

# 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](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **June 10, 2016**.

### **Revised Straw Proposal**

CDWR appreciates CAISO's efforts to explore ways to implement SB 350's legislative mandate. As the largest single user of electricity in California, CDWR sees firsthand the impact of the recent extreme cost increases in transmission. These increases impact CDWR's mission to develop and deliver affordable water to the 25 million people who rely on CDWR for part of their water supply, and to a large part of the Central Valley agricultural lands. Additional costs that are not fairly allocated based on benefits is of great concern to CDWR, and the TAC Options proposal lacks sufficient detail for DWR to feel assured that a fair allocation of costs will result.

CDWR remains concerned that the aggressive timeline established by CAISO for the various regionalization initiatives leaves the stakeholders with insufficient time to fully understand and evaluate the proposed changes. Further, CDWR is troubled that the current approach requires analysis of the various implications of the TAC proposal and other regionalization initiatives in the absence of the central and most critical component of the regionalization scheme – a proposal on regional governance. Given that the current TAC proposal defers critical decisions on regional cost allocation to a multi-state review body (to be established as part of the new regional governance structure), CDWR would be better able to comment on certain aspects of the TAC

proposal if it can first review a governance proposal and understand the regional decision-making and stakeholder processes.

CDWR's responses to CAISO's specific questions regarding the Revised Straw Proposal are provided below. However, due to the reasons discussed above, CDWR is still evaluating certain aspects of the revised proposal and its potential implications to CDWR and may submit additional comments upon completion of its analysis.

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.

The approach proposed by the ISO provides new PTO's with the option of selecting whether to become part of an existing or a new sub-region. How the new PTO exercises this option would have cost allocation implications for the new PTO and existing customers. Assuming new PTO's would exercise their option rationally, the resulting situation is one where existing customers would systematically be allocated a higher share of costs whenever a new PTO joined. An approach where DWR, as an existing customer, is systematically allocated higher shares of transmission costs is problematic.

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.

CDWR has not completed its analysis of the proposed cost allocation methodology. CDWR may submit comments on this issue upon completion of its evaluation.

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.

CDWR has not completed its analysis of the proposed cost allocation methodology. CDWR may submit comments on this issue upon completion of its evaluation.

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.

CDWR has not completed its analysis of the proposed cost allocation methodology. CDWR may submit comments on this issue upon completion of its evaluation.

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.”

Assuming that all costs are not shared on a postage stamp basis, CDWR does not oppose the two-step process for determining eligibility for regional cost allocation. However, CDWR is still evaluating the criteria proposed by the ISO for step 2 of this analysis, i.e., whether a new facility should be eligible for region-wide cost allocation. CDWR may submit comments proposing additional factors for ISO’s consideration.

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.

Assuming that all costs are not shared on a postage stamp basis, CDWR supports the proposal to allocate costs of reliability projects solely to the sub-region with the identified reliability need. However, CDWR has concerns about the statement in footnote 8 of the Revised Straw Proposal that suggests that projects providing both reliability and economic or policy benefits would be treated as purely economic or policy-driven and thus would be eligible for regional cost allocation. CDWR believes that such projects’ reliability benefits should be taken into account in the cost allocation calculations and that only a portion of such projects should be eligible for regional cost allocation.

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. Question 7 highlights the importance of developing a regional governance proposal before finalizing the TAC proceedings.

Generally, CDWR does not oppose the concept in the CAISO's proposal to grant to a multi-state review body certain decision-making powers regarding building new economic and policy-driven facilities and regional cost allocation for such facilities. However, CDWR believes that a governance proposal outlining the regional governance scheme, including the structure and functions of the multi-state review body and details about stakeholder processes, should be developed and discussed with stakeholders before the TAC proposal is finalized. As a market participant not subject to CPUC's jurisdiction, CDWR is concerned about having adequate representation of its interests in the new governance scheme. Before CDWR can form an opinion with respect to Question 7, CDWR would like to know the process for appointing or otherwise selecting members of the multi-state review body and the full scope of authorities granted to such a body. Such authorities should likely include the authority to make Section 205 filings at FERC and the authority to conduct CPCN-like processes with sworn testimony, discovery and cross examination, an appeals process for arbitrary and capricious decisions, and enforceable price caps.

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.

No comments at this time. CDWR reserves the right to submit comments on this issue in the future.

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.

CDWR cannot offer any specific comments or suggestions for potential "back-stop" provisions in the absence of a governance proposal explaining the regional decision-making process and the role played in that process by the body of state regulators. CDWR may submit comments on this issue after the ISO develops a regional governance proposal.

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.

Based on the discussion during the June 1, 2016 stakeholder meeting, CDWR's understanding is that the ISO is currently in the process of refining and supplementing its proposal regarding WAC rates. CDWR would like to review the full proposal before providing comments on this issue.

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.

CDWR remains concerned that the current proposal appears to preferentially treat PacifiCorp relative to future PTO's.

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.

Assuming that all costs are not shared on a postage stamp basis, CDWR does not oppose CAISO's proposal to recalculate sub-regional benefit shares for new regional facilities when a new PTO joins the expanded BAA and creates a new sub-region. However, CDWR is not convinced that a periodic five-year recalculation is either necessary or warranted unless some other circumstances (and not just time passage) indicate the need for such recalculation. CDWR's ability to accurately forecast its transmission-related costs is of paramount importance to CDWR's ability to effectively and efficiently operate the State Water Project. CDWR is concerned that the proposed periodic recalculations of benefit shares would not align well with CDWR's planning and forecasting needs.

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

No other comments at this time. CDWR may provide additional comments in the future.