

Stakeholder Comments Template

Review Transmission Access Charge Wholesale Billing Determinant

June 2, 2016 Issue Paper

Submitted by	Company	Date Submitted
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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.

CDWR believes that this proposal, at its heart, presents policy questions that are not appropriately addressed through changes to the TAC mechanism. In implementing its goal of achieving reliable grids and markets, the CAISO is supposed to be technology-neutral. It is appropriate to react to market developments that arise as a result of state policy (i.e., renewable development), as needed to accommodate those market changes, but the CAISO should not adjust the TAC methodology to promote one form of generation over another. It should be noted that although much of the generation affected by this proposal would be renewable, there are other nonrenewable resources behind meters as well. The state of California supports many different types of clean technology, and CAISO should not change the playing field to favor one type of resource over others.

In addition, CDWR cannot support a change that would have the effect of shifting the costs of the existing transmission system from existing TAC ratepayers to other existing TAC ratepayers in the form of higher TAC rates. The Clean Coalition has not proven its contentions that the proposed change would result in TAC savings through less transmission being built. This is especially of concern under a regionalization scenario, where, depending on what TAC allocation methodology is ultimately adopted, California ratepayers who still pay TAC may have to absorb costs of transmission facilities built outside the CAISO, resulting in rising TAC rates. CDWR also notes that the studies undertaken pursuant to SB350 were predicated on the current TAC methodology. CDWR is concerned that a change to the TAC methodology will make it even more difficult to assess the benefits and costs of regionalization for California ratepayers. If there is to be a fundamental rethinking of the nature and purposes of the TAC, it should be undertaken only as part of a broad review by state policymakers, rather than in response to the request of a single type of generating resource.

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.

Please see summary comments above.

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.

Please see summary comments above.

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.

Please see summary comments above.

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.

As noted above, CDWR does not believe that these contentions have been proven. Depending on what TAC allocation methodology is selected in the TAC Options stakeholder process, the development of DG may not protect California ratepayers from increased transmission costs associated with facilities outside the current CAISO BAA. In addition, if an understanding of existing and planned DG were better integrated into CAISO's Transmission Planning Process, it might be possible to reduce the need for new transmission facilities more effectively than by an exemption that would apply to such resources whether or not they are located in a place that would help reduce the need for new transmission.

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.

As noted above, CDWR does not believe the TAC should be redesigned to favor a single type of resource on a piecemeal basis. If there is an overall review needed, that is a call for policymakers.

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.

See response to question 5.

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.

Please see summary comments above. If DG customers are not paying TAC, the TAC rate will necessarily rise for all other TAC customers.

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.

CDWR is not proposing any changes to the current structure of the TAC.

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.

CDWR has no comment at this time.

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

CDWR is not advocating any changes to the current structure of the TAC. If CAISO wishes to consider such changes, any such review should be broad in scope, consider all types of loads and resources, and be fully reflected in any studies supporting regionalization.

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

CDWR is not advocating any changes to the current structure of the TAC.

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

CDWR has no further comments at this time.