



Stakeholder Comments Template

Review TAC Structure Revised Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Revised Straw Proposal that was published on April 4, 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>.

Submitted by	Organization	Date Submitted
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Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submissions are requested by close of business on **April 25, 2018**.

Introduction and Summary

PG&E appreciates the opportunity to provide written comments in response to the ISO's Review Transmission Access Charge (TAC) Structure Revised Straw Proposal (Revised Proposal). PG&E remains supportive of the ISO's efforts to explore modifications to the TAC framework. The Revised Proposal makes good progress and fleshes out certain concepts from the January 11 Straw Proposal.

Given that this Revised Proposal is the first opportunity to evaluate calculations, processes, and implementation, PG&E believes the Stakeholder Initiative Schedule does not allow for enough time to fully analyze the implications of the Revised Proposal. For example, PG&E has reservations about using CEC's forecast data as inputs in setting HV-TAC rates. In addition, PG&E believes the HV-TAC rate update process needs to be discussed further. More detailed comments can be found below. Last, PG&E requests that the ISO provide the models and inputs it used in its Revised Proposal analysis so that stakeholders can better understand the results presented in the Revised Proposal and perform their own analyses, including sensitivity analysis and comparison of alternatives.

Considering the above, PG&E believes that having a final proposal ready to present at the September CAISO Board meeting may be too aggressive and urges the ISO to extend the Stakeholder Initiative timeline. PG&E suggests that the new timeline include a "2nd Revised Straw Proposal" and a technical workshop on rate implementation issues.

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

Hybrid billing determinant proposal

1. Does your organization support the hybrid billing determinant proposal as described in the Revised Straw Proposal?

PG&E remains generally supportive of exploring a hybrid billing determinant and does not have specific opposition to the Revised Proposal at this time. However, the hybrid approach increases the complexity of the TAC framework and adds another dimension of uncertainty. PG&E requests the initiative schedule be expanded so that the inputs, process, and implementation can be thoroughly reviewed and discussed. An extended schedule along with additional workshops will allow time to further assess the proposal, consider implementation, and vet the mechanics.

2. Please provide any additional general feedback on the proposed modification to the TAC structure to utilize a two-part hybrid billing determinant approach.

PG&E requests that ISO's next Proposal explain how the HV-TRR relates to the HV TAC allocation. This lack of detail resulted in confusion during the April 11 stakeholder meeting.

The ISO table¹ below shows each PTO's contribution to the ISO total TRR compared to that PTO's total TAC bill under the current TAC structure. The current TAC Structure allocates the total TAC among load serving PTOs, which means that the difference between a PTO's filed annual TRR and that PTO's allocation of TAC is borne by or credited to that PTO's end-use customers.² Using PG&E as an example, PG&E's utility-specific HV TRR is \$617M, but the TAC amount paid by PG&E is \$1,028M. PG&E's end-use customers pay the difference of ~\$400M per year, which is the greatest difference between the ISO TAC and PTO utility-specific TAC among all PTOs. The hybrid approach *changes* this net amount but does not create a new re-allocation. The Revised Proposal estimates that the proposed hybrid TAC structure would reduce the net amount paid by PG&E customers by ~\$30M per year.

TAC Components:						
	Filed Annual TRR (\$) [1]	Filed Annual Gross Load (MWh) [2]	HV Utility Specific Rate (\$/MWh) [3] = [1] / [2]	TAC Rate (\$/MWh) [4] = total [1] / total [2]	TAC Amount (\$) [5] = [2] * [4]	
PG&E	\$ 617,032,124	87,216,119	\$ 7.0747	\$ 11.7883	\$ 1,028,131,512	
SCE	\$ 1,005,965,642	88,026,785	\$ 11.4279	\$ 11.7883	\$ 1,037,687,902	
SDG&E	\$ 509,378,580	20,283,944	\$ 25.1124	\$ 11.7883	\$ 239,113,621	
Anaheim	\$ 30,189,629	2,507,620	\$ 12.0312	\$ 11.7883	\$ 29,560,627	
Azusa	\$ 1,211,542	257,416	\$ 4.7066	\$ 11.7883	\$ 3,034,502	
Banning	\$ 899,991	144,652	\$ 6.2218	\$ 11.7883	\$ 1,705,204	
Pasadena	\$ 15,107,418	1,120,049	\$ 13.4882	\$ 11.7883	\$ 13,203,496	
Riverside	\$ 33,944,568	2,180,985	\$ 15.5639	\$ 11.7883	\$ 25,710,149	
Vernon	\$ 2,877,221	1,154,492	\$ 2.4922	\$ 11.7883	\$ 13,609,521	
DATC Path 15	\$ 25,450,327	-	\$ -	\$ 11.7883	\$ 0	
Starttrans IO	\$ 3,291,090	-	\$ -	\$ 11.7883	\$ 0	
Trans Bay Cable	\$ 124,718,938	-	\$ -	\$ 11.7883	\$ 0	
Citizens Sunrise	\$ 11,344,183	-	\$ -	\$ 11.7883	\$ 0	
Colton	\$ 1,476,021	372,179	\$ 3.9659	\$ 11.7883	\$ 4,387,365	
VEA	\$ -	544,970	\$ -	\$ 11.7883	\$ 6,424,281	
GWT	\$ 19,700,907	-	\$ -	\$ 11.7883	\$ 0	
ISO Total	\$ 2,402,568,180	203,809,211			\$ 2,402,568,180	

¹ March 01, 2018 TAC Rates Based on Filed Annual TRR/TRBA and Load Data taken from CAISO Website: http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveMar01_2018_RevisedApr09_2018.pdf

² The difference is recovered or credited in the PTO's TACBAA rate paid by end-use customers.

