

**Southern California Edison**  
**Stakeholder Comments**

**Transmission Access Charge Options for Integrating New  
Participating Transmission Owners issued on October 23**

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) herein comments on California Independent System Operator Corporation’s (CAISO) Transmission Access Charge Options for Integrating New Participating Transmission Owners (Issue Paper) issued on October 23, 2015.<sup>1</sup> SCE believes it is appropriate for the CAISO to consider whether revisions to the Transmission Access Charge (TAC)<sup>2</sup> are appropriate should a new transmission owner outside the existing balancing authority area join the CAISO. SCE is supportive of developing a principled approach that can be applied to PacifiCorp’s interest in joining the CAISO, but also to other companies that may wish to join. There are many complex issues that need to be discussed in a future stakeholder process regarding transmission cost recovery to ensure that transmission costs are recovered in an equitable manner. Some of the complex issue include existing vs future costs, voltage service differences, geographic scope, purpose of transmission, benefits, etc. The Issue Paper presents a scope of issues to be reviewed and SCE does not have specific recommendations at this time regarding cost allocation. At this time, SCE provides its initial, high-level thoughts on these complex issues in order to move the discussion forward, but is not taking any definitive positions on the issues, as the issues need to be fully discussed in a continued stakeholder process.

Below are responses to the Issue Paper and the eight questions in the response matrix provide by the CAISO.

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<sup>1</sup> <http://www.aiso.com/Documents/IssuePaper-TransmissionAccessChargeOptions.pdf>

<sup>2</sup> SCE is using the term TAC as a general term to mean recovery of all transmission costs (High Voltage and Low Voltage) from the retail customers of Participating Transmission Owners. SCE is not focusing on Wheeling Charges in these comments, although they too are technically a component of the CAISO’s TAC.

1. One theme emphasized in the issue paper and in FERC orders is the importance of aligning transmission cost allocation with the distribution of benefits. Please offer your suggestions for how best to achieve good cost-benefit alignment and explain the reasoning for your suggestions.

The current voltage-based CAISO TAC<sup>3</sup> has been approved by the FERC as just and reasonable and meets the six cost allocation principles<sup>4</sup> outlined by the FERC in Order No. 1000.<sup>5</sup> At least four of these cost allocation principles relate to benefits (1, 2, 3, and 5). SCE is of the opinion that a voltage-based TAC applied to a larger balancing authority area may still provide good cost-benefit alignment and meet all six FERC Order 1000 cost allocation principles. SCE is in agreement with the CAISO's statement in footnote 1 of the Issue Paper that at this point, there is no reason to think that the current TAC structure would be unjust, unreasonable, or unduly discriminatory if applied to new PTOs. Accordingly, a voltage-based TAC, including variations such as discussed in the Issue Paper with a 300+ kV market-wide rate, should be seriously considered in this stakeholder process. However, it is possible that voltage break-point for a new market-wide rate should be at a higher voltage. It is also possible that voltage break points may be different for sub-regions due to design differences in the Western States. The extent to which the current TAC structure, or a modified voltage-based TAC, would meet the cost allocation principles should be considered in the stakeholder process. If the stakeholder process identifies potential issues with a voltage-based TAC then modifications should be considered, such as different allocations for types of new projects approved under a unified transmission planning regime.

2. Please comment on the factors the ISO has identified in section 5 of the issue paper as considerations for possible changes to the high-voltage TAC structure. Which factors do

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<sup>3</sup> The current TAC provides for single grid-wide rate for all High Voltage ( $\geq 200$  kV) facilities, and a utility-specific recovery of all Low Voltage ( $< 200$  kV) costs.

<sup>4</sup> The cost allocation principles are: 1) Costs must be allocated in a way that is roughly commensurate with benefits; 2) Costs may not be allocated involuntarily to those who do not benefit; 3) A benefit to cost threshold may not exceed 1.25; 4) Costs may not be allocated involuntarily to a region outside of the facility's location; 5) The process for determining benefits and beneficiaries must be transparent; and 6) A planning region may choose to use different allocation methods for different types of projects. Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 622-693.

<sup>5</sup> Issue Paper page 5, footnote 5. *See also* Cal. Indep. System Operator, 143 FERC ¶ 61,057, PP 297-305 (2013) (finding that the CAISO's current regional access charge largely complies with the Commission's costs allocation principles).

you consider most important and why? Identify any other factors you think should be considered and explain why.

SCE believes that the eight factors in Section 5 of the issue paper are a useful list of things to consider in allocating costs. These factors are:

1. Is it a new or existing facility? (type)
2. What are the facility's electrical characteristics? (voltage)
3. What is the geographic scope of the project; e.g., system, regional, local? (scope)
4. What is the purpose of the project; e.g., reliability, economic, policy? (purpose)
5. Which zones or sub-regions benefit from the project? (benefit criteria)
6. When was the facility approved? (transition)
7. Under what planning process was the facility approved? (procedure)
8. What happens upon the new PTO's withdrawal? (exit)

Any factors that are considered as elements of a TAC structure alternative should be evaluated in terms of whether they help achieve FERC Order 1000's principles.<sup>6</sup> Additionally, a TAC structure may need to consider cost impacts on different PTOs relative to the status quo, and assess whether any transition mechanisms are required on the way to full implementation.

