



Review Transmission Access Charge Wholesale Billing Determinant

Status Update

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Market & Infrastructure Policy

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The ISO opened this initiative in June 2016 to consider whether to modify the billing determinant to which the ISO applies the transmission access charge (TAC) in its wholesale settlement process.¹ The TAC is the ISO's mechanism for collecting revenues to compensate participating transmission owners (PTOs) for the costs of owning, operating and maintaining the transmission assets they have placed under ISO operational control. These costs are referred to collectively as the PTOs' "transmission revenue requirements" (TRR). Currently the TAC is designed as a volumetric rate and is charged to each MWh of internal load and exports, where internal load is the sum of end-use customer metered load (also referred to as "gross load"). This construct for recovering the TRR – a volumetric per-MWh charge to internal load and exports – is referred to as the TAC "billing determinant."

This initiative has focused on a proposal, submitted by Clean Coalition, that the ISO should modify its calculation of internal load subject to the TAC. Instead of charging TAC to load measured at the end-use customer meters, Clean Coalition argued that the ISO should charge TAC to internal load measured at the transmission-distribution interface substations (the T-D interfaces), i.e., to a quantity they referred to as "transmission energy downflow" or TED.

By using TED instead of gross load, the TAC billing determinant would be reduced by the amount of internal load that was offset by the energy produced by "local distributed generation" ("local DG"), which is comprised of DG connected on the utility side of the distribution system, as well as energy exported onto the distribution system by behind-the-meter generation, such as rooftop solar PV, during hours when that generation produces more energy than is consumed on-site in the same hour.² (The current method already excludes from TAC the load served in the same hour by behind-the-meter generation, which reduces load measured at the end-use customer meter.) Clean Coalition argued that billing TAC based on TED is appropriate because the load offset by local DG does not rely on the transmission system.

In June the ISO posted an issue paper to initiate focused discussion with stakeholders on the TED proposal. The paper was followed by a stakeholder conference call and a discussion at a Market Surveillance Committee meeting, after which stakeholders submitted written comments. The submitted comments expressed a wide range of opinion on the TED proposal. Many comments expressed agreement with Clean Coalition's argument and support for the TED proposal, while many others opposed the proposal, challenged some of Clean Coalition's assertions and raised questions about how TED would work in practice.

¹ All documents related to this initiative are available on the ISO web site at the following link: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeWholesaleBillingDeterminant.aspx>

² Energy generated by local DG would also affect the amount of electrical losses on the distribution system, which would also account for some difference between TED and gross load.

After careful consideration of the TED proposal and the submitted comments, and without rendering a conclusion on the merits of modifying the TAC billing determinant to reflect the impact of local DG, the ISO has determined that the TED proposal should be considered in the context of a broader review of the design of the TAC, rather than as a narrow isolated change. Some of the submitted comments also urged such an approach.

Without getting into all the arguments on this subject, one particular question should illustrate the complexity that would be lost if the ISO were to act narrowly on the TED proposal. The ISO explained in the course of the initiative that the need for transmission upgrades is driven in most cases by the peak load on the system or in a local area, while the impact of local DG – most of which currently is solar PV – tends not to reduce the peak load even though it can provide a significant amount of energy. Some of the submitted comments then pointed out that the structure of TAC as a purely volumetric charge is not aligned with the drivers of transmission infrastructure costs, and should be modified to reflect peak demand and not just energy. Such a modification would clearly go beyond the scope of the TED proposal, but should be considered in a holistic assessment of the TAC billing determinant.

In summary, the ISO proposes to open a new initiative to consider the TAC billing determinant structure in a more comprehensive manner, including consideration of the TED proposal. The ISO has not yet scheduled a start time for the new initiative, but estimates that it would be approximately mid-2017, likely following the conclusion of the current Transmission Access Charge Options stakeholder initiative.³ In the meantime the ISO will close the current Review TAC Wholesale Billing Determinant initiative and suspend further activity on the TED proposal.

³ <http://www.caiso.com/informed/Pages/StakeholderProcesses/TransmissionAccessChargeOptions.aspx>