Determining components of HV-TRR to be collected under hybrid billing determinants

3. *Does your organization support the proposal for splitting the HV-TRR for collection under the proposed hybrid billing determinant using the system-load factor calculation described in the Revised Straw Proposal?*

PG&E understands pursuing a simplified approach to splitting the HV-TRR, although the ISO should remain open to alternative bases for the split. Using the system-load factor calculation, the ISO arrives at a near 50/50 split which may not be a reasonable if transmission costs are increasingly not peak related. PG&E does agree, though, that trying to classify all existing transmission (as attempted in the original Straw Proposal) is a challenging task that would likely lead to a false sense of precision.

4. *Please provide any additional specific feedback on the proposed approach for splitting the HV-TRR costs for the proposed hybrid billing determinant.*

Peak demand charge measurement design for proposed hybrid billing determinant

5. *Does your organization support the proposed 12CP demand charge measurement as described in the Revised Straw Proposal?*

PG&E supports a 12CP allocation method, but has reservations about using CEC demand forecast data to derive the system average 12CP for purposes of setting the 12CP demand charge rates. First, the purpose of the CEC demand forecast is to inform high-level policy initiatives and for long-term system planning – and not for cost recovery and ratemaking. Unlike the other PTO rate components that make up the existing volumetric TAC rates, the CEC demand forecast is not litigated at FERC in a rate-setting proceeding. Second, the CEC’s peak forecast methodology is not aligned with PG&E’s peak forecast methodology – which is likely the case for other PTOs. PG&E’s gross load forecast is synchronized with PG&E’s peak load forecast. If different peaks and load shapes are applied, the resulting annual gross load would also be different. Third, the vintage of the CEC forecast is different than the vintage of the PTO gross load forecasts, both in terms of when the forecasts were developed and the vintage of the recorded data underlying the forecasts. For example, the CEC’s 2018 forecast was developed using recorded data that were older than the recorded data PG&E used to develop its 2018 forecast. In addition, not all PTOs file TO Tariff rate cases each year; the vintage of the CEC forecast would diverge more from the rate components of those PTOs who do not have formula rates or do not file regular TO Tariff rate cases.

Principally, when the components of rates are based on inconsistent sales and peak load assumptions, the resulting rate could be skewed in ways that are difficult to predict and that could lead to unintended consequences. The rate design for the existing ISO TAC rate solely uses PTO-specific components and the ISO should explore whether a similar yet simple approach could be employed to ensure consistency for the hybrid demand rate. These are some of the issues that could be evaluated by a “rate implementation technical working team.”

6. *Please provide any additional feedback on the proposed design of the peak demand charge aspect of the hybrid billing determinant.*

One aspect of the TAC framework that is not mentioned in the Revised Proposal is the development of utility-specific demand rates. Setting PTO utility-specific demand rates will

ensure that the net difference of PTO-specific TAC and ISO TAC is calculated on a proportional basis. PG&E believes this is a key issue that must be addressed as part of the implementation. PG&E assumes that the PTO-specific peak demands at the time of the system peak would sum to the system CP demand billing unit and that the peak demand share would not be same proportion of the PTO-specific gross load to the total ISO gross load. Because the ISO did not explain what it used for each PTO's contribution to the system peak in its analysis, it is difficult to sufficiently evaluate the Revised Proposal and determine whether any aspect of the implementation could distort the TAC allocation framework.

Treatment of Non-PTO entities to align with proposed hybrid billing determinant

7. *Does your organization support the proposed modification to the WAC rate structure to align treatment of non-PTO entities with the proposed TAC hybrid billing determinant?*

Yes, PG&E supports aligning the WAC rate structure with the TAC rate structure resulting from this initiative.

8. *Please provide any additional feedback related to the proposal for modification to the treatment of the WAC rate structure for non-PTO entities.*

Additional comments

9. *Please offer any other feedback your organization would like to provide on the Review TAC Structure Revised Straw Proposal.*

PG&E believes more clarification is needed with respect to the HV-TAC rate updates throughout the year. The Revised Proposal specifies that the rates would be updated as PTOs update their TRRs. However, PTOs update both their TRRs and their gross load in their TO Tariff rate cases at FERC, possibly resulting in several ISO HV-TAC changes every year for both the system-wide volumetric and demand rates. It is unclear how the gross load changes would impact the demand billing determinants under the Revised Proposal.

PG&E continues to believe further discussion of whether LV-TAC rates should follow any change to the HV-TAC rate may be warranted. While there are no allocation issues surrounding LV-TAC, the same cost causation and benefits principles may apply to the LV-TAC. This topic could be included for discussion with the rate implementation technical working team.

PG&E commends the ISO for developing its proposal for modifying the HV-TAC rate structure to address stakeholder feedback and the changing industry, supports the outline of the proposed structure, and stands ready to work together on implementation issues.