

Stakeholder Comments Template

Transmission Access Charge Options Issue Paper

Submitted by	Company	Date Submitted
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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**.

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.

TURN agrees with the CAISO’s apparent intent to address at this time the allocation of both current transmission costs *and* the costs of future transmission projects in a combined CAISO-PacifiCorp Balancing Authority (“BA”).

TURN comments on some cost allocation issues are provided in response to Question 8 below and focus mainly on issues raised by the PacifiCorp Integration Study published October 13 (“Integration Study” or “Study”).

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.

See response to Question 8 below. TURN has no other comments on this question at this time.

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.

See response to Question 8 below. TURN has no other comments on this question at this time.

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.

See response to Question 8 below. TURN has no other comments on this question at this time.

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.

See response to Question 8 below. TURN has no other comments on this question at this time.

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.

See response to Question 8 below. TURN has no other comments on this question at this time.

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.

See response to Question 8 below. TURN has no other comments on this question at this time.

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

TURN offers the following observations regarding transmission cost allocation based on its review of the Integration Study, the Transmission Access Charge Options Issue Paper (“TAC Options Issue Paper”) and the October 30 phone call on the TAC Options Issue Paper:

Integration Study & Cost Allocation:

First, during the October 30 call, there was some discussion of using the benefits estimates from the Integration Study to allocate transmission costs. As discussed in its October 30 comments submitted to the CAISO regarding the Study, TURN does not believe that the Integration Study provides a reasonable analysis of benefits and must not be used for allocating transmission costs.¹

More generally, any assessments of customer benefits used to allocate transmission costs should reflect the benefits that could be enjoyed by customers in their specific portions – which will often be a specific state – of a combined BA. The Integration Study purported to do just this in making estimates of the benefits of renewable procurement savings that CAISO customers within California would enjoy. However, as documented in TURN’s October 30 comments, the model and some assumptions the Integration Study used to compute these benefits to California customers were incorrect. Moreover, these benefits assume a series of specific procurement choices by California load-serving entities that may not actually occur.

TAC Options Issue Paper:

The TAC Options Issue Paper provided valuable information regarding current CAISO and PacifiCorp transmission costs and possible combinations thereof. These data illustrate the potentially large impact of alternate means of allocating transmission costs on CAISO and PacifiCorp customers. Of note, current CAISO TAC rates are more than double PacifiCorp transmission rates in 2015 and rise to almost triple PacifiCorp transmission rates in 2024.²

However, the TAC Options Issue Paper excluded costs of some potential new transmission, specifically Segments D and F of PacifiCorp’s Gateway project. But the Integration Study contained estimates of what these extra costs would be and assumed they would be allocated among the CAISO and PacifiCorp proportionate to energy load, that is, on an “equal \$/MWh” basis. Given these assumptions, Segments D and F would increase transmission rates by \$0.83/MWh in 2024,³ or by amounts ranging from seven to twenty percent over alternative transmission rates, as shown in Table 1 below.

¹ Because the estimates of benefits are severely flawed, they do not represent the type of “plausible cost-benefit analysis” required by FERC. See TAC Options Issue Paper, p.6.

² TAC Options Issue Paper, p. 15 (Appendix).

³ See p. 28 of the Integration Study for original data. The rate of \$0.83/MWh for Segments D and F is computed as \$252 million divided by combined load of 302,725 gWh. Note that this rate is computed in real 2015 dollars and likely underestimates the actual 2024 rate impact of Segments D and F.

TABLE 1
Comparison of Alternative Transmission Rates and Possible Impacts of
Gateway Segments D & F
2024

<u>Scenario:</u>	TAC Rate	Gateway Segments D & F	
	<u>\$/MWh</u>	<u>\$/MWh</u>	<u>% Increase</u>
CAISO Separate Rate	11.93	0.83	7.0
CAISO Rate - Merge > 300 kV	11.50	0.83	7.2
Common Rate - Merge > 200 kV	9.98	0.83	8.3
PacifiCorp Rate - Merge > 300 kV	5.40	0.83	15.4
PacifiCorp Separate Rate	4.11	0.83	20.2

Notes: 1/ 2/ 3/

Sources:

- 1/ TAC Issue Paper, October 23, 2015, p. 15 (Appendix A).
- 2/ Data from Integration Study, p. 28. Rate expressed in real \$2015 and likely underestimates actual rate impact in 2024.
- 3/ = (Gateway Segments D & F) / (TAC Rate)

Further, the TAC Options Issue Paper noted that “the ISO has not developed or included additional transmission reinforcements to complement [Segments D and F], and the need for new upgrades to access additional renewable generation will be the subject of future planning decisions”.⁴ This statement suggests the Integration Study may not include all the costs required to allow for the development of Wyoming wind resources, the key driver of the integration’s purported benefits to CAISO customers, and thus that Table 1 may underestimate the net impacts of Segments D and F on transmission rates.

In sum, allocating the costs of PacifiCorp’s proposed Segments D and F across an expanded CAISO would raise costs for California customers in exchange for an uncertain level of benefits to California. The CAISO’s TAC Options stakeholder process should address such potential risks in considering principles for allocating the costs of new transmission projects.

⁴ TAC Options Issue Paper, p. 11.