Stakeholder Comments Template

Review Transmission Access Charge Wholesale Billing Determinant

June 2, 2016 Issue Paper

Submitted by	Company	Date Submitted
Ron Dickerson *CalConsumersAlliance@gmail.com* *(559) 392-7850*	*California Consumers Alliance (CCA)*	*6-30-2016*

The ISO provides this template for submission of stakeholder comments on the June 2, 2016 issue paper. The issue paper, presentations and other information related to this initiative may be found at:
http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeWholesaleBillingDeterminant.aspx

Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 30, 2016.**

Issue Paper

Currently the ISO assesses transmission access charge (TAC) to each MWh of internal load and exports. Internal load is measured as the sum of end-use metered customer load (EUML) in the service area of each participating transmission owner (PTO) in the ISO balancing authority area. Clean Coalition proposes that the ISO change how it measures internal load for TAC purposes, to measure it based on the hourly energy flow from the transmission system to the distribution system across each transmission-distribution substation; a quantity called "transmission energy downflow" (TED). The main difference between using TED or EUML as billing determinant is that TED excludes load that is offset by distributed generation (DG). Please see the ISO's June 2 straw proposal for additional details.

The ISO does not yet have a position on the Clean Coalition proposal, and has posted the June 2 issue paper in order to stimulate substantive stakeholder discussion and comments on this topic.

1. At this point in the initiative, do you tend to favor or oppose Clean Coalition's proposal? Please provide the reasons for your position.

The California Consumers Alliance (CCA) supports the Clean Coalition's proposal as it largely addresses the following concerns:

- *The proposal points out fundamental deficiencies in how transmission usage is measured and assessed, and thus how transmission costs are allocated today. With increasing amounts of DG and exports from behind the meter energy resources, assessing TAC as a postage stamp/per unit of energy charge to the adjusted sum of end use metered customer load is an inaccurate method of measuring transmission usage.*
- *The proposal points out inconsistencies in how transmission usage is currently accounted for and how costs are allocated among the various utilities/LSEs operating within the ISO BAA. On the one hand, non-PTO utilities operating Metered Subsystems (MSS) are allocated transmission costs based upon energy flow measured at the interface between their respective MSSs and the remainder of the ISO controlled system. On the other hand, PTO-IOUs are allocated transmission costs based upon the sum of end use metered customer load.*
- *Uniformity in the method that all LSEs in the ISO BAA utilize to measure transmission use is critical to calculating usage by load, and ultimately the fair sharing of associated costs. The proposal corrects the current disparate approach to measuring transmission use.*
- *The proposal also provides opportunity for PTOs and LSEs to give fuller consideration to the benefits of DG in planning and procurement processes—i.e. account for deferral and or avoidance of high voltage network additions.*
- *The proposal is consistent with the goals of California energy agencies, including the ISO's, to facilitate cost effective DERs as solutions to the state's energy needs.*

2. Clean Coalition states that TED is better aligned with the "usage pays" principle than EUML is, because load offset by DG does not use the transmission system. Do you agree? Please explain your reasoning.

CCA agrees with Clean Coalition's statement.

ISO's TAC socializes the costs of transmission to load by way of a simple postage stamp charge applied to the units of energy delivered to customers. Essentially the ISO's TAC amounts to a volumetric usage fee based upon energy withdrawn from utilities' interconnected electrical network.

As long as the ISO's postage stamp/volumetric usage fee methodology remains in place, actual transmission usage should be measured to the greatest extent possible. Verifiable metering of units of energy at transmission/distribution interface is clearly a more accurate measurement of transmission usage than utilizing adjusted internal load numbers.

CCA recognizes that in the context of transmission, "usage" might be defined in a number of different ways. In the extreme, some interests might argue that if nothing else, transmission networks provide backup energy in the event that local resources cannot meet demand—

California is a long way from such a scenario, however, as it stands, the ISO's TAC does not account for ambiguously defined and difficult to quantify forms of usage such as providing stand by capabilities.

Volumetric rate design may not be the perfect tool for calculating all possible forms of "usage" however it is certainly made less ideal if the volumes entities use are not measured in an equitable, precise, and verifiable manner.

3. Clean Coalition states that using TED will be more consistent with the "least cost best fit" principle for supply procurement decisions, because eliminating the TAC for load served by DG will more accurately reflect the relative value of DG compared to transmission-connected generation. Do you agree? Please explain your reasoning.

