

Our mission

To inspire, align, and mobilize action in response to the climate crisis. We work with business, government, youth and the broader community to advance practical, science-based solutions for significant greenhouse gas emission reductions.

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June 30, 2016

Dear CAISO Commissioners:

I am writing in support of the Clean Coalition's effort to eliminate unfair Transmission Access Charges (TAC) on California's clean local renewable energy sources. By creating a more equitable playing field for renewables, adjusting the TAC charges will ultimately help reduce greenhouse gas emissions as renewables replace fossil energy in California.

Under current tariff language, the California Independent System Operator (CAISO) assesses TAC on Participating Transmission Owners (PTOs, for example PG&E, SCE, SDG&E) based on the Gross Load, or the aggregation of all the kilowatt-hours recorded by their customers' meters. As a result, PTOs pay TAC on every kWh delivered at the customer level, even if that energy was not delivered through the transmission system. This prevents local renewable generation from being credited with the full avoided-cost value it can offer, and depresses the development of local renewables.

To align costs and benefits, TAC should only apply to energy that is delivered through the transmission system. Therefore, the Center for Climate Protection agrees with the Clean Coalition recommendation that the TAC be calculated based on the Transmission Energy Downflow (TED). This change will align charges with cost causation and recognize utilities that use localized generation to serve local load for reducing load on the transmission system and avoiding the need for additional transmission capacity. Additionally, it would make assessment of TAC consistent between PTO and non-PTO utilities.

This proposal brings TAC in line with the Usage Pays principle as well as the principles in FERC Order 1000. Changing the TAC billing determinant to the TED provides improved valuation of all local renewable generation by incorporating the avoided use of transmission where this energy is not delivered via transmission. Load Serving Entity's (LSE's) sourcing local energy should not continue to subsidize other LSE's choice to source more of their energy through the transmission system, a practice that increases the need for future investments in the transmission infrastructure. Utilities that utilize decentralized generation to serve local load must be recognized for reducing load on the transmission system and the need for additional transmission capacity.

Leveling the playing field for decentralized generation is also important. Correct application of TAC would allow local renewable resources to compete on a level playing field. Utilities evaluate bids through the Least Cost Best Fit analysis, where a project is evaluated by the cost to produce the

electricity (the generation cost) in addition to the cost of any specific system losses or upgrades required to get that electricity to consumers. However, the substantial transmission access charges are not considered because these are assessed by CAISO regardless of whether the energy is delivered through the transmission system. Where transmission usage and associated costs can be avoided, energy can be delivered to ratepayers at significant savings. These savings should be included in evaluation of energy bids, and will be if TAC is based on the quantity of energy delivered through the transmission system. Sending appropriate cost signals to LSE's matching transmission usage with transmission charges will result in more cost effective procurement decisions. The potential to save California ratepayers billions of dollars in delayed or avoided transmission investments cannot be ignored.

The Center for Climate Protection agrees with the Clean Coalition that decentralized generation holds enormous potential to reduce demand on the transmission system, especially when also combined with related customer signals such as TOU rates. Over time, incremental additional DG will lead to lower transmission revenue requirements, and the TAC rate growth would either slow or reverse.

Ultimately, we believe that community-based local clean energy will play a substantial role in reducing greenhouse gases, squarely in alignment with long-standing California state policy. For these reasons, the Center supports the Clean Coalition's TAC proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann Hancock", with a long horizontal flourish extending to the right.

Ann Hancock,
Executive Director