

Stakeholder Comments Template

Transmission Access Charge Options

December 6, 2016 Draft Regional Framework Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the December 6, 2016 draft regional framework proposal and the discussion at the December 13 stakeholder meeting. The 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 **January 11, 2017**.

NOTE: Items highlighted in yellow below refer to elements of the present proposal that have not changed from the prior proposal, the second revised straw proposal posted on September 28. If your organization's position on one of these elements has not changed from the comments you submitted on the September 28 proposal, you may simply refer to your prior comments in response to that item and the CAISO will take your prior comments as reflecting your current position.

Draft Regional Framework Proposal

State Water Contractors Comments Regarding California Independent System Operator's Transmission Access Charge Options for Integrating New Participation Transmission Owners Draft Regional Framework Proposal, January 11, 2017

The State Water Contractors (SWC) appreciates this opportunity to provide comments on the California Independent System Operator's (CAISO) December 6, 2016 Transmission Access Charge (TAC) Options Draft Regional Framework Proposal (TAC Framework Proposal). The SWC view this draft as an improvement over prior proposals put forth by the CAISO, particularly with respect to its efforts in moving closer to more granular cost allocation to align cost allocation with cost responsibility. However, SWC continues to have concerns and questions with various

aspects of the cost allocation proposals set forth in the TAC Framework Proposal, and believe further time and effort should be devoted to ensure cost allocation methods that are consistent with needs-based/beneficiary-pays principles.

The SWC agree with several comments made by the CAISO in the preface of the Framework Proposal. Specifically, we agree that *“the Regional RA and TAC Options initiatives are elements of a larger set of initiatives that comprise the CAISO’s development for a regional expansion of its Balancing Authority Area (“BAA”).”* In fact, as we have previously stated, the SWC believe it is critical that the CAISO develop a complete ‘package’ of regionalization documents—which would include Governance, Western States Committee, Resource Adequacy, TAC, Greenhouse Gas Tracking, revised Transmission Planning Process, and potentially others. This full package could then be vetted and assessed by stakeholders and regulatory bodies, which should be undertaken before submitting any proposal on an individual regionalization initiative to the CAISO Board or the Federal Energy Regulatory Commission (FERC) or any other regulatory body. To be clear, SWC believe that any proposal submitted to FERC should be comprehensive on all changes necessitated by the regionalization/expansion, inclusive of tariff language, and should only be submitted to FERC after a robust stakeholder process.

State Water Contractors Background

The State Water Contractors (SWC) are a non-profit, mutual benefit corporation organized under the laws of the State of California. SWC is comprised of 27 public water agencies that supply water for drinking, commercial, industrial, and agricultural purposes to a population of 26 million and to over 750,000 acres of farmland and businesses in northern, central and southern California.

The SWC members contract for water supplies with the California Department of Water Resources, State Water Project (SWP). Delivering this water requires significant electric energy resources for the pumping load. Indeed, the SWP is the largest single consumer of electricity in the State of California. The SWC pay nearly all operating costs of the SWP, including all of its energy costs. SWC was established in 1982 to promote the common interest of its members with respect to the operation and administration of the SWP. SWC represents the interests and views of their members regarding the SWP before state and federal legislative bodies and administrative agencies, including FERC.

Specific Comments on Framework Proposal

The SWC appreciates the CAISO’s efforts to address stakeholder concerns pertaining to cost treatment of policy-driven transmission projects. The CAISO correctly identified on pages 4 and 5 that a key driver is **need** for policy-related projects. SWC believes that, consistent with principles of cost causation, the benefits (and associated costs) for policy-driven transmission projects should be assigned to those who are driving the need for the particular policy project. It is not clear if the proposal will achieve that goal. Part of the question may involve knowing better how the integrated transmission planning process will work to account for the applicable federal, state or local regulatory authorities’ mandates, how the region will plan for the needs of those that are subject to those requirements, and how the region will allocate such costs.

While the CAISO's proposal for more granular cost allocation is limited to those projects that are located in a different sub-region from the sub-region(s) that drive the need, SWC believes it is also consistent with cost causation principles to more granularly allocate the costs of policy-driven projects located within the same sub-region that drove the needs. It is possible (and highly likely) that within a sub-region multiple state or local regulatory authorities may have different objectives/needs that will result in policy projects located within that sub-region. The costs of policy-driven projects that are located in the same sub-region as the entities/regulatory authorities that drove the need for the project can and should also be allocated on a more granular basis consistent with the cost causation principles.

SWC believe that a more granular approach to cost allocation is also appropriate for economic projects, as not all load within a sub-region will necessarily benefit from such projects. While it may be more convenient to simply allocate costs to all load within a sub-region, SWC urges the CAISO to explore proposals that better align costs with needs and benefits in the interest of pursuing fair and sustainable cost allocation proposals. The CAISO should consider the merits of such a proposal with stakeholders in order to avoid unreasonable subsidization by those that do not need or benefit from such projects. As we have previously stated, the SWC have paid a significant amount to support the build-out of the current CAISO BAA. That is, as the ultimate customers of the largest individual customer (SWP) of the CAISO, the SWC represent and currently pay for almost 4 percent of total CAISO BAA load, and have contributed greatly to the development of the existing CAISO grid. The growth in transmission costs has diverted major SWC financial resources that should otherwise be devoted to SWC members' primary responsibility of providing safe and adequate water supply to more than two-thirds of California's vast population. SWC should not now have to divert further resources to subsidize the build-out of new transmission projects that SWP does not need and from which the SWC do not benefit. Such a result would be inconsistent with the intent of SB 350.

As we have also stated in previous comments, SWC is not opposed to the goals of CAISO's efforts to expand, and we support California's GHG reduction policies. However, studies completed to date on CAISO expansion (SB 350 Studies) illustrate no benefits and only increased costs for the SWP and hence the SWC. As such, SWC urges more granular cost allocation for policy and economic projects to ensure that public water agencies are not required to subsidize new transmission projects that they do not need and from which they do not benefit.

We welcome the opportunity to discuss these concerns and to evaluate options for achieving fair, sustainable, and reasonable solutions for regional cost allocation.