We generally agree that the lack of a transmission price signal is an obstacle for DERs. When implemented the proposal provides IOUs/PTOs and regulators with enhanced opportunities to consider and comparatively analyze energy resources that do not rely on transmission.

4. Clean Coalition states that changing the TAC billing determinant to use TED rather than EUML will stimulate greater adoption of DG, which will in turn reduce the need for new transmission capacity and thereby reduce TAC rates or at least minimize any increases in future TAC rates. Do you agree? Please explain your reasoning.

At the very least changing the billing determinant to reflect the value of local generation will remove a significant barrier to competition—it is our hope that this would eventually help to reduce overall energy costs that are passed to consumers and the environment…

5. In the issue paper and in the stakeholder conference call, the ISO pointed out that the need for new transmission capacity is often driven by peak load MW rather than the total MWh volume of load. This would suggest that load offset by DG should get relief from TAC based on how much the DG production reduces peak load, rather than based on the total volume of DG production. Please comment on this consideration.

First of all the ISO's broad assumption that need for transmission is driven by peak load is not an established fact. While peak load has indeed been a primary/generalized cause of new transmission capacity, it should also be acknowledged that it is not the sole cause. The ISO need look no further than its annual transmission plans to see that a significant number of transmission upgrades have been identified as needed, and subsequently approved for rate recovery that are not triggered by meeting peak load needs per se. In the most recent TPP cycle, it's worth noting that a portion of the 14 projects deemed needed and approved are apparently triggered during relatively low load conditions.

Furthermore, in response to California clean energy mandates, the ISO has approved numerous policy-driven and associated upgrades to ensure "deliverability" of location constrained renewable generation for resource adequacy counting purposes. Additionally, economic-driven projects have also been promoted.

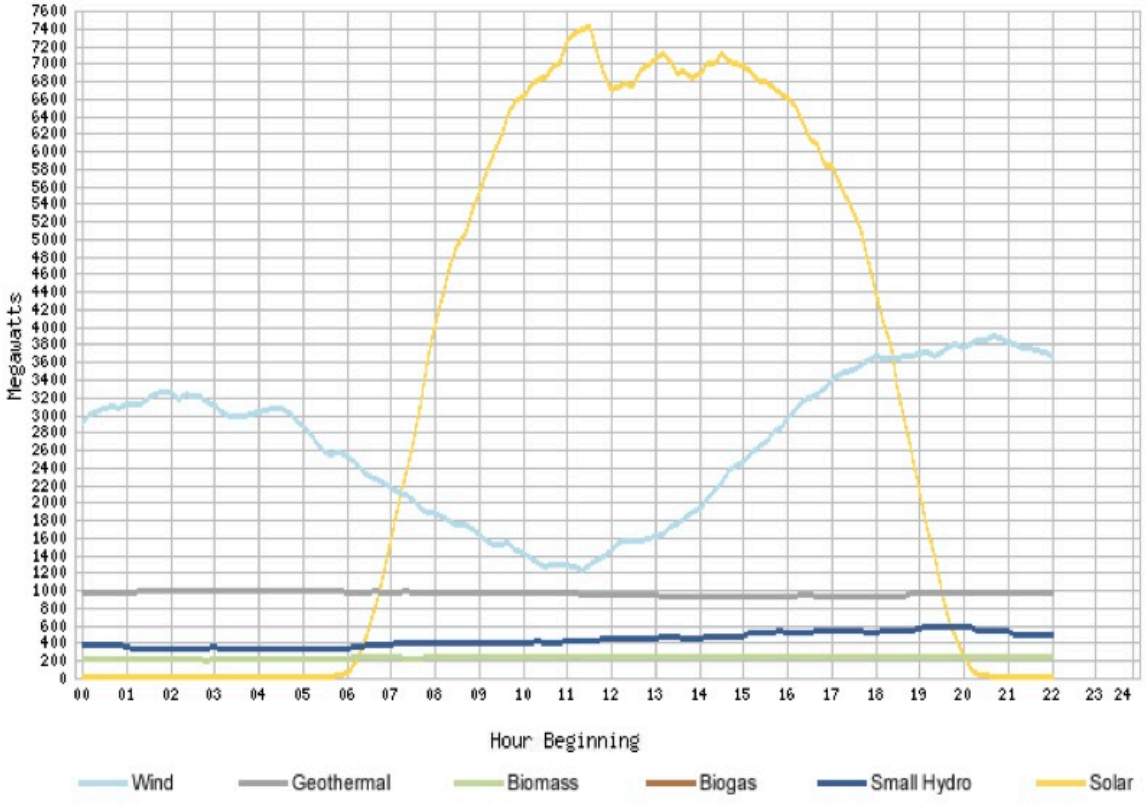
It's worth noting that not all reliability-driven projects approved in the past are intended to resolve peak load issues. For example, over the course of several planning cycles the ISO approved a series of transmission upgrades specifically meant to address reliability concerns due to operating pumping units at PG&E Helms facility during off peak conditions.

