

Stakeholder Comments Template

Transmission Access Charge Options

February 10, 2016 Straw Proposal & March 9 Benefits Assessment Methodology Workshop

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the February 10, 2016 Straw Proposal and the March 9, 2016 stakeholder working group meeting. Section 1 of the template is for comments on the overall concepts and structure of the straw proposal. Section 2 is for comments on the benefits assessment methodologies. As stated at the March 9 meeting, the ISO would like stakeholders to offer their suggestions for how to improve upon the ISO's straw proposal, and emphasizes that ideas put forward by stakeholders at this time may be considered in the spirit of brainstorming rather than as formal statements of a position on this initiative.

The 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 **March 23, 2016**.

Section 1: Straw Proposal

1. The proposed cost allocation approach relies on the designation of “sub-regions,” such that the current CAISO BAA would be one sub-region and each new PTO with a load service territory that joins the expanded BAA would be another sub-region. Please comment on the proposal to designate sub-regions in this manner.

Seattle City Light supports cost allocation based on cost causation and a combination of regional and sub-regional charges can be consistent with cost causation. CAISO's proposal to create regional and sub-regional charges requires much more specificity as to how CAISO will consider the functions and beneficiaries of transmission facilities to

ensure that the designations are fully consistent with cost causation principles. Designating new PTOs as sub-regions does not apply any functional or economic test to the respective facilities, and thus does not provide sufficient information as to fair cost allocation.

CAISO does not provide any certainty that this proposal will be a durable one. In the absence of a governance proposal, CAISO's Board could change the designation in the future. CAISO should also provide specificity about how CAISO decisions that do not require Board approval shall be made in a manner consistent with cost causation.

2. The proposal defines "existing facilities" as transmission facilities that either are already in service or have been approved through separate planning processes and are under development at the time a new PTO joins the ISO, whereas "new facilities" are facilities that are approved under a new integrated transmission planning process for the expanded BAA that would commence when the first new PTO joins. Please comment on these definitions.

City Light requests additional explanation of the proposal. CAISO proposes to create different cost allocation treatment for different facilities without regard for who benefits from those facilities.

CAISO should also describe how it will modify its transmission planning processes to allow for new PTOs. For example, how will the PTOs' interests be represented in the transmission planning process? Will the PTOs have equitable standing in the decision-making body responsible for transmission planning? These processes will make important decisions about transmission facilities with consequences to cost and cost allocation.

City Light suggests CAISO develop a definition of facilities that is not dependent on facility ownership or planning region boundaries as of a certain date. Instead, CAISO should adopt cost allocation based on functions and cost causation. This could result in sub-regions within CAISO's 2016 footprint. This could also result in sub-regions that differ from current PTO footprints. Making the function and benefits of facilities the basis for subsequent cost allocation will be a more durable principle than using corporate boundaries as of arbitrary dates. Changes to cost allocation should be subject to approval by the affected PTOs.

3. Using the above definitions, the straw proposal would allocate the transmission revenue requirements (TRR) of each sub-region's existing facilities entirely to that sub-region. Please comment on this proposal.

Will this proposal be durable? Could this proposal result in multiple rates within the existing CAISO footprint?

4. If you believe that some portion of the TRR of existing facilities should be allocated in a shared manner across sub-regions, please offer your suggestions for how this should be done. For example, explain what methods or principles you would use to determine how much of the existing facility TRRs, or which specific facilities' costs, should be shared across sub-regions, and how you would determine each sub-region's cost share.

City Light suggests CAISO develop a functional approach to cost allocation of all transmission facilities that would result in cost allocation based on cost causation without regard for the date of facility ownership or planning region boundaries.

Additionally, CAISO should offer a governance structure and agency decision-making paradigm that will ensure costs are not allocated to any party absent the explicit consent of that party.

5. The straw proposal would limit "regional" cost allocation – i.e., to multiple sub-regions of the expanded BAA – to "new regional facilities," defined as facilities that are planned and approved under a new integrated transmission planning process for the entire expanded BAA and meet at least one of three threshold criteria: (a) rating > 300 kV, or (b) increases interchange capacity between sub-regions, or (c) increases intertie capacity between the expanded BAA and an adjacent BAA. Please comment on these criteria for considering regional allocation of the cost of a new facility. Please suggest alternative criteria or approaches that would be preferable to this approach.
6. For a new regional facility that meets the above criteria, the straw proposal would then determine each sub-region's benefits from the facility and allocate cost shares to align with each sub-region's relative benefits. Without getting into specific methodologies for determining benefits (see Section 2 below), please comment on the proposal to base the cost allocation on calculated benefit shares for each new regional facility, in contrast to, for example, using a postage stamp or simple load-ratio share approach as used by some of the other ISOs.
7. The straw proposal says that when a subsequent new PTO joins the expanded BAA, it may be allocated shares of the costs of any new regional facilities that were previously

approved in the integrated TPP that was established when the first new PTO joined. Please comment on this provision of the proposal.

