

Stakeholder Comments Template

Transmission Access Charge Options

August 11, 2016 Stakeholder Working Group Meeting

Submitted by	Company	Date Submitted
<i>Marshall Empey</i>	<i>UAMPS</i>	<i>August 25, 2016</i>

The ISO provides this template for submission of stakeholder comments on the August 11, 2016 stakeholder working group meeting. Topic 1 of the template is for comments on the default cost allocation provisions for new regional transmission facilities, the topic of the morning session of the working group. Topic 2 is for comments on the region-wide TAC rate for exports, which the presentation referred to as the “export access charge” (EAC) and was the topic of the afternoon session of the working group. The ISO invites stakeholders to offer their suggestions for how to improve upon the ideas discussed in the working group meeting.

The presentation for the August 11 meeting 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 **August 25, 2016**.

Topic 1. Default Cost Allocation Provisions for New Regional Transmission Facilities

Context

For purposes the working group discussion the ISO assumed that the current structure of the transmission planning process (TPP) would be retained for the expanded BAA. That is, the TPP would consist of a first phase for specifying and adopting planning assumptions including public policy directives that would drive transmission needs, as well as a study plan. The second phase would consist of a sequential process for performing planning studies and identifying reliability projects, followed by policy-driven projects, and finally economic projects. With each successive

project category, the ISO may identify a project that serves the need of a project identified in a prior category, in which case the project would be labeled by the last category in which it was identified, but its cost allocation would reflect the benefits in all categories.

By design these two TPP phases take 15 months, at the end of which the ISO would present the comprehensive transmission plan for approval to the governing board for the expanded BAA. At the working group meeting the ISO also pointed out that while the concept of a “body of state regulators” or “Western States Committee” is still under discussion in the context of governance for the expanded BAA, no details have been developed or proposed regarding this entity’s role with regard to transmission planning and cost allocation. Moreover, once the default provisions being discussed in the working group are finalized, filed and have been approved by FERC for inclusion in the ISO tariff, any variations or deviations from those provisions would also have to be filed and approved by FERC. Stakeholders should therefore view the current effort to develop default cost allocation provisions as determining the rules that would govern transmission cost allocation for the expanded BAA.

Stakeholders should assume for purposes of their comments that the current ISO TPP structure would be followed in an expanded TPP performed for the expanded BAA. Parties wishing to comment on or suggest alternatives to these assumptions may add any additional comments at the end of this topic.

Questions

1. The working group presentation assumed we would use the current Transmission Economic Assessment Methodology (TEAM) to calculate a project’s economic benefits to the BAA as a whole and to each of the sub-regions. Currently TEAM calculates the following types of benefits: efficiency of the economic dispatch, reduction of transmission line losses, and reduction of resource adequacy capacity costs. Are these economic benefit types sufficient for purposes of cost allocation, or should other types of benefits be included? Please describe any additional benefit types you would include in the benefits assessment and suggest how they could be quantified.

We have not had time to evaluate TEAM in detail. The presentation describes it in one sentence. Therefore it is difficult for entities not currently in CAISO to agree or suggest differences. We suggest that the TEAM document, which we note was adopted in 2004 as a result of legislative action in California, be evaluated to see if is applicable to an expanded footprint for a regional ISO before assuming that it will work. We also note that PacifiCorp operates and performs transmission planning on a contract path basis instead of a flow basis and do not know how or if TEAM will accommodate this difference or if PacifiCorp will change.

2. The ISO’s presentation suggested that a sub-region’s avoided cost for a needed transmission project could be included among the benefits of a project with region-wide benefits. For example if project A with region-wide economic benefits enables sub-region 1 to avoid a reliability project B that would have cost \$40 m, then the \$40 m avoided cost should be

included in the total benefits of project A for purposes of cost allocation to the sub-regions. Please comment on whether such avoided costs should be included in the benefits for cost allocation purposes.

If the “needed transmission project” was unanimously agreed to by all stakeholders in the sub-region, it would make sense to include the costs in the region-wide project analysis, but since the proposal is that transmission planning and cost allocation would be region-wide, the sub-region’s multiple voices may be marginalized in any such analysis so that the region-wide project is chosen and cost allocated to the sub-region’s detriment. The PacifiCorp sub-region is not a homogenous group of load serving entities with the same resource portfolio. UAMPS believes that this process would need to be used on a case-by-case basis and not as an established protocol.

3. In the example of Question 2 a specific project B was identified to meet a reliability need, and so its avoided cost could be viewed as a realistic estimate of the cost to sub-region 1 of mitigating its reliability need. In many instances in practice, however, cost-effective projects may be identified that provide economic, policy and reliability benefits without the planners ever identifying less costly but narrowly-scoped hypothetical alternative projects that could serve to provide concrete avoided cost estimates. Do you think it is important to perform additional studies to determine meaningful avoided cost estimates to use in cost allocation, perhaps by identifying hypothetical alternatives that would not ordinarily be considered in the TPP? Are there other approaches you would favor for estimating avoided costs to use in cost allocation? What other methods should the ISO consider for allocating reliability or policy “benefits” to a sub-region absent a well-defined project that can be avoided?

It is important to perform all studies that are needed to follow the FERC directive that costs should follow the benefits. If a reliability need is agreed to and can be met by “local” transmission or non-transmission alternatives, the sub-region should not be forced into a cost allocation for a regional transmission project unless that cost allocation is a least-cost alternative.

4. The cost allocation approach presented at the working group for projects with benefit-cost ratio $BCR < 1$) started by first allocating cost shares equal to economic benefits, and only after that allocating remaining costs to the sub-region(s) driving the reliability or policy need. In the discussion, some parties suggested reversing this order, i.e., to start by allocating a cost share to the sub-region with the reliability or policy driver base on the avoided cost of the reliability or policy project it would have had to build, and only then allocating remaining costs based on economic benefit shares. Please state your views on these two approaches, or describe any other approach you would prefer and explain your reasons.

