

**TANC COMMENTS  
ON THE CAISO'S REVISED STRAW PROPOSAL ON  
TRANSMISSION ACCESS CHARGE OPTIONS**

The Transmission Agency of Northern California (TANC) appreciates this opportunity to provide comments on the California Independent System Operator's (CAISO) Revised Straw Proposal on the Transmission Access Charge (TAC) Options for Integrating New Participating Transmission Owners (PTOs) that was published on May 20, 2016 with a subsequent stakeholder meeting held June 1, 2016, in Portland, Oregon. TANC appreciates that the CAISO has addressed some of our specific prior concerns with the initial Straw Proposal, but we are disappointed in the lack of detail in some of the most crucial areas of the revised Straw Proposal, especially with respect to allocation of regional costs. The generalities with which the Revised Straw Proposal discusses its mandate makes it extremely difficult to provide firm judgments or positions one way or the other. Nonetheless, TANC has a few comments, concerns, and recommendations:

- The Revised Straw Proposal suggestion that cost allocation for economic and policy driven transmission projects should be delegated to a body of state regulators is a considerable change from the prior proposal and represents a considerable delegation of power. This proposed change has no supporting analysis or reasoning for the abrupt change in direction, hence there is no way to determine if this approach is beneficial or not. TANC also strongly endorses the concept that all PTOs and ratepayers should be represented, if there is to be a regional board of 'regulators.' This will require that the publicly-owned utilities (POUs) have equitable representation on such a board.
- TANC continues to be concerned that the TAC Options are being developed separately from and without consideration for the Transmission Planning Process (TPP), especially in regards to project approval and classification. This does not allow for informed decision making as to the benefits or burdens of the new proposals and provides for a fragmented, piecemeal approach for the development of the new regional planning process and market. Without an understanding of the basic principles that would be used to determine the cost allocation of economic and policy projects, it is unclear how the TPP could or would be conducted.
- Despite extending the timeline with the publication of the second Revised Straw Proposal, the lack of detail has not advanced the stakeholder process and still does not allow a proper vetting of a final Proposal. Due to the lack of detail and overall vagueness, TANC has not reached a conclusion that TANC should support or oppose the CAISO Proposal.
- TANC appreciates the discussion of how a Wheeling Access Charge (WAC) would be developed, but can offer no opinion on this until further detail is made available.
- TANC agrees with the decision to re-establish a 200-kV cut-off for high voltage projects. TANC also agrees with the Proposal to allow new PTOs that are embedded within or

electrically integrated with an existing sub-region a one-time option prior to their respective integration date to join as their own sub-region or to be embedded in an existing sub-region.

- TANC reiterates some of our previously raised concerns that were not addressed by the CAISO in the Revised Straw Proposal regarding the transparency needed in the development of a transitional agreement and detailed discussion of how cost allocations and planning under the Order 1000 inter-regional planning process would translate into the new TAC calculations.
- The extreme vagueness of many of the options being proposed, postpones debate and decisions on key policy and implementation matters and may allow parties to challenge or address issues when the CAISO makes a tariff filing at Federal Energy Regulatory Commission (FERC) and/or puts the details into Business Practices. This, coupled with the piecemeal process in vetting the other necessary components of developing an expanded region, does not allow for an informed process for decision making to go forward. More detailed discussion of recommendations, potential outcomes (whether desired or unintentional) and planning processes at the stakeholder level is absolutely necessary if regionalization is to be a success and create even some of the benefits found in the SB350 studies.
- The CAISO should ensure that the process it employs does not result in an end-run around the principles and requirements of Order 1000, which mandates consultation with stakeholders in the proposal of tariff revisions regarding regional planning and the development of *ex ante* cost allocation method(s) for new regional facilities that will be on file with and approved by FERC. The indication during the June 1 stakeholder meeting that the CAISO may pursue conceptual filings with FERC is also of concern given the vague, disjointed and incomplete proposals that have been provided for stakeholder review thus far. Submission of conceptual filings following such proposals could would effectively undermine the Order 1000 principle of consultation with stakeholders. Moreover, there are many interdependent aspects to the development of an expanded region that need to be considered in tandem. Filing conceptual proposals on discrete components may serve to entrench such proposals and constrain the flexibility that may be needed to move towards a comprehensive proposal that reflects broader region-wide stakeholder consensus.

