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.

   The notion of "embedded" and "electrically interconnected" is not clear. CAISO should provide some examples of entities that would be classified as "embedded" and "integrated", the criteria that differentiate an entity as "embedded" or "integrated" and criteria that would exclude an entity from being classified as either an "embedded" or an "integrated" entity.

   The reason for the clarification is to both understand what CAISO is proposing here, but also to put into context another straw proposal statement (page 6) where CAISO, in response to stakeholder comments advocating blending costs of some existing facilities for cost recovery on a region wide basis, states *"The ISO considered alternative ways to*

carve out a subset of existing facilities for this purpose and ultimately concluded that the complexities and risks of such an approach would be counterproductive”.
CAISO needs to explain why one situation (blending costs of some existing facilities on a region wide basis) gives rise to complexity and risks while the other, (a multitude of embedded and integrated rates) does not.

2. <u>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.</u>

   NCPA recommends adding a criterion for classifying “existing facilities” as including a project that is in any phase of permitting, where permitting is broadly defined (e.g. as the term permitting is used or described in letters to shareholders, integrated resource plans, news releases and financial reports (10-K)).

3. <u>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.</u>

   NCPA has no comments on this issue at this time.

4. <u>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.</u>

   NCPA supports the comments submitted by BAMx in response to this question.

5. <u>“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.”</u>

   NCPA supports the comments submitted by BAMx in response to this question.

6. <u>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.</u>

   See response to question 7 below.

7. <u>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.</u>

   It is premature to try and answer this question in advance of both the Governance process and the Transmission Planning Process being finalized. A comprehensive project plan is needed, where major tasks and associated dependencies are identified. As examples, Governance should be completed first, followed by policies that adopt and finalize GHG and RPS regulations, followed last by market design issues such as TAC cost allocations. While NCPA understands the need to engage in a certain level of parallel processing, the parallel efforts have now reached a point where decision making has become circularly dependent on outcomes in parallel proceedings where questions in one proceeding cannot be answered until a required answer is known in another proceeding. It is time to develop a critical path plan with dependencies for all facets of the remaining stakeholder processes established to satisfy SB350 requirements.

8. <u>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.</u>

   See response to question 7.

9. <u>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.</u>

   See response to question 7.

10. <u>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.</u>

The current WAC rate is assessed to Demand and Exports. It's not clear whether the CAISO proposal intends to combine Demand and Exports into a single WAC export rate applied to both Demand and Exports, or if the CAISO intends to develop a single WAC export rate that is applied to Exports and a separate WAC rate that is applied to internal Demand at current internal CAISO take out points. If the second is the case, how would CAISO calculate the separate WAC rate to be applied to internal Demand? CAISO needs to clarify how WAC rates will be calculated for Exports and internal Demand (at CAISO established take out points) before NCPA can comment on this element of the revised straw proposal.

11. <u>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.</u>

    NCPA has no comments on this issue at this time.

12. <u>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.</u>

    NCPA could consider supporting this as part of comprehensive proposal that addresses both new and existing facilities, and reiterate our response to question 7.

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

    The stakeholder processes established to comply with SB350 obligations are moving too fast and NCPA sees no path where informed legislative action could be undertaken to accept or approve, this year, the CAISO transformational requirements described in Article 5.5, Section 359.5 of SB 350. As one example, while benefits have ostensibly been quantified through the recently released benefits study in the range of 2% to 3% of retail rates, associated risks have not been as thoroughly assessed or quantified, and absent such a symmetrical analysis, continuing to move forward on CAISO's current "regionalization" schedule exposes consumers to potentially large risks for a relatively small overall level of benefits.

    NCPA is further concerned that the benefits identified are based on assumed outcomes that have not been finalized, including outcomes associated with governance, environmental regulations associated with the treatment of GHG and RPS procurement issues, and finally, tariff design issues implicated by approved governance and environmental regulations.

The benefit studies indicate very small benefits in 2020; therefore, it seems reasonable to assume that a short delay (or extension) in the current aggressive stakeholder schedule, which would enable a more thorough and robust review and consideration of these issues, would not preclude the benefits projected in 2030 from being realized. Per the CAISO's own analysis, EIM growth will bring continuing benefits, with EIM benefits possibly exceeding regionalization benefits in early years.

As NCPA articulates in its response to question 7 above, a comprehensive plan, with a realistic timeline is now needed. Major tasks and their associated critical path dependencies must be identified in order to escape the circular analysis and decision making trap that the current process has reached. As part of this critical path analysis, NCPA recommends that EIM growth be better accounted for in the overall project schedule, including an assessment of:

- Benefits from EIM growth within California (e.g. LADWP and others)
- CAISO's ability to manage both EIM entry and Regionalization issues
- Logical and prioritized expansion paths from EIM to full regionalized participation