



Stakeholder Comments Template

Transmission Access Charge Structure Enhancements: Draft Final Proposal

This template has been created for submission of stakeholder comments on the Transmission Access Charge Structure Enhancements: Draft Final Proposal that was published on September 17, 2019. The Transmission Access Charge Structure Enhancements, 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/TransmissionAccessChargeStructureEnhancements.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 **October 9, 2019**.

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

Hybrid Billing Determinant Proposal

Please state your organization's position on the Hybrid Billing Determinant Proposal as described in the Transmission Access Charge Structure Enhancements: Draft Final Proposal: (Support, support with caveats or oppose)

If you replied supports with caveats or opposes, please further explain your position and include examples:

¹ CAISO staff indicated that the Public Advocates Office could send these comments in after the October 9, 2018 deadline.

Reconsider the Hybrid Transmission Access Charge (TAC)

The Public Advocates Office² does not support the hybrid TAC billing determinant proposal referred to as the “Hybrid TAC” described in the Draft Final Proposal, which would allocate transmission costs using both a volumetric and peak demand component, in contrast to the existing purely volumetric TAC structure.³ Consistent with prior comments, the Public Advocates Office recommends that the CAISO reconsider the proposed transmission revenue requirement (TRR) recovery through a coincident peak demand charge to avoid under collection and inequitable outcomes.

The CAISO’s proposed peak demand component of the Hybrid TAC structure will use each Utility Distribution Company’s (UDC) hourly average coincident peak demand, coinciding with each monthly system coincident peak hour to determine the 12 coincident peak (CP) monthly demand usage and associated high voltage (HV) TAC 12 CP demand charges.⁴

Based on the Public Advocates Office’s assessment of the CAISO’s Hybrid TAC proposal, the resulting revised High-Voltage-Transmission Revenue Requirement (HV-TRR) allocation does not better align costs with the benefits received from the transmission system and appears unlikely to produce rates that are more just or reasonable than the existing all-volumetric TAC rate structure. This is because there are significant variances in load and peaking time frames among the Load Serving Entities (LSEs) in the CAISO’s Balancing Authority Area (BAA).

This stakeholder process raised issues with the existing volumetric TAC structure. The CAISO currently combines the TRR from all the participating transmission owners (PTOs) within its footprint, and then recovers the total TRR based on reported load. This cost allocation method allows LSEs with lower load to pay less for their transmission investments. For example, the Valley Electric Association (VEA) system has significantly lower load than the other LSEs within the CAISO’s BAA and as a result VEA ratepayers pay less for their HV transmission system. Prior to GridLiance West Transco LLC’s⁵ acquisition of VEA’s HV transmission system in September 2017, VEA’s customers paid for roughly half of the HV-TRR of the transmission

² The Office of Ratepayer Advocates was renamed the Public Advocates Office at the Public Utilities Commission pursuant to Senate Bill No. 854, which was signed by the Governor on June 27, 2018 (Chapter 51, Statutes of 2018).

³ *Transmission Access Charge Structure Enhancements-Draft Final Proposal*, September 17, 2018, CAISO, (TAC Draft Final Proposal), pp. 3-4.

⁴ TAC Draft Final Proposal, p. 33 (“The ISO believes this proposed approach is appropriate because the ISO will set the 12 CP demand charge HV-TAC rates using historic 12CP demand figures.”).

⁵ GridLiance West Transco LLC submitted tariff filing per 35.12: GWT VEA NPC Third Amended and Restated Interconnection Agreement to be effective 3/1/2017 under ER17-732, 12/30/16, p. 1. GridLiance West is a subsidiary of GridLiance Holdco LP (GridLiance), which is comprised of transmission only operating and holding companies. GridLiance West was formed specifically to develop, acquire and operate transmission facilities within the CAISO region. GridLiance West will become a public utility once it acquires certain transmission assets from VEA.

system that serves their load.⁶ According to the most recent TAC Rate report,⁷ GridLiance West's HV-TRR is approximately \$9 million more than VEA's reported HV-TRR in 2017, but VEA's load remains the same as reported in prior years. This indicates that VEA customers are still paying less than half of their transmission costs.

