

# Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative:

## **“Review Transmission Access Charge Structure”**

Submit comments to [InitiativeComments@CAISO.com](mailto:InitiativeComments@CAISO.com)

**Comments are due July 26, 2017 by 5:00pm**

The Issue Paper posted on June 30, 2017 and the presentations discussed during the July 12, 2017 stakeholder meeting can be found on <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeStructure.aspx>.

Please use this template to provide your written comments on the issue paper topics listed below and any additional comments that you wish to provide.

### 1. Suggested modifications or additions to proposed scope of initiative.

The issue paper proposed two main topics for the scope of this initiative. If you want to suggest modifications or additions to the proposed scope, please explain how your proposed changes would fit with and be supportive of the two main topics.

**Comments:**

The two proposed topics are sufficient. They are already quite broad and it is not clear that there are sufficient data to provide a basis for making some of the proposed changes.

## 2. Structure of transmission cost recovery in other ISOs/RTOs.

Please comment on any lessons learned or observations from the other ISO/RTO approaches that you think will be useful to the present initiative.

### **Comments:**

The decision of MISO to use an energy billing determinant for policy-driven transmission cost allocation is significant. Renewable mandates are for energy (% of delivered kWh), not capacity. While this is a departure from the more common demand-based billing determinant, the latter was developed based on an assumption that transmission is added for peak load, which may not be a good assumption going forward.

Using demand for allocation of transmission costs from the perspective of peak load makes sense where the transmission additions are due to an increase in peak load, but less so if they are for reliability, public policy, or to mitigate congestion. If the CAISO anticipation is correct that new transmission will not be built for load growth or reliability but rather to meet policy objectives like RPS mandates or carbon reduction, then a demand billing determinant is questionable.

## 3. Today's volumetric TAC rate structure.

Do you think it is appropriate to retain today's volumetric TAC rate structure (\$ per MWh of internal load or exports) going forward? If so, please explain why. If not, please indicate what type of change you think is preferable and why that change would be appropriate.

### **Comments:**

Yes; it does make sense to retain the current volumetric rate structure. Given the above, it is not clear that a change in the TAC rate structure to a demand basis is appropriate, unless there were some attempt to divide up the transmission investment into load-related and other, which would be challenging for any transmission built pre-CAISO TPP. Some parties might propose a vintaged rate design, where utility transmission investments pre-CAISO are considered load-related and later ones are not, but data would have to be provided to support such a proposal. As for TOU rates, the starting point would be to determine how the loading on the transmission system varies with TOU and whether this is related to either consumption or demand. If the transmission is used to bring renewable generation to load centers and peaks when the sun is out whereas load peaks in the evening, it would not be a good price signal for

load to have higher transmission rates when the lines are full and lower rates when the load is higher but the transmission lines are less full.

4. Impact of distributed generation (DG) output on costs associated with the existing transmission system.

Do you think DG energy production reduces costs associated with the existing transmission system? Please explain the nature of any such cost reduction and suggest how the impact could be measured. Do the MWh and MVAR output of DG provide good measures of transmission costs avoided or reduced by DG output? Please explain your logic.

**Comments:**

On the July 12 call, Neil Millar cogently and convincingly explained that transmission provides necessary reliability services (like voltage, dynamic stability, and fault detection and control) that have not yet been demonstrated to be able to be provided by DER on the distribution system. Setting aside the issue that end-use customers pay for transmission and not LSEs or DER, which we hope is now finally clear, there should be no ability to avoid paying for the transmission system unless it is not relied on in any way. Off-grid load is the only example so far provided of the latter. As long as the reliability of the system is contingent on provision of services such as voltage and dynamic stability from the grid, transmission should be paid for by all load. While DER may be able to provide some of these services in the future, this has not been demonstrated. Unsubstantiated assertions are an insufficient basis for changing the way transmission costs are recovered.

5. Potential shifting of costs for existing transmission infrastructure.

If the TAC rules are revised so that TAC charges are reduced or eliminated for load offset by DG output, and there is no reduction in the regional transmission revenue requirements that must be recovered for the existing transmission infrastructure, there will be an increase in the overall regional TAC rate that presumably will be paid by other load. How should this initiative take into account this or other potential cost shifts in considering changes to TAC structure?

**Comments:**

As indicated above, there has been no evidence presented to support the reduction or elimination of responsibility for TAC charges for load offset by DG output. However, if such a reduction or elimination were to occur, there would be an increase in the TAC for those who continue to pay, which would in effect be a rate increase not associated with any increase in transmission investment but rather with a reallocation of costs, i.e. a cost shift. Costs should

only be reallocated if there is a cost causation basis, and none has yet been presented. We would oppose such a cost shift.

#### 6. Potential for DG and other DER to avoid future transmission costs.

The issue paper and the July 12 presentation identified a number of considerations that the transmission planning process examines in determining the need for transmission upgrades or additions. Recognizing that we are still at an early stage in this initiative, please provide your initial thoughts on the value of DG and other DER in reducing future transmission needs.

##### **Comments:**

If new transmission is unlikely to be built for reliability or load growth, any assessment of “value” of DER would be in avoided future investment for other purposes, which the CAISO has correctly pointed out involves creating a counter-factual. This is not a simple undertaking. There would be a need to demonstrate that, but for additional DER, new transmission would have to be built, e.g. for policy reasons.

Proponents of a change would argue that clean DER could obviate the need for procurement of remote clean energy and thus it is possible that there would be less need to build additional transmission to achieve this policy objective. On the other hand, if there proves to be a benefit associated with procurement of intermittent resources in different locations to increase diversity in order to avoid unnecessary curtailment, such diversity cannot be accomplished with DER in one location, unless cheap storage develops and eliminates the timing issues and the need for such diversity. It would not be appropriate to make a policy change on the basis of an assumption of the future of a technology.

#### 7. Benefits of DERs to the transmission system.

The issue paper and the July 12 discussion identified potential benefits DERs could provide to the transmission system. What are your initial thoughts about which DER benefits are most valuable and how to quantify their value?

##### **Comments:**

The July 12 discussion clarified that there are many benefits that DER cannot provide to the transmission system. The primary hypothetical benefit appears to be a reduction in the need for future load-growth-driven transmission, but it appears that this future is unlikely, thus the hypothetical benefit is unlikely to be achieved. Another potential benefit, as noted above,

could be the avoidance of future policy-driven transmission investment, but this too is uncertain at this point.

## 8. Other Comments

Please provide any additional comments not covered in the topics listed above.

### **Comments:**

It would be useful to have more information on the various reliability services that are provided by the grid as discussed by Neil Millar and what the technical requirements are to provide these services. It would also be useful to discuss whether the transmission revenue requirement could be separated by function, which would have to be the basis of changing billing determinants.

One other point is whether the CAISO settlement system and SQMD are set up to address demand as a billing determinant or TOU differences in TAC charges and what it would take to make changes if the rate design were to change.