



Comments on Transmission Access Charge Options Issue Paper

The Northwest Intermountain Power Producers Coalition (NIPPC), a coalition of independent power producers and power marketers, offers the following comments to the Transmission Access Charge (TAC) Options Issue Paper issued by the California Independent System Operator (CAISO) on October 23, 2015.

In its Issue Paper, the CAISO reviews alternative methods of collecting the Transmission Revenue Requirement of potentially new Participating Transmission Owners (PTOs). In doing so, the CAISO reviews both its own policy on the TAC and that of other ISO/RTOs that have expanded their footprint in manners similar to that being considered by Western parties.

Guiding Principles

While presented as a step in the integration of PacifiCorp, NIPPC views this discussion of TAC as creating policy that would apply to any footprint expansion. As such, NIPPC believes that any changes to the CAISO's existing tariffs, policies and procedures related to TACs should be guided by the following principles:

1. New rules should respect the interests of participating States and their right to allocate the cost of existing transmission facilities to retail load;
2. New rules should be simple to understand and apply;
3. New rules should seamlessly facilitate deliveries of new and existing generation resources to loads throughout the new footprint;
4. Export fees (or other transactional barriers) within the expanded footprint should be entirely avoided;
5. Costs of future transmission expansions should be allocated to PTOs based on FERC's Order 1000 principles.

CAISO's Existing Methodology Inhibits Expansion

In the Issue Paper released October 23, 2015, the CAISO showed the rate impacts of applying the ISO's existing Transmission Access Charge methodology to PacifiCorp. From this analysis, it seems clear that applying a bright line voltage test for facilities included in the TAC will cause significant reallocation of the costs of existing facilities, as well as rate shock for PacifiCorp customers, which is an outcome that is likely to thwart efforts to form a Westwide market. As noted above, if one of the underlying assumptions is that the costs of the existing systems to be integrated are correctly allocated, major changes from ratepayers' current costs are inappropriate.

PTOs Should Continue to Collect the Revenue Requirement for Their Existing Facilities

The best solution would be to allow PTOs to have separate TACs that would allow each PTO to continue to collect the revenue requirement for its existing facilities from retail customers within its footprint. There should be no transfer fees for deliveries between PTOs in the expanded geographic footprint.

Future Transmission Expansion

For future transmission facilities, the various PTOs should allocate the costs of new transmission facilities among themselves according to the benefits they receive from the expansion. FERC's Order 1000 guidelines should be applied.

Future Considerations

The current TAC has worked well for California. With minor changes to the TAC, it is possible that additional PTOs will join and expand the footprint of the CAISO. Over time the transmission flows across the expanded footprint will change as new loads join, new transmission facilities are constructed, new generation resources are added and existing generation resources are retired. At some point it will become appropriate to consider whether the TACs that are being collected accurately allocate the costs of the system to those who benefit. The CAISO should consider making a commitment to review on a regular schedule whether the allocation of costs is correct and develop a mechanism to reallocate costs over time if needed.

Additional Topics For Resolution

NIPPC also encourages the ISO to explore additional topics within the context of changes to the TAC. These include the new PTOs' treatment of existing transmission rights; allocation of congestion revenue rights and allocation of deliverability attributes within the expanded system. While NIPPC recognizes that each PTO that joins the ISO should have some flexibility in transitioning its existing customers to the new paradigm, the CAISO should develop default pro forma protocols for PTOs joining the ISO to modify as necessary.

Northwest & Intermountain Power Producers Coalition
P.O. Box 504
Mercer Island, WA 98040
206-236-7200
www.nippc.org

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