

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
Steven Kelly 916-448-9499	Independent Energy Producers Assoc (IEP)	February 15, 2018

Submissions are requested by close of business on **February 15, 2018**.

Please provide your organization's comments on the following issues and question.

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.

IEP agrees that the initiative falls outside the scope of the EIM Governing Body's advisory role.

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.

The three ratemaking approaches represent a good start with regard to developing future ISO's proposals. IEP doubts that these three approaches represent the universe of potential options for consideration, however.

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.

At this point in time, IEP is supportive of considering the feasibility of a two-part hybrid approach for measuring customer usage, subject to the following caveat:

While IEP appreciate the goal of adopting a TAC-charge based on a principle of cost-causation, it remains unclear how the hybrid-approach will be sufficiently stable over time to support timely investment in transmission infrastructure. The critical factor determining ratio representing the volumetric- and demand-charge components, respectively, appears to be inherently volatile and unstable over time. If the ratio is inherently volatile, the ratio risks being out-of-date annually. As a result, the CAISO may be setting up a condition in which it needs to revisit and modify the ratio on an annual basis. A TAC mechanism that is subject to repeated change undermines regulatory certainty and risks becoming a barrier to timely investment. An outcome in which the reform-TAC is less helpful than the current-TAC would be disconcerting.

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.

IEP has no comment on this section at this time.

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

IEP has no comment on this section at this time.

- 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.

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.

IEP has no comment on this section at this time.

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.

IEP supports the proposal to maintain the current point of measurement for TAC billing at end-use customer meters. As reported in the Straw Proposal, the vast majority of stakeholders opposed changing the point of measurement for a variety of reasons. Stakeholder came to this conclusion after many hours of stakeholder discussions, many hours of study of proposals, etc. IEP support the CAISO's conclusion that it is time to move onto other proposals.

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.

IEP does not support modifying the point of measurement for HV-TRR versus the LV-TRR system. IEP does not support modifying the point of measurement to distinguish between the existing transmission investment and new transmission investment. Changing the point of measurement makes little if any sense. The moment the transmission investment is approved to serve forecast load, which includes "existing load," the new transmission investment effectively becomes an embedded cost of the integrated system that serves the entire load. Moreover, as noted in the Straw Proposal, at p. 40, there is no credible demonstration that changing the point of measurement would not produce inappropriate cost shifts.

9. The ISO seeks additional stakeholder feedback on the proposal to maintain the status quo for the point of measurement. Please provide your organizations 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.

See answers to Questions 3, 7, and 8 above. At this point, IEP has no additional comment.

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.

As noted in the Straw Proposal, changing the ISO's billing determinant would not by itself change how one-third of the overall TRR is billed. Moreover, the overall costs for the three major California IOUs for the entire transmission system (HV and LV TRRs) only account for approximately 9-16% of an IOUs annual revenue requirement, depending on the IOU. SCE is at 9%. PG&E is at 11%. SDG&E is at 16%. IEP questions whether any proposed change from the existing TAC structure, i.e. the status quo, is worth the effort, particularly given all the other critical issues being addressed in the CAISO, CPUC, CEC, CARB work-space.