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.

Introduction

The Utah Association of Energy Users (“UAE”) and the Wyoming Industrial Energy Consumers (“WIEC”) provide these comments on the December 6, 2016 Draft Regional Framework Proposal (“Proposal”) and the December 20, 2016 Addendum. Where the comments being provided belong to a single entity (UAE or WIEC), the comments so indicate.

UAE, whose members include industrial, commercial and other entities operating in Utah, has participated in various ISO meetings and processes regarding possible regional integration and has submitted comments. As UAE has previously stated, it is not yet persuaded that if PacifiCorp were to become a Participating Transmission Owner in the ISO it would be beneficial to or in the public interest of PacifiCorp's Utah ratepayers.

WIEC is an unincorporated, non-profit association whose members are large electric consumers that operate facilities within the service territory of Rocky Mountain Power, from whom they purchase electricity and energy services. Like UAE, WIEC has participated in various ISO meetings and processes regarding possible regional integration and has submitted comments. WIEC remains unpersuaded at this time that if PacifiCorp were to become a Participating Transmission Owner in the ISO it would be beneficial to or in the public interest of PacifiCorp's ratepayers.

Draft Regional Framework Proposal

1. The proposal defines "new facilities" as facilities that are planned and approved under an integrated TPP that will plan new transmission infrastructure for the entire expanded BAA and will commence upon integration of the first new PTO. Please comment on the CAISO's proposal for the definition of "new facilities."

In their October 31, 2016 Comments on the Second Revised Straw Proposal, UAE and WIEC jointly stated, "UAE and WIEC support an understandable, bright-line test for distinguishing between existing and new facilities eligible for region-wide cost allocation," but cautioned that the Second Revised Straw Proposal lacked the necessary clarity. UAE and WIEC support the additional clarity provided in the current Proposal.

Specifically, the current Proposal states (at page 9):

> *The "new facilities" category could include a project that the CAISO was already considering prior to the new PTO joining the expanded ISO as an "inter-regional" project in accordance with the FERC Order 1000 approved provisions for inter-regional planning coordination, and then is subsequently adopted and approved via the integrated TPP for the expanded BAA. For this to occur, the integrated TPP would have to perform the following steps:*
>
> - *First, identify a reliability or public policy need, or an opportunity to capture significant economic benefits, for which the inter-regional project may be a suitable solution;*
> - *Second, evaluate the pros and cons of alternative solutions to meet the identified need, including non-transmission alternatives where feasible; and*
> - *Third, determine that the inter-regional project is the most cost-effective solution and, on that basis, include it in the comprehensive transmission plan.*
>
> *All three steps would need to be performed through the integrated TPP for the expanded BAA, irrespective of any prior evaluation that may have been done under regional planning processes or the Order 1000 inter-regional provisions.*

UAE and WIEC assume that the same three-step TPP process will also be required before any transmission project that an entity other than CAISO was already considering prior to regionalization will be considered "new facilities."

2. The proposal previously defined "existing facilities" as transmission facilities that are in service or have been approved in separate planning processes for the current CAISO BAA and the new PTO's area at the time the new PTO is fully integrated into the expanded BAA. Simply stated, all transmission facilities that are included in the controlled grid for the expanded BAA and are not "new" facilities will be considered "existing" facilities. Please comment on the CAISO's proposal for the definition of "existing facilities."

See UAE and WIEC comments in response to #1 above.

3. The CAISO provided further details on the determination of whether a candidate PTO should be deemed "integrated" within an existing sub-region rather than designated a new sub-region. The CAISO proposed that the expanded ISO would work with the candidate PTO and other stakeholders to apply criteria specified in the tariff (listed in the December 6 proposal) for making this determination. The CAISO would then present its recommendation to the Board of Governors as part of the new PTO application process, and upon Board approval would file for FERC approval of the proposal to treat the new PTO as either a new sub-region or part of an existing sub-region. Please comment on this element of the proposal.

Neither UAE nor WIEC takes a position on this aspect of the Proposal at this time.

4. Consistent with the second revised straw proposal, the CAISO proposes to recover the costs of existing facilities through sub-regional "license plate" TAC rates. The CAISO has proposed that each sub-region's existing facilities would comprise "legacy" facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

UAE and WIEC support this proposal, subject to UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #5 and #18.

5. The CAISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits to the expanded ISO region as a whole and to each sub-region. Please comment on the use of the TEAM methodology to determine sub-regional shares of economic benefits.

