

Stakeholder Comments Template

Review Transmission Access Charge Wholesale Billing Determinant

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Submitted by	Company	Date Submitted
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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.

Mirasol Development LLC favors the Clean Coalition's proposal to shift the TAC billing determinant to TED. Energy should incur TAC only when it is delivered through the CAISO transmission system, and the Clean Coalition proposal implements this idea and makes for a more fair system of transmission cost allocation. 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. 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 DG 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 DG 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 (LCBF) 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.

Mirasol Development LLC agrees with the Clean Coalition that DG 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. For these reasons, Mirasol Development LLC supports the Clean Coalition's TAC proposal.

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.

Mirasol Development LLC agrees that usage of the transmission system is reduced to the degree that load is served by DG, i.e. it is not used to deliver that energy to load.

When a load-serving entity (LSE) reduces delivery of electricity MWh from the transmission system through energy efficiency, this is reflected in a proportional reduction in TAC, and each LSE should similarly be credited for reducing the MWh usage of transmission when loads are met through local resources.

The only time that DG resources will use the transmission system to deliver energy is when they produce more energy than the distribution grid demands, and then DG exports would backfeed onto the transmission grid. In these cases, the backfed energy will be included in the TED of another distribution substation, and the DG energy will incur a TAC charge, ensuring that it pays its fair share for use of the transmission system.

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.

Mirasol Development LLC agrees that eliminating the TAC for local load served by DG will more accurately reflect the full cost of procurement and the relative value of DG. The current practice allows comparison of the purchase price of the energy, but not the cost of delivery. *We have experienced this distortion and lack of consideration first-hand in multiple IOU procurements for renewables.* Charging customers a flat rate for delivery masks the actual cost differences of delivering energy over long distances compared to picking it up locally, especially with TAC rates adding an increasingly large surcharge over the cost of energy. *We would especially support Clean Coalition's proposal to allocate TED costs based on voltage category, since low-voltage resources are typically the most closely sited to load and produce optimal benefit in serving distributed demand, but are currently ranked with the same delivery value as resources at higher voltages, prompting those larger-scale projects to be favored for contract award due solely to their lower energy generation price.* Furthermore, because the actual cost of using the transmission system is significant, and the value of avoiding transmission usage should be considered, particularly in procurement decisions. Correct valuation requires that TAC are only applied to energy that is delivered through the transmission system. Correcting this distortion will support DG investment as a cost-effective alternative to transmission-dependent generation that drives a vicious cycle requiring ever more transmission investment.

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.

Mirasol Development LLC agrees that removing the transmission access charge for energy that does not access the transmission system will make local energy more competitive and result in greater adoption of DG. This will in turn reduce the need for new transmission capacity and thereby reduce TAC rates. While this is not the only factor in transmission revenue requirements, it is a major factor, and there are already clear examples of distributed energy resources resulting in avoided transmission costs, including PG&E's recent cancellation of \$190 million in low voltage transmission investments due to new distributed energy resources. When demand can be met locally, existing transmission facilities will serve demand for longer because additional capacity is made available for additional energy to be delivered.

Furthermore, we support the Clean Coalition's analysis of potential DG growth scenarios, showing significant potential for avoided costs.

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.

Mirasol Development LLC understands that TAC is based on the MWh volume of load, and therefore reduction in the MWh should be reflected in reduction of the MWh for which the LSE is billed. *The current, basic situation is purely volumetric regardless of timing*; LSE's are billed per MWh regardless of when they receive the energy, and any reduction in MWh of transmission energy downflow (TED), should be treated equally regardless of whether achieved through local DG or other means.

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.

Mirasol Development LLC agrees with the Clean Coalition that the peak load measure is a separate issue from the wholesale billing determinant issue. The TAC system was not designed or intended to incentivize changing peak load conditions. Redesigning the system to incorporate a peak load component is a needlessly complicated solution to the problem raised in this initiative.

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.

The Clean Coalition has addressed this issue in prior comments. We have no additional comment.

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.

We believe that the TED approach properly corrects the current billing determinant and should be adopted. If parties suggest additional measures to correct other issues, these may be considered separately. It is not clear that adoption of TED would in any way conflict with any additional cost allocation measures that may be considered in the future.

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.

ISO adoption of TED will correct the current market cost distortion related to TAC as applied to local resources. The Clean Coalition proposal is not an incentive program, and any other goals should be addressed separately.

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

The most important policy objective is to ensure that the TAC system aligns with the Usage Pays principle so that TAC liability directly reflects actual use of the transmission system. This is an important component in successful overall application of cost effectiveness methodologies.

The objectives should also include leveling the playing field for DG in procurement decisions, saving California ratepayers money in avoided or deferred transmission upgrades, and implementing one consistent TAC treatment to all utility service territories under CAISO's jurisdiction.

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

The Usage Pays principle should be the first priority in evaluating possible changes to the TAC billing determinant. Additionally, consistent TAC treatment between utilities should also be prioritized.

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