

Stakeholder Comments Template

Transmission Access Charge Options

May 20, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
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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.

CMUA has no position on this issue at this time. However, CMUA observes that despite several allusions to the concepts of embedded or adjacent “new PTOs,” CMUA has little firm idea of what these terms mean. An embedded “new PTO” could mean a CMUA member that owns transmission assets and operates within the CAISO Balancing Authority Area. It could mean a transmission customer of PacifiCorp. The term “electrically integrated” can mean many things, and CMUA cannot ascertain how the CAISO plans to apply these terms with specific application to CMUA members or others. CMUA would appreciate greater detail.

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.

While CMUA appreciates the efforts to come up with metrics to define existing facilities, the extrapolation of revenue regulations dealing with qualifications for tax credits, crafted for the opposite purpose, appear inapposite. CMUA would propose that Existing Facilities should mean facilities in-service or which have begun significant environmental permitting work. CMUA recognizes that this latter concept needs further development, to include possible factors such as expenditure of a threshold amount of money, commencement of legal permitting processes, and other similar criteria.

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.

See Answer 2, above. Only projects that do not meet the proposed definition of Existing Facilities could be considered “new facilities.”

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.

It is inappropriate to consider only half of the equation, namely how the costs of existing facilities are allocated, without answering the other half, namely “new facilities.” Too many issues, such as the equities of resulting cost allocation, the treatment of additional New PTOs, design of the Wheeling Access Charge and allocation of Wheeling Revenues, are linked to the overall approach and cannot be fairly answered without knowing the treatment of costs for both Existing and New Facilities. Further, it is just flat inequitable to insulate PacifiCorp transmission customers from the transmission costs in a single, co-

optimized grid, while providing incomplete guidance to California consumers as to their transmission cost exposure for PacifiCorp's planned or Existing Facilities.

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."

The reasonableness of this approach is dependent on other interrelated issues, including the treatment of Existing Facilities described above in response to Question 4. CMUA is concerned that at broad definition of "New Facilities" will likely not likely track benefits to California consumers, and results in significant inequitable cost exposure to California consumers. However, we withhold judgment pending a comprehensive examination of all relevant aspects of the TAC methodology.

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.

While further detail on this matter is needed, this portion of the proposal seems reasonable.

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.

First, the details of any role of a body of state regulators, as developed in the CAISO's own Proposal for Regional Grid Governance, provide no such specificity with respect to the precise role of any body of state regulators. Second, it is unclear what role, if any Public Power would play in such a body. In a nutshell, CMUA does not support the proposal to "punt" the issue of how the cost of new facilities would be allocated, while locking down the treatment of Existing Facilities to the detriment of CAISO consumers.

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.

CMUA has no position on this issue at this time.

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.

Similar to the response above, it is unreasonable to be locking down portions of the overall TAC methodology while leaving other critical items to an unspecified and uncertain process. This is particularly true given that the RSC body has not been established and only exists at the conceptual level in an initial governance proposal, which itself proposes to appoint a transitional committee to flesh out further details.

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.

CMUA has no position on this issue 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.

CMUA has no position on this issue 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.

CMUA voiced concerns about annual recalculation in earlier comments. Pending consideration of any comprehensive proposal, CMUA has no further position on this issue at this time.

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

Comprehensive Review. As CMUA noted in its response to the Straw Proposal, there are several issues that must be aligned with the TAC process, including reforms to the TPP, governance, and others. While CMUA recognizes the rationale for references new governance structures for resolution of cost allocation issues similar to structures in other RTOs, the fact remains that these leaves the current proposal less complete and prior iterations. To approach this issue piecemeal will not aid changes of a consensus resolution.

Timing. The SB 350 studies, and in particular the lack of any compelling benefits in the 2020 PacifiCorp/CAISO scenario, reinforce the argument that CMUA and other parties have made from the beginning of this process; there is no rush. At this juncture, the major policy initiative make up one large endless circle of uncertainty, with each process pointing to another for future resolution of key issues. The governance proposal is in its infancy, and it proposes to delay resolution of issues by appointment of a Transitional Committee to flesh out key details, including the role and composition of a body of state regulators. Simultaneously, the TAC and Regional RA proposals point to a future body of state regulators to resolve key issues. CMUA recognizes that CAISO Staff has done a tremendous amount of work to bring policy issues forward, but at this juncture it is fair to observe that public discussions on the linchpin issue, governance, are very preliminary and lag other key policy issues (TAC (and TPP), RA, carbon), with TAC and RA both pointing to governance to resolve policy questions. It is time to take a step back and realize that the whole package is not ready for prime time this year.

Transmission Planning. First, the details of a new expanded TPP must be developed and agreed upon as part of this TAC effort. Second, the SB 350 studies point to consolidated planning as a key benefit of regionalization. Yet without more steps, that benefit may not be realized. Even today, interest groups can forum shop through several processes and

import results from one to another as they deem advantageous. Specifically, scenarios are run through TEPPC and RETI 2.0 that are in addition to the consolidated, Order 1000-approved process at the CAISO, introducing new variables that almost invariably point to the desire to build more transmission. Unless regionalization stops these ancillary efforts from expanding scenarios and policy objectives, the CAISO-led regional process will not realize the benefit of consolidated planning.

Transitional Agreements. Privately negotiated transitional agreements with new PTOs should be limited to operational issues or other commercial issues very specific and unique to that PTO. Overarching policy issues such as application of incentive rates, exemption from Order 1000 planning obligations, competitive solicitations, and policy issues of like magnitude must be addressed through a public and transparent stakeholder process.