

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>

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 **February 15, 2018**.

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

The Transmission Agency of Northern California (TANC) appreciates this opportunity to comment on the California Independent System Operator's (CAISO) *Review Transmission Access Charge Structure – Straw Proposal* (Straw Proposal). TANC compliments the CAISO on the work and structure that the CAISO has undertaken since the release of the prior *White Paper* and stakeholder workshops last summer and fall. We also recognize that there is a lot of work still to be accomplished and difficult and likely controversial decisions that will need to be made and approved prior to the implementation of any modification to the existing high voltage transmission access charge (HV TAC). TANC strongly encourages the CAISO to be both diligent and transparent in the continued development of a new HV TAC structure; we believe it is more important to develop a fair and equitable solution that supports cost causation rather than quickly developing a new approach without adequate vetting and transparency.

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.

TANC supports the ISO's initial EIM classification.

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.

The CAISO has proposed three ratemaking approaches for consideration:

- I. Charging TAC according to cost causation and cost drivers when decisions to invest in transmission infrastructure were made.*
- II. Charge TAC according to current to current usage (and benefits), which may be different than the previous usage.*
- III. Charge TAC to send price signals as incentives to modify future behavior.*

First, TANC wants to clarify (as stated numerous times in the Straw Proposal) the CAISO is only proposing to make modifications to the high voltage transmission access charge (HVTAC) and our response is limited to this position/treatment identified in the Straw Proposal.

TANC supports the use of approaches 1 and 2, as described in the Straw Proposal and outlined above. The majority of the current transmission grid was developed to meet the transmission needs of the native load (and wholesale transmission customers) of the participating transmission owners (PTOs), the HV TAC should reflect the cost causation principals that went into the development and build-out of the current grid. TANC also recognizes a need to charge all users of the transmission grid in a non-discriminatory manner; hence we also can support application of the **usage** portion of approach 2.

At the present time, TANC does not support the application of approach 3. We are not able to currently see how pricing transmission in an apparently discriminatory manner to incent future behavior meets FERC ratemaking and cost causation principals.

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.

TANC recognizes that any modification to the existing HVTAC methodology will result in cost shifts. Based upon the approach described in the Straw Proposal and our understanding at the present time, a hybrid approach offers a measured approach to address the challenge before the CAISO. However, it will be important to understand the implementation level details, as several questions can be raised. Will the percentage of the HV TAC that is based on demand

and energy be constant over time? Or will they be subject to review and potential modifications in the future? If open for modifications, how often, every 5 years, 10 years?

Additionally, the CAISO has proposed certain allocations based upon transmission investment – it is likely that the amount of investment (rate base) of reliability compared to policy and economic will change – potentially dramatically in the future. Would the CAISO propose to modify the allocation based upon changes in the PTOs rate base mix?

This raises additional questions regarding a growing amount of rate base and associated transmission revenue requirement charged by the CAISO for investments made by PTOs when those investment decisions were not subject to CAISO review and approval. Does the CAISO propose that all of these non-CAISO reviewed and approved ‘investments’ would flow into the reliability category and hence be part of the ‘demand’ costs? TANC notes that the 58/42 split is based exclusively on CAISO approved projects and ignores the PTOs unilaterally approved projects, which will significantly alter this proposed split depending upon allocation.

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.

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

Please see response to prior question.

II. 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.

TANC believes it is important to look holistically at all of the costs associated with transmission service, for the CAISO’s case (and as indicated in this question) we are focusing on the HV-TRR. TANC’s concern is that there are billions of dollars of investment, which correspond to hundreds of millions of dollars in the HV-TRR that are not currently being vetted through the CAISO’s TPP or any open and transparent stakeholder process.

On page 16 of the Straw Proposal, the CAISO writes “Most stakeholders agree that the ISO and PTO planning processes are the appropriate venues for performing the analysis to identify needs and determine which solution is the most cost effective or efficient for meeting those needs.” At the present time, TANC is unaware of any PTO planning process that offers an open and transparent stakeholder engagement similar to the CAISO’s TPP; without that level of stakeholder engagement (and participation by the CAISO) – TANC does not believe that additional and relevant data necessary for

informed decision making (and expected future transmission investment) on this important question can be made.

Based upon the CAISO's comment on page 13-14, the CAISO recognizes this is a growing issue and TANC believes that an approach for addressing the treatment of costs not currently subject to the CAISO's TPP needs to be considered and addressed in any new HV TAC proposal.

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.

- I. 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.

TANC has no comment at this time.

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.

TANC reserves its right to comment on this matter in the future.

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.

TANC supports the CAISO's decision to maintain the end-use meter as the determinant for determining wholesale transmission costs. As the CAISO described in its Proposal, the "use" of the grid is not limited to simple delivery of energy to end-users. The grid provides reliability and capacity to customers even when they are not "using" the grid. The CAISO's TPP is very explicit in its methodology that it looks first at providing reliable service during peak periods and only then does it consider energy deliverability for policy projects. Even then, approved high voltage projects generally provide reliability and deliverability benefits as part of an integrated transmission system.

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 stated in our prior comments, addressing the embedded costs was a major concern for TANC. TANC is not opposed to engaging in a discussion regarding future transmission costs and which CAISO transmission customers should be required to pay for what future transmission projects. It is possible that future policy or economic projects may not benefit all of the users of the CAISO grid – not just those identified by the Clean Coalition. TANC would be open to a more robust discussion on assigning transmission costs based on benefits and **need**.

Additionally, TANC is again concerned regarding treatment of non-CAISO approved investment costs. How would the CAISO propose to handle those costs under a modified point of measurement?

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*.

TANC would submit that any change in the point of measurement would need to be supported with credible and significant analytical support that properly reflects that costs are being borne by the entities that are creating the costs. Any change in the point of measurement would result in cost shifts that should only be considered if it is quantitatively and qualitatively determined that the current point of measurement is significantly distorting the distribution of costs from one subgroup to another. TANC does not believe any such demonstration has been made and therefore, believes the CAISO is making the correct determination in rejecting any change to the point of measurement.

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.

Currently, the TAC is determined in PTO TO filings before FERC. Primarily the filings determine the transmission revenue requirement and the gross load for the PTO. The CAISO's involvement in these processes has been minimal. At this early stage it is unclear how the determination of peak load would be determined and/or integrated into these FERC filings. In future proposals TANC requests that the CAISO provide some context as to how it would expect this aspect of the TAC determination to be implemented, including possible discussion of the actual process employed by other RTOs that use a demand charge.