

Stakeholder Comments Template

Review Transmission Access Charge Wholesale Billing Determinant

June 2, 2016 Issue Paper

Submitted by	Company	Date Submitted
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The San Diego Energy District (SDED) is a 501c3 non-profit organization based in San Diego that has been active in support, outreach and education on the formation of “community choice aggregations” or community choice programs, since 2011. SDED is supported by grants, donations and membership contributions and serves as a “think tank” on issues and options inherent in community choice formation, for both jurisdictions exploring choice programs and for businesses debating their support for such programs. SDED is guided by a six-member Board of directors and an advisory group of six additional experts. We offer comment in this Initiative on behalf of CCA initiatives in formation, the advocates and stakeholders who support those initiatives, and the ratepayers who stand to benefit from the enhanced level of DG procurement expected to result from CCA formation.

Issue Paper

Currently the ISO assesses transmission access charge (TAC) to each MWh of internal load and exports. Internal load is measured as the sum of end-use metered customer load (EUML) in the service area of each participating transmission owner (PTO) in the ISO balancing authority area. Clean Coalition proposes that the ISO change how it measures internal load for TAC purposes, to measure it based on the hourly energy flow from the transmission system to the distribution system across each transmission-distribution substation; a quantity called “transmission energy downflow” (TED). The main difference between using TED or EUML as billing determinant is that TED excludes load that is offset by distributed generation (DG). Please see the ISO’s June 2 straw proposal for additional details.

The ISO does not yet have a position on the Clean Coalition proposal, and has posted the June 2 issue paper in order to stimulate substantive stakeholder discussion and comments on this topic.

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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.

SDED is in strong support of the Clean Coalition's proposal for the simple reason that it appears to better align the imposition of costs for use of the transmission system, to those projects that actually incur those costs through their uses of the system. Stated another way, the Clean Coalition's proposal would have the effect of releasing smaller DG projects from a current obligation to pay for system facilities they do not use. This strikes us as a much fairer application of the core principle of User Pays.

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.

SDED agrees that Clean Coalition's proposal to assess transmission fees based on TED is a more fair application of the "User Pays" principle. This reflects the fact that the output of smaller DG systems, when not entirely consumed on the customer premises, remains within the distribution system serving local load. Those larger, utility-scale DG projects designed for export to remote customers are appropriately captured by the TED mechanism. In this way, the Clean Coalition's proposal better ensures that transmission costs actually incurred by larger, remote DG projects are paid by those projects, while smaller local DG projects are not burdened by costs for infrastructure they do not use.

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.

SDED agrees with this statement as well.

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.

We agree with this statement. The removal from DG generation of the obligation to pay TAC as currently assessed has been estimated to add up to 3c/kWh to the generation costs for smaller systems. Terminating this charge on local DG will have a commensurate cost-reduction benefit to these small generators. By allowing new DG facilities to pass on the full benefit of their lower generation costs to new customers, we expect that customer interest in these cleaner,

competitively priced resources will continue to grow. From the perspective of CCAs, these improved economics enable more aggressive build-out of local DG projects, to meet local mandates for “local green” projects more quickly, and thereby to meet GHG reduction targets more cost-effectively.

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.

To the extent that the need for new transmission capacity is offset or delayed by peak reductions traceable to DG, those DG projects should be compensated for that system benefit. We do not agree, however (see next question), that TAC relief should be based solely on the peak reduction capacity of the DG facility.

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.

Under the “User Pays” principle discussed above, we support the proposal that TAC should be calculated differently and therefore not applied to DG that does not utilize the transmission system. Compensation to transmission-using DG on the basis of its peak-reduction contribution should in our view be a separate decision, based on the ISO's determination of the most appropriate way to handle future transmission capacity needs.

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.

In our view, use of the TED billing determinant removes charges inappropriately borne presently by DG users. The effect of this shift is beyond our ability to project, although we understand via the Clean Coalition's analysis in responding to this question that the effect is very small.

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.

SDED supports adoption of the TED billing determinant as the preferred option, for the reasons stated above.

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.

It is possible that additional CPUC action will be appropriate in the future if/when additional incentives to develop DG are needed. However, SDED supports this proposal not because of its salutary effect on the growth of DG, which we see as an outcome, not an objective. We understand that the objective, one we share, is to better align TAC costs with transmission system usage and thus better allocate responsibility for those costs, present and future.

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

In our understanding of this issue, the principles that should be applied to any changes under consideration should emphasize a) ensuring appropriate pricing signals by realigning charges to better reflect the User Pays principle; b) providing a level playing field for DG of all sizes; and c) ensuring that future transmission system upgrades are appropriate for the usage characteristics of present and future system users. In particular, we urge the ISO to look to and prepare for the expanding role of DG, energy efficiency, electricity storage, demand response and other "grid edge" technologies *and* the role of aggregators in deployment of these technology bundles in grid-facing applications.

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

We have no additional comments at this time. We appreciate the opportunity to comment in this matter and thank the ISO for its efforts to open the proceeding to entities like SDED, that would normally not be able to participate.