

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 Transmission Agency of Northern California (TANC) appreciates this opportunity to provide comments on the California Independent System Operator's (CAISO) Transmission Access Charge (TAC) Options Straw Proposal and Benefit Assessment Methods. This plan was published on February 10, 2016 with a subsequent stakeholder meeting held March 1, 2016. An additional stakeholder meeting was held on March 9, 2016 to allow for discussion of benefit assessment methodologies that may be implemented in a regional TAC. TANC's provides comments on the following issues, and in doing so TANC expressly reserves its rights to supplement these initial comments.

- Timeline for the proposal
- Need for transparency and documentation in benefits calculations
- Need for coordination with the transmission planning process
- Explanation/clarification on the 300 kV threshold for regional facilities
- Concern regarding the opportunity for cost shifts on annual review of cost/benefits of regional facilities
- Transparency in the 'transitional agreement' negotiations with potential new PTOs and equitable treatment
- Implications on Order 1000 regional cost allocation
- Equitable treatment for all new PTOs

- (1) The timeline for a Final Draft proposal to be developed by mid-April with a planned Board approval on June 28, 2016 is not conducive to a thorough and adequate vetting by stakeholders and affected parties and the CAISO should strongly consider extending the review/analysis and stakeholder input cycle.**

The allocation of transmission costs in a new regionally expanded CAISO is critically important to the development of a regional grid, additionally TANC recognizes that cost allocation associated with grid expansion is also a very complex undertaking. A new transmission allocation proposal will likely involve new analytical tools, such as DFAX or expansion of existing CAISO tools such as TEAM, and a yet to be determined mechanism for policy projects. As part of this stakeholder process we are seeing a significant number of stakeholders that are very new to the CAISO process and stakeholders that are familiar with the CAISO but lack familiarity with other regional entities and potential tools/approaches for assessing and applying regional costs.

TANC is concerned that the development of a Draft Final Proposal on the CAISO's proposed timeline does not afford sufficient time for stakeholders to understand the full implications of the proposal, nor does it allow the CAISO adequate time to solicit and to consider stakeholder input fully or appropriately. TANC appreciates that there is a desire to create a cost allocation methodology and/or policy as expeditiously as possible to allow PacifiCorp to engage its varied utility commission, but expeditiousness should not be at the expense of a fair, well-vetted and transparent stakeholder process. Cost allocation issues are far too important and will have a lasting impact on the CAISO and regional markets to rush to judgement. It is far more important to make sure that this process is done appropriately, not merely quickly.

- (2) Any benefits methodology, whether it is DFAX, TEAM or some other method, needs to be transparent, vetted and well-documented. It must be unambiguous in how it translates its results into sub-regional benefits and respective costs.**

TANC does not support committing to these tools without a full understanding by stakeholders on their effectiveness, or lack thereof. The most critical component of any cost allocation model is that costs should be attributed to those parties that benefit – the principal of beneficiary pays. This should be accomplished while maintaining an acceptable level of transparency. It is simply not good enough to say the CAISO plans use a DFAX, or some other method and leave the details to be worked out in the future

after the adoption of this proposed policy. Understanding the analytical tools to be utilized, including a CAISO recommendation on methodology for policy projects, as well as how they will be applied are critical to understanding whether the costs of new regional facilities will be appropriately allocated to ensure that beneficiaries pay and that there is not any cross-subsidization.

(3) The development of a new Regional TAC proposal is currently dissociated from the likely required changes that will be instituted in the Transmission Planning Process.

The CAISO Straw Proposal considers separate benefit assessment models for reliability, economic and policy projects. These distinctions are made in the Transmission Planning Process and are important in understanding whether the models being proposed are appropriate. It is not uncommon for a project to provide benefits in multiple categories, but it is practically irrelevant in the current TAC cost allocation model. However, under the proposed new TAC model, it appears that the category or categories a project will satisfy will be vitally important if separate and/or different analytical models are used for evaluation and cost allocation. Additionally, with varying and evolving individual state policy goals, it is not yet clear how policy projects will be considered, developed and determined in the TPP under an expanded regional CAISO. While the current TAC model does not take into account sub-regions, the reliability analysis is performed on load-serving region basis in the current TPP. How reliability analysis will be performed under an integrated TPP will be important in the development of sub-regional aspects of a new TAC model. Additionally, without any insights on how an 'integrated' transmission planning process would be conducted, it is impossible to assess the appropriateness of the current Straw Proposal. TANC believes it is imperative for the CAISO to provide insights into how an expanded CAISO would conduct its 'integrated' TPP and how the Straw Proposal would fit into a new TPP.