With respect to the fifth factor, benefit criteria, the Issue Paper does not provide clarification what type benefits are included. Benefits come in many forms, including added reliability, lower generation costs, and access for generators to a larger market. Often the focus of transmission benefits is on the impact to price levels and consumer benefit. Transmission also makes possible certain transactions and this increased commerce is a benefit for producers and consumers of electricity. The term "benefits criteria" should not be defined narrowly.

In terms of which factors are more important, at this point, SCE does not consider any specific factor more important than another. They all are important and should be analyzed and considered to determine whether they should be incorporated into any new TAC design.

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<sup>6</sup> See footnote 4 for a list of the six principles.

3. The examples in section 7 illustrate the idea of using a simple voltage-level criterion for deciding which facilities would be paid for by which sub-regions of the combined BAA. Please comment on the merits of the voltage-based approach and explain the reasoning for your comments.

A simple voltage criterion may be useful in allocating existing costs to either a local utility (SCE, PG&E, SDG&E, Pacific Power, Rocky Mountain Power) or sub-regional area (CAISO, PacifiCorp, or other potential PTO), as SCE discussed in part 1 above. In addition to the likelihood that a simple voltage-level TAC structure would continue to meet the Order 1000 cost allocation principles, it is also beneficial due to its simplicity. It avoids assessing split of benefits to participants of individual transmission projects under some specific methodology, which could be a very time-consuming task. At a minimum, the stakeholder process should consider whether multiple voltage level break-points above 200 kV, as suggested by the CAISO, should be included in the TAC structure.

4. Please comment on the merits of using the type [purpose<sup>7</sup>] of transmission facility – reliability, economic, or public policy – as a criterion for cost allocation, and explain the reasoning for your comments.

The purpose – reliability, economic, or public policy – is one of the eight factors the CAISO lists that could be used to allocate the costs of transmission. In the event that a pure voltage-level TAC structure is determined to not meet all TAC structure objectives, the purpose (reliability, economic, public policy) of new facility is a factor that could be considered under some circumstances. For example, the facility purpose could be considered for new facilities that are planned under the unified CAISO planning process.

5. Please comment on the merits of using the in-service date as a criterion for cost allocation; e.g., whether and how cost allocation should differ for transmission facilities

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<sup>7</sup> On page 8, the Issue Paper describes “reliability, economic, or public policy” as a “purpose”, so SCE will use that term instead of “type” which is described in the paper as “new or existing facility”.

that are in service at the time a new PTO joins versus transmission facilities that are energized after a new PTO joins.

SCE considers the planning regime under which a project was implemented as more relevant than the in service date of a project. For example, costs may be allocated one way for projects implemented before the PTO uses a CAISO unified planning process and another way for projects determined to be needed under a unified CAISO planning process.

6. Please comment on using the planning process as a criterion for cost allocation; i.e., whether and how cost allocation should differ for transmission facilities that are approved under a comprehensive planning process that includes the existing ISO PTOs as well as a new PTO, versus transmission facilities that were approved under separate planning processes.

As SCE notes in #5 above, the planning process should be a factor considered in cost allocation.

7. The examples in section 7 illustrate the idea of using two “sub-regional” TAC rates that apply, respectively, to the existing ISO BAA and to a new PTO’s service territory. Please comment on the merits of this approach and explain the reasoning for your comments.

This is one possible cost allocation method that could work, subject to preconditions (such as a unified planning process mentioned in #6 above) and any other transition needed for cost sharing of existing transmission costs. The proposal in section 7 warrants further review in a continued stakeholder process along with other variations.

8. Please offer any other comments or suggestions on this initiative.

**a. The Issue Paper needs to include projects that are currently in the planning process**

The Issue Paper cost examples exclude the costs of PacifiCorp’s Gateway projects D, E, and F.<sup>8</sup> The estimated costs should be included in the Issue Paper as existing CAISO customers would pay 77% of the revenue requirement of these

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<sup>8</sup> Issue Paper, pp 10-11 re D and F, and the CAISO statement during the October 30 stakeholder call regarding Segment E that those costs were also not included.

transmission projects should they be included in a postage stamp TAC.<sup>9</sup> SCE recommends that the CAISO update the Issue Paper to include a scenario that includes these costs. In addition, SCE would like clarification on the cost of each segment, the voltage level, and current status (i.e., permitting, in construction, on hold, in service) with targeted implementation date.

**b. The model underlying the graphs should be made available**

For parties to better understand the impact of various TAC options, the CAISO should make the model underlying the graphs available, including cost and load projection data. All cost information for existing CAISO PTOs should be aggregated into one CAISO-wide set of information.

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<sup>9</sup> On Page 11 of the Issue Paper, “\$1 per MWh in the TAC rate translates to approximately \$235 million per year for existing CAISO customers and \$70 million per year for PAC customers” Therefore existing CAISO customers will pay for 77% of the cost ( $\$235/(\$235+\$70)$ ).