# 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.

   NIPPC does not have a position on this proposal at this time.

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.

NIPPC believes that the definition of existing facilities needs to be more precise. NIPPC suggests that existing facilities should be defined as facilities that are fully in-service at the time a PTO joins the expanded regional market. NIPPC also suggests the creation of an additional category of transitional transmission projects to be defined as; (i) projects that have started the approval process under the PTO's own transmission planning process, but have not received all the necessary approvals to begin construction, and (ii) projects that have been planned and approved in the PTO's own transmission planning process.

NIPPC offers the following comments on how each of these categories should (or should not) fall under the definition of existing facilities:

**Transmission facilities fully in service at the time the PTO joins:** NIPPC agrees that transmission facilities fully in-service at the time PTO joins should be considered existing facilities and should not be eligible for cost allocation between sub-regions.

**Projects that have begun an approval process under the PTO's own transmission planning process, but have not received all the necessary approvals to begin construction:** NIPPC believes that projects that have begun an approval process under the PTO's own transmission planning process, but have not yet received all the necessary permits and approvals should be "transitional projects" eligible for submittal to the proposed body of state regulators for approval and cost allocation. These projects would be subject to a competitive solicitation pursuant to FERC Order 1000 requirements.

**Projects that have been planned and approved in the PTO's own transmission planning process:** Projects that have been planned and approved in the PTO's own transmission process should also be considered "transitional facilities." The owner of a transitional facility project should, at the time it (or its host Balancing Authority Area) begins the process of determining whether or not it wants to join the regional ISO, elect whether to treat the project as an "existing facility" or submit the project to the body of state regulators for approval and an allocation of benefits across all or a portion of the sub-regions in the combined footprint. The body of state regulators would determine if the costs of project were appropriate for allocation and, if so, allocate costs among sub-regions and determine whether the transitional project should be subject to any additional competitive solicitation process

Treating transitional projects as a separate category and recognizing that the appropriate cost allocation for these projects will require consideration by the body of state regulators avoids the need to define criteria for what has "begun construction" and/or has "committed funding" – criteria that likely would be difficult to enforce without conflict. NIPPC does not support the CAISO proposal to use guidance from the U.S. Internal Revenue Service developed for the purpose of determining eligibility for renewable energy tax credits. That guidance was intended to create a "safe harbor" for renewable energy developers to obtain tax benefits that were substantially under development but not completed. In the past, renewable tax credits were only available to projects that had begun commercial operation before the sunset of the tax provisions.

A renewable energy developer likely wants to be able to demonstrate that it qualifies for the safe harbor to obtain tax credits. The developer of a transmission line, however, that is in development may NOT want to "qualify" as an existing facility under "begun construction" or "committed funding" criteria in order to allow its transmission project to qualify for allocation between sub-regions. The likely effect will be for some third party to attempt to argue that a project is under construction or funds have been committed in order to preclude a transmission project from being considered for cost allocation. But that third party will not have access to the transmission developer's documentation.

In short, transitional projects will likely not fit into any pre-established definition of "new" or "existing" and will require separate consideration on cost allocation issues as part of the overall determination of the costs and benefits of joining the expanded footprint. NIPPC believes the body of state regulators is the appropriate forum to resolve the treatment of transmission facilities that have undertaken some pre-construction planning, permitting and approval processes, but have not been placed into service.

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>

   NIPPC supports the definition of "new facilities". NIPPC also looks forward to more detail regarding the expanded transmission planning process. As noted above, however, NIPPC believes that there should be a process under which transmission facilities that are in development could be considered for allocation between sub-regions, as described in the response to Question 2 above.

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>

NIPPC continues to support sub-regional license plate Transmission Access Charges for existing facilities. NIPPC does not, however, support the proposal to limit region-wide cost allocation to "new facilities". NIPPC believes that there should be a mechanism to allow transmission projects under development to obtain region-wide cost allocation. NIPPC recognizes it may be appropriate for the cost allocation methodology applied to transitional projects to differ from the cost allocation methodology applied to "new facilities".

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>

NIPPC supports the two-step process to determine eligibility for regional cost allocation of "new facilities." NIPPC also supports the establishment of a similar two step process and similar criteria for transitional projects that are under development at the time a potential PTO joins the ISO footprint.

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>

NIPPC supports this proposal.

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>

NIPPC supports the overall concept of a body of state regulators to address matters of approval and cost allocation for certain categories of transmission facilities. NIPPC, however, seeks additional information about the governance of the expanded ISO, additional information about the new Transmission Planning Process for the expanded footprint and how that new Transmission Planning Process will work within the existing Western Planning Regions (Order 1000 interregional transmission planning) process on cost allocation of inter-regional transmission projects. NIPPC also seeks more detail on the make up and voting mechanisms of the body of state regulators. As noted above, NIPPC believes the body of state regulators should also make decisions to build and determine allocation of the costs of transitional facilities that were under development at the time a PTO joined.

NIPPC also believes that the governance structure should include guidelines and principals for the body of state regulators to apply in making decisions to build and allocating the costs of new (and transitional) facilities.

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>

NIPPC supports competitive solicitation for all new and transitional transmission projects. As noted in the response to question 2, NIPPC recognizes that some transitional projects (those approved by a PTO's own transmission planning process prior to that PTO joining the expanded ISO) may require separate consideration of whether a competitive solicitation is appropriate.

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>

NIPPC agrees that there should be Order 1000 compliant back-stop provisions for approving and determining cost allocation for needed transmission projects, but has no specific suggestions.

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>

NIPPC supports a single export rate for the expanded region.

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>

NIPPC seeks more clarification of the proposal. If a transmission project benefits a neighboring potential PTO, the sub-regions within the expanded should not carry more than their fair share of the costs of those facilities until the neighboring potential PTO chooses to join. In fact, potential PTOs will be discouraged from joining the expanded footprint if in doing so they face taking on an expanded share of the costs of new facilities. The CAISO should explain why the existing Western Planning Regions inter-regional planning process is ineffective in allocating costs of an inter-regional transmission project to a transmission operator that benefits from the project. To the extent that the costs of an inter-regional transmission project were allocated to a transmission operator through the Western Planning Regions process, a potential PTO should not be expected to take on an additional cost allocation as a result of joining the ISO.

NIPPC would not object to the ISO proposal to allocate a cost share of previously approved new facilities to a new PTO, but would appreciate additional details on the process that would be used to determine whether and when such an allocation is appropriate. In general, NIPPC presumes that when new PTOs join the expanded BAA, the cost share of new facilities that would be allocated to the new PTO will be determined by the body of state regulators with the participation of all affected market participants, including the regulators and stakeholders in the region that is seeking to join the expanded ISO.

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>

NIPPC does not oppose this proposal at this time.

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

NIPPC has no further comments at this time.