Neither UAE nor WIEC has yet taken a position on the use of TEAM. See UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #6.

6. The CAISO assumes that a new integrated TPP for the expanded ISO will retain today's TPP structure. Please comment on the structure of the current three phase TPP process.

Neither UAE nor WIEC takes a position on this aspect of the Proposal at this time.

7. The CAISO proposes to allocate the entire cost to a sub-region if a reliability project within that sub-region only addresses a reliability need of that sub-region or if a policy-driven project within that sub-region is approved only to support the policy mandates for that sub-region. Please comment on this element of the proposal.

UAE and WIEC generally support this aspect of the Proposal. Specifically, UAE and WIEC support the statement in the Proposal that, "for a policy-driven project that is connected entirely within the same subregion in which the policy driver originated, the CAISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions." Proposal at p. 15.

However, UAE and WIEC submit that the Regional ISO cannot properly require that any costs associated with a policy-driven project approved to support the policy mandates of a single or certain states entirely within a sub-region should be allocated among the various states in any particular manner. Such further allocation of costs should be determined, not by the Regional ISO, but by the utilities, customers and local regulatory authorities within the affected sub-region.

In addition, UAE and WIEC reiterate their October 31, 2016 comments on the Western States Committee Scope of Authority (at Section 1):

> *The costs associated with state policy-driven projects or projects that are not clearly shown to be required for reliability purposes or economically justified should be borne solely by that state or those states that support the project and affirmatively accept those costs. That one state may benefit from another state's policy-driven project does not mean that the non-consenting state gives up its autonomy on policy issues. Therefore, this RISO should not enable any state or group of states to impose costs associated with state policy-driven projects on any other state, even where the other state may indirectly benefit from the project.*

Though these comments were provided in the context of regional policy-driven projects, they apply equally here.

8. The CAISO proposes to allocate the cost of an economic project, for which the economic benefits must exceed its cost, to sub-regions in proportion to each sub-region's economic

benefits. Please comment on this element of the proposal.

UAE and WIEC generally support this provision, subject to UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #9.

9. For a reliability project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original reliability project, the avoided cost of the original project will be allocated to the sub-region with the original reliability need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

UAE and WIEC generally support this provision, subject to UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #10 and #8.

10. For a policy-driven project that is enhanced or replaced by a more costly project that also provides economic benefits that exceed the incremental cost above the cost of the original policy-driven project, the avoided cost of the original project will be allocated to the sub-region with the original policy need, and the incremental cost will be allocated to sub-regions in proportion to each sub-region's economic benefits. Please comment on this proposal.

UAE and WIEC generally support this aspect of the Proposal, subject to UAE and WIEC's concerns about the allocation of costs associated with policy-driven projects to jurisdictions that do not affirmatively accept those costs as discussed above, and about the inherent inaccuracy and uncertainty of model inputs and calculations as discussed in UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #9.

11. In the December 6 proposal the CAISO introduced an approach for allocating costs more granularly than just to sub-regions for certain policy-driven projects and for the policy-driven costs of projects that provide economic benefits in addition to meeting policy needs. The proposal is based on the following principles: If a project that meets policy needs is built within a different sub-region from the state or local regulatory authorities driving the policy need, the policy-related project cost will be allocated only to the load of those regulatory authorities driving the policy need. Alternatively, if a project that meets policy needs is built within the same sub-region as the state or local regulatory authorities driving the policy need, that project is deemed to provide benefits to the entire sub-region and therefore the policy-related costs will be allocated to the sub-region as a whole rather than on a more granular basis. Please comment on these principles.

UAE and WIEC generally support a more granular approach to cost allocation associated with policy driven projects. However, the Regional ISO should not be involved with determining the sub-regional allocation of costs for any project. The sub-regional allocation of costs is more *appropriately determined by the affected utilities, customers and local regulatory authorities of the sub-region driving the policy need.*

However, the Proposal unnecessarily and inappropriately suggests how costs should be allocated on a more granular basis by presuming all customers in the sub-region benefit from a project and that costs should be allocated to the sub-region "as a whole." UAE and WIEC submit that:

