

Stakeholder Comments Template

Transmission Access Charge Options

May 20, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the May 20, 2016 revised straw proposal. The revised 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 **June 10, 2016**.

Revised Straw Proposal

1. In the previous straw proposal the ISO proposed to define sub-regions, with the current ISO footprint as one sub-region and each PTO that subsequently joins as another sub-region. Now the ISO is proposing an exception to allow a new PTO that is embedded within or electrically integrated with an existing sub-region to have a one-time choice to join that sub-region or become a separate sub-region. Please comment on whether such an embedded/integrated new PTO should become a new sub-region, be given a one-time choice, or whether another approach would be preferable.

XES supports a one-time decision option for new entrants, but notes that cost shifts may occur as PTOs merge into sub-regions. The decision also creates other cost shifts or potential free rider issues depending on the treatment and allocation of future transmission facilities to a new PTO sub-region or the larger merged sub-region. The ISO should make decision guidelines clear related to subsequent PTO integration in the tariff. Generally, sub-regions should be large areas with significant transmission investment and served load.

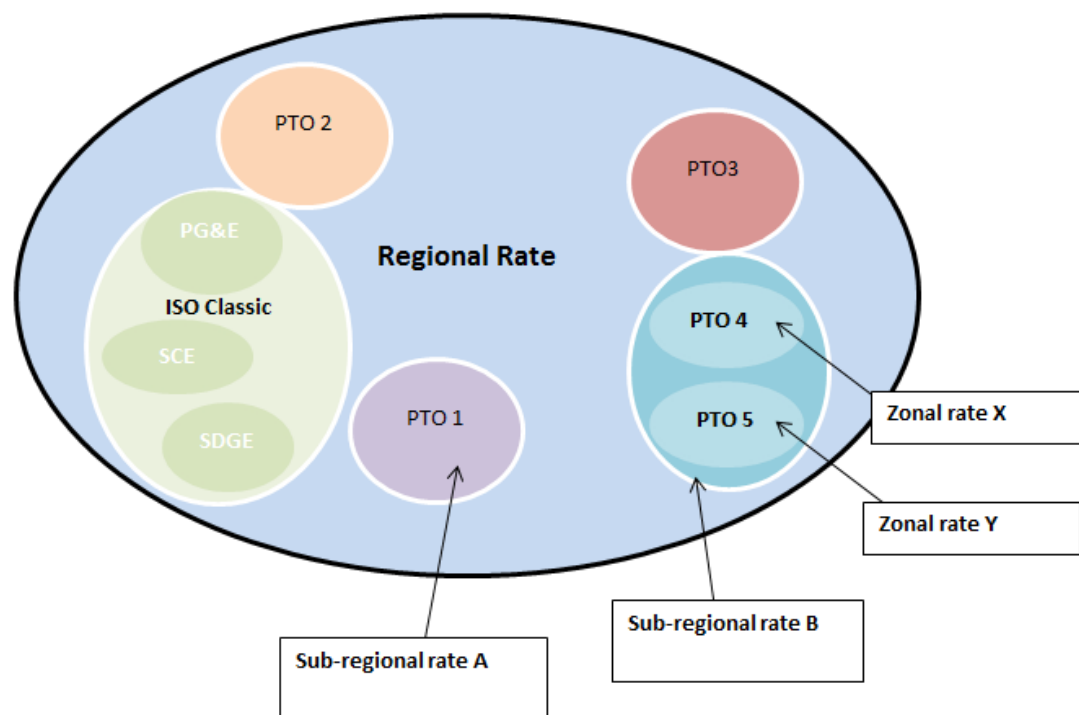
XES's preference, due to the potential cost shift issues, is to grant the authority to the existing PTOs in the sub-region for determining if that sub-region should be expanded. If parties are unable to reach agreement, ISO dispute resolution or ultimately, FERC should determine terms of the integration. XES's preference also applies to the determination of the license plate zone as well.

Given the proposal for regional cost allocation of inter-sub-regional projects, XES supports the creation of larger sub-regions so that there are fewer sub-regional seams. For instance, creation of a small sub-region would result in regional allocation for most future transmission facilities.

