

Stakeholder Comments Template

Transmission Access Charge Options

February 10, 2016 Straw Proposal &

Submitted by	Company	Date Submitted
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March 9 Benefits Assessment Methodology Workshop

The ISO provides this template for submission of stakeholder comments on the February 10, 2016 Straw Proposal and the March 9, 2016 stakeholder working group meeting. Section 1 of the template is for comments on the overall concepts and structure of the straw proposal. Section 2 is for comments on the benefits assessment methodologies. As stated at the March 9 meeting, the ISO would like stakeholders to offer their suggestions for how to improve upon the ISO's straw proposal, and emphasizes that ideas put forward by stakeholders at this time may be considered in the spirit of brainstorming rather than as formal statements of a position on this initiative.

The 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 **March 23, 2016**.

MID General Comments: MID thanks the ISO for the opportunity to submit comments in response to this important initiative regarding options for the Transmission Access Charge ("TAC") under an expanded ISO footprint. By submitting comments, the ISO should not infer support or non-objection to any approach offered by the ISO or any other stakeholder to date. MID reserves the right to change its position as to any of the matters below at a later date. To the extent that MID does not comment on any particular point raised in this template, MID reserves the right to take a position regarding that point.

Section 1: Straw Proposal

1. The proposed cost allocation approach relies on the designation of “sub-regions,” such that the current CAISO BAA would be one sub-region and each new PTO with a load service territory that joins the expanded BAA would be another sub-region. Please comment on the proposal to designate sub-regions in this manner.
2. The proposal defines “existing facilities” as transmission facilities that either are already in service or have been approved through separate planning processes and are under development at the time a new PTO joins the ISO, whereas “new facilities” are facilities that are approved under a new integrated transmission planning process for the expanded BAA that would commence when the first new PTO joins. Please comment on these definitions.

MID has several concerns regarding the proposal to apply a license plate methodology to defined “existing facilities”. As one illustration of MID’s concern, MID understands that the ISO’s Straw Proposal contemplates the reassessment of the benefits of “new facilities” to Participating Transmission Owners (“PTO”) that join subsequent to a PTO that may join first under new rules for the TAC, which the ISO may adopt in this process. Under the ISO’s Straw Proposal, these subsequent PTOs would potentially share in the costs of such facilities deemed as “new facilities” after the first PTO joins. In other words, facilities above a certain voltage level that are considered as part of the ISO’s Transmission Planning Process (“TPP”), what would be defined as “new facilities”, would therefore be eligible for regional cost allocation, as opposed to a license plate allocation on a sub-regional basis. PTOs that join after the first PTO under the ISO’s proposal could be asked to share in the costs of such “new facilities.” However, for the subsequent PTO, such “new facilities” are essentially “existing facilities” in the ISO footprint upon the date that they join the ISO. The first PTO, however, would not be faced with the potential for allocation of costs of facilities that precede its entry into the ISO. A PTO that joins first under the ISO’s Straw Proposal essentially would receive a one-time benefit that is not available to PTOs that follow it. Such an outcome of the TAC Straw Proposal illustrates the need for the ISO to continue to weigh and consider the implications of its proposal.

3. Using the above definitions, the straw proposal would allocate the transmission revenue requirements (TRR) of each sub-region’s existing facilities entirely to that sub-region. Please comment on this proposal.

See comment to point 2.

4. If you believe that some portion of the TRR of existing facilities should be allocated in a shared manner across sub-regions, please offer your suggestions for how this should be done. For example, explain what methods or principles you would use to determine how much of the existing facility TRRs, or which specific facilities' costs, should be shared across sub-regions, and how you would determine each sub-region's cost share.

See comment to point 2.

5. The straw proposal would limit "regional" cost allocation – i.e., to multiple sub-regions of the expanded BAA – to "new regional facilities," defined as facilities that are planned and approved under a new integrated transmission planning process for the entire expanded BAA and meet at least one of three threshold criteria: (a) rating > 300 kV, or (b) increases interchange capacity between sub-regions, or (c) increases intertie capacity between the expanded BAA and an adjacent BAA. Please comment on these criteria for considering regional allocation of the cost of a new facility. Please suggest alternative criteria or approaches that would be preferable to this approach.