(4) The determination that 300 kV will be the break between regional and sub-regional projects is not sufficiently explained and may not capture regional benefits of other voltage projects.

The CAISO TAC has, since the CAISO inception, made a distinction between projects above and below 200 kV and is a well-established break between projects that provide benefits to a large regional network versus those that provide local benefits. There is not

sufficient information at this time to assess the merits of a 300 kV break between regional and sub-regional projects at this time. Consequently, TANC requests CAISO provide support and explanation for this distinction and afford an opportunity for comment on that proposal, if the CAISO proposes to include it in the future proposals. TANC notes that it agrees with comments by other stakeholders that certain 230 kV projects provide regional benefits. Further, any such delineation should provide exceptions for projects that can be shown to have interregional benefits.

- (5) The proposal of an annual review of costs provides too much uncertainty for shareholders and seeks a level of precision that may not be either needed or possible.**

The straw proposal includes a provision to re-examine costs allocations between sub-regions on an annual basis. This process would be time-consuming and contentious for what is likely to not provide significant benefit. TANC is concerned that this would add unnecessary uncertainty and the opportunity for future cost-shifts between customers of the CAISO, which may or may not be justified. TANC recommends limiting re-evaluations to occur only upon the occurrence of exceptional events, such as a PTO joining or leaving the CAISO that dramatically changes the network topology – not on an annual basis.

It is important to recognize that transmission costs can be a significant part of a LSE's rate structure. Annual changes, outside the control of a LSE can make it very difficult for the LSE to establish rates that are consistent year to year. Further, transmission investments are based on long term, multi-decade evaluation of benefits. They are typically not changed from year to year. Benefit allocations should follow the logic of making such a long-term investment and not be changed annually.

- (6) At the March 1, 2016 Stakeholder Meeting the CAISO indicated that a transitional agreement between CAISO and PacifiCorp was being developed. Stakeholders were informed that this was a bi-lateral negotiation and there would be little or no stakeholder input.**

The Transition Agreement, with PacifiCorp, is not mentioned in the Straw Proposal, but was the subject of considerable discussion at the stakeholder meeting due to the CAISO indicating that certain aspects of the Transition Agreement between the CAISO and

PacifiCorp may provide exceptions to the existing TAC rules, the proposed regional TAC process, and the existing CAISO Tariff. The CAISO indicated that the first and only opportunity for stakeholder input into the Transition Agreement would be when it is filed with the FERC. TANC recommends that the CAISO at least provide more information as the scope of issues being addressed in the Transition Agreement, whether or not it opens the process to input on the Transition Agreement.

- (7) More detail is requested on how FERC Order 1000 Inter-regional project cost allocations will be handled for new projects and new entrants that have previously participated in the process.**

It is not clear how a new regional TAC will work within the Inter-regional transmission planning framework. Specifically, if a new PTO joins the CAISO, how will costs previously allocated to it and its Planning Group and costs allocated to the CAISO be treated under any new TAC proposal. TANC would recommend that the CAISO consider these possibilities and flesh-out options or approaches. At a minimum costs already allocated through the interregional process should be grandfathered.

- (8) If the CAISO allows new Balancing Authorities and LSEs to join as their own sub-region, then all new BAA and LSEs need to be treated equitable as indicated in the Straw Proposal.**

The TAC changes contained in the Straw Proposal introduce the concept of the sub-region for the first time as any new PTO that joins the expanded BAA. However, at the March 1, 2016 Stakeholder Meeting, the CAISO said it “May adopt special provisions in transition agreements for special cases, such as very small or embedded BAAs.” An exception certainly may be made if both sides agree, but TANC would object to any provisions that would allow the CAISO to unilaterally decide that a new PTO be rolled into an existing sub-region.

The first step in the process of identifying a problem is to define the problem clearly. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the underlying causes of the problem. Once the causes of the problem have been identified, the next step is to develop a plan of action to address the problem. This involves identifying the steps that need to be taken to address the problem and determining the resources that will be needed to implement the plan. Once a plan of action has been developed, the next step is to implement the plan. This involves carrying out the steps that have been identified in the plan and monitoring the progress of the plan. Finally, the last step in the process is to evaluate the results of the plan. This involves determining whether the plan has been successful in addressing the problem and identifying any lessons learned from the process.

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The fifth step in the process of identifying a problem is to evaluate the results of the plan. This involves determining whether the plan has been successful in addressing the problem and identifying any lessons learned from the process. This step is crucial because it allows you to see if your plan is working and to make adjustments if necessary. It also helps you to identify any areas where you may need to improve your plan in the future. Evaluating the results of the plan is an ongoing process, and it should be done regularly to ensure that the plan remains effective and relevant.