XES would also like the ISO to consider, or confirm, whether a group of new PTOs joining at the same-time could form their own sub-region together, instead of having to establish multiple sub-regions. The ISO has proposed that a new PTO embedded in an existing sub-region can choose to remain within that sub-region or form its own, but it's not clear whether a group of new PTOs, not embedded in an existing sub-region, could establish one unified sub-region made up of several new PTOs, similar to how the existing the ISO footprint is a sub-region made up of several PTOs. The option to form a new sub-region of multiple PTOs may make sense for certain PTOs that are closely electrically integrated or that have collectively negotiated cost shift issues or cost allocation principles.

Assuming the ISO is supportive of that concept, XES would like the ISO to consider an approach that allows cost allocation to zones inside of sub-regions, in addition to sub-regions. Generally, the ISO already applies this concept, for instance, for local allocation of lower voltage transmission facilities as well as in the proposal to develop license plate rates for existing facilities. This zonal concept may facilitate sub-region specific cost allocation and rate design for a uniquely situated sub-region, while at the same time enabling expansion of the broader market footprint. This may be especially important if the sub-groups of proposed State Committee have different approaches to public policy or transmission development or if members of a sub-region have determined unique cost allocation principles.

Adding a zonal layer could help CAISO identify operational or planning needs for one zone that may not significantly affect a different zone. XES expects that the proposal to allocate reliability upgrades locally incorporates the zonal concept, and so allocates the reliability projects to the local zone and not locally to the sub-region. The regional/sub-regional/zonal approach allows for more flexible and targeted cost allocation, which may be important to potential new entrants or the to-be-formed State Committee. There may be costs appropriate for the full CAISO region, other costs which should be contained in the sub-region, and still other costs that most appropriately applied to one zone but not another. XES would appreciate CAISO's feedback on this idea and has included a graphical depiction to help facilitate the discussion.



2. The proposal defines “existing facilities” as transmission assets in-service or planned in the entity’s own planning process for its own service area or planning region, and that have either begun construction or have committed funding. The ISO proposed criteria for what constitutes a facility having “begun construction” and “committed funding” and for how these criteria would be demonstrated. Please comment on these criteria and their use for this purpose.

XES supports the proposed definition of existing facilities by the ISO.

3. The proposal defines “new facilities” as transmission projects planned and approved in an expanded TPP for the expanded BAA. Projects that are under review as potential “inter-regional” projects prior to the new PTO joining may be considered as “new” as long as the “existing” criteria are not met. Please comment on the potential inclusion of candidate inter-regional projects in the new facilities category.

XES supports the proposed definition of new facilities.

4. Consistent with the previous straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional “license plate” TAC rates. The ISO’s decision to

retain the previous proposal, rather than develop a new proposal for allocating some costs of existing facilities across the sub-regions, was based on the importance of retaining the principle that only new facilities planned through the expanded TPP should be eligible for region-wide cost allocation. Please comment on the license plate approach and the logic for retaining that approach, as explained here and in the revised straw proposal.

XES supports the use of a license plate rate design, and the proposed recovery of existing facilities through license plate rates. As noted above, XES would like for CAISO to allow for some costs currently contemplated as sub-regional allocation, to be further allocated to specific zones – if the sub-region and the appropriate state regulators support a modified approach.

5. “New facilities” will undergo a two-step process to determine eligibility for regional cost allocation. First, the project must be planned and approved through the integrated TPP for the expanded BAA. Second, the project must meet at least one of three criteria to be a “new regional facility” eligible for region-wide cost allocation. Please comment on the two-step process to determine “new facilities.”

XES supports the ISO’s two-step process proposal, but also notes 1) the potential issue for small sub-regions and 2) the ISO should consider allocation of interregional facilities exiting the footprint. The issue of small sub-regions may be solved by creating a minimum size for a sub-region and the use of license plate rates and zonal cost allocation concepts discussed above.

6. The proposal would allocate the cost of new reliability projects approved solely to meet an identified reliability need within a sub-region entirely to that sub-region. Please comment on the proposed cost allocation for new reliability projects.

XES supports CAISO’s proposal to allocate costs of new reliability projects solely to the applicable sub-region. XES suggests that under a zonal granularity, the costs for reliability projects be allocated to the local license plate zone which needs the project instead of pro-rata to the entire sub-region.

7. The ISO proposes that a body of state regulators, to be established as part of the new regional governance structure, would make decisions to build and decide allocation of costs for new economic and policy-driven facilities. Please comment on this proposal.

