Stakeholder Comments Template

Transmission Access Charge Options

May 20, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
Nora Sheriff Alcantar & Kahl Counsel to CLECA 415-421-4143	California Large Energy Consumers Association	June 10, 2016

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.**

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.

It makes sense at a high-level that a one-time choice could be offered to an embedded/integrated new PTO, but the surrounding, "existing" PTO should also have an opportunity to comment on that one-time choice, as that one-time choice may impact its ratepayers. Perhaps there may even need to be a formal agreement between/among the "existing" and new PTOs. This aspect of the proposal needs to be further developed, with potential complications considered and addressed, in the next version of the TAC proposal. CLECA is concerned that only one more round of comments is contemplated, and that may not suffice to reasonably consider and address likely complications and how to address them.

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.

It is not clear what "committed funding" means; does it include money spent in planning or initial permitting efforts? Does it mean approved funding from a state regulatory agency? As CLECA previously noted, it appears that the Gateway project has undergone significant planning already; those planning efforts clearly involved funding that was not only committed but also spent. Who will decide what is "committed funding" going forward? Would it be the body of state regulators being contemplated in the ongoing governance discussions at the California Energy Commission? Given the "either/or" nature of the criteria and the impact categorization has on the potential cost allocation, this needs to be spelled out in greater detail for stakeholders to be able to take an informed position.

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.

This remains one of the more contentious and complicated aspect of the TAC initiative. It remains difficult to consider as "new" projects that have been in the planning stages for a decade or more. The criteria for "existing" appear to be based on criteria for projects seeking "existing" status in connection with certain tax credit provisions – that is, the projects want to be categorized as existing; here, however, it appears more projects would prefer the "new" designation as that could increase the potential for a wider allocation of costs. These criteria should be reviewed and considered carefully with that different mind-set in mind. Our initial reaction is that any project in the planning process for many years should not be considered "new" absent a very compelling justification, since it was certainly not planned with the idea in mind of joining a different balancing authority.

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.

License-plate rates for sub-regions would appear to appease some stakeholders concerned over having to pay for costs incurred to benefit other entities. However, some of those existing facilities may be "upgraded" and some portion of the upgrade costs may be eligible for wider cost-allocation as "new" facilities if the upgrade leads to upgraded intertie capacity or reduced congestion. Alternatively, the upgrade costs may be more appropriately split between the two adjoining balancing areas. This scenario needs further discussion and development by CAISO in the next version of the TAC proposal.

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."

See above comments.

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.

CLECA might be able to support this aspect of the proposal *in theory*. However, at the stakeholder meeting, it was asked if there would be principles in the CAISO tariff to guide the state body of regulators. Such guidelines should be developed and included in the next iteration of this proposal for stakeholders to consider and comment upon. Otherwise, it is difficult to support a proposal that simply defers an issue to an unknown future process.

If some portion of a new project is for reliability and the other potion could be considered "regional", it may be that the costs should be split, with just the reliability portion allocated to the sub-region; again, this needs far more detail for stakeholders to form an intelligent position.

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.

CLECA supports this concept *in theory* – but - without knowing the composition of and structure for the body of state regulators, CLECA cannot reasonably take a position. More information on how this proposal would work should be provided, particularly how the local regulatory authorities' current roles (e.g., CPUC's CPCN process) would be impacted and how they would engage in and their processes interact with an expanded regional Transmission Planning Process.

Further, FERC will ultimately decide the cost allocation since these are FERC-jurisdictional costs. CLECA understands that, as the necessary detail for FERC approval of tariff language is lacking (and will be lacking for some time), CAISO staff is contemplating submission of a "conceptual" filing (or series of filings) for FERC approval. As the governance process will determine some of the key details impacting the TAC proposal (e.g., who is the body of state regulators), the TAC proposal may remain a high-level conceptual proposal until the regional governing body of state regulators approves the tariff language for filing at FERC. CAISO staff noted in the workshop that the MRTU process used a series of guidance rulings that helped shape what was filed as a tariff in 2006.

