

Stakeholder Comments Template

Transmission Access Charge Options

May 20, 2016 Revised Straw Proposal

Submitted by	Company	Date Submitted
<i>Kenneth Sahn White Katherine Ramsey (702) 274-7217 katie@clean-coalition.org</i>	<i>Clean Coalition</i>	<i>10 June 2016</i>

The Clean Coalition is a nonprofit organization whose mission is to accelerate the transition to renewable energy and a modern grid through technical, policy, and project development expertise. The Clean Coalition drives policy innovation to remove barriers to procurement and interconnection of distributed energy resources (“DER”)—such as local renewables, advanced inverters, demand response, and energy storage—and we establish market mechanisms that realize the full potential of integrating these solutions. The Clean Coalition also collaborates with utilities and municipalities to create near-term deployment opportunities that prove the technical and financial viability of local renewables and other DER.

Revised Straw Proposal

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.

An embedded/integrated new PTO would make the decision on whether to join an existing sub-region versus becoming a separate sub-region based on the cost of their existing facilities in relation to the cost of existing facilities for their potential sub-region. If the costs for the new PTO’s existing facilities prompt a greater sub-regional TAC rate greater than the TAC rate for the sub-region they would be joining, they would be incentivized to join an existing sub-

region. In contrast, if the TAC rate for the sub-region's existing facilities are greater than the new PTO's existing facilities, they will be incentivized to join as a separate sub-region.

Giving new PTOs a one-time choice will meet the stated goal of reducing cost allocation impacts on the new PTO, but the trade-off is that new PTOs have an opportunity to either avoid shared costs or make sure that their costs are shared more widely. The other sub-region participants will bear the impacts of the new PTO's decision. Due to these incentives, the new PTO will likely only join an existing sub-region if it can share its higher costs with other participants. The Clean Coalition recommends that this option only be allowed by mutual agreement with the sub-region the PTO seeks to join.

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.

The Clean Coalition has no objection to the proposal but defers to other stakeholders for additional refinement.

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.

The Clean Coalition supports this approach as long as the inter-regional projects are subject to the same two-part review process by the governing board before being designated a new facility. To the extent that the benefits are realized inter-regionally, it would be appropriate for the expanded ISO governing body to allocate cost recovery proportionally. In order to prevent these proposed inter-regional projects from being on hold until the expanded ISO is established in 2018, these projects could be designated as existing facilities in the short term, and then reviewed by the ISO governing body as soon as the body is established.

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.

The Clean Coalition agrees that only new facilities should have costs allocated across all regions. However, we further recommend consideration of a simplified cost allocation approach based on sharing the cost of each applicable category of transmission voltage (superhigh, high, and low) in proportion to the aggregate transmission energy downflow within each sub-region, as measured at the transmission nodes directly supplying energy to distribution loads. It may be appropriate to reflect the correlation between hourly SHV usage and sub-regional hourly transmission energy downflow measurement in SHV TOU rates.

In this approach, the TRR for economic and policy-driven new SHV would first be reduced by subtracting any applicable WAC fee revenues and then apportioned to each region and sub-region in proportion to their use of transmission assets. This will establish an incentive for utilities to reduce peak demand on the transmission system and the need for new transmission capacity when there is a more cost effective alternative – an important feature missing from the proposed “license plate” cost allocation approach.

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.”

The Clean Coalition supports this approach, and seeks to emphasize that it is critical for the governance structure to allocate costs between sub-regions according to the benefits each gains from the project. The cost allocation methodology for the ISO governing body should be defined clearly in advance, and the governing body’s decisions should be publicly available for comment before going into effect.

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.

The Clean Coalition supports this approach but questions how the benefits will be shared when a facility is built for a sub-region's reliability needs and paid for entirely by that sub-region if that facility is at any time able to contribute economic or policy-driven benefits beyond that sub-region.

It would be appropriate for the region funding the new capacity to receive a reduction in cost responsibility when others received benefits. This may be established by bidding in its capacity when those other sub-regions are considering competitive solicitations. Will the ISO be restricted from using a facility for non-reliability benefits for other regions or sub-regions unless

the other sub-regions agree to compensate the region bearing the full cost of those facilities in order to establish a market for this capacity and receive bids for its use?

The alternative cost allocation approach discussed above in response to question 4 may be seen as applicable to reliability driven projects as well.

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.

The Clean Coalition suggests that representation on the board be roughly proportional to the number of customers present in each state subject to the board's decision. This effort would preserve policy priorities of the different regions while also ensuring full opportunity for regions to represent their interests.

Additionally, the governing body's authority should be limited to interregional matters and matters relating to other BAAs. It is critical to preserve the ability of each state and sub-region to manage policy and economic goals without incurring costs or limits imposed by other regions. This would allow each state or BAA to retain its existing governance structure for all internal matters. The Clean Coalition emphasizes that this is a critically important matter and suggests that it should receive additional attention from stakeholders before implementation.

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.

It is unclear under what circumstances a process other than competitive solicitation would appropriately be employed, however the Clean Coalition supports this guidance in relation to those projects which would be under the authority of the new body of state regulators, while deferring to existing mechanisms and regulatory bodies, as described in response to the prior question.

We take this opportunity to emphasize the importance of full and proactive consideration of non-transmission alternatives in both the TPP and procurement processes. Close coordination with state regulators is essential to integrate ratemaking, procurement, and other policies that impact transmission demand.

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.

No comment at this time.

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.

No comment at this time.

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.

The Clean Coalition supports this proposal, as it removes the incentive for late-joining PTOs to avoid costs associated with regional upgrades that are competitively sourced and deemed necessary by the new governing board. The governing board would be approving projects that benefit the expanded BAA that the new entrant is seeking to join. A new entrant should continue to be responsible for the costs of their existing facilities and share in the costs and benefits to BAA expansion. However, in determining the cost allocation for the new entrant with respect to existing facilities in the BAA territory, the governing board should develop a load weighted proportion of the benefits that the BAA provides to the new entrant.

This also raises an important question regarding the “existing” facilities of the new entrant and whether the BAA might reciprocally share those costs. It seems appropriate for each party to be responsible for the costs they have individually taken on, but to share a load weighted proportion of all benefits from the expansion or merging of BAAs to contribute to the interregional costs from which these benefits derived. As such, to the extent to which the BAA benefits from costs previously incurred by the new entrant, the BAA may appropriately share those benefits, and vice versa.

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.

The Clean Coalition prefers the original proposal to recalculate sub-regional benefit shares for new regional facilities every year. The original approach ensures that cost allocations remain consistent with actual benefits as usage between the sub-regions change. As PTOs develop their own internal resources and customers respond to the true cost of their energy, it is possible that sub-regions will invest in local resources in order to better meet their own energy needs, thus changing the beneficiaries of the transmission facilities. These changes should be manifested in updated cost allocations. Recalculations would provide a sort of annual indicator to each sub-region of where its energy supply comes from and how much it costs. An annual recalculation would supply sub-regional decisionmakers with more accurate price signals for whether it is cost-effective to develop local resources. Therefore, the more frequent the benefits analysis, the more accurate the price signals.

In the absence of a compelling reason to assess sub-regional benefit shares less frequently, the Clean Coalition urges CAISO to recalculate sub-regional benefits at least annually. However, the frequency of recalculation and reapportionment should be balanced against the effort and degree of change required to implement new calculations. In this light, we recommend a review and periodic estimation of changes in benefit ratios, and a reapportionment only if the change is deemed significant.

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

No comment at this time.