold criteria to eliminate projects that clearly would not have region-wide benefits, rather than perform TEAM studies for all > 200 kV. Do you support the use of threshold criteria? If so, what criteria would you apply and why?

6. Do the details of TEAM, e.g., financial parameters, period over which present values are determined, etc., need to be pre-determined to maximize consistency of methodology and criteria across all projects, or should case-by-case considerations be taken into account?

7. Should incidental benefits to a sub-region cause a cost allocation share for that sub-region even though the project would not have been built but for a reliability or policy need in another sub-region?

8. Please offer any additional comments, suggestions or proposals that were not covered in the previous questions.

Topic 2. Region-wide “Export Access Charge” (EAC) Rate for Exports and Wheel-throughs

Context

For the working group discussion, the ISO’s presentation assumed a scenario where the current ISO BAA is expanded by the integration of a large external PTO such as PacifiCorp, and that the current ISO footprint and the new PTO would each be a “sub-region” with its own separate sub-regional TAC rate for load internal to the sub-region. The ISO further assumed that in this future scenario, only exports and wheel-throughs would pay the new EAC rate, while the “non-PTO” entities internal to the ISO BAA who currently pay the WAC would pay the sub-regional TAC rate. **Please assume the same in responding to the questions below.** If you wish to comment on or propose alternatives to these assumptions you can add any additional comments at the end of this section.

Questions

1. For an expanded BAA do you agree that a single region-wide access charge rate for exports and wheel-throughs is appropriate? Please explain your reasons. NOTE: This question is only about whether a single rate is appropriate, not about how that rate should be determined; the latter is covered in question 3 below.

No, Bonneville does not support a region-wide access charge rate for exports. Under the current CAISO Tariff the Transmission Access Charge (TAC) and the Wheeling Access charge (WAC) are charges used to recover the Transmission Revenue Requirements (TRR) for all Participating Transmission Owners (PTO). With the newly proposed Export Access Charge (EAC) replacing

the current WAC it should be safe to assume that going forward the two components used to recover TRR will be the EAC and TAC. Using PacifiCorp as an example, its proposed TRR for FY 2017 will be roughly \$408 million. Looking back at previous TAC discussions, this amount would be recovered through the proposed license plate TAC charge. Therefore any revenue gained through the EAC would essentially cause PacifiCorp to over recover its TRR. In scenario one and two on page 29 of the working group slide presentation, PacifiCorp would be recovering an additional half of its TRR through the EAC. Entities inside the CAISO would also over recover their TRR through the EAC, although not to the same magnitude as PacifiCorp, after current WAC entities are converted into the TAC rate.

2. If you answered YES to question 1, do you favor the load-weighted average rate the ISO presented at the meeting, or another method for determining the single rate? Please explain the reasons for your preference.

Bonneville does not support a region-wide access charge rate for exports, but if one is necessary to recover TRR, there is a better option than a load-weighted average. If the CAISO were to set an *EAC that was less than or equal to the lowest TAC* then, in theory, the penalty to customers exporting energy out of any sub-region would be decreased by not having to pay a higher EAC rate than that sub-region's TAC. In addition, external entities would have an incentive to export excess power out of the CAISO during periods of oversupply. This could relieve the need to curtail renewable resources (helping to reduce GHG emissions throughout the region) and reduce the occurrences of negative pricing events. In addition, any excess revenues recovered through the EAC should go back to the customers in the sub-region either through a lower TAC rate or credits based on load ratio shares of the sub-region that over collected its TRR through the EAC.

3. To distribute the revenues collected via the EAC, the ISO's presentation suggested giving each sub-region an amount of money equal to the MWh volume of exports and wheels from the sub-region times the sub-regional TAC rate. Please indicate whether you would support this approach or would prefer a different approach for distributing EAC revenues to the sub-regions.

Revenues recovered through an EAC should go back to the sub-region where the exports occurred over existing facilities included in that entity's license plate TAC rate. In addition, any excess revenues recovered through an EAC should go back to the customers of the sub-region either through a lower TAC rate or credits based on load ratio shares of the sub-region that over collected its TRR through the EAC.

The only time the EAC should be distributed across all PTO's is when the export occurs over a regional facility built after the addition of a new PTO external to the current CAISO. At that time, EAC revenues should be divided out based on each entity's contribution to building the new intertie transmission line.

4. The working group presentation illustrated how the method of distributing EAC revenues to sub-regions would most likely produce “unadjusted” sub-regional shares that do not add up exactly to the amount of EAC revenues collected from exports and wheels. The presentation offered one approach for distributing any **excess EAC revenues** to the sub-regions. Do you support that approach, or would you prefer a different approach? Please explain.

Revenues recovered through an EAC should go back to the sub-region where the exports occurred over existing facilities included in that entity’s license plate TAC rate. In addition, any excess revenues recovered through an EAC should go back to the customers in that sub-region either through a lower TAC rate or credits based on load ratio shares of the sub-region that over collected its TRR through the EAC.

The only time the EAC should be distributed across all PTO’s is when the export occurs over a regional facility built after the addition of a new PTO external to the current CAISO. At that time EAC revenues should be divided out based on each entity’s contribution to building the new intertie transmission line.

5. Suppose that in a given year the EAC revenues are not sufficient to cover a distribution to sub-regions that aligns with sub-regional TAC rates, as described in question 3. How would you propose the ISO deal with that situation? I.e., should the ISO ensure that each sub-region receives export revenues equal to its sub-regional internal TAC rate times the volume of exports from its facilities, drawing upon other TAC revenues if necessary, or should the ISO only return EAC revenues to sub-regions until the EAC revenues are used up?

This should not be necessary based on answers to questions one through four.

6. If you answered NO to question 1, please explain what rules or principles you would prefer be applied to exports and wheel-throughs. Please discuss both (a) how you would propose to charge exports and wheel-throughs, and (b) how you would distribute the revenues collected to the sub-regions.

In a regional ISO, an EAC is an unnecessary component to recover TRRs and only penalizes existing transmission customers of a PTO that wheel power out of the ISO. An EAC that is disconnected from the sub-regional TAC will over recover the PTO’s TRR. The better approach is to set the EAC to each sub-region’s TAC and the revenues collected through the EAC would be calculated along with that sub-region’s TAC to come up with the charges necessary to only recover for that sub-region’s TRR and no more.

7. Please offer any additional comments, suggestions or proposals that were not covered in the previous questions.

- 1) The ISO should address the potential assessment of double access charges under the current tariff application (TAC and WAC rates) for a single delivery of energy to load. Today, it is common for an entity to wheel power through non-contiguous portions of a transmission provider's system to serve load. An example of this would be where an entity exports out of PACW to serve load in PACE. Under the OATT construct, the entity is assessed only one network charge for the delivery. However, an entity engaging in the same delivery in the proposed regional ISO would be faced with assessment of both a WAC and TAC charge: the export out of PACW would be assessed the WAC rate and the load in PACE would be assessed a TAC, causing an access charge to be collected twice for service to a single load. The ISO should develop a proposal to avoid this double charge.

The ISO should also explore whether a similar double charge occurs when using an EIM member's system to cross between non-contiguous ISO BAAs. An example of this situation would be exporting out of CAISO across Nevada (EIM member) and into PACE, using Nevada's transmission to cross between the two ISO sub-regions. In this instance, the export out of CAISO would be assessed a WAC, the delivery across Nevada would be assessed an OATT charge, and the deliver to load in PACE would be assessed a TAC.