Seattle requests additional information. Will this aspect of the straw proposal apply to PacifiCorp and any future PTO? Does this aspect of the straw proposal limit and condition future new PTOs and the CAISO's ability to negotiate entry under a Transition Agreement? Will CAISO provide examples of facilities or PTOs that might be allocated costs?

One of the Order 1000 cost allocation principles is "no involuntary allocation of costs." While joining CAISO is voluntary, doing so does not create benefits to a potential PTO. The straw proposal does not provide enough information to demonstrate that a new PTO will be protected from involuntary cost allocation.

8. The straw proposal says that sub-regional benefit shares – and hence cost shares – for the new regional facilities would be re-calculated annually to reflect changes in benefits that could result from changes to the transmission network topology or the membership of the expanded BAA. Please comment on this provision of the proposal.

9. Please offer any other comments or suggestions on the design and the specific provisions of the straw proposal (other than the benefits assessment methodologies).

FERC's Order 1000 acknowledges that the principles are minimum requirements for transmission planning processes and cost allocation mechanisms. CAISO should do more to ensure that cost allocation methods and principles are beneficial to all PTOs and their customers. Doing more than the minimums in Order 1000 touches on both governance and procedures.

Without a proposal on governance, any proposal is subject to substantial uncertainty that precludes meaningful evaluation of the proposal. CAISO should provide a substantive proposal of future governance, including the Board, executive, and staff-level decision making so that potential participants may make an informed decision about participating.

City Light requests the CAISO explicitly address the circumstance of loads and/or resources being separated by a new "seam" as a result of PacifiCorp (or other entities) joining the CAISO as a PTO. City Light has resources that would be within the new, broader footprint of the ISO if PacifiCorp joins the CAISO as a PTO. This is also true in the event Idaho Power were to join the CAISO as a PTO. It is our understanding that roughly half of the customers of BPA will involuntarily be joining the CAISO in the event of PacifiCorp electing to become a PTO of the CAISO. These are potentially very significant changes that have direct and indirect costs to City Light. City Light requests

that the CAISO explicitly consider and describe the use of transition agreements to provide loads and resources that are directly or indirectly impacted by the possible expansion of the ISO to address their existing commercial arrangements and mitigate the potentially significant impacts to load service.

Section 2: Benefits Assessment Methodologies

10. The straw proposal would apply different benefits assessment methods to the three main categories of transmission projects: reliability, economic, and public policy. Please comment on this provision of the proposal.

11. The straw proposal would use the benefits calculation to allocate 100 percent of the cost of each new regional facility, rather than allocating a share of the cost using a simpler postage stamp or load-ratio share basis as some of the other ISOs do. Please comment on this provision of the proposal.

12. Please comment on the DFAX method for determining benefit shares. In particular, indicate whether you think it is appropriate for reliability projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

13. Please comment on the use of an economic production cost approach such as TEAM for determining benefit shares. In particular, indicate whether you think it is appropriate for economic projects or for other types of projects. Also indicate whether the methodology described at the March 9 meeting is good as is or should be modified, and if the latter, how you would want to modify it.

14. At the March 9 meeting some parties noted that the ISO's TEAM approach allows for the inclusion of "other" benefits that might not be revealed through a production cost study. Please comment on whether some other benefits should be incorporated into the TEAM

for purposes of this TAC Options initiative, and if so, please indicate the specific benefits that should be incorporated and how these benefits might be measured.

15. Regarding public policy projects, the straw proposal stated that the ISO does not support an approach that would allocate 100 percent of a project's costs to the state whose policy was the initial driver of the need for the project. Please indicate whether you agree with this statement. If you do agree, please comment on how costs of public policy projects should be allocated; for example, comment on which benefits should be included in the assessment and how these benefits might be measured.

16. At the March 9 and previous meetings some parties suggested that a single methodology such as TEAM, possibly enhanced by incorporating other benefits, should be applied for assessing benefits of all types of new regional facilities. Please indicate whether you support such an approach.

17. Please offer comments on the BAMx proposal for cost allocation for public policy projects, which was presented at the March 9 meeting. For reference the presentation is posted at the link on page 1 of this template.

18. Please offer any other comments or suggestions regarding methodologies for assessing the sub-regional benefits of a transmission facility.

Seattle suggests CAISO consider a minimum benefit-cost threshold ratio of 1 (one) for projects eligible for regional or sub-regional cost allocation.