In addition to the comment under point 2, MID questions the rationale for applying criteria (a), rating > 300 kV. The ISO uses 200 kV to distinguish between local and regional projects in the existing ISO footprint but now proposes to increase this threshold to 300 kV for the expanded Balancing Authority Area without fully explaining the rationale behind this change. MID asks if the ISO relies on any technical or engineering analyses or can provide any technical or engineering insight for the choice of a rating at >300 kV as opposed to another voltage level.

6. For a new regional facility that meets the above criteria, the straw proposal would then determine each sub-region's benefits from the facility and allocate cost shares to align with each sub-region's relative benefits. Without getting into specific methodologies for determining benefits (see Section 2 below), please comment on the proposal to base the cost allocation on calculated benefit shares for each new regional facility, in contrast to, for example, using a postage stamp or simple load-ratio share approach as used by some of the other ISOs.
7. The straw proposal says that when a subsequent new PTO joins the expanded BAA, it may be allocated shares of the costs of any new regional facilities that were previously approved in the integrated TPP that was established when the first new PTO joined. Please comment on this provision of the proposal.

MID asks for clarification on whether under this proposal, regional cost allocation would also be applied to new projects on the subsequent new PTO's system that meet the regional facilities criteria and that were previously approved through the subsequent new PTO's transmission planning process over the same period (i.e., the period from when the first PTO joined to when the subsequent new PTO joins). MID takes no position on this aspect of the ISO's Straw Proposal at this time, but is unclear as to the ISO's intention, if any, under this part of the Straw Proposal. Also, see comment to point 2.

8. The straw proposal says that sub-regional benefit shares – and hence cost shares – for the new regional facilities would be re-calculated annually to reflect changes in benefits that could result from changes to the transmission network topology or the membership of the expanded BAA. Please comment on this provision of the proposal.

See comment to point 2.

9. Please offer any other comments or suggestions on the design and the specific provisions of the straw proposal (other than the benefits assessment methodologies).

The lack of availability and transparency of the proposed transition agreement between the ISO and PacifiCorp is concerning. Key provisions, including the treatment of Gateway segments, may shape the outlook on the overall reasonableness of the TAC as applied over an expanded footprint. MID understands that the transition agreement will not be available for stakeholder review until approximately the time the ISO Board is considering the TAC proposal for an expanded Balancing Authority Area. MID also understands that the transition agreement will not be subject to stakeholder input, and if the transition agreement is problematic, the only recourse is through the Federal Energy Regulatory Commission. MID asks the ISO to improve the transparency of the process to develop the transition agreement with PacifiCorp.

Section 2: Benefits Assessment Methodologies

10. The straw proposal would apply different benefits assessment methods to the three main categories of transmission projects: reliability, economic, and public policy. Please comment on this provision of the proposal.

11. The straw proposal would use the benefits calculation to allocate 100 percent of the cost of each new regional facility, rather than allocating a share of the cost using a simpler

postage stamp or load-ratio share basis as some of the other ISOs do. Please comment on this provision of the proposal.

12. Please comment on the DFAX method for determining benefit shares. In particular, indicate whether you think it is appropriate for reliability projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

13. Please comment on the use of an economic production cost approach such as TEAM for determining benefit shares. In particular, indicate whether you think it is appropriate for economic projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

14. At the March 9 meeting some parties noted that the ISO's TEAM approach allows for the inclusion of "other" benefits that might not be revealed through a production cost study. Please comment on whether some other benefits should be incorporated into the TEAM for purposes of this TAC Options initiative, and if so, please indicate the specific benefits that should be incorporated and how these benefits might be measured.

15. Regarding public policy projects, the straw proposal stated that the ISO does not support an approach that would allocate 100 percent of a project's costs to the state whose policy was the initial driver of the need for the project. Please indicate whether you agree with this statement. If you do agree, please comment on how costs of public policy projects should be allocated; for example, comment on which benefits should be included in the assessment and how these benefits might be measured.

16. At the March 9 and previous meetings some parties suggested that a single methodology such as TEAM, possibly enhanced by incorporating other benefits, should be applied for

assessing benefits of all types of new regional facilities. Please indicate whether you support such an approach.

17. Please offer comments on the BAMx proposal for cost allocation for public policy projects, which was presented at the March 9 meeting. For reference the presentation is posted at the link on page 1 of this template.

18. Please offer any other comments or suggestions regarding methodologies for assessing the sub-regional benefits of a transmission facility.