



California ISO

Subscriber Participating TO Model Draft Final Proposal

Deb Le Vine


Stakeholder Briefing

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Housekeeping reminders

- This call is being recorded for informational and convenience purposes only. Any related transcriptions should not be reprinted without ISO's permission.
- Meeting is structured to stimulate dialogue and engage different perspectives.
- Please keep comments professional and respectful.
- Please try and be brief and refrain from repeating what has already been said so that we can manage the time efficiently.

Instructions for raising your hand to ask a question

- If you are connected to audio through your computer or used the “call me” option, select the raise hand icon  located on the top right above the chat window. **Note:** #2 only works if you dialed into the meeting.
 - Please remember to state your name and affiliation before making your comment.
- If you need technical assistance during the meeting, please send a chat to the event producer.
- You may also send your question via chat to either Kaitlin McGee or to all panelists.

CAISO Policy Initiative Stakeholder Process



This represents the typical process, and often stages of the process run in parallel.

We are here

Subscriber PTO Model Topics

- Development of a model for Subscriber PTOs
- Use of Encumbrances
- Transmission Costs
 - Subscriber Wheeling Charge
 - Future Network Upgrades
 - Termination of Subscriber Encumbrance
- Transmission Cost Allocation
- Generator Interconnection Process
- Transmission Planning Process
- Deliverability

Development of a model for Subscriber Participating TOs

- Significant support for development of a Subscriber PTO model
- Allows a project developer to join the ISO with a project using the FERC subscriber-funded transmission approach
- Allows out-of-state resources to be within the ISO BAA
- Applicant Participating TO Agreement for TransWest Express approved by FERC

Use of Encumbrances

- A number of stakeholders support the use of Encumbrances
- Other stakeholders requested
 - clear delineation of the rights and obligations
 - transparency of the approval process for Subscriber PTOs
 - explanation of use of Entitlement rights versus physical transmission for Subscriber PTO transmission facilities
 - prefers the use of CRRs versus an Encumbrance

Clarification of Encumbrances

- Rights and obligations
 - Encumbrance is the agreement between the Subscriber PTO and the customer funding the transmission facilities and taking transmission service
 - If the funding customer is a generator, presumably the generator then passes the Subscriber rights on to the off-takers
- Transparency of Subscriber PTO decisions
 - The Transmission Control Agreement already requires a public process to review an application to become a potential PTO
 - ISO Governing Board would need to approve the Subscriber PTO
 - Project only moves forward if Subscriber PTO obtains sufficient subscribers to fully fund the transmission facilities

Use of Entitlements for Subscriber PTO Facilities

- Existing PTOs have Entitlement rights in other BAAs
- Results in greater coordination among neighboring BAAs
- If Entitlement rights were long-term in a non-ISO BAA, then the ISO could consider a second or non-contiguous ISO BA to support the Subscriber PTO projects
 - In this case the Entitlement right will not have a scheduling priority
 - The Entitlement right will not pay TAC or WAC, or congestion

Rationale for treating Subscriber Rights as an Encumbrance

- Encumbrance provides the rights holder with:
 - “Perfect hedge” – no charge for transmission or congestion
 - Scheduling priority
- ISO software and tariff functionality already exists for encumbrances
- Encumbrances are given contract reference numbers (“CRNs”) to ensure proper settlement
- CRR’s are not an acceptable substitute to the subscribers:
 - The ISO has never been successful in compensating a transmission line with just CRRs which is why one has never been built
 - Providing the subscriber CRRs is not certain to compensate an entity willing to build and finance a transmission line of this scale

Use of Encumbrance

- ISO proposal is not changing from the Straw Proposal
 - Use existing Encumbrance functionality for Subscriber Rights
 - Provide the Subscriber with:
 - Scheduling priority on the transmission facility they have paid for
 - An exemption for transmission service charges and congestion

Project Transmission Costs – Subscriber Charge

- The project costs ***will not*** be included in the transmission revenue requirement of the TAC or WAC
- TransWest will develop a \$/MWH Subscriber Charge for non-subscriber use of the project that will accrue to the Subscriber PTO
- If the subscriber(s) do not self-schedule their rights in the market, the project is available for market use
- Cost recovery of the Subscriber Charge, including updating the charge, will require FERC approval in accordance with the ISO tariff rules