### **Project Costs and Approvals**

The major change in the new Revised Straw Proposal is the complete abandonment of DFAX and TEAM for a far more nebulous “body of state regulators” for economic and policy projects and reliability projects costs being assigned to the sub-region in which the reliability need was identified. TANC appreciates that the Proposal for reliability projects is an effort to avoid the disputes the eastern RTOs have experienced with the DFAX methodology. However, the lack of detail on how economic, public policy and potentially multi-value projects will be cost allocated (as well as on the specifics of the Revised Straw Proposal pertaining to reliability projects) is disappointing. While TANC recognizes the

Revised Straw Proposal is provided at a high-level the devil is always in the details. The Revised Straw Proposal contains no information as to how the body of regulators will be developed, what its exact role will be, how it relates to the rest of the governing bodies that would exist, where it would exist in the process, what criteria or principles it will use in its deliberations, how the interests of public entities would be represented or any other relevant details.

### **Transmission Planning Process Considerations**

In addition to the project approval proposal, TANC still believes that the discussion of revisions that will be needed for the TPP in a larger regional ISO need to be addressed in conjunction with the discussion on Regional TAC. For example, the revised TAC plans on allocations based on the project designation of reliability, policy and economic. These designations take place within the TPP and are not rigorously defined. Many projects have benefits in all three areas. Will the TPP need to assign a project to a specific category, or will it be able to assign shares of costs to particular categories? The TPP provides a HV TAC estimate each year, will this continue and will it be developed for each sub-regions? Will the expanded region continue to plan for all transmission upgrades and expansions to the expanded grid (regional and local, high voltage and low voltage)? How does the timing of the cost allocation process coincide with the planning process? If two projects provide alternative solutions to transmission problems, but would have different sub-regional cost allocations. How will the CAISO decide which one to choose? How would the new proposed body of state regulators be integrated into the TPP? As the TPP serves as the ten-year planning document for the CAISO, will the CAISO begin including potential scenarios for an expanded footprint to reflect prospective changes for an expanded planning area? If yes, how may this impact needed transmission projects, and cost allocation of projects?

### **Extended Timeline**

Although the timeline for which a final proposal will be brought before the Board of Governors a month later than previously anticipated, due to the development of the Revised Straw Proposal, there is still not ample opportunity to properly evaluate and develop the necessary details in the stakeholder process. The straw proposals to date have provided far too little detail and structure to properly evaluate potential unintended consequences, various market impacts or even what will be the actual proposal presented to the CAISO Board. At a minimum, the CAISO should offer a Draft Proposal with comments and, a Draft Final Proposal, with comments and responses to the comments that are received. At this point it is completely unknown what aspects the final Proposal will be developed in detail and which will be provided in general terms to be developed in the tariff or via the Business Practices. TANC believes as much detail and structure as possible must be developed within this stakeholder process, and this should not be a forum for the approval of general concepts to be fully developed piecemeal later on.

**Wheeling Access Charge**

TANC appreciates the new discussion of how a WAC may be calculated in an expanded CAISO. We feel it is an issue that will require addressing in a final proposal. However, at this time we do not provide an opinion on the proposed calculation until more information is provided and a better understanding of exactly how sub-regional TACs will be calculated.

**Other Issues**

TANC agrees with the Revised Straw Proposal's establishment of a 200-kV threshold for consideration of projects for regional cost allocation. However, this agreement is with the caveat that there is still much unanswered with regard to cost allocation and project approval as it relates to the implementation of the panel of state regulators and how they may or may not integrate with the CAISO TPP.

The Revised Straw Proposal to allow a one-time option to new PTOs that wish to join as a sub-region, or as part of an established sub-region, to which they are embedded or electrically connected, is the appropriate approach, and we recommend this approach be continued through to the final Proposal.

The CAISO, in point seven, indicates that new regional facilities that are eligible for regional cost allocation will be open for competitive solicitation, TANC recommends that the final Proposal make clear that, consistent with Order 1000, projects that are upgrades to existing facilities provide the right of first refusal to the existing owner.

Finally, TANC reiterates several of its concerns from its comments to the first Straw Proposal that were not discussed in detail in the Revised Straw Proposal. TANC would urge the CAISO to be sure to explicitly determine how inter-regional costs determined in the Order 1000 process would be handled when developing its Draft Proposals. Also, while not directly relating to the TAC Options, TANC is adamant that there needs to be transparency and fairness in the development of the forthcoming transition agreement between the CAISO and PacifiCorp.