

**Comments of Powerex Corp. on
EIM Year 1 Enhancements Phase 2
Draft Tariff Language**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to comment on the draft Tariff language for EIM Year 1 Enhancements Phase 2. The draft Tariff language contains proposed modifications to Section 11.5.4.1.1 (“Real-Time Congestion Offset”) that provide greater specificity regarding the calculation and allocation of congestion rents associated with EIM Transfer limits. Powerex supports the general principles of the Draft Final Proposal, which seek to appropriately allocate congestion revenues from binding EIM Transfer limits to the EIM Entities over whose transmission facilities the EIM Transfers flow. Powerex believes that the proposed allocation provides for equitable compensation to EIM Entities whose transmission facilities are used in the EIM, with congestion revenues subsequently flowing back into each transmission provider’s rate determinations for the ultimate benefit of the transmission customers that fund the cost of those facilities. Such a mechanism is consistent with cost causation principles.

As written, the draft Tariff language appears to appropriately address the EIM Transfer scenarios that have been experienced in the EIM to date. Namely, all EIM Transfers presently take place over transmission facilities owned by an EIM Entity (or its affiliate) or the CAISO. But the participation in the EIM by Puget Sound Energy (“Puget”) later this year will introduce a new arrangement for EIM Transfers. EIM Transfers into or out of Puget’s BAA will flow not just on Puget’s own transmission facilities, but also over the transmission facilities of a third-party transmission provider—Bonneville Power Administration (“BPA”)—whose transmission facilities connect Puget to the rest of the EIM footprint at the boundary with PacifiCorp West.

Powerex understands that the allocation of congestion revenues associated with third-party transmission was not addressed in this stakeholder process, and is outside of the changes approved by the ISO Board in the Draft Final Proposal. Indeed, the Draft Final Proposal explicitly did not propose how it would compensate third-party transmission owners whose facilities support incremental EIM transfers, stating that such a discussion could instead be

continued “if needed to support a new EIM entity joining the EIM.”¹ Consequently, it is important to ensure that the proposed Tariff modifications be clearly limited to apply only to the allocation of congestion rents realized on EIM Transfer limits *on EIM Entities’ transmission facilities*, and not to congestion rents realized on transmission facilities owned by third-party transmission service providers.

This is a crucial distinction. If the quantity of *Bonneville* transmission service between the Puget and PacifiCorp BAAs is what limits EIM Transfers between those BAAs, then it would be wholly inappropriate for the congestion value of that BPA transmission to be allocated to Puget and to PacifiCorp, whose transmission facilities are *not* limiting additional EIM transfers. There would simply be no connection between the entity incurring the cost of making the Bonneville transmission service available and the entities (*i.e.*, Puget and PacifiCorp) receiving the economic value of that transmission in the EIM. Instead, the congestion value of limited Bonneville transmission service should be appropriately allocated either:

- 1) By the CAISO to Bonneville, as the owner of the congested transmission facilities, and then subsequently allocated by Bonneville through new tariff provisions or other mechanism to the entity (or entities) making their Bonneville transmission reservations available for EIM use; or
- 2) By the CAISO directly to the entity (or entities) that voluntarily make their firm Bonneville transmission reservations available for EIM use, eliminating the need for Bonneville to act as an intermediary in the congestion rent distribution process.

Such an allocation is necessary and appropriate for three reasons. First, it is consistent with cost causation principles, as it ensures that the economic benefits (*i.e.*, the real-time congestion rents) are allocated to the entities bearing the cost of the congested facilities. Second, it provides an efficient incentive for an entity that has invested in Bonneville transmission service to opt to make that capacity available to the EIM, if and when doing so represents the most efficient use of its transmission rights. Third, the alignment of benefits and costs helps support continued future investment in third-party firm transmission capacity, which is necessary for EIM Transfers with non-adjacent EIM Entities.

Powerex fully respects that the tariff drafting phase of this stakeholder initiative is not the forum for determining the policy for allocating EIM Transfer congestion revenues on third-party transmission systems. It is vital, however, for the tariff language that is adopted now to not inadvertently prejudice or be misapplied to circumstances beyond what was intended and approved in the Draft Final Proposal. Powerex therefore requests that CAISO modify the draft Tariff language to clarify that the proposed language applies only to congestion rents for EIM Transfers over the transmission facilities of EIM Entities, and not to congestion rents for EIM

¹ Draft Final Proposal at 17-18.

Transfers over third-party transmission facilities. Powerex also respectfully requests that CAISO initiate stakeholder discussions in the coming weeks to develop an appropriate framework and related Tariff provisions to support the allocation of congestion rents associated with EIM Transfers occurring over third-party transmission facilities.