Transmission Rate and Revenue Allocation

- The ISO proposes to revise the revenue recovery of the Subscriber Wheeling Charge to avoid rate pancaking
- All load and exports in ISO BAA will pay the TAC or the WAC
- The ISO will determine the MWH imported and exported at the Subscriber PTO scheduling points
- The Subscriber PTO will be paid the Subscriber Wheeling Charge times the MWH quantity import and export (Subscriber Revenue)
 - First by using the WAC revenue from the Subscriber PTO scheduling points
 - If insufficient, the TAC revenue collected will fund the remaining amount to meet the Subscriber Revenue
- The ISO will memorialize the original-build cost to ensure such cost is not included in the ISO's Access Charge

Subscriber rights and obligations:

- Subscriber has already paid for transmission, energy, and congestion on the project
- Subscriber will pay the TAC if the generation is synced to load in the current ISO BA or WAC if the generation is synced to an export point that is not on the project
- Subscriber will receive the “perfect hedge” and scheduling priority on the project
- Subscriber is excluded from bid cost recovery allocation, offsets and IFM congestion allocation like other Encumbrances

Non-Subscribers' Rights and Obligations

- Non-Subscriber scheduling on the Subscriber PTO project will pay the TAC if the generation is synced to load in the ISO BA or WAC if the generation is imported on the project transmission facilities and synced to an export point
- Non-Subscriber will pay all other applicable market charges

Network Upgrades Beyond Original Build

- Future generator interconnections to the Subscriber PTO project may require new network upgrades
 - New network upgrades maybe recovered through the ISO Access Charge
 - The Subscriber PTO would develop a cost of service rate solely for the new network upgrades
 - Reimbursement would be consistent with the tariff

Termination of Subscriber Encumbrance

- Regardless of the term of the Subscriber Encumbrance, the Subscriber PTO will not be allowed to include a transmission revenue requirement in the TAC or WAC for the original build cost of the Subscriber PTO transmission facility
- Stakeholders strongly support this position
- Once the original project has been completely paid off, the determination of continuing the Encumbrance will be based on the applicable regulatory requirements at that time

Generator Interconnection

- Subsequent to the stakeholder meeting, FERC approved cost reimbursement for all network upgrades.
- Existing PTOs will recover costs associated with network upgrades on their system in a TRR developed consistent with the ISO tariff
- Subscriber PTO
 - Will not develop a TRR for network upgrades associated with the original build of the project
 - May develop a TRR for network upgrades associated with subsequent generator interconnections not part of the original build of the project
- The ISO's proposal was clarified based on the subsequent FERC order

Transmission Planning and Issues

- Deliverability
 - MIC added at new import points
 - MIC at existing import points has priority over future interconnections – Eldorado, Harry Allen, etc.
 - MIC is allocated to load serving entities
 - Subscriber PTO generation is within the ISO BA and does not use MIC

ISO Draft Final Proposal Summary

- Provide existing Encumbrance rights to Subscriber PTO agreements
- Charge all load the TAC and all exports the WAC with no rate pancaking
- Costs of the original build of the Subscriber PTO transmission facilities will not be included in the ISO TRR
- Subscriber PTO paid for use of their line by non-subscribers through a FERC approved Subscriber Wheeling Charge
- If the subscriber Encumbrance is terminated prior to recovery of the original build cost, the Subscriber PTO can not include any such cost in the ISO TRR

ISO Draft Final Proposal Summary (*cont.*)

- Future interconnections to Subscriber PTO transmission facilities will be treated in accordance with the ISO tariff and the Subscriber PTO will develop a TRR to be included in the ISO's access charge
- MIC will be allocated to the new scheduling points of a Subscriber PTO
- Current MIC allocation has priority over new MIC allocations or MIC expansion
- Through a Applicant Participating TO Agreement the Subscriber PTO will participate in the TPP and generator interconnection process.

Proposed Initiative Schedule

Date	Event
4/18/2023	Stakeholder conference call on draft final proposal
5/2/2023	Stakeholder comments due on revised draft final proposal
5/15/2023	Publish final proposal and draft tariff language
5/22/2023	Stakeholder conference call on final proposal and draft tariff language
6/5/2023	Stakeholder comments due on final proposal and draft tariff language
7/18 - 20/2023	Board of Governors Meeting

Next steps

- Please submit comments on the status update and meeting discussion using the commenting tool linked on the initiative webpage
 - Comments due by end of day, May 2, 2023
- initiativecomments@caiso.com
- Visit the webpage for Subscriber PTO Model
<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Subscriber-participating-transmission-owner-model>
- If you have any questions, please contact isostakeholderaffairs@caiso.com