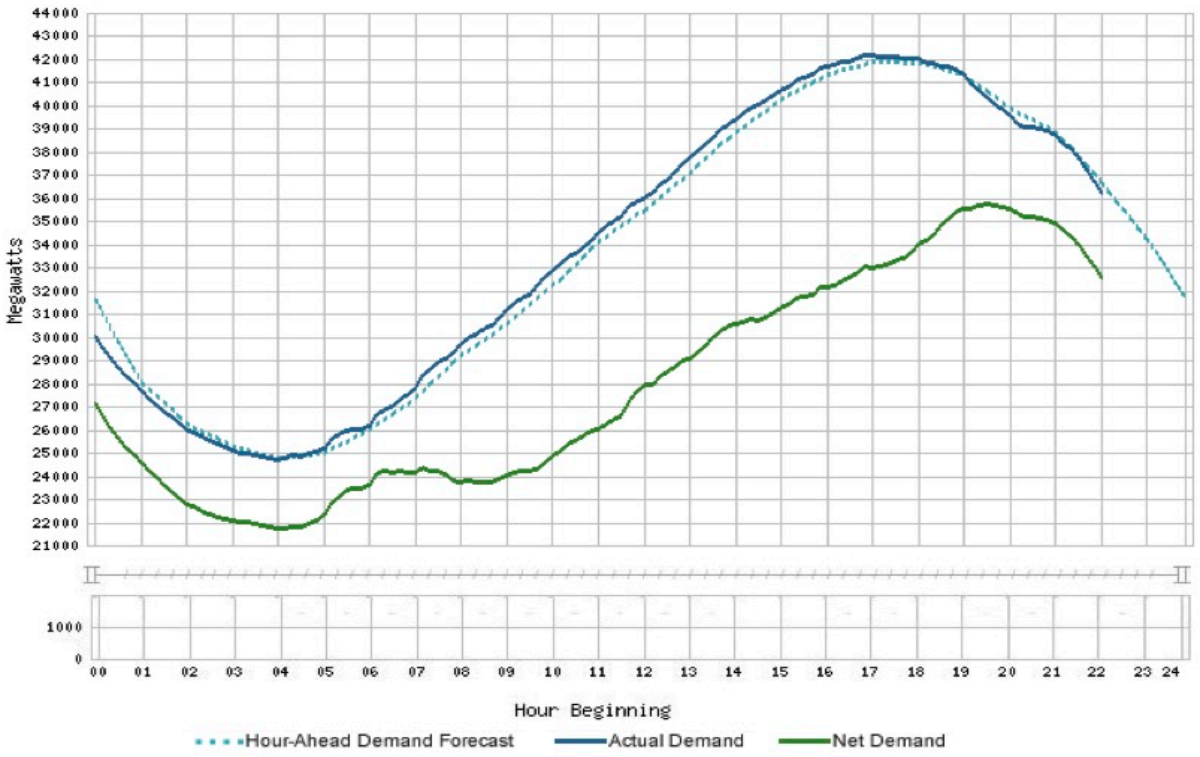
While we agree with the basic premise that resources that alleviate peak load and other concerns that drive transmission investments should be properly valued and rewarded, from what we can tell the ISO is not proposing carrots. Seemingly ISO is suggesting a stick is needed—aimed squarely at consumers for decisions that are largely beyond their control.

At this point it is unclear to us why the intent seems focused on penalizing load which relies on preferred resources that; 1) do not utilize transmission system and; 2) the ISO isn't necessarily monitoring.

