

# 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](mailto: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.

### **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."

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<sup>1</sup> BAMx consists of City of Palo Alto Utilities and City of Santa Clara's Silicon Valley Power.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.”

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.

No Comments 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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.

BAMx supports studying the use of an economic production cost approach such as the key elements of TEAM for determining benefit shares associated with an economic

transmission project. In the current initiative, BAMx has identified several concerns related to applying the decade old TEAM approach and has urged the CAISO to review and revise TEAM via a separate comprehensive stakeholder initiative.<sup>2</sup> Any endorsement of economic assessment of transmission projects in the remaining portion of these comments assumes that BAMx concerns related to the existing TEAM approach are adequately addressed.

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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal. Also, see our response to Q.21 below.

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.

BAMx could support this element of the CAISO proposal, but is concerned about the lack of details on the application of the CAISO's TPP for the expanded BAA that would presumably determine whether a reliability project only addresses a reliability need of one particular sub-region. The CAISO needs to accelerate efforts to fully develop the TPP for the expanded BAA. See our response to Q.21 below.

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.

BAMx would support the CAISO's proposed approach of allocating the costs of a purely economic project, as defined above, to sub-regions in proportion to their benefits assuming that the CAISO performs Benefit to Cost Ratio calculations based upon the updated elements of the TEAM approach developed by stakeholders via a separate initiative.

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<sup>2</sup> See the BAMx comments on the Transmission Access Charge Options February 10, 2016 Straw Proposal, dated April 1, 2016, pp. 6-8. Also see the SVP comments on Transmission Access Charge Options August 11, 2016 Stakeholder Working Group Meeting, dated August 25, 2016, pp. 2-3.

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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal. BAMx reserves the right to provide specific comments on the process involved in identifying the avoided cost of needed transmission and its applicability for purposes of cost allocation to the sub-regions once more details are available.

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.

BAMx generally supports the CAISO's proposal, however it prefers the "driver first" approach over the "total benefits" approach for cost allocation purposes. BAMx reserves the right to provide specific comments on the process involved in identifying the avoided cost of needed transmission and its applicability for purposes of cost allocation to the sub-regions once more details are available.

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.

BAMx supports the CAISO's revised 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, but the approach should be expanded to include policy driven projects within a single sub-region. The CAISO's new approach provides a much better linkage between procurement of

resources to meet policy mandates and allocation of policy-driven transmission costs. The CAISO's new approach acknowledges that an entire sub-region may not be uniformly responsible for the costs, and that the local regulatory authorities (LRAs) are responsible for approving the resource plans that are needed to implement the policy and should be responsible for the associated costs. A more granular approach is indeed needed to make an allocation of costs driven by policy mandates, but it also should apply to policy driven projects within a single sub-region.

The CAISO's new approach and the underlying principles have several benefits. First, it streamlines determination of the plausible procurement information from "sub-regions" by linking to the LRA-approved resource plans implementing policy mandates. Second, it provides a linkage between cost causation and cost allocation. Third, it is consistent with the role the CAISO proposes to play under the regionalized Resource Adequacy initiative in terms of gathering the load forecast submitted by LSEs and allocating RA Requirements to LRAs/LSEs.

The CAISO's proposed new cost allocation will apply only in cases where a project is built in one sub-region to meet policy needs of another sub-region. For example, if a project that meets policy needs is built within the same sub-region as the LRAs 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. BAMx believes that the new proposed provisions for allocating costs more granularly should apply to all policy driven projects, including the ones in which a project is built in one sub-region to meet policy needs of only that sub-region. This should be done for the same reasons why greater granularity for cost allocation is necessary for the case in which a project that meets policy needs is built within a different sub-region from the LRAs driving the policy need. Moreover, BAMx contends that it is sufficient to include LRA-level granularity rather than "State or LRAs" as the loads represented by LRAs will be as granular or more granular than a single State.

12. 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.

As mentioned above in response to Q. 11, BAMx is supportive of allocating the policy-related avoided cost to the load served by the local regulatory authority or authorities based on the extent to which the LRA's policy mandates drove the need for the original project.

13. 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.

BAMx conceptually supports this approach. BAMx understands that 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. As explained above in response to Q. 11, BAMx believes that the cost allocation in that case also should be more granular, i.e., to LRAs based on the extent to which the LRAs' policy mandates drive the policy need.

14. 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.

BAMx supports the provision of first allocating costs to each sub-region in proportion to the sub-region's benefits up to the point where each sub-region's cost share equals the sub-region's benefits. BAMx appreciates the CAISO's change to the Second Revised Straw proposal to have any additional cost of the project be allocated based on the extent to which the LRAs' policy mandates drive the policy need, which is consistent with BAMx's recommendation as outlined in its comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal (Response to Q.12). As explained in our response to Q.11, BAMx urges the CAISO to expand this provision to include policy driven projects within a single sub-region.

15. 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 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.

As explained in our response to Q.11, BAMx recommends that any policy-driven project costs be allocated on a more granular basis to LRAs based on the extent to which the LRAs' policy mandates drive the policy need, rather than to the load served in each state in proportion to the state's need for the project to comply with the federal policy

mandate.

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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal.

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.

BAMx is supportive of this provision to accommodate more granular allocation of policy-driven transmission costs.

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

Please refer to the BAMx comments, dated October 28, 2016 on the September 30, 2016 Second Revised Straw Proposal encompassing the following areas.

- Cost of Existing CAISO Transmission; and
- Need for Expanded TPP Stakeholder Process.

#### Cost of Existing CAISO Transmission

BAMx continues to recommend an evaluation of the benefits of existing transmission infrastructure realized across sub-regions and, if benefits are identified, the consideration of alternatives for allocating the costs associated with them. Whatever cost allocation for existing facilities is adopted, the CAISO should apply the similar benefits based approaches for allocating the cost of new “regionalized” transmission to allocate the cost of existing HV facilities across multiple sub-regions. In the past, the CAISO had indicated the lack of ability to analyze the benefits of the CAISO’s existing facilities to other regions. However, with some additional resources, BAMx believes that the CAISO should be able to make this determination. Given the potential impact to existing CAISO ratepayers and ratepayers of the expanded ISO going forward, BAMx recommends that the CAISO undertake such an analysis.

#### Need for Expanded TPP Stakeholder Process

The CAISO needs to accelerate efforts to fully define what the TPP would be for the expanded BAA. Although the CAISO claims that no major changes to its TPP are required as a result of regionalization, we believe that the issues illuminated by this stakeholder process, such as the application of TEAM for regional transmission cost allocation purposes, illustrate that is not the case. As described in our response to question 8, the regional TPP needs to consider the potentially different reasons for proposing policy-driven upgrades. BAMx seeks a commitment from the CAISO on exactly when the stakeholder process for development of the expanded region’s TPP will occur. The CAISO also needs to clarify whether this stakeholder process will be conducted by the CAISO, by the Transition committee, or by the Western States Committee (WSC).