With the proposed Hybrid TAC structure, VEA ratepayers will pay even less for their transmission investments. This is because the VEA's system peak hours are in the morning, in contrast to the CAISO's system peak hours which are in the evening ranging from hours 16 to 20.⁸ As result of these differences, VEA will pay approximately \$0.5 million (or 8.4%) less for its transmission investments under the Hybrid TAC than it currently pays.⁹

Since VEA (and perhaps other LSEs) could pay less than the actual cost of their transmission investments and other LSEs such as Pacific Gas and Electric Company (PG&E), and the Cities of Azusa, Vernon, and Colton would continue to pay more for their transmission investments¹⁰ with the proposed Hybrid TAC structure, the Public Advocates Office proposes continued evaluation of a revised TAC structure.

Background

Based on a review of the Federal Energy Regulatory Commission (FERC) approved HV-TRR for the PTOs within the CAISO's BAA and the CAISO TAC collections dating back to 2011, there is merit to exploring a TAC structure that aligns better with benefits received and results in rates that are more just and reasonable than the existing all volumetric rate structure.¹¹ The CAISO's current all volumetric TAC recovery method requires some PTOs to pay a higher portion of the total TRR than their transmission investments. This is because the CAISO combines the TRR from all the PTOs within its BAA and then recovers this total TRR based on load. As a result, PTOs with a higher load pay a significantly larger portion of the total TRR obligation irrespective of the transmission investments within their service area. For example, PG&E ratepayers have a greater transmission cost burden than San Diego Gas & Electric Company (SDG&E) ratepayers (approximately \$1.029 billion for PG&E versus \$239 million for SDG&E, approximately) as of July 25, 2018, even though the current HV transmission investments in PG&E and SDG&E are not

⁶ September 1, 2016, January 1, 2017, April 23, 2017, and June 1, 2017 TAC Rates Based Filed Annual TRR/TRBA [Transmission Revenue Balancing Account] and Load Data.

⁷ July 25, 2018 TAC Rates Based on Filed Annual TRR/TRBA and Load Data
http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJul25_2018_RevisedOct02_2018.pdf

⁸ CAISO Historic EMS Hourly Load Data from 2014 to July 2018.

⁹ TAC Draft Final Proposal, p. 53.

¹⁰ Based on filed annual TRR/TRBA and Load Data (http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJul25_2018_RevisedOct02_2018.pdf) and the estimated outcome of the Hybrid TAC proposal (CAISO's Review Transmission Access Charge Structure Second Revised Straw Proposal, June 22, 2018, p. 62) the Cities of Azusa, Vernon, and Colton will continue to pay more for the transmission investments in their service area. In addition, PG&E customers are likely to continue to pay more for the transmission investments in their service area.

¹¹ *July 25, 2018 TAC Rates Based on Filed Annual TRR/TRBA and Load Data*, CAISO, October 2, 2018.

significantly different (approximately \$617 million for PG&E versus approximately \$509 million for SDG&E). This is because PG&E serves a greater load than SDG&E (approximately 87 million megawatts hours versus approximately 20 million megawatts hours, respectively).¹² PG&E is not the only PTO with a TAC burden that is greater than the transmission investments dedicated to serve its load.¹³ SDG&E is not the only PTO that contributes less to the TAC than the costs of the transmission investments dedicated to serve its load, based on the recent HV-TRR filings and CAISO TAC collection data¹⁴ at http://www.caiso.com/Documents/HighVoltageAccessChargeRatesEffectiveJul25_2018_RevisedOct02_2018.pdf.

The Hybrid TAC will result in PG&E customers paying 2.9% less in TAC than under the current all volumetric TAC, but fails to eliminate the current overpayment for transmission investments in PG&E's service area. Additionally, the Cities of Azusa, Colton, and Vernon, which currently seem to be over paying for the transmission investments in their service area through the existing volumetric TAC structure, will pay even more for their dedicated transmission investments under the Hybrid TAC proposal.¹⁵

Additional comments

Please offer any other feedback your organization would like to provide on the Transmission Access Charge Structure Enhancements: Draft Final Proposal.

Evaluate Hybrid TAC Outcomes

The Public Advocates Office recommