

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
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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.

NRG supports the CAISO’s initial EIM classification, namely, to seek only CAISO Board approval of the recommendation from this initiative.

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.

Of these three approaches, NRG supports the first and, possibly, aspects of the third but not the second. The bulk transmission system benefits all interconnected load, therefore all interconnected load should bear a share of the transmission costs.

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.

The transmission system provides many benefits to end-use load, including, *inter alia*, access to remote economy or renewable energy and the ability to provide or take critical service in emergencies. The CAISO's proposal to split the TAC rate into volumetric (\$/MWh) and demand (\$/MW) components is intriguing, but will require the CAISO to determine how much of the CAISO's transmission revenue requirement (TRR) should be recovered through which component. Given the interwoven and myriad benefits provided by the transmission system, it will be difficult, and almost certainly somewhat arbitrary, to allocate the TRR to the different rate components. NRG is open to considering this structure, but also views it as a potential, perhaps unnecessary, complication.

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.

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

As noted above, NRG is skeptical that the costs of the transmission system could be precisely allocated between volumetric and demand-based rate components. That said, the allocation proposed by the CAISO above (~42% to demand rates and ~58% to volumetric rates) is a reasonable starting point for the discussion. Splitting the rates from the single volumetric rate today will (1) create winners and losers and (2) create incentives to modify behavior to reduce certain rates, and those incentives may or may not align with operational needs. The CAISO should consider these two things when pursuing a hybrid rate.

- 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.

If the CAISO goes down this road, it could look at a host of things like transmission capacity factors, circuit miles, population served, etc. The number of possible combinations of billing determinants may be large – which should factor into the CAISO's thinking about whether to go this route.

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.

Inasmuch as NRG is not yet persuaded of the need to split the TAC rate into two components, NRG offers no response to whether coincident peak or non-coincident peak demand should be used in the demand-based rate.

- 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.

No response.

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.

No response.

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.

NRG supports the CAISO's position to not change the point of measurement where TAC is assessed.

The transmission system as it exists today provides benefits to all ratepayers. While there are promising opportunities for distribution-level resources to defer or delay the need for additional investments in the transmission system, these resources do not affect the embedded costs of the existing transmission system. Ensuring that distributed resources are provided with proper compensation when those resources defer the need for future transmission investment is sound policy. Creating winners and losers with regards to the embedded costs of the existing transmission system is not.

Further, the Clean Coalition's proposal would unnecessarily disadvantage utility-scale renewable projects relative to distribution-connected renewable projects, when both projects are being developed to help California meet its climate change goals.

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.

As described above, NRG does not support changing the point of measurement for transmission costs, either for current or future costs. There are multiple proceedings underway at the Public Utilities Commission that address the ability of DG to defer transmission and distribution investments and the mechanisms by which DG projects can be appropriately compensated for providing those benefits; the issues raised by the Clean Coalition can be better addressed in those settings.

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.

No response.

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.