If the $BCR < 1$, the project should not be built. If the project is being built for reliability needs, the BCR should be greater than 1. If it is being built for policy needs, then the jurisdiction with the policy needs should fund the project.

5. The presentation at the working group suggested that all facilities > 200 kV planned through the expanded TPP would be assessed for potential region-wide economic benefits. Some parties suggested the ISO should apply threshold criteria to eliminate projects that clearly would not have region-wide benefits, rather than perform TEAM studies for all > 200 kV. Do you support the use of threshold criteria? If so, what criteria would you apply and why?

UAMPS supports the use of threshold criteria. Because the transmission systems within the current CAISO footprint and outside of it, especially in the PACE BA are so different, a footprint wide criterion would not be workable.

6. Do the details of TEAM, e.g., financial parameters, period over which present values are determined, etc., need to be pre-determined to maximize consistency of methodology and criteria across all projects, or should case-by-case considerations be taken into account?

As stated above, we have not had the time to evaluate in detail the documentation and processes for TEAM, and have no practical experience with TEAM, so cannot offer any valid comments.

7. Should incidental benefits to a sub-region cause a cost allocation share for that sub-region even though the project would not have been built but for a reliability or policy need in another sub-region?

Since “incidental” is a very subjective term, UAMPS would recommend that such a decision would be on a case-by-case evaluation with a significant majority of stakeholders within the sub-region being in agreement that there are benefits.

8. Please offer any additional comments, suggestions or proposals that were not covered in the previous questions.

PacifiCorp is currently a member of the Northern Tier Transmission Group (NTTG) and its Attachment K is written to conform to the NTTG regional planning processes. Any change to these processes should be identified and allowed to be evaluated by its transmission customers before doing a wholesale change to the CAISO methodology.

Topic 2. Region-wide “Export Access Charge” (EAC) Rate for Exports and Wheel-throughs

Context

For the working group discussion, the ISO's presentation assumed a scenario where the current ISO BAA is expanded by the integration of a large external PTO such as PacifiCorp, and that the current ISO footprint and the new PTO would each be a "sub-region" with its own separate sub-regional TAC rate for load internal to the sub-region. The ISO further assumed that in this future scenario, only exports and wheel-throughs would pay the new EAC rate, while the "non-PTO" entities internal to the ISO BAA who currently pay the WAC would pay the sub-regional TAC rate. **Please assume the same in responding to the questions below.** If you wish to comment on or propose alternatives to these assumptions you can add any additional comments at the end of this section.

Questions

1. For an expanded BAA do you agree that a single region-wide access charge rate for exports and wheel-throughs is appropriate? Please explain your reasons. NOTE: This question is only about whether a single rate is appropriate, not about how that rate should be determined; the latter is covered in question 3 below.

No, a single rate is NOT appropriate. For historical or planned exports, the sub-regional rate is the correct rate. For example, UAMPS has Members in neighboring BA's that they serve or plan to serve based on the current PacifiCorp network rate (proposed to be the PacifiCorp sub-regional TAC). The formation of the regional ISO should not have a negative impact to these transactions. Exceptions for these types of transactions will need to be in place.

2. If you answered YES to question 1, do you favor the load-weighted average rate the ISO presented at the meeting, or another method for determining the single rate? Please explain the reasons for your preference.

3. To distribute the revenues collected via the EAC, the ISO's presentation suggested giving each sub-region an amount of money equal to the MWh volume of exports and wheels from the sub-region times the sub-regional TAC rate. Please indicate whether you would support this approach or would prefer a different approach for distributing EAC revenues to the sub-regions.

UAMPS does not believe that this allocation would be equitable given the probable significant difference in TAC rates. EAC revenues should be allocation to the sub-region that provided transmission assets that facilitated the export. EAC revenues should only be allocated to two or more sub-regions if transmission assets were used in those sub regions.

4. The working group presentation illustrated how the method of distributing EAC revenues to sub-regions would most likely produce “unadjusted” sub-regional shares that do not add up exactly to the amount of EAC revenues collected from exports and wheels. The presentation offered one approach for distributing any **excess EAC revenues** to the sub-regions. Do you support that approach, or would you prefer a different approach? Please explain.

See our answer to #3 above.

5. Suppose that in a given year the EAC revenues are not sufficient to cover a distribution to sub-regions that aligns with sub-regional TAC rates, as described in question 3. How would you propose the ISO deal with that situation? I.e., should the ISO ensure that each sub-region receives export revenues equal to its sub-regional internal TAC rate times the volume of exports from its facilities, drawing upon other TAC revenues if necessary, or should the ISO only return EAC revenues to sub-regions until the EAC revenues are used up?

See our answer to #3 above.

6. If you answered NO to question 1, please explain what rules or principles you would prefer be applied to exports and wheel-throughs. Please discuss both (a) how you would propose to charge exports and wheel-throughs, and (b) how you would distribute the revenues collected to the sub-regions.

As explained above, certain exports that currently exist or planned transactions should be “grandfathered” and only charged the sub-regional TAC as they would be currently. For other exports, we believe the rate should reflect what transmission assets are being used. For example, an export from a resource located in Utah being exported to New Mexico should not pay a postage stamp rate designed to recover costs of the regional ISO footprint. Since it only uses the assets in the PacifiCorp sub-region, the charges should reflect that. Since CAISO is tracking these transactions for GHG accounting, it should be fairly simple to track what transmission assets are being used for each export transaction.

7. Please offer any additional comments, suggestions or proposals that were not covered in the previous questions.