

# Stakeholder Comments Template

## Transmission Access Charge Options

### September 30, 2016 Second Revised Straw Proposal

Submitted by	Company	Date Submitted
<b>Mukhles Bhuiyan, M.S., P.E.</b> Manager of Grid Planning and Development Power System Planning and Development Division (213) 367-2532	<i>Los Angeles Department of            Water and Power</i>	<i>October 28, 2016</i>

The ISO provides this template for submission of stakeholder comments on the September 30, 2016 second revised straw proposal. The second 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 **October 28, 2016**.

### **Second Revised Straw Proposal**

1. The ISO previously proposed 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. The ISO now proposes that an embedded or electrically integrated new PTO will become part of the relevant sub-region and will not have the choice to become a separate sub-region. This means that the new embedded/integrated PTO's transmission revenue requirements will be combined with those of the rest of its sub-region and its internal load will pay the same sub-regional TAC rate as the rest of the sub-region. Please comment on this element of the proposal.

**First, LADWP seeks confirmation that the CAISO definitions of the characteristics that will be used to determine whether an entity is “embedded within” or “electrically integrated with” an existing sub-region does not seek to change the current Tariff Appendix with respect to the treatment of TAC Areas. The CAISO’s current Tariff, Appendix F, Schedule 3, Section 3 contains definitions of “TAC Areas” and states that if LADWP joins the CAISO and becomes a Participating TO,**

**its PTO Service Territory would not be within any existing TAC Area but would form a new TAC Area.**

**LADWP encourages the CAISO to include in its Tariff the specific criteria that CAISO will use to determine whether a potential PTO entity is “electrically integrated with” a then-existing TAC sub-region. The current Tariff description of TAC Areas in Appendix F, Schedule 3, Section 3 appears to conclude that LADWP is not “electrically integrated with” any current CAISO TAC Areas, and LADWP would not be “electrically integrated with” the sub-region comprising the CAISO BAA as it exists today.**

**Second, the CAISO’s current proposal does not directly address whether a potential PTO entity that is not “embedded within” or “electrically integrated with” a then-existing sub-region, would have a one-time choice whether to elect to join either the largest sub-region (i.e., the sub-region comprising the CAISO as it exists today), or to become a separate sub-region. To encourage PTO participation and to avoid significant rate shock, LADWP supports such entities having a one-time choice whether to elect to join a then-existing sub-region, or to become a separate sub-region.**

2. An embedded PTO is defined as one that cannot import sufficient power into its service territory to meet its load without relying on the system of the existing sub-region. Whether a new PTO is considered electrically integrated will be determined by a case-by-case basis, subject to Board approval, based on criteria specified in the tariff. Please comment on these provisions of the proposal.

**LADWP urges the CAISO to further define, with specificity, the Tariff language it intends to use to determine whether an entity is “embedded within” or “electrically integrated with” an existing sub-region. LADWP supports the proposal to have such determinations made on a case-by-case basis, based on Tariff criteria, and subject to Board approval, provided that the proposal further clarifies that any potentially affected PTO will have a full and complete opportunity to present evidence and studies and to make its case as to whether or not it should be considered “embedded within” or “electrically integrated” with an existing sub-region.**

3. The proposal defines “new facilities” as transmission projects planned and approved in an expanded TPP for the expanded ISO BAA. The integrated TPP will begin in the first full calendar year that the first new PTO is fully integrated into expanded ISO BAA. Projects that are under review as potential “inter-regional” projects prior to the new PTO joining may be considered as “new” if they meet needs identified in the integrated TPP. Please comment on these provisions.

**The TPP and transmission cost allocation process needs to be reflected in Tariff language, and a stakeholder process should precede any proposal to amend the CAISO Tariff. Will the CAISO commit to initiating a stakeholder initiative to address changes to the comprehensive Transmission Planning Processes (TPP) that will be needed to accommodate an expanded regional ISO? If so, what is the proposed schedule for when such an initiative would start?**

4. The ISO previously defined “existing facilities” as transmission assets planned in each entity’s own planning process for its own service area or planning region, and that are in service, or have either begun construction or have committed funding to construct. The ISO is now simplifying the proposal to define “existing facilities” as all those placed under operation control of the expanded ISO that are not “new.” Please comment on the ISO’s proposed new definition of “existing facilities.”

