Clean Coalition Comments

Re: Draft 2017 Stakeholder Initiatives Catalog
Initiative descriptions 5.5 & 5.6

Summary

Description of 5.6[1] is in error. The description posted under initiative 5.6 'Review Transmission Access Charges Billing Determinant' appears to be a continuation of the description of initiative 5.5[2] 'Transmission Access Charge Options'. As a result, a description initiative 5.6 is missing from the draft Catalog.

Subsequent to the release of the draft 2017 Stakeholder Initiatives Catalog, CASIO staff issued a status update notice on September 26 announcing that initiative 5.6 'Review Transmission Access Charges Billing Determinant' would be closed as of this date and replaced in 2017 with a new initiative to consider the TAC billing determinant structure in a more comprehensive manner, including consideration of the proposal upon which 5.6 was established.

Recommendation

- Correct the description of initiative 5.6, as described on the initiative webpage and copied below, noting current status and replacement initiative.
- Add description of the new initiative as described in the Sep 26 Status Update to ensure stakeholders are aware of the expanded scope and opportunity to participate in 2017.

Comments

The Clean Coalition appreciates the opportunity to comment on CAISO's Draft 2017 Stakeholder Initiatives Catalog (Draft Catalog). The Clean Coalition has been very active in CAISO's stakeholder initiatives over the past year in its work to correct a market distortion that the transmission access charges (TAC) metering methodology causes on distributed energy resources, particularly distributed generation.

As the originators of the central proposal in the Review Transmission Access Charges Billing Determinant stakeholder initiative ("TAC Billing Determinant initiative"), we feel a particular responsibility to correct its wholly inaccurate description in the Draft Catalog (item 5.6).

The current description of the TAC Billing Determinant initiative has almost no relation to the activities underway in that initiative and appears to have been drafted for use in a separate initiative. The central issue in the initiative is to review a proposal to change the billing determinant for the TAC, which for participating transmission owner (PTO) utilities within the CAISO jurisdiction is the end-user metered

[1] All documents related to this initiative are available on the ISO web site at the following link: http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeWholesaleBillingDeterminant.aspx

[2] http://www.caiso.com/informed//Pages/StakeholderProcesses/TransmissionAccessChargeOptions.aspx

load or the Customer Energy Downflow (CED). The Clean Coalition has proposed using the Transmission Energy Downflow (TED)—the amount of energy that flows across defined transmission interfaces from higher voltages to lower voltages—in order to ensure that energy that is generated and consumed on the same distribution grid is not subject to TAC. Stakeholders in this initiative are analyzing whether the current TAC billing determinant should be changed since energy produced and consumed on the distribution grid currently incurs TAC despite not actually traveling on the transmission grid. The complete description available on the stakeholder initiative website is much more appropriate, copied below.

> *"This initiative will consider modifying the transmission access charge (TAC) wholesale billing determinant to exclude the end-use load that is offset by the energy produced by distributed generation. The ISO currently allocates the TAC to each MWh of internal end-use load and exports to recover participating transmission owners' costs of owning, operating and maintaining transmission facilities under the ISO operational control. This topic was originally included in the Energy Storage and Distributed Energy Resources Phase 2 initiative."*

The scope of the TAC Billing Determinant is far more narrow than that described in the Draft Catalog. Rather than reviewing any fundamental changes in the TAC structure or distinction in cost allocation methodology between new and existing transmission facilities, the only proposed change under review in the initiative is whether to change the TAC billing determinant from CED to TED in areas that currently use CED. The TAC Billing Determinant initiative has not analyzed any change in the underlying TAC rate structure, regional integration, allocation of costs for new high voltage facilities, or cost shifts between states at all.

The Draft Catalog description of the TAC Billing Determinant initiative describes some of the considerations at issue in the wholly separate TAC Options stakeholder initiative, listed as initiative number 5.5. The TAC Options initiative (one of many focused on regional integration) has included a proposal to change the TAC methodology for high voltage facilities operating at over 200 kV from a "postage stamp" rate to one based on a review of benefits from each project.