- *The Regional ISO should not affirmatively "deem" a project "to provide benefits <u>to an entire sub-region</u>," particularly without compelling evidence of such benefits. For example, there should be no presumption that a policy driven project in a PACW state benefits customers in PACE state, or vice versa. And, even if there were evidence of incidental benefits in a PACW state resulting from a PACE policy driven project, it would be inconsistent to require the PACW state to pay for such a state policy-driven project given the Proposal's statement that, "for a policy-driven project that is connected entirely within the same subregion in which the policy driver originated, the CAISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions." Proposal at p. 15.*
- *The Regional ISO should not affirmatively state that any costs should be allocated "to the sub-region <u>as a whole</u> rather than on a more granular basis." While UAE and WIEC agree that it is not the Regional ISO that should allocate the costs "on a more granular basis," the proposal as written presumes that all customers in a sub-regional will bear a portion of the costs. The Regional ISO should permit the appropriate parties or authorities within a sub-region to determine how to further allocate costs, and there should be no presumption that the entire sub-region will benefit by or pay for any such costs.*

UAE and WIEC believe it would be appropriate to amend this aspect of the Proposal as follows: "Alternatively, if a project that meets policy needs is built within the same sub-region as the state or local regulatory authorities driving the policy need, that project is deemed to provide benefits ~~to the entire~~ <u>within that</u> sub-region and ~~therefore the policy-related costs will be allocated to the sub-region as a whole rather than on a more granular basis~~ <u>the utilities, customers and local regulatory authorities will be responsible for further allocating costs within the sub-region based on allocation protocols and rate designs they determine to be applicable or appropriate at the time</u>."

12. <u>Continuing with the scenario of item 10 and applying the principles above, for a policy-driven project, if the new project is built outside the sub-region where the regulatory authorities driving the policy need are located, the ISO will allocate the policy-related avoided cost to the load served under the state or local regulatory authority or authorities whose policy mandates drove the need for the original project. Please comment on this proposal.</u>

See UAE and WIEC's response to #11, above. UAE and WIEC support the allocation of costs to the sub-region driving the need, but oppose any notion that the Regional ISO, as opposed to sub-

regional entities and authorities, will determine how costs will be further allocated within the sub-region.

UAE and WIEC believe it would be appropriate to amend this aspect of the Proposal as follows: "[I]*f the new project is built outside the sub-region where the regulatory authorities driving the policy need are located, the ISO will allocate the policy-related avoided cost to the* *<u>sub-region driving the policy need,</u>* *~~load served under~~* *<u>and the utilities, customers and</u>* *state or local regulatory authority or authorities* *<u>in that sub-region will further allocate those costs to those</u>* *whose policy mandates drove the need for the original project.*

13. <u>Similarly, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate the associated avoided cost to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. Please comment on this proposal.</u>

See UAE and WIEC's Response to #11 and #12, above.

14. <u>For a policy-driven project that supports policy mandates of more than one sub-region, or that is built in one sub-region to meet the policy mandates of another sub-region, the ISO will calculate the economic benefits of the project and allocate costs to each sub-region in proportion to the sub-region's benefits, but only up to the point where each sub-region's cost share equals the sub-region's benefits. Any additional cost of the project will be allocated to the load served under the state or local regulatory authorities within each sub-region, other than the sub-region in which the project is built, whose policy mandates drove the need for the project. Please comment on this proposal.</u>

See UAE and WIEC's Response to #11 and #12, above. Moreover, UAE and WIEC do *<u>not</u>* *support this aspect of the Proposal to the extent it includes a project "that is built in one sub-region to meet the policy mandates of another sub-region." This aspect of the Proposal appears to directly conflict with the scenario raised in #12 above. Allocating the costs of the project to the sub-region in which the project is physically located is not appropriate and will only cause one sub-region to subsidize the policies of another. It will also incent one sub-region to physically locate a project across the lines of a sub-region in order to reduce costs.*

All costs associated with such a project should be borne by the sub-region (and where appropriate, by the jurisdiction) in which the policy driven project originated. Indeed, this would be consistent with the approach taken on page 15 of the Proposal that, "for a policy-driven project that is connected entirely within the same subregion in which the policy driver originated, the CAISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions."

15. <u>Continuing with the scenario of a policy-driven project that supports policy mandates of more than one sub-region, if the policy driver of the project was a federal policy, then for sub-regions other than the sub-region in which the project is built the ISO will allocate</u>

the project costs to the load served in each state in proportion to the state's need for the project to comply with the federal policy mandate. In such cases, if the project also supports policy mandates within the same sub-region in which the project is built, the ISO will allocate that sub-region's share of the policy-driven costs to the entire sub-region as part of the sub-regional TAC. Please comment on this proposal.