**At present, the comprehensive TPP distinguishes between “new” facilities (for which there is a competitive solicitation) and “an upgrade or improvement to, addition on, or a replacement of a part of an existing Participating TO facility” (for which the incumbent TO has a right of first refusal).**

**For upgrades, Section 24.4.10 of the CAISO tariff states, in relevant part: “A Participating Transmission Owner will have the responsibility to construct, own, finance and maintain any Local Transmission Facility deemed needed under this section 24 that is located entirely within such Participating Transmission Owner’s PTO Service Territory or footprint, as well as any upgrade or addition to an existing transmission facility.”**

**While LADWP appreciates the CAISO’s attempt to simplify the definition of “existing facilities” as all those placed under operational control of the expanded ISO that are not “new,” potential for confusion still exists with respect to the definitions in the current CAISO Tariff of and the treatment of new facilities and upgrades in the TPP. LADWP urges the CAISO to develop more specific definitions as part of its TAC Options final proposal for stakeholder comment.**

5. Consistent with the previous revised straw proposal, the ISO proposes to recover the costs of existing facilities through sub-regional “license plate” TAC rates. The ISO has proposed that each sub-region’s existing facilities comprise “legacy” facilities for which subsequent new sub-regions have no cost responsibility. Please comment on this aspect of the proposal.

**LADWP supports this concept, provided that a potential PTO entity that is not “embedded within” or “electrically integrated with” a then-existing sub-region has a**

**one-time choice whether to elect to join either the largest sub-region (i.e., the sub-region comprising the CAISO as it exists today), or to become a separate sub-region.**

6. The ISO proposes to use the Transmission Economic Assessment Methodology (TEAM) to determine economic benefits of certain new facilities to the expanded ISO region as a whole and to each sub-region. Please comment on these uses of the TEAM.
  
7. For a reliability project that is narrowly specified as the more efficient or cost-effective solution to a reliability need within a sub-region, and has not been expanded or enhanced in any way to achieve additional benefits, the ISO proposes to allocate the project cost entirely to the sub-region with the driving reliability need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision.
  
8. For a policy-driven project that is connected entirely within the same sub-region in which the policy driver originated, the ISO proposes to allocate the project cost entirely to the sub-region with the driving policy need, regardless of any incidental benefits that may accrue to other sub-regions. Please comment on this provision
  
9. For a purely economic project with benefit-cost ratio (BCR) > 1, cost shares will be allocated to sub-regions in proportion to their benefits, and because BCR > 1 this completely covers the costs. A purely economic project is one that is selected on the basis of the TPP economic studies following the selection of reliability and policy projects, and is a distinct new project, not an enhancement of a previously selected reliability or policy project.

10. For an economic project that results from modifying a reliability or policy-driven project to obtain economic benefits greater than incremental project cost, the ISO proposes to first, allocate avoided cost of original reliability or policy-driven project to the relevant sub-region, then allocate incremental project cost to sub-regions in proportion to their economic benefits determined by TEAM. This is called the “driver first” approach to cost allocation. The proposal also illustrated an alternative “total benefits” approach. Please comment on your preferences for either of these approaches.
  
11. The proposal outlined two scenarios for policy-driven projects involving more than one sub-region. In scenario 1, where a project built within one sub-region meets the policy needs of another sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the sub-region that was the policy-driver. Please comment on this cost allocation approach for scenario 1.
  
12. In scenario 2, where a policy project meets the policy needs of more than one sub-region, costs would be allocated to sub-regions up to the amount of their economic benefits (per TEAM) and the remaining costs would be allocated to the relevant sub-regions in proportion to their internal load for project in-service year. Please comment on this cost allocation approach for scenario 2.
  
13. 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, regardless of whether their costs are allocated to only one or more than one sub-region, with exceptions only for upgrades to existing facilities as stated in ISO tariff section 24.5.1. Please comment on this proposal.

14. The ISO proposes to drop the earlier proposal to recalculate benefit and cost shares for sub-regions and the proposal to allocate cost shares to a new PTO for a new facility that was planned and approved through the integrated TPP but before that new PTO joined the expanded ISO. Please comment on the elimination of these proposal elements.
  
15. The ISO proposes to establish a single region-wide export rate (“export access charge” or EAC) for the expanded region, defined as the load-weighted average of the sub-regional TAC rates. Please comment on this proposal.
  
16. Under the EAC proposal, non-PTO entities within a sub-region would pay the same sub-regional TAC rate paid by other loads in the same sub-region, rather than the wheeling access charge (WAC) they pay today. Please comment on this proposal.
  
17. The ISO proposes to allocate EAC revenues to each sub-region in proportion to their transmission revenue requirements. In the August 11 working group meeting the ISO presented the idea of allocating EAC revenues to each sub-region in proportion to its quantity of exports times its sub-regional TAC rate. Please comment on these two approaches for EAC revenue allocation, and suggest other approaches you think would be better and explain why.
  
18. Please provide any additional comments on topics that were not covered in the questions above.

**Is the CAISO proposing a two-step approach of having the regionalization proposals (*i.e.*, for TAC, Resource Adequacy, Governance, etc.) first approved by the Board of principles, then filed at FERC as principles (without Tariff language), or is the CAISO’s proposing that it will develop Tariff language before there is a filing at FERC? LADWP urges the CAISO to develop Tariff language through a**

**stakeholder initiative before there is any filing at FERC, and not to adopt a two-step approach of filing conceptual proposals at FERC.**