

Stakeholder Comments Template

Review TAC Structure Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Straw Proposal that was published on January 11, 2018. The Straw Proposal, Stakeholder Meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeStructure.aspx>

Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submitted by	Organization	Date Submitted
Sue Mara RTOAdvisors, L.L.C. sue.mara@rtoadvisors.com (415) 902-4108	Alliance for Retail Energy Markets (AReM) ¹	February 15, 2018

EIM Classification

1. Please indicate if your organization supports or opposes the ISO's initial EIM classification for the Review TAC Structure initiative. Please note, this aspect of the initiative is described in Section 4 of the Straw Proposal. If your organization opposes the ISO initial classification, please explain your position.

Yes.

Ratemaking Approaches

2. Please provide your organization's feedback on the three ratemaking approaches the ISO presented for discussion in Section 7.1 of the Straw Proposal. Does your organization support or oppose the ISO relying on any one specific approach, or any or all of these ratemaking approaches for the future development of the ISO's proposals? Please explain your position.

AReM supports ratemaking approach #1, which would apply cost causation to TAC rate design to the extent practical. However, as explained below, "cost causation" may not be discernable for all embedded transmission project costs that are currently being collected through the Transmission Revenue Requirement (TRR).

¹ *AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.*

Hybrid Approach for Measurement of Usage Proposal

3. Does your organization support the concept and principles supporting the development of a two-part hybrid approach for measurement of customer usage, including part volumetric and part peak-demand measurements, which has been proposed by the ISO as a potential TAC billing determinant modification under the current Straw Proposal? Please provide any additional feedback on the ISO's proposed modification to the TAC structure to utilize a two-part hybrid approach for measurement of customer usage. If your organization has additional suggestions or recommendations on this aspect of the Straw Proposal, please explain your position.

AReM does not oppose considering the "hybrid" approach for measurement of customer usage, provided coincident demand is used for measuring peak usage.

Split of HV-TRR under Proposed Hybrid Approach for Measurement of Usage

4. The ISO proposed two initial concepts for splitting the HV-TRR under two-part hybrid approach for measurement of customer use for stakeholder consideration in Section 7.2.1.2 of the Straw Proposal. Please provide your organization's feedback on these initial concepts for determining how to split the HV-TRR to allocate the embedded system costs through a proposed two-part hybrid billing determinant. Please explain your suggestions and recommendations.

The CAISO will likely find it difficult to determine the purpose of all of the transmission projects for which costs are currently being recovered through the TRR to enable it to divide the projects (and their associated costs) into those designed for energy flows and those needed to meet peak demand. Also, many projects were probably designed to meet a combination of such needs. The CAISO's proposal to split the TRR based on whether projects were "reliability," "policy," or "economic" may be reasonable, but is also somewhat arbitrary. If the CAISO decides to move forward with the hybrid approach, it should simply select an approach for allocating the existing TRR (which could be a 50:50 split) and then allocate the costs of new transmission projects properly going forward – either as projects facilitating energy flows or projects needed to meet peak demand.

- a. Please provide any additional feedback or suggestions on potential alternative solutions to splitting the HV-TRR costs for a two-part hybrid approach.

AReM has no additional comments.

- b. Please indicate if your organization believes additional cost data or other relevant data could be useful in developing the approach and ultimate determination utilized for splitting the HV-TRR under the proposed two-part hybrid approach. Please explain what data your organization believes would be useful to consider and why.

AReM has no additional comments.

5. The ISO seeks feedback from stakeholders regarding if a combination of coincident and non-coincident peak demand charge approaches should potentially be used as part of the two-part hybrid approach proposed in Section 7.2.1.2. Does your organization believe it would be appropriate to utilize some combination of coincident and non-coincident peak demand methods to help mitigate the potential disadvantages of only use of coincident peak demand charges? Please provide any feedback your organization may have on the potential use of coincident versus non-coincident peak demand measurements, or some combination of both under the proposed two-part hybrid measurement of usage approach.