In lieu of presumptive arguments that penalties are warranted, we urge the ISO to focus on corrections, like adopting a uniform method to achieve more accurate measurement of transmission use—the proposed correction may even serve to clarify to what extent renewable DGs reduce peak load…

Meanwhile, relative to the discussion surrounding this topic, below are the renewables and net load profiles from the ISO system status web page for yesterday, June 29, 2016, downloaded at 10 pm. Among other tangible benefits, the profiles indicate that significant reduction to the peak demand on a hot summer day being provided by solar resources that the ISO tracks:





6. Related to the previous question, do you think the ISO should consider revising the TAC billing determinant to utilize a peak load measure in addition to or instead of a purely volumetric measure? Please explain your reasoning.

Answering the ISO's question is difficult due to the high amount of uncertainties involved. Utilizing peak load measurement instead of volumetric/units of energy for TAC allocation is a far broader subject than the problem at hand. Developing acceptable, and understandable TAC modifications will involve confronting a myriad of contentious issues; a huge lift compared to the relatively simple correction to an obvious accounting problem that is being proposed by Clean Coalition.

In a time of flat and declining annual peak loads on ISO's system, revised demand forecasts, mandates for remarkable energy efficiency targets arriving in the coming years, and astonishing numbers of individuals and communities investing in DERS, even the starting assumption that peak load is now and will remain the primary driver of new transmission is itself debatable. Moreover it begs a question: How would a peak load designed TAC account for TRR driven by other causes?

Likewise, revising ISO's billing determinant system to include a peak load measurement component will be much more problematic than the task at hand. Again, we urge the ISO to correct the obvious and simpler problem first.

7. Do you think adopting the TED billing determinant will cause a shift of transmission costs between different groups of ratepayers? If so, which groups will pay less and which

will pay more? Please explain your reasoning, and provide a numerical example if possible.

No. As we see it the proposal closes an existing pathway to shifting transmission costs. Please see Clean Coalition's comments for numerical details.

We appreciate the ISO's intent to consider shift of transmission costs. We believe it realistic to say that cost shifts are nearly inherent to systems that socialize costs such as the ISO's. Nevertheless efforts to identify and mitigate undue cost shifting are commendable. Please see our response to topic 12 for additional observations on the topic of shifting transmission costs.

8. Do you think a third alternative should be considered, instead of either retaining the status quo or adopting the TED billing determinant? If so, please explain your preferred option and why it would be preferable.

No. Not at this time.

9. Do you think that ISO adoption of TED by itself will be sufficient to accomplish the Clean Coalition's stated objectives (e.g., incentives to develop more DG)? Or will some corresponding action by the CPUC also be required? Please explain.

CCA shares the Clean Coalition's goal of removing barriers preventing the transparent comparative analysis of feasible solutions to meeting energy needs. We believe that the ISO's adoption of TED would not only allocate transmission costs to all LSEs on an equal basis, it would assist the CPUC by leveling the playing field in its jurisdictional planning and procurement processes.

10. What objectives should be prioritized in considering possible changes to the TAC billing determinant?

The overarching objective should be to ensure that FERC jurisdictional services are provided at just and reasonable rates and on a basis that is just and reasonable and not unduly discriminatory or preferential.

11. What principles should be applied in evaluating possible changes to the TAC billing determinant?

Please see the "Six Cost Allocation Principles" in FERC ORDER No.1000 Docket No. RM10-23-000

12. Please add any additional comments you'd like to offer on this initiative.

CCA appreciates the opportunity to provide additional comments. We find an issue brought up by an SCE representative at the June 14th conference to be relevant, and potentially informative to the central question of how internal loads are calculated for TAC allocation purposes. Moreover, with clarifications, the subject might also shed light on the broader topic of cost shifts.

The issue the SCE rep referred to was pumping loads at PG&E's Helms Pumped Storage Plant. If we understood correctly, the SCE rep questioned whether PTO/IOU's pump loads are currently considered internal load. Based on his recollection of treatment from the past, he thought it might still be the case. We believe ISO staff present said that an answer would be sought.

As noted in our response to topic 5 above, transmission upgrades to increase utilization of Helms pumps during off peak conditions have been iteratively approved. These have resulted in large increases to the PTO's transmission revenue requirement. It is also our understanding that PG&E's pump loads are quantified in PTO filings before FERC, however, we too are unsure if PTO-IOU loads are counted as internal load.

In situations with net increases to both the enumerator (TRR) and denominator (TAC billing determinants) of the TAC equation, we wonder if the attention on cost shifting should be broadened to examine other potential pathways--besides possible scenario(s) which may or not be occurring among end users. The ISO's further consideration and clarifications of this subject would be appreciated.