

Bay Area Municipal Transmission Group (BAMx) Benefits Assessment Methodology Proposal for Public Policy Projects

California ISO
Folsom, CA

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Outline

- ❑ Conceptual framework of the BAMx proposed Benefits Assessment Methodology for Public Policy transmission
- ❑ Public Policy transmission cost allocation to beneficiaries
- ❑ Benefits of the BAMx methodology

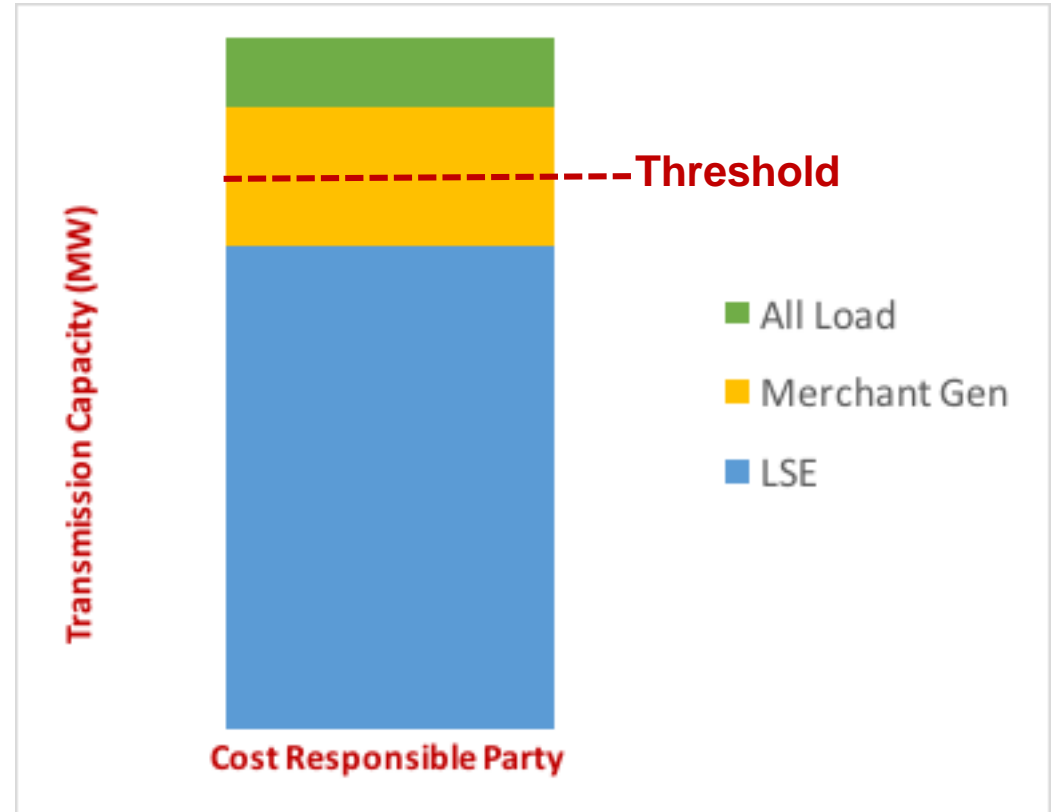
BAMx Benefits Assessment Methodology for Public Policy-Driven Transmission

Key Features

- ❑ The entities using the public policy project should pay for that transmission project.
- ❑ Load Serving Entities (LSE) contracting with resources relying on the transmission project allocated their generation resource-ratio share of cost
- ❑ Merchant Generation allocated their generation resource-ratio share of the transmission costs for any un-contracted generation capacity
- ❑ Any residual costs allocated to load until more generation capacity is built (contracted or merchant)
 - Using benefit assessment methodology for reliability or economic projects
- ❑ LSEs and Merchant Generators allocated Congestion Revenue Rights (CRR) between the transmission interconnection points in proportion to their share of cost
 - Any residual transmission capacity available for CRR allocation and auction process
- ❑ Project only approved after meeting a threshold level of commitments as reflected by approved Power Purchase Agreements (PPAs) and merchant generators' financial commitments

Transmission Cost Allocation to Beneficiaries

- Share of transmission paid by entities in each category
 - **LSEs** for their contracted generation resource ratio share;
 - **Merchant Generation** for their un-contracted capacity resource ratio share; and
 - **Load** for any residual transmission capacity until more generation capacity is built (contracted or merchant)



Benefits of the BAMx Methodology

Transmission Cost Allocation Principle	BAMx Methodology
Costs must be allocated in a way that is roughly commensurate with benefits	LSEs and Generators benefiting from resources using transmission pay for it
Costs may not be allocated involuntarily to those who do not benefit	Same as above
Costs may not be allocated involuntarily to a region outside of the facility's location	LSEs voluntarily procuring resources using transmission pay for it regardless of their location; residual cost allocated using reliability/economic benefit assessment
The process for determining benefits and beneficiaries must be transparent	Commitments to procure and build resources relying on transmission are readily determined

□ Additional Benefits

- Consistent with the CAISO's Flexible Resource Adequacy paradigm
 - Information used for Flexible RA allocations can be used for Public Policy transmission cost allocation
- Sends appropriate price signals to remote vs. local resources
- Avoids complexity in determining policy goals for each state within a multi-state expanded ISO BAA