CLECA notes, first of all, that the MRTU process took years to unfold and develop. This TAC initiative is being unduly rushed and pushed through in a matter of months. Second, CLECA is concerned by other stakeholders' comments at the workshop on the drawbacks of that MRTU process; stakeholders indicated that the conceptual filings were too broad for entities to form intelligent, informed positions, but when the detail was developed into a tariff filing, opposition was unfairly treated as almost an impermissible collateral attack on the guidance ruling(s). It would be unfortunate for those problems to be repeated here. The next proposal should include suggested solutions to these specific concerns. In CLECA's view, the most obvious and reasonable solution is to provide more time for this initiative to be completed *after* the governance initiative is finalized.

8. <u>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.</u>

CLECA agrees that ALL projects whose costs may be allocated beyond their "sub-region" should be subject to FERC Order 1000's requirement for competitive solicitation. CLECA supports point 7 on page 8 of the Revised Straw Proposal that "New regional facilities that are eligible for regional cost allocation will be open for competitive solicitation under this proposal." When will the CAISO-PacifiCorp Transition Agreement be filed at FERC and available for public review? CLECA understands it is still being negotiated. Does the Transition Agreement still contemplate waiving the competitive solicitation requirement for the Gateway projects? If so, it would be inconsistent with this proposal and would not get the process off to a good start.

9. <u>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.</u>

It is unreasonable to ask stakeholders to consider essentially half a proposal. The lack of any provisions on backstop at this point – with only one more contemplated draft proposal, only one more contemplated meeting, and only one more set of comments prior to a board of governors' vote– is inconsistent with a viable stakeholder process. CAISO backstop provisions to approve and allocate costs of new transmission if the [as yet undefined] body of state regulators doesn't agree would, according to CAISO staff, be set out "in the next round." There is simply not sufficient opportunity for reasonable consideration of this important aspect of the TAC structure. There would be no opportunity to seek clarifications or further detail with only one round of comments on the draft final proposal, if that is the first time this aspect is aired. Clearly more opportunity for comment and consideration are called for. Given the lack of necessary detail in the current and prior drafts of this proposal, it is very difficult to expect that this aspect will be fully developed in its first iteration.

10. <u>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.</u>

This aspect of the proposal also needs more detail for CLECA to take an informed position and offer thoughtful feedback. For example, there is no explanation for why the CAISO proposes to use a weighted average based on load. Was peak demand considered? The underlying rationale and other options considered [if any] should be explained. If no other options were considered, the reasoning for that should also be explained.

11. <u>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.</u>

It is difficult to take a position without knowing how the benefits share will be calculated, and that complex issue has been deferred to the governance initiative. Regardless of where it gets decided, there must be a meaningful stakeholder process for that determination.

What happens, however, if the new PTO gets no benefit from the new project? How does the regional rate get calculated for that PTO? Would it be a license plate rate with a "special" system postage stamp rate that does not include the regional facility that provides no benefit to that PTO?

12. <u>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.</u>

CLECA agrees with this concept *in theory*, but- again - more detail around the process and the methodology for the recalculation of sub-regional benefit shares is necessary before CLECA can fully commit to supporting this aspect of the proposal.

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

Considering the multiple details that remain unknown, and aspects of the TAC proposal that still must be developed, CLECA recommends, again, delaying this initiative until after the governance is determined. CLECA understands that, currently, there is to be a draft final proposal issued on June 28, followed by one additional meeting and comments on the draft final proposal, the timing of which is not set, but will occur during summer vacation season; then the initiative is set for an August 31-September 1 vote by the current CAISO board of governors. This still seems unduly rushed. More time is warranted for these important issues.

Also, no response matrix for the previously-submitted stakeholder comments was provided. This lack of a response matrix makes it impossible for stakeholders to know if their comments were considered or why some or all of their prior comments were disregarded or why. CLECA very strongly recommends that CAISO staff take the time necessary to compile a response matrix for the next iteration – and it should include responses to prior comments as well. This is a critical component to a full and fair stakeholder process. It should not be glossed over or left out.