

Stakeholder Comments Template

Transmission Access Charge Options

August 11, 2016 Stakeholder Working Group Meeting

Submitted by	Company	Date Submitted
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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**.

GENERAL COMMENTS

CLECA strongly recommends that the CAISO focus on producing a developed, detailed, written revised proposal accompanied by a matrix of stakeholder comments and CAISO responses. There have been several rounds of comments in this initiative, yet no matrix with CAISO responses has ever been prepared. CLECA reiterates that 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; we very strongly again recommend that CAISO staff take the time necessary to compile a response matrix for the next iteration. The matrix of

stakeholder comments and CAISO responses should include prior comments and responses. This is a critical component to a full and fair stakeholder process.

It is difficult to provide cohesive, comprehensive and constructive comments to a power point presentation and working group discussion on discrete topics, particularly when there has been no response to prior stakeholder written comments. Prior to any more working group meetings, a more-developed, detailed written proposal should be prepared and it should be accompanied by a matrix of stakeholder comments and CAISO responses.

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.

It appears from Slide 7 that phase 2 of the current Transmission Planning Process (TPP) starts with a reliability assessment first (at least it is listed first), followed by a “renewable delivery assessment” (presumably the policy assessment) and then the “economic analysis” (TEAM?). CLECA recommends continuing use of this order, that is, any reliability impacts and costs for a regional project be divided among the regions FIRST, rather than attempting to parse economic costs and benefits first. We recognize that the CAISO doesn’t currently assess costs and benefits of reliability projects, but it appears such an assessment may be necessary for a regional ISO.

CLECA will review other stakeholder comments on benefit types and may respond subsequently, but our primary point is that the reliability impacts should be considered FIRST, with an allocation of reliability portion of the project first, followed by a parsing of policy and then economic impacts and related incremental costs.

Slide 9 indicates that a reliability project may be modified for policy purposes and that it would then be designated a policy project; CLECA disagrees that its designation should change. Only the incremental aspect of the project – that which was changed to enable it to meet policy needs – should be considered as policy-driven; the initial driving need – reliability – should still govern the allocation of “original” costs of the project.

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.

It is difficult to take a position on this question without more detail on how the avoided costs would be developed as avoided cost calculations can be very contentious. If there is a known project with known costs, then it would be reasonable to include it. If the avoided costs had not been previously calculated (that is – no reliability project proposal had been developed with associated estimated costs), an effort to develop a hypothetical avoided cost might be difficult.

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?

See response above re the contentiousness of hypothetical avoided cost calculations. It would be important to estimate the costs of avoided reliability projects so cost allocation can properly reflect reliability needs and benefits.

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.

Slide 16 indicates that for projects with a benefit to cost ratio of less than zero, the “default cost allocation” would allocate costs *first* based on economic benefits with “the remaining costs allocated ... to the sub-region whose reliability or policy mandate was the driver of the project.” This seems backwards. CLECA would prefer to see the allocation first pursuant to reliability needs, then policy, then economic.

Slide 18 illustrates the proposal that where benefits are greater than or equal to costs, costs would be allocated in proportion to sub-region’s benefit regardless of type of project. CLECA also questions this proposed approach. It is not clear why it would be appropriate to ignore the nature of the original driving need. In this example on slide 18, CLECA posits that it would make more sense to allocate the \$60 million in costs directly to A to begin with, and then parse the remaining costs pursuant to the economic benefits; this would more appropriately account for the reliability need and associated benefits.

Slide 18 shows:

$$\begin{aligned} \text{Sub-region A} &= \$100\text{M } (\$30\text{M} + \$60\text{M}) / (\$30 + \$40\text{M} + \$60\text{M}) = \$69\text{M} \\ \text{-Sub-region B} &= \$100\text{M } (\$40\text{M}) / (\$30 + \$40\text{M} + \$60\text{M}) = \$31\text{M} \end{aligned}$$

As the calculation is presented on slide 18, the economic benefits allocation (\$30 million for A; \$40 million for B) is done concurrently with the reliability benefits allocation (\$60 million for A); this would inappropriately discount the reliability driver. The residual costs (\$100 million - \$60 million = \$40 million) should be allocated per the economic benefits.

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?

CLECA supports the use of threshold criteria; it would be ludicrous to assert that every single project should be assessed. CLECA agrees that all facilities >200 kV planned through the expanded TPP appears to be a reasonable threshold criterion. However, this does not mean that all such projects will have region-wide benefits.

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?

Prior requests have been made for an updated, detailed written description of the TEAM methodology; CLECA suggests that this updated, detailed written description be shared and then this question should be re-asked. Without knowing clearly what goes into TEAM now, it is difficult to say what should or should not be fixed or pre-determined.

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?

Perhaps; this should depend on the amounts of costs and benefits and whether the reliability impacts fully account for the costs. For example, if in the example on slide 18 the \$60 million amount equaled the costs (instead of the costs being \$100 million), then no, the incidental benefits should not result in a cost allocation. Reliability should always be the first consideration – both in terms of what gets approved through the TPP and for cost allocation.

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

No response at this time.

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.
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.
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.

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.

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?

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.

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