AReM opposes using a combination of coincident and non-coincident peak demand. AReM's conditional support for the hybrid approach is contingent on the CAISO using coincident peak demand to measure peak usage. Moreover, using a combination of coincident and non-coincident peak demand would add additional and unwarranted complexity. The proposed hybrid, by its design, recovers a portion of the TRR through volumetric charges and a portion through demand charges. Thus, the proposed hybrid cost recovery mechanism already "helps mitigate the potential disadvantages" of a demand charge.

- a. What related issues and data should the ISO consider exploring and providing in future proposal iterations related to the potential utilization of part coincident peak demand charge and part non-coincident peak demand charge? Please explain your position.

As explained, AReM opposes using a combination of coincident and non-coincident peak demand to measure peak usage.

Treatment of Non-PTO Municipal and Metered Sub Systems (MSS) Measurement of Usage

6. Under Section 7.2.1.2 of the Straw Proposal the ISO indicated there may be a need to revisit the approach for measuring the use of the system by Non-PTO Municipal and Metered Sub Systems (MSS) to align the TAC billing determinant approaches for these entities with the other TAC structure modifications under any hybrid billing determinant measurement approach. Because the Straw Proposal includes modifications for utilization of a two-part hybrid measurement approach for measurement of customer usage the ISO believes that it may also be logical and necessary to modify the measurement used to recover transmission costs from Non-PTO Municipal and Metered Sub Systems (MSS) entities. The ISO has not made a specific proposal for modifications to this aspect of the TAC structure for these entities in the Straw Proposal, however, the ISO seeks feedback from stakeholders on this issue. Please indicate if your organization believes the ISO should pursue modification to the treatment of the measurement of usage approach for Non-PTO Municipal and Metered Sub Systems to align treatment with the proposed hybrid approach in the development of future proposals. Please explain your position.

AReM has no comments on this topic.

Point of Measurement Proposal

7. Does your organization support the concepts and supporting justification for the ISO's current proposal to maintain the current point of measurement for TAC billing at end use customer meters as described in Section 7.2.3.2 of the Straw Proposal? Please explain your position.

Yes. AReM supports the CAISO's proposal to retain the current point of measurement for TAC billing for the reasons set forth in Section 7.2.3.2 of the Straw Proposal.

8. The ISO has indicated that the recovery of the embedded costs is of paramount concern when considering the potential needs and impacts related to modification of the TAC point of measurement. The ISO seeks additional feedback on the potential for different treatment for point of measurement for the existing system's embedded costs versus future transmission costs. Does your organization believe it is appropriate to consider possible modification to the point of measurement only for all future HV-TRR costs, or additionally, only for future ISO approved TPP transmission investment costs? Please provide supporting justification for any recommendations on this issue of point of measurement that may need to be further considered to be utilized for embedded versus future transmission system costs. Please be as specific as possible in your response related to the specific types of future costs that your response may refer to.

No. AReM does not support different treatment of the point of measurement for recovery of embedded costs versus recovery of the costs of new transmission. Such a change would unduly complicate billing and cost recovery for no apparent benefit.

To the extent certain parties are concerned that their projects are not treated properly during procurement evaluations because of the way transmission costs are accounted for, those parties need to seek changes to procurement practices, which is outside of the CAISO's authority. In short, TAC is designed and required to recover the embedded costs of the transmission system and is not the proper forum to address procurement issues.

9. The ISO seeks additional stakeholder feedback on the proposal to maintain the status quo for the point of measurement. Please provide your organization's recommendations related to any potential interactions of the point of measurement proposal with the proposed hybrid billing determinant that should be considered for the development of future proposals. Please indicate if your organization has any feedback on this issue and provide explanations for your positions.

AReM does not envision any issues with retaining the current point of measurement for the hybrid approach, if it were adopted.

Additional Comments

10. Please offer any other comments your organization would like to provide on the Review TAC Structure Straw Proposal, or any other aspect of this initiative.

AReM has no further comments.