Stakeholder Comments Template

Transmission Access Charge Options
Issue Paper

Submitted by	Company	Date Submitted
Joyce Kinnear *jkinnear@santaclaraca.gov* *(408) 615-6656*	*City of Santa Clara, dba* *Silicon Valley Power (SVP)*	*November 20, 2015*

This template has been created for submission of stakeholder comments on the issue paper for the Transmission Access Charge Options initiative that was posted on October 23, 2015. The issue paper 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 **November 13, 2015.**

SVP appreciates this opportunity to comment on the Transmission Access Charge Options Issue Paper and commends the ISO for initiating this stakeholder process. Exploring Transmission Access Charge (TAC) options for integrating new Participating Transmission Owners (PTO) is a complex issue with many potential beneficiaries and the potential to expose parties to significant costs over a long period of time. Our comments focus on the following three themes.

- **Need for Adequate Time to Fully Assess Ramifications:** This task requires more time to thoroughly and appropriately develop the TAC options. SVP has neither had sufficient time to fully digest the material developed by the CAISO so far, nor has it been able to assess the interplay between this TAC initiative and other initiatives involving expansion of the CAISO footprint. It has also not had access to the underlying data and input assumptions. Several other CAISO initiatives are crucial to understanding the complete package of benefits and burdens associated with expansion of the CAISO footprint, and include Resource Adequacy rules, applicability of CAISO Deliverability requirements and allocation of associated costs, certainly that Congestion Revenue Rights (CRRs) treatment of new PTOs is consistent with existing methodologies, and appropriate identification and allocation of benefits directly related to CAISO expansion.
- **Need to Develop Additional Transmission Cost Allocation Criteria to Align Benefits and Costs:** Given the contemplated dramatic increase in the CAISO footprint, a voltage level criterion as proposed in the CAISO's Issue Paper alone may not be sufficient. To the extent there are transmission bottlenecks between sub-regions, the benefits provided by extra high voltage facilities won't necessarily flow throughout the region. SVP,

therefore, suggests that alternative methods should be explored, such as the PJM DFax[1] method and/or market simulation tools.

- **Need to Further Assess Alternative Cost Allocation Methodologies:** Additional alternative cost allocation methodologies should be explored with the kinds of numerical examples included in the CAISO's Issue Paper. SVP requests the CAISO to provide the underlying data and input assumptions used in these numerical examples. Further, all alternatives should be studied under a range of scenarios, including hypothetical major new transmission projects and the potential impact of adding other proposed EIM entities, to have a better understanding among stakeholders on the performance of each TAC cost allocation methodology alternative under those scenarios. These scenarios need to be transparent and provide meaningful guidance to stakeholders.

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.

   SVP supports aligning transmission cost allocation with the distribution of benefits. Identification of project benefits and beneficiaries should be a crucial part in determining how project costs are allocated. As described in Section 4 of the PJM's "A Survey of Transmission Cost Allocation Issues, Methods and Practices"[1], there can be divergent views on who should be identified as beneficiaries. SVP has not had sufficient time to develop suggestions on how best to achieve appropriate cost-benefit alignment, but looks forward to working with stakeholders during this process to develop appropriate solutions. SVP is concerned, however, that the current stakeholder process is too compressed to properly explore and vet potential approaches; SVP urges the CAISO to allow significantly more time to work through the many critical issues that must be addressed in this process.

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

   SVP believes that the transmission facility's electrical characteristics (perhaps represented by voltage level), scope (the geographic scope of the facility) and benefits criteria (zones or sub-regions that benefit from the facility or features that are intended to benefit specific locations, such as undergrounding) are some of the key factors that would be appropriate to consider for allocating costs of any given transmission facility to the users of the facility (such as between and among current ISO PTOs and one or more new PTOs). These items may be more important than the factors such as the purpose of the project (reliability, economic, policy) or whether the project is existing or new. What ultimately matters to TAC payers is whether they receive benefits commensurate with incurred costs.

[1] http://ftp.pjm.com/~/media/documents/reports/20100310-transmission-allocation-cost-web.ashx

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 level criterion may not be particularly useful in isolation for determining which costs should be allocated at a sub-regional level vs. a regional level, since other factors may play a greater role in determining who benefits from particular facilities. For example, certain 345 kV facilities may primarily deliver energy to load within a particular sub-region, similar to 230 kV facilities in another sub-region, rather than provide bulk power delivery across sub-regions. SVP believes additional criteria are needed to align benefits and costs.