See UAE and WIEC's Response to #11, #12 and #14, above.

16. Competitive solicitation to select the entity to build and own a new transmission project would apply to all new transmission projects rated 200 kV or greater, of any category, with exceptions only as stated in ISO tariff section 24.5.1 Please comment on this proposal.

UAE and WIEC support this aspect of the proposal. However, where an upgrade, improvement, addition or replacement consists of a small portion of the new project facilities, UAE and WIEC believe that the existence of the upgrade, improvement, addition or replacement as a component of the larger project should not negate the general requirement for competitive solicitation.

17. The proposal indicated that the ISO would establish a formula for a single export rate (export access charge or "EAC") for the expanded region, and under the proposal, non-PTO entities would pay the same sub-regional TAC rate paid by other loads in the same sub-region. Please comment on this proposal.

UAE and WIEC oppose this aspect of the Proposal. See UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #15.

18. The EAC would be calculated as the sum of all high-voltage transmission revenue requirements (TRRs) of all PTOs within the expanded BAA divided by the sum of the projected internal load for the entire expanded BAA. Please comment on this element of the proposal.

UAE and WIEC oppose this aspect of the Proposal. See UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #17.

19. The CAISO proposes to allocate shares of the EAC revenues to each sub-region in proportion to their total high-voltage TRR. Please comment.

UAE and WIEC oppose this aspect of the Proposal. See UAE and WIEC's October 31, 2016 joint comments in response to the Second Revised Straw Proposal, at #17.

20. The CAISO proposes to break down each sub-region's share of the EAC revenues into portions to be allocated to the sub-regional TAC and each state or local regulatory authority whose load is paying a share of the high-voltage TRR for policy-driven transmission whose costs are not included in the sub-regional TAC. These shares of the sub-region's EAC revenue would be in the same proportion as the corresponding shares of the sub-regional high-voltage TRR. This element of the proposal would not affect the allocation of EAC revenues between sub-regions. Please comment on this proposal.

Subject to all of UAE and WIEC's concerns referenced above, UAE and WIEC support this aspect of the Proposal.

21. Please provide any additional comments on topics that were not covered in the questions above.

The Proposal states at pages 10-11:

> *This proposal assumes that TAC will continue to be charged on a per-MWh basis to load and exports. It does not consider whether anyone other than load or exports should pay the TAC, nor does it consider alternative billing determinants such as demand-based charges. Some stakeholders have expressed concerns that using a volumetric basis for TAC charges (in contrast to a demand basis) in the expanded ISO's settlements process would inevitably translate into a purely volumetric basis for recovering a PTO's transmission revenue requirement ("TRR") from retail customers. They point out that if this occurs for a customer that has a high load factor and had been paying for transmission service based on demand, that customer will be allocated a larger cost share than before for the same TRR. The CAISO clarifies that using a per-MWh TAC rate for wholesale market settlements does not necessarily mean that retail customers must also pay a purely volumetric charge. Today in most cases the CAISO settlements process applies the per-MWh TAC to each utility distribution company ("UDC") taking service from the CAISO grid based on the total end-use metered load (called "Gross Load" as defined in the CAISO tariff) served over that UDC's system during each settlement period. The CAISO's settlement process does not prescribe how each UDC will recover its TAC payment to the CAISO from its end-use customers. For example, the UDCs within the investor-owned utilities who are CAISO PTOs today have retail rate structures for TRR recovery that are volumetric for residential and a combination of volumetric and demand-based for commercial and industrial customers. The question of how a UDC will recover TRR from its retail customers is not determined by the structure of the TAC.*

UAE and WIEC have raised strong concerns over this issue in the past. Moreover, any attempt by a Regional ISO to allocate costs on a per-MWH basis more granularly to the load of specific regulatory authorities within a sub-region would significantly exacerbate these concerns.

Assuming the Regional ISO abandons any notion of allocating costs on a more granular basis to the load of regulatory authorities within a sub-region, the new language of the Proposal quoted above should help ameliorate UAE and WIEC's concerns on this issue somewhat. However, UAE and WIEC request that CAISO add the following additional language at the end of this discussion to help further ameliorate these concerns:

> *"The use of a per-MWh TAC charge is not intended to reflect cost-causation and does not reflect how individual customers, customer classes or states may have contributed to or caused any costs to be incurred within a sub-region.*