

Stakeholder Comments Template

Transmission Access Charge Options

February 10, 2016 Straw Proposal & March 9 Benefits Assessment Methodology Workshop

Submitted by	Company	Date Submitted
<i>Dr. Laura Nelson (801) 538-8726</i>	<i>Utah Governor's Office of Energy Development</i>	<i>March 23, 2016</i>

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**.

GENERAL COMMENTS

Utah's primary concern at this point in the process is the lack of proper governance protections. Utah believes that governance issues must be addressed first in a deliberate and inclusive process before CAISO TAC proposals can be more fulsomely evaluated. Utah generally supports market concepts that increase efficiencies and benefit customers. However, cost allocation approaches should ensure a meaningful role for Utah in decision-making, and provide for quantifiable and verifiable metrics.

The process must also provide Utah adequate time to acquire tailored information to address specific state needs. Utah is concerned that the current timeline does not provide Utah the opportunity to provide meaningful input or make informed decisions on CAISO expansion. Utah requests a more meaningful role in the current process, including developing more reasonable timelines.

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.

Utah generally supports the proposed designation of sub-regions so long as an appropriate governance structure is developed to allow Utah meaningful input on future designated sub-regions as needs develop and additional information becomes available.

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.

Utah does not oppose the proposed definitions of "existing facilities" and "new facilities." However, Utah recognizes and is concerned that the definitions are inherently ambiguous and incomplete. These definitions will require modification and additional detail as they are applied to specific cases. For example, what are the specific "separate planning processes" that are contemplated (e.g. regional planning, state Integrated Resource Planning etc); and, what does "approved" (e.g. FERC approval, state IRP

acknowledgement) mean? Therefore, it is crucial that a governance structure is established to ensure Utah a meaningful voice in evolving definitions.

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.

Utah generally supports the allocations of TRRs of each sub-region's existing facilities to that sub-region. However, as noted above, Utah is concerned about the lack of governance controls at this state of the process, especially in light of the inherent definitional ambiguities in the straw proposal. Also, Utah would like to reserve the right to consider other potential allocations of TRR's as additional information becomes available. For example, closer examination of a concept introduced by CAISO staff that would allow a project that was already "approved" in a transmission planning process to potentially qualify as "new" under certain conditions.

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.

Utah is opposed to the concept of allocating any portion of the TRR of existing facilities to other sub-regions.

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.

Utah does not object to the three threshold criteria for "new regional facilities" described above. However, Utah does not believe it has been given adequate time or information, to adequately evaluate the three threshold criteria's specific impacts on Utah.

Furthermore, appropriate consideration of these and other issues is made difficult, if not impossible, without the issue of governance controls being settled first.

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.

Utah generally supports the concept of allocating costs based on benefits received so long as those benefits are quantifiable, verifiable and cost-of-service based. However, without additional detail, including the role of Utah in future decision making, Utah cannot adequately evaluate the impact of this approach on its customers and other state interests.

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.

Although full evaluation of this approach is difficult without specific examples, generally there needs to be a clearly defined set of triggering events that indicate the need for re-assessment, such as if a new PTO joins the ISO or when a large project has applied to the ISO for cost allocation, etc.

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.

Please see previous answer.

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).

It is futile to address TAC issues without first settling governance questions. Any agreements about TAC protocols will be only as permanent as the governing body decides to make them. Proper governance must be in place to allow equal footing to determine quantifiable, measurable benefit metrics. This concept is applicable irrespective of whether the project is driven by economics, reliability or policy. Utah supports a gradual phase-in if it is based on an acceptable cost structure.

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.

Utah generally supports using different cost-allocation methods according to the purpose of the project, (e.g., economic, reliability, and policy projects). However, proper evaluation of these various cost-allocation methods requires additional detail, including specific impacts on Utah. Also, acceptable cost-allocation methods must define Utah's role in the cost-allocation process.

Generally, the project's purpose must be determined up front. Although Utah is not opposed to using power flow analysis for assessing reliability projects and production cost modeling for economic project types, costs for policy-driven projects must be allocated directly to the state or sub-region that enacts the policy (or causes the cost). Just as the state that enacts its own legislation or policy benefits directly from its own policy-driven project, i.e., it receives the benefit of the RECs associated with its state RPS policy that cause the project to be built. The tenet of cost allocation is that you cannot allocate costs to someone that is not responsible for the cause of the cost. Utah believes that in this regard, the TAC straw proposal is in opposition to ISO's own guiding principles for cost allocation¹.

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.

Utah would need objective Utah-specific information and analysis, additional time, as well as a more fulsome understanding of governance structure to adequately evaluate this question.

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.

Please see previous answer.

¹ "The guiding principles that the ISO proposes for allocating costs are summarized below: Causation – Costs will be charged to resources and/or market participants that benefit from and/or drive the costs. It is a fundamental tenant of just and reasonable energy markets that costs are allocated in this manner." <http://www.caiso.com/Documents/DraftFinalProposal-CostAllocationGuidingPrinciples.pdf>

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.

Same as above.

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.

Same as above.

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.

The ISO position on cost allocation for new public policy projects is a non-starter for Utah. While Utah is open to the consideration of paying for benefits based on quantifiable and measurable metrics, Utah cannot support an open-ended cost allocation scheme that makes the State vulnerable to whatever charges are deemed appropriate by a Board that is not answerable to Utah. Again the establishment of a fair governance structure that provides a meaningful role for Utah in decision making is a prerequisite for proper evaluation of various cost-allocation approaches.

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.

Utah would need objective Utah-specific information and analysis, additional time, as well as a more fulsome understanding of governance structure to adequately evaluate this question.

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.

Please see previous answer.

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

As discussed above, Utah generally supports benefit assessment approaches that are based on quantifiable and verifiable metrics. Recognizing Utah's potential role in a CAISO expansion, it is crucial, however, that controls are in place, including a meaningful role in governance, to ensure appropriate credit for baseload assets so crucial to system reliability.