Stakeholder Comments Template

Transmission Access Charge Options

September 30, 2016 Second Revised Straw Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the September 30, 2016 second revised straw proposal. The second 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 **October 28, 2016.**

Introductory Comments

CMUA appreciates the work that the CAISO has done to attempt to flesh out various components of the overall TAC methodology. However, the fundamental flaw with respect to the approach and the proposal is that it lacks symmetry and completeness. On the one hand, the ISO argues for a "beneficiary pays," principle, but the other proposes to exempt certain subregions from paying each others' costs of existing facilities that demonstrably benefit the co-optimized grid. On the one hand, the proposal locks down treatment of existing facilities, while at the same time leaving cost allocation of certain new facilities to an uncertain future process. Finally, despite the comments of many stakeholders and the observations of the Market Surveillance Committee, the ISO is deferring examination of the Transmission Planning Process as a whole and the allocation of CRRs, even though these processes are inextricably linked to allocation of the embedded wires charges.

CMUA urges the ISO to take stock regarding the entirety of this process, and perhaps consider simpler approaches.

Second Revised Straw Proposal

1. The ISO previously proposed 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. The ISO now proposes that an embedded or electrically integrated new PTO will become part of the relevant sub-region and will not have the choice to become a separate sub-region. This means that the new embedded/integrated PTO's transmission revenue requirements will be combined with those of the rest of its sub-region and its internal load will pay the same sub-regional TAC rate as the rest of the sub-region. Please comment on this element of the proposal.

   CMUA finds it disconcerting that the CAISO would be laying the foundation to treat different new PTOs differently based on application of a vague concept. CMUA members apparently are the target of potential application of this concept to neighboring Balancing Authority Areas. Recognizing that this will be done on a case by case basis, the practical application of this would likely be to CMUA member BAAs within California. Each of these entities have California RPS and cap-and-trade obligations, and operate under the myriad of environmental and labor laws in California that other non-California PTOs are not subject to. Each has considerable high voltage interconnections with both California and neighboring regions. In certain instances these POU BAAs have thousands of MW of transfer capability to other portions of the West, access to which may provide considerable benefits. The power portfolios of these BAAs have considerable hydroelectric resources and even pumped storage, which may aid renewable integration efforts. To the best of CMUA's knowledge they all have transmission costs much lower than the CAISO TAC. Thus, if they were to join and were deemed an "electrically integrated" PTO, they would be subsumed in the CAISO subregion and face considerable transmission cost increases. Despite the potential benefits that these entities would bring, they would face commercial terms of new PTO participation less attractive than the CAISO is offering out-of-state PTOs. Does this make sense? CMUA urges the CAISO to rethink the efficacy of this proposal.

2. An embedded PTO is defined as one that cannot import sufficient power into its service territory to meet its load without relying on the system of the existing sub-region. Whether a new PTO is considered electrically integrated will be determined by a case-by-case basis, subject to Board approval, based on criteria specified in the tariff. Please comment on these provisions of the proposal.

   By this definition, is not the CAISO BAA embedded or electrically integrated with its neighboring BAAs? I have seen any analysis that has shown that the CAISO can serve *load without reliance on other subregions. This is a poor indicia of what constitutes "integrated."*

3. The proposal defines "new facilities" as transmission projects planned and approved in an expanded TPP for the expanded ISO BAA. The integrated TPP will begin in the first full calendar year that the first new PTO is fully integrated into expanded ISO BAA. Projects that are under review as potential "inter-regional" projects prior to the new PTO joining may be considered as "new" if they meet needs identified in the integrated TPP. Please comment on these provisions.

   CMUA cannot comment on this issue in isolation to the remainder of the proposal. CMUA is concerned, however, that projects that have been on the planning stages for a considerable duration may be given new life under this definition, hence potentially shifting costs under certain scenarios.

4. The ISO previously defined "existing facilities" as transmission assets planned in each entity's own planning process for its own service area or planning region, and that are in service, or have either begun construction or have committed funding to construct. The ISO is now simplifying the proposal to define "existing facilities" as all those placed under operation control of the expanded ISO that are not "new." Please comment on the ISO's proposed new definition of "existing facilities."

   Please see answer to 3, above.

5. Consistent with the previous revised straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional "license plate" TAC rates. The ISO has proposed that each sub-region's existing facilities comprise "legacy" facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

   As stated above, CMUA is concerned with the application of subregional cost allocation for "legacy" facilities, resulting in California bearing a higher cost of facilities for access to the same co-optimized system, while being exposed to potentially significant costs for new facilities in other subregions. As such, CMUA cannot take a position on the application of license plate rates in isolation from the cost allocation for new facilities.

6. The ISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits of certain new facilities to the expanded ISO region as a whole and to each sub-region. Please comment on these uses of the TEAM.

CMUA has no comment at this time. CMUA does note that several commenters have urges a refreshed look at TEAM to determine if is requires updating or changes to serve for this particular purpose.

7. For a reliability project that is narrowly specified as the more efficient or cost-effective solution to a reliability need within a sub-region, and has not been expanded or enhanced in any way to achieve additional benefits, the ISO proposes to allocate the project cost entirely to the sub-region with the driving reliability need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision.

   While the construct of this question is narrow, IF the CAISO maintains allocation of existing facilities on a subregional basis, CMUA believes the allocation of all facilities should be on a subregional basis.