   Given the contemplated dramatic increase in the CAISO footprint, voltage level alone may not be sufficient. To the extent there are transmission bottlenecks between sub-regions, the benefits provided by extra high voltage facilities will not necessarily flow throughout the region. SVP suggests that alternative methods should be explored, such as the PJM DFax method, where generators and loads can be identified as impacting flows on various transmission facilities through distribution factors using power flow models. Market simulation tools also could be used to examine the market efficiency impacts of proposed transmission solutions by examining changes in production cost, congestion and prices.

4. Please comment on the merits of using the type of transmission facility – reliability, economic, or public policy – as a criterion for cost allocation, and explain the reasoning for your comments.

   Making a distinction among reliability, economic or public policy as a criterion for cost allocation for a particular transmission facility may be useful, but only to the extent that it is supported by analyses demonstrating the alignment of transmission cost allocation with the distribution of benefits.

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

   No comments at this time. SVP needs additional time to analyze this issue before determining if comments are warranted.

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.

   No comments at this time. SVP needs additional time to analyze this issue before determining if comments are warranted.

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.

SVP is open to further investigating the concept of using "sub-regional" TAC rates that allocate certain costs to sub-regions that are electrically distinct (i.e., the transfer capability between the sub-regions is small relative to the load and resources within each sub-region). This concept has advantages related to aligning costs and benefits, but the stability of transmission rates resulting from cost allocation under this concept needs to be fully explored.

Several hypothetical, but meaningful, scenarios need to be analyzed to adequately assess the impact of this concept on different CAISO BAA parties. Such a comprehensive analysis may demonstrate that this approach is susceptible to perverse incentives to scope/size the future transmission projects that benefit certain entities more than others.

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

The CAISO's Issue Paper, dated October 23, 2015, identifies at a very high level some bare bones options for integrating new PTOs. However, additional alternative cost allocation methodologies should be explored with similar numerical examples. SVP requests the CAISO to provide the underlying data and input assumptions used in these numerical examples. Further, all alternatives should be studied under a range of scenarios, including hypothetical major new transmission projects and the potential impact of adding other proposed EIM entities, to have a better understanding among stakeholders on the performance of each TAC cost allocation methodology alternative under those scenarios. These scenarios need to be transparent and provide meaningful guidance to stakeholders. As mentioned earlier, SVP is concerned that the current stakeholder process is too compressed to properly explore and vet potential approaches.

SVP is aware of the CAISO plans for a separate stakeholder initiative on the Resource Adequacy (RA) rules. However, some of the RA considerations have direct implications for the TAC options assessed under this initiative. For instance, the CAISO needs to identify whether there are incremental transmission cost associated RA resources that needs to be deliverable once its deliverability assessment methodology is applied to the expanded CAISO footprint.

In addition to an expanding CAISO footprint the resource mix in the WECC is undergoing a fundamental change with the penetration of intermittent resources, both utility scale and behind the meter customer sited projects. In the near future we will also see a proliferation of energy storage devices that may have a profound impact on how the transmission access charges are allocated. In many cases the current allocation methodology of TAC does not result in the proper economic signals or result in a just and reasonable allocation of TAC charges on cost causation principals. Take, for instance, behind the meter PV systems that may result in the ability of a customer to completely avoid an allocation of TAC, but from a coincident peak load perspective may be contributing to the need for transmission from a planning perspective. Distributed energy storage, on the other hand, may provide coincident peak load reduction, but since energy storage is not 100% efficient results in an allocation of TAC under the current allocation methodology while receiving no benefit for the peak load reduction. While the current allocation methodology has been determined just and reasonable in the past, this should not mean that as the system changes the assumptions underlying the status quo continue to result in a just and reasonable allocation, or that changes to the allocation methodology will not afford a more just and reasonable allocation—providing economic signals

more in line with the costs and benefits delivered by distributed generation and energy storage devices.

According to the Issue Paper, the CAISO staff is currently targeting to submit any proposed tariff changes to the TAC structure to the CAISO Board of Governors by June 2016. SVP questions the urgency to complete the current stakeholder process by then and requests the CAISO significantly expand the schedule of activities beyond June 2016 to allow time for a more appropriate and sufficient review of just and reasonable TAC structures under an expanded CAISO footprint.