

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

The Imperial Irrigation District (“IID”) thanks the California Independent System Operator Corporation (“ISO”) for the opportunity to offer these comments in response to the revised straw proposal on modification of the Transmission Access Charge (“TAC”) that would apply to a regional ISO footprint. The conceptual nature of the TAC options presented raises more questions and begs for additional detail in order for interested entities, including in-California adjacent Balancing Authority Areas that are electrically integrated with California Participating Transmission Owners (“PTOs”), to understand the proposed new paradigm for participation in an expanded Western energy market. The lack of detail as to fundamental issues such as the proposed method for allocation of costs, how transmission planning will occur in the expanded region, the construct and rules of the new governing body of regulators, and other necessary components, creates significant uncertainty. The process has yet to offer interested stakeholders the opportunity to participate in a comprehensive and transparent evaluation of the ISO’s proposals for the development of an expanded region. As such, while IID is unable to formulate final positions on several of the ISO’s questions in this comment template, IID raises the following comments for consideration. In commenting below, the fact that IID does not answer or fully answer a particular question in this template should not be construed as taking a position on any issue.

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.

IID believes that the proposal to allow new PTOs that are embedded within or are electrically integrated with an existing sub-region a one-time option prior to their respective integration date to become its own sub-region, or to join an existing sub-region, has merit and is worth further exploration. This option would appear to provide smaller, integrated entities, many of whom have participated and contributed to the development of the current ISO grid, the same incentives and options that are made available to out-of-state entities electing to join the ISO or that are made available to entities outside of the current ISO footprint.

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.
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.
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.

See response to Question 11.

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.”
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.
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.

The Revised Straw Proposal’s proposed delegation of cost allocation decisions pertaining to economic or policy-driven facilities to an unspecified “body of state regulators” is a considerable change from the prior proposal. Without details, it is not possible for IID to take a position on the proposal. Details that are important for IID to be able to evaluate the proposal include the composition of the body, whether there would be weighted voting, whether voting by the state regulator body can be overridden by other governance structures of the regional ISO, whether individual stakeholders will have access to the state regulator body to express their views. In addition, IID inquires whether the ISO intends to include a representative of publicly-owned utilities (“POUs”) (including those that are not subject to state public utility commission rate regulation) on the state regulatory body, given that several state regulatory bodies, including the California Public Utilities Commission (“CPUC”) do not have rate jurisdiction over POUs and may not be in a position to represent POU interests. Given that there are various POUs embedded and integrated with public utilities throughout the West, it is fundamental that the construct of the body of regulators includes equitable representation of POUs.

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.
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.

Complying with Order No. 1000 would require a regional ISO to implement *ex ante* cost allocation methodologies and development of regional transmission planning and cost allocation proposals in consultation with stakeholders. IID believes that this Order No. 1000 mandate intended for greater up-front certainty than to serve as a “back-stop.” Given that the next step in this process is the publication of a “final draft proposal,” the current timeline and schedule does not appear to offer the opportunity for consultation with stakeholders that was envisioned in Order No. 1000.

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.

The ISO should provide stakeholders in this process information on how the revised WAC will be applied, including associated impacts. For example, IID should be able to assess if it maintained current practices of wheeling out power from the ISO, how the WAC will be applied to IID, such that IID is able to calculate impacts from the revised WAC.

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.

IID is concerned with this proposal, insofar as it requires subsequent PTOs that did not receive the opportunity to weigh in on whether a particular new project benefits the new entrant to bear the costs of such project. This proposal is of greater concern, in that the Revised Straw Proposal’s approach of assigning a board of state regulators to determine how and to whom costs of new regional projects will be allocated and reevaluated lacks detail. It may be possible for a new entrant to assess *ex ante* the magnitude of costs that will be reallocated to it upon become a PTO. However, IID is concerned that such reallocation will become a point of negotiation upon each new entrant’s application to become a PTO, leading to inequitable results.

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.

See response to Question 11.

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

Developing TAC Options separately from and without consideration to other important and interrelated regionalization issues (such as the Transmission Planning Process and governance) does not allow for informed decision making as to the benefits or burdens of the new proposals. The issues of TAC and the Transmission Planning Process are interrelated and should be investigated in tandem. Regional transmission planning and cost allocation under a regional ISO should conform to the principles and requirements of Order No. 1000. Complying with Order No. 1000 would require a regional ISO to implement *ex ante* regional transmission planning and cost allocation methods in consultation with stakeholders.

Second, the indication during the June 1 stakeholder meeting that the ISO may pursue conceptual filings with FERC is of concern given the vague and incomplete proposals that have been provided for stakeholder review thus far. Misunderstanding of the implications of a conceptual proposal can lead to unwarranted assertions of collateral attack. Submission of conceptual filings could serve to effectively undermine the Order No. 1000 principle of consultation with stakeholders, by obtaining approval of proposals without full disclosure or development of the details to understand the proposals.