

# 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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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](mailto: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.

During the stakeholder meeting on March 9, 2016, the CAISO characterized the designation of sub-regions as described in the straw proposal as the “general rule” but then went on to say that CAISO would make exceptions to this general rule depending on the specific circumstances of any particular new PTO. However, no detailed description of the criteria that would be used to determine when the CAISO would make

exceptions was provided. Without a clear proposal for when a new PTO would become a sub-region and when a new PTO would not become a sub-region, it is unclear what role the sub-region concept will actually play if put into practice.

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.

CDWR does not feel that it is appropriate to base the cost allocation methodology exclusively on the status of facilities as either “existing” or “new.” CDWR believes that it is far too difficult to draw a meaningful line (that can be applied in a clear and consistent way) between what is considered a new facility versus an existing facility. For example, the Gateway Transmission Projects have been in planning stages for years yet it has been characterized by some entities as not meeting the straw proposal definition of an “existing” facility. CDWR has concerns that the current proposal would create a risk of manipulation by entities that would withdraw and reintroduce a project into the expanded BAA planning process, or delay a project proposal, for the sole purpose of becoming eligible for regional cost allocation.

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.

CDWR believes that allocating existing facilities cost only to their respective sub-regions may be inappropriate. Existing CAISO transmission facilities provide benefits outside the CAISO. CDWR notes the substantial wheeling revenues collected by CAISO PTO’s for the use of existing CAISO transmission facilities to deliver energy from CAISO generation to load outside of CAISO as evidence of one example of where load outside CAISO already benefits from existing CAISO transmission. CDWR believes that it may be prudent to use regional allocation of costs with respect to those existing facilities that provide known regional benefits.

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.

See response to question 3.

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.

CDWR would like to gain a better understanding of the rationale of selecting 300 kV as a threshold for “regional” cost allocation. Because of the substantial use of 345 kV in PacifiCorp compared to the typical use of 230kV within CAISO, the selection of this threshold appears to favor PacifiCorp over CAISO PTO’s. CDWR is concerned that use of this threshold would pressure PTO’s to propose new projects and upgrade existing projects at a higher voltage than they otherwise would only for the reason of making these projects eligible for regional cost allocation.

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.

CDWR is still evaluating this aspect of the proposal and does not have a comment at this time. CDWR reserves the right to append these comments at a later date.

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.

CDWR is concerned that future PTO’s would never actually share in the costs of the then existing facilities because the circumstances of another PTO joining after PacifiCorp would be similar to the circumstances of the currently proposed expansion. In particular, because current CAISO TAC rates are higher than PacifiCorp transmission rates, PacifiCorp is seeking a special accommodation to reduce the potential rate increase impacts on its ratepayers. To CDWR’s knowledge, CAISO considers providing such an accommodation for PacifiCorp through a bilateral transition agreement between PacifiCorp and the ISO, to which the other stakeholders likely will have no input. Therefore, CDWR is concerned that “PTO 2” and all future PTOs would seek, and receive, similar accommodations thus further increasing the financial burden of the ISO regionalization on the California customers.

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.

CDWR believes that an annual re-calculation would be unnecessary and inappropriate because such frequent recalculations would create a substantial amount of cost uncertainty for CAISO customers.

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).

There are many complex issues surrounding changes to the TAC structure for regional expansion that require careful deliberation and study to assess fair allocation of costs and determination of benefits. CDWR is concerned that the aggressive schedule currently proposed for this initiative may translate to rushed policy decisions with undesirable and irreversible consequences to the detriment of California consumers. CDWR reserves the right to append these comments at a future date.

## **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 comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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.

No comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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.

No comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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 comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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 comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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 comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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.

No comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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 comments at this time. CDWR reserves the right to submit comments on this and other relevant issues at a later date.

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

The changes proposed by CAISO in the straw proposal are complex and could have far reaching implications both within and outside of California. The various analytical approaches proposed by CAISO are similarly complex and deserve careful consideration. In general, CDWR believes strongly that any analytical methodology to be used for cost allocation purposes must be transparent, well documented, and well understood by stakeholders. At this time, CDWR does not offer specific comments on the specific benefit assessment methodologies proposed by CAISO. CDWR reserves the right to append these comments at a later date.