

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.

TransCanyon supports the CAISO's approach to designating sub-regions in the manner indicated in the straw proposal.

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.

TransCanyon supports the definitions of “existing” and “new” facilities in the straw proposal.

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.

TransCanyon has no comment at this time.

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.

TransCanyon has no comment at this time.

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.

TransCanyon strongly believes that a competitive process to select the developer for new transmission projects provides benefits to the market as well as ratepayers, as demonstrated by the fact that in recent Order 1000 competitive solicitations, the costs of winning bids have consistently fallen below RTO/ISO project cost estimates. In order to preserve these customer benefits, the criteria for establishing which projects will be considered for regional cost allocation and will therefore be eligible for competitive

bidding should be expanded or at the least remain consistent with current criteria. To that end, TransCanyon believes that the stand-alone voltage threshold criteria (>300 kV) for “new regional facilities” that would qualify for regional cost allocation would unnecessarily limit CAISO’s ability to approve projects for competitive bidding that would benefit multiple sub-regions.

With the exception of the Midcontinent ISO, the voltage threshold across RTOs/ISOs for regionally cost-allocated projects is lower than the level proposed by the CAISO. Notably, the Midcontinent ISO has initiated a stakeholder process and expects to reduce the current voltage threshold for regionally cost-allocated projects in order to address the artificial barriers that such a high threshold creates for both project approval and expanded competition. Absent compelling evidence that projects under 300 kV would never produce regional benefits, TransCanyon believes that it is better to allow for flexibility, which increases the likelihood that beneficial projects will be approved and subject to cost discipline from competition. If projects under 300kV are not beneficial, they will not be approved. On the other hand, if beneficial projects are rejected purely as a result of the implementation of a high voltage threshold, a lengthy stakeholder process will be required in order to address the issue.

Accordingly, TransCanyon recommends that the stand-alone voltage threshold be reduced to greater than 200 kV, consistent with the criteria for regional cost allocation included in the CAISO’s current tariff as well as with other organized markets across the United States.

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.

TransCanyon supports the approach of allocating cost shares to align with the sub-region’s relative benefits derived from a new regional facility. TransCanyon believes that this is an equitable approach and is consistent with FERC’s six principles of cost allocation articulated in Order No. 1000, one of which is that costs must be allocated in a way that is roughly commensurate with benefits. By allocating costs to each sub-region in proportion to the benefits derived from the new regional facility, the ISO ensures that ratepayers are only responsible for the costs, to the extent that they derive benefits from that facility.

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.

TransCanyon has no comment at this time.

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.

TransCanyon has no comment at this time.

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).

At the March 1, 2016, stakeholder meeting, TransCanyon requested and received clarification that projects that would be competitive under the current CAISO tariff, would remain competitive under an expanded transmission planning process. TransCanyon would request that the CAISO memorialize this understanding in the revised straw proposal.

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.

TransCanyon supports the application of a single, holistic benefit assessment methodology across all three project categories, which would allow the CAISO to consider the full range of benefits to be derived from each project, quantified in economic terms. Such an approach would recognize reliability, economic and public policy benefits regardless of project category and support a wide variety of cost allocation methodologies. As noted by other participants, the TEAM approach (potentially with some modifications) represents one method by which the CAISO could implement such an assessment.

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.

TransCanyon has no comment at this time.

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.

TransCanyon has no comment at this time.

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.

TransCanyon believes that an economic assessment approach looking at the full range of benefits is appropriate regardless of the project type. TransCanyon is generally supportive of the TEAM approach for this purpose, recognizing that modifications may be needed to allow for the recognition of a wide range of potential benefits.

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.

As stated above, TransCanyon believes that the full range of project benefits should be considered in a benefits assessment. To the extent possible, these benefits should be quantified. The full array of benefits should include, but is not limited to:

- Avoided costs of alternative reliability projects
- Reduction of emissions /reduced renewable curtailment
- Operating reserves/Resource Adequacy benefits
- Reduction in production costs
- Reduction in power system losses

- Reduced costs of renewable resource integration and curtailment
- Public policy benefits where not captured by other metrics

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.

As noted above, TransCanyon recommends that the CAISO adopt a single benefits assessment methodology for all projects that quantifies the full array of benefits to be derived from any project.

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.

As noted above, TransCanyon would support this approach, likely with some modifications to TEAM.

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.

TransCanyon has no comment at this time.

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

TransCanyon has no comment at this time.