8. For a policy-driven project that is connected entirely within the same sub-region in which the policy driver originated, the ISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision

   CMUA urges the CAISO to more fully consider proposals that would allocate costs to the primary beneficiary of such policy-driven projects, namely the entities that are taking the output of renewable resources that are being delivered over the policy-driven project. We are well past the point in history where broad attribution of costs is necessary or appropriate to support interconnection of resources. Nor is it difficult to attribute costs to particular market participants since it is the commercial showing that largely drives the finding of need.

9. For a purely economic project with benefit-cost ratio (BCR) > 1, cost shares will be allocated to sub-regions in proportion to their benefits, and because BCR > 1 this completely covers the costs. A purely economic project is one that is selected on the basis of the TPP economic studies following the selection of reliability and policy projects, and is a distinct new project, not an enhancement of a previously selected reliability or policy project.

   CMUA has no comment on this issue at this time.

10. For an economic project that results from modifying a reliability or policy-driven project to obtain economic benefits greater than incremental project cost, the ISO proposes to first, allocate avoided cost of original reliability or policy-driven project to the relevant

sub-region, then allocate incremental project cost to sub-regions in proportion to their economic benefits determined by TEAM. This is called the “driver first” approach to cost allocation. The proposal also illustrated an alternative “total benefits” approach. Please comment on your preferences for either of these approaches.

While CMUA recognizes the work the CAISO has undertaken to develop these concepts, the fundamental flaw (lack of cost allocation symmetry) remains, and unfairly exposes California consumers to a disproportionate share of transmission costs across the integrated CAISO footprint.

11. The proposal outlined two scenarios for policy-driven projects involving more than one sub-region. In scenario 1, where a project built within one sub-region meets the policy needs of another sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the sub-region that was the policy-driver. Please comment on this cost allocation approach for scenario 1.

    Please see Answer to Question 10.

12. In scenario 2, where a policy project meets the policy needs of more than one sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the relevant sub-regions in proportion to their internal load for project in-service year. Please comment on this cost allocation approach for scenario 2.

    Please see Answer to Question 10.

13. Competitive solicitation to select the entity to build and own a new transmission project would apply to all new transmission projects rated 200 kV or greater, of any category, regardless of whether their costs are allocated to only one or more than one sub-region, with exceptions only for upgrades to existing facilities as stated in ISO tariff section 24.5.1. Please comment on this proposal.

    CMUA does not oppose this proposal.

14. The ISO proposes to drop the earlier proposal to recalculate benefit and cost shares for sub-regions and the proposal to allocate cost shares to a new PTO for a new facility that

was planned and approved through the integrated TPP but before that new PTO joined the expanded ISO. Please comment on the elimination of these proposal elements.

CMUA has no further comment on this issue at this time.

15. The ISO proposes to establish a single region-wide export rate ("export access charge" or EAC) for the expanded region, defined as the load-weighted average of the sub-regional TAC rates. Please comment on this proposal.

While the idea of a single region wide export rate is sound, CMUA is concerned that using a load weighted average may result in cost shifts. This is because EAC revenues for PTO's with higher subregional rates may be left with lower wheeling revenues that

16. Under the EAC proposal, non-PTO entities within a sub-region would pay the same sub-regional TAC rate paid by other loads in the same sub-region, rather than the wheeling access charge (WAC) they pay today. Please comment on this proposal.

CMUA is uncertain of this application. If the CAISO is applying subregional rates as part of this proposal in order to maintain a relative status-quo of transmission cost allocation, than it would seem equitable that non-PTO's within a subregion should likewise not have their transmission cost exposure change markedly. This intent should be clarified.

17. The ISO proposes to allocate EAC revenues to each sub-region in proportion to their transmission revenue requirements. In the August 11 working group meeting the ISO presented the idea of allocating EAC revenues to each sub-region in proportion to its quantity of exports times its sub-regional TAC rate. Please comment on these two approaches for EAC revenue allocation, and suggest other approaches you think would be better and explain why.

CMUA supports allocating total EAC revenues to each subregion in proportion to their transmission revenue requirements.

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

A. While the CAISO has done considerable work to develop proposals on how to allocate possible new facilities under various scenarios, the basic structure remains the same. California consumers know, under this proposal, that they will continue to *bear the costs of the grid in California built out to California to achieve various purposes. Simultaneously, California consumers will be exposed to new facility cost exposure in varying degrees under tests that will be applied subjectively, at least in part. This lack of symmetry is troubling and the key stumbling block to achieving consensus on this issue.*

B. Since early in this process, the CAISO has not provided a meaningful alternative to allocation of existing facilities through a license plate methodology. No production cost analysis, for example, was done to examine benefits associated with co-optimization that may support the examination of a postage stamp rate. This is troubling given that in the EIM benefits analysis, the production cost savings for PacifiCorp have been significant, especially when considering the limited transfer capability between the systems. It would be reasonable to expect that far great benefits would be recognized in a Day Two Market, and that PacifiCorp would continue to see the lion's share of the benefits. Applying a beneficiary pays principle would at least warrant an examination of these benefits to test whether or not license plate rates for existing facilities is appropriate.

C. CMUA has noted a continuing concern that allocation of policy driven projects to all of a subregion can result in violation of the beneficiary pays principle. Several Load Serving Entities are already compliant with a 50% RPS, or otherwise have extraordinarily low carbon footprint with their power portfolio. Yet, a subregional policy may drive cost allocation to these LSE's within the subregion irrespective of the fact that they are already compliant with the policies driving the project forward.

D. As the Market Surveillance Committee has pointed out, Congestion Revenue Rights are allocated following a principle that those that pay the embedded costs of the wires should receive the hedging instruments. Similarly, many commenters have urged the CAISO to accelerate and align changes to the Transmission Planning Process with the TAC initiative. CMUA echoes those positions.