

## Western Power Trading Forum Comments on 5/20/16 TAC Options Revised Straw Proposal

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WPTF appreciates the CAISO including definitions and key terms, and referencing FERC Order 1000 as applicable in the revised straw proposal.

The CAISO's proposal focuses on high voltage transmission revenue requirements (TRR). The proposal specifies that facilities rated less than 200 kV would have their costs recovered through PTO-specific rates. For facilities above 200 kV, the ISO proposes to differentiate the cost recovery mechanisms applicable to existing and new facilities.

### **Existing Facilities**

All existing facilities' TRR will be recovered through sub-regional license plate TAC rates for each sub-region. When each subsequent new PTO joins the expanded CAISO BAA, that new PTO will have a sub-regional license plate rate and potentially be able to join an existing region. As noted in WPTF's March 22, 2016 comments; this proposal seems to be a compromise proposal intended to encourage regionalization without heavily encumbering new PTOs.

WPTF recognizes the proposal as such and agrees that it is a viable approach in order to avoid rate shock, as any approach that creates a new system wide TAC is likely to be strongly resisted by any new entity that would see a sharp increase in its rates as a result of such an approach. However, the premise of regional integration is that it creates long term benefits for all entities who share access to the combined transmission system. It is hard to accept that there are no benefits for either the existing or new PTO to access the joint transmission system and ideally these benefits would be quantified and integrated into the rate structure. Therefore WPTF supports a long transition period whereby the expanded BAA eventually would have a system wide TAC.

### **Future Facilities- Regional Facility Definition**

The ISO proposes two steps to determine eligibility for regional cost allocation for new transmission facilities. First, the facility must be planned and approved through the integrated TPP for the expanded BAA. Second, the facility must meet at least one of the following to be a "new regional facility." (1) Voltage rating >200 kV, (2) Interconnects or increases interconnection capacity between two sub-regions, or (3) creates, increases, or supports increase of intertie between expanded BAA and a neighboring BAA. Costs of facilities not meeting any of these criteria will be allocated entirely to the sub-region in which they interconnect.

WPTF supports the change in this proposal for the voltage rating criteria to be set at 200 kV, consistent with FERC Order 1000, rather than 300 kV which had been used in the prior proposal. WPTF remains concerned that criteria (2) and (3) do not carry with them any specific threshold levels, which could lead to a situation where transmission costs are allocated regionally, even though the impact of the new facilities on the neighboring BAA is extremely small. WPTF recommends clarifying and refining these criteria.

### **Cost allocation for Future Regional Facilities**

WPTF seeks clarification of the ISO's proposal for cost allocation of regional reliability projects, and whether it is CAISO's intent that every facility that meets the three criteria above and is for reliability will have its costs recovered from all load in the interregional footprint, or whether a different allocation is intended.

It is also unclear what CAISO staff will bring to the current Board of Governors (BOG) in August related to the cost allocation for economic or policy-driven facilities. Will the CAISO take the BOG and FERC something that says, "Decisions to build and cost allocation for these types of projects will be determined by the body of state regulators to be formed as part of a new ISO regional governance structure in conjunction with the integration of the new PTO into the expanded BAA?" If the regional body of state regulators approved the decision to build and cost allocation of these types of projects, would the CAISO board also have to approve the decision and cost allocation? (Similar to how the Regional State Committee must approve projects prior to SPP staff seeking approval from the SPP Board.)

#### **Gap between Existing and Future Facility definition**

There appears to be a gap between the Existing Facility and Future Facility Definition. Existing facilities are defined as transmission assets in-service or planned in the entity's own planning process for its own service area or planning region, and have either begun construction or have committed funding. A future facilities must, at a minimum, be planned and approved through the integrated TPP for the expanded BAA.

WPTF notes that a facility could have gone through the joining entity's planning process for its own service area or planning region, but not yet have begun construction or have committed funding. In this circumstance, what is the ISO's proposal for this facility?

WPTF supports the idea that a facility in this circumstance is a "Transitional Facility" and the joining entity would be allowed to determine whether their preferred status for the facility is an "Existing Facility" subject to the body of state regulators' approval. Otherwise the facility would have to be planned and approved through the integrated TPP for the expanded BAA in order to become a "Future Facility" and be eligible for regional cost allocation.

#### **Region-wide export rate**

The CAISO proposes to specify a single export rate (wheeling access charge or WAC) for the entire expanded region, as a load-weighted average of all sub-regional rates plus any region-wide rate.

WPTF acknowledges this is consistent with the practices of other ISOs and RTOs, but would appreciate additional discussion in the next draft of the TAC options with respect to whether there is potential for market distortion if the wheeling out rate is different than the load TAC? On the surface, it does seem better to have a uniform wheeling out rate, but more discussion and explanation would be beneficial.