

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.

LADWP urges the ISO to define the terms “embedded within” and “electrically integrated with” and to provide some examples to ensure these terms are clearly understood.

LADWP supports the concept of allowing each PTO that subsequently joins the ISO to make a one-time choice, at their election, of whether to join an ISO sub-region in then existing ISO footprint, or to become a new sub-region. Allowing this choice is the right approach. However, to ensure that the economic costs are foreseeable prior to joining the ISO, the ISO should develop sufficiently detailed options that will allow each potential

new PTO (and each existing PTO) to evaluate the costs from a PTO's exercise of its TAC options.

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.

LADWP agrees with CMUA's comments that "existing facilities" should mean only those facilities that are in-service or that have begun environmental permitting work, and that additional work should be done to further define the criteria and factors that constitute existing facilities.

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 LADWP's comments in response to Q.2 above. Further work should be done to specifically define terms, but it seems reasonable that "new facilities" could be defined as those facilities that do not meet the definition of "existing 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.

LADWP generally supports the concept of recovery of costs for existing facilities through sub-regional "license plate" TAC rates, however, additional detail is needed to be able to evaluate costs associated with new facilities that would be planned through the expanded Transmission Planning Process (TPP), and which proposed facilities would be eligible for region-wide cost allocation in the expanded TPP.

The issues involved in considering TAC options and allocation of costs associated with existing and new facilities are closely tied to the TPP process. Instead of taking a piecemeal approach to these issues, LADWP urges the CAISO to coordinate the timing

of its TAC Options and TPP initiatives. Unless the timing of the TAC Options and TPP initiatives are synchronized and moving in parallel, stakeholders will not have a clear understanding of how the costs associated with new regional and interregional facilities that are studied in the TPP process will be allocated in the TAC sub-regional 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.”

LADWP generally supports the concept of a voltage floor (i.e., >200 kV), however LADWP is concerned that the skeletal criteria proposed for determining the facilities to which to apply a regional cost allocation are not fully defined, and may not match the criteria that will be developed in the expanded TPP process. In order to assess this aspect of the TAC methodology however, the methodology, criteria and details from the expanded TPP process need to be developed.

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.

The proposed concept that the cost of new reliability projects approved solely to meet an identified reliability need within a sub-region would be allocated entirely to that sub-region seems generally reasonable, however the details including the criteria for identifying and approving new reliability projects in the expanded TPP process need to be developed before the consequences of this proposed concept can be fully evaluated.

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.

LADWP reserves its right to comment further when the proposal role, composition and structure for the body of state regulators, is more fully developed as part of the new regional governance structure.

Although LADWP will submit separate comments on the SB 350 governance principles for the expanded regional ISO, LADWP does not support a delegation of authority to a body of state regulators if such delegation would contravene the authority of LADWP’s governing authorities.

The City of Los Angeles is a municipal corporation and charter city organized under the provisions set forth in the California Constitution. LADWP is a proprietary department of the City of Los Angeles. The City of Los Angeles's governing structure consists of a mayor, a fifteen-member City Council, and LADWP consists of a five-member Board of Water and Power Commissioners. As a vertically integrated municipal utility and balancing authority area, LADWP's governing authorities review and approve LADWP's plans, including planned expansions of its transmission system which spans more than 3,600 miles, and its distribution system which covers 465 square miles in the City of Los Angeles and most of Owens Valley.

LADWP is concerned about the proposed role of the body of state regulators, whether municipal utilities will be invited to participate, and the extent to the CAISO proposes deference to allow such a body to make binding decisions regarding which facilities to build or how to allocate costs for new economic and policy-driven facilities.

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.

At this time, LADWP has not developed a position on this issue.

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.

As described above in response to Q.4, LADWP urges the CAISO to coordinate the timing of its TAC Options and TPP initiatives instead of taking a piecemeal approach to these issues. The issues involved in considering TAC options and allocation of costs associated with existing and new facilities are closely tied to the TPP process, and additional detail in the proposed expansion of the TPP process is necessary before LADWP can develop a position on this issue.

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.

At this time, LADWP has not developed a position on this issue.

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.

LADWP opposes the concept proposed by the CAISO. When a new PTO joins the expanded BAA, cost-shares for new regional facilities that have already been approved in a TPP should be allocated as they were approved, and costs for new facilities should be allocated only prospectively through the TPP. The regional ISO should not re-allocate costs of facilities that have already been allocated through a TPP to entities that had not joined the region and did not participate in such TPP. If a subsequent PTO joins the expanded regional ISO, such PTO should not be responsible for the cost allocations of regional facilities that were approved via a TPP prior to its joining the regional ISO.

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.

At this time, LADWP has not developed a position on this issue.

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

LADWP urges the CAISO to afford sufficient time and to better coordinate the sequencing of its multiple parallel ongoing SB 350 initiatives which are inextricably linked together. In particular, the ongoing initiatives on Governance and TAC Options are intertwined with the issues in the forthcoming initiative to expand the TPP, which is not scheduled to start until 2017. The details, methodology and criteria in all of these initiatives need to be developed in a coordinated manner, so they fit together and do not create inconsistencies and unforeseen consequences that will limit participation in an expanded regional ISO.