XES generally supports CAISO’s proposal to include the body of State regulators to help build consensus on allocating costs of new economic and policy-driven facilities, but is uncomfortable with the lack of structure in the existing straw proposal. It seems that the

proposal is wide open and dependent on a group of regulators—of which the governance structure and decision process of those regulators is unknown.

XES understands the straw proposal allows state regulators to determine if a project should be included in the plan as well as the specific regional or sub-regional allocation for that project. Potentially, the body of state regulators may determine specific zonal allocation as well.

Although XES is open to the concept, we expect that FERC may require some more specificity or guiding rules with respect to 1) if and when an economic or public policy project should be included in the plan, 2) if it is eligible for cost allocation, and 3) the specific cost allocation. We do not think that FERC will allow the cost allocation concepts to change on a project-by-project basis at the discretion of the body of state regulators. Also, CAISO will need to make clear the different authority given to the body of state regulators and the independent board in terms of approving a regional plan and determining cost allocation.

8. Competitive solicitation to select the entity to build and own a new transmission project would apply to: (a) economic and policy-driven transmission projects approved by the body of state regulators for regional cost allocation, and (b) new projects whose costs are allocated entirely to one sub-region but are paid for by the ratepayers of more than one PTO within that sub-region. The ISO has determined that this policy is consistent with FERC Order 1000 regarding competitive solicitation. Please comment on this proposal.

XES recommends that the ISO define projects allocated only to the one license plate area as “local” for purposes of Order 1000. Locally allocated projects are not required to be competitive under Order 1000. Note that some PTOs may also have delivery obligations in other PTO zones, for instance. In addition to the two examples above, inter-sub-regional projects that are regionally allocated are subject to competitive solicitation.

Also, as stated above, XES requests the ISO allow for zonal allocation of certain sub-regional costs. For example, if a public policy project is located and solely allocated in one sub-region, there may be flexibility to allocate that public policy project to specific zones, instead of simply pro rata across the entire sub-region.

In addition, XES believes that state ROFR’s must be accounted for in the competitive solicitation process. For reference, MISO language respecting state ROFR’s has been approved by FERC and states: “The Transmission Provider shall comply with any Applicable Laws and Regulations granting a right of first refusal to a Transmission Owner. The Transmission Owner will be assigned any transmission project within the scope, and in accordance with the terms, of any Applicable Laws and Regulations granting such a right of first refusal. These Applicable Laws and Regulations include, but are not limited to, those granting a right of first refusal to the incumbent Transmission Owner(s) or governing the use of existing developed and undeveloped right of way held by an incumbent utility.”

9. FERC Order 1000 requires that the ISO establish in its tariff “back-stop” provisions for approving and determining cost allocation for needed transmission projects, in the event that the body of state regulators is unable to decide on a needed project. The revised straw proposal indicated that the ISO would propose such provisions in the next proposal for this initiative. Please offer comments and your suggestions for what such provisions should be.

XES will wait to comment until the ISO makes its proposal on the back-stop provisions.

10. The proposal indicated that the ISO would establish a formula for a single export rate (wheeling access charge or WAC) for the expanded region, and this rate would be a load-weighted average of all sub-regional license plate rates plus any region-wide postage stamp rate. Please comment on this proposal.

XES supports this approach.

11. The ISO proposed to retain the provision that once the BAA was expanded and a new TPP instituted for the expanded BAA, any subsequent PTO joining at a later date could be responsible for a cost share of new regional facilities approved in the expanded TPP, based on the benefits the new PTO receives from each such facility. Please comment on this proposal.

XES is hesitant to support this approach without further detail on the benefit calculation applied to subsequent PTOs. XES recommends that the ISO allow for negotiation with potential PTOs that follows a no-harm to existing member philosophy.

12. The ISO dropped the proposal to recalculate sub-regional benefit shares for new regional facilities every year, and instead proposed to recalculate only when a new PTO joins the expanded BAA and creates a new sub-region, but at least once every five years. Please comment on this proposal.

XES is concerned that a process to revisit the benefit shares over time can amount to retroactive ratemaking and contributes to significant uncertainty for transmission customers to anticipate delivery system costs. XES is also confused on what this calculation is. If the proposal is to allocate inter-sub-regional projects regionally and other projects pro-rata to the sub-region – what benefit shares are calculated and how might that change?

Aside from that issue, XES is supportive of determining benefit and costs for new PTOs as part of the impact evaluation of their joining the broader region.

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