Based on the errors in the Draft Catalog description, we recommend that CAISO use the description below for TAC Billing Determinant initiative:

> *This initiative will consider modifying the transmission access charge (TAC) wholesale billing determinant to exclude the end-use load that is offset by the energy produced by distributed generation. The ISO currently allocates the TAC to each MWh of end-user metered load and exports to recover participating transmission owners' costs of owning, operating and maintaining transmission facilities under the ISO operational control. By changing the billing determinant, energy both locally generated and consumed entirely within the distribution grid would avoid TAC.*

This topic was originally included in the Energy Storage and Distributed Energy Resources Phase 2 initiative, and will be addressed in an expanded Review of TAC Billing Determinant Design initiative in 2017.

This description is largely based on the initiative's current webpage description but includes the correction of the term used to describe the current TAC billing determinant (CED or end-user metered load) and also adds a final clarifying sentence to illustrated the predicted effect from changing the billing determinant.

In addition to correcting and clarifying the initiative's description, the Clean Coalition requests that high priority is assigned to this initiative as stakeholders have invested extraordinary time and effort to this issue as it has been bounced from one stakeholder initiative to another. The Clean Coalition first raised this issue in comments to the TAC Options initiative in November 2015, but CAISO staff recommended moving the discussion to the Energy Storage and Distributed Energy Resources initiative in Spring 2016. After stakeholders submitted comments on the issue in April and June 2016, CAISO staff again moved the issue into the TAC Billing Determinant initiative, and stakeholders submitted comments there on June 30, 2016. Since then, CAISO has published no schedule or response to the submitted comments, despite the frequent pleas from stakeholders. This continuing delay stands in stark contrast to the urgency of the TAC billing determinant issue.

The current TAC billing determinant effectively misaligns transmission costs with transmission usage. By imposing TAC on energy that does not use the CAISO's transmission grid, local resources that actually provide value to ratepayers by *reducing* the demand for additional transmission facilities. This violates FERC transmission cost allocation principles and obscures the actual costs of delivering energy—particularly the cost of delivering energy from centralized generation projects. TAC artificially increase the cost of delivering energy from distributed generation projects and drastically distort the market for these resources. This issue urgently needs to be addressed because TAC rates are projected to nearly triple over the next 20 years, but a correction in the TAC billing determinant could correct the market signals for the cost of delivering energy and dramatically slow the growth in TAC rates. Utilities will be making procurement decisions on renewable energy resources—*and the transmission infrastructure required to support them*—in coming years. In order for those decisions to be cost-effective, the TAC distortion needs to be resolved.

CAISO staff appear to be delaying the TAC billing determinant issues in favor of prioritizing issues related to CAISO regional expansion, and investigating more comprehensive reform of TAC. Neither the resolution of regional expansion issues nor consideration of additional cost causation factors are a necessary precursor to resolving the TAC billing determinant distortion. Rather, adjusting the TAC billing determinant could assist in resolving CAISO expansion issues, and other non-volumetric factors can be integrated subsequent to this billing determinant adjustment. Correcting the market distortion of TAC on distributed generation would increase the accuracy of cost-of-delivery market signals for local energy resources throughout the expanded CAISO balancing authority. It would ensure that regions investing in distributed generation—whether in California or beyond—would enjoy the full benefit of their resources' avoided cost value.

The sooner this market issue is resolved, the sooner ratepayers will begin to see the long-term benefits of the correction. A correction in the market signals will launch a ripple effect on long-term transmission planning by removing an obstacle to the benefits of distributed generation resources, most importantly the avoided transmission cost value. The importance of these benefits require that CAISO and its stakeholders resolve this distinct, finite problem before resolving the slew of issues related to regional expansion or any change in the TAC structure.

Lastly, we note that the TAC Billing Determinant initiative stakeholder comments indicated critical factual and definitional disagreements related to this issue. These warrant clarification by CAISO to establish a context in which stakeholders may effectively engage proposals for TAC reform, and we encourage these to be addressed in the expanded Issue Paper for the 2017 initiative process on this topic.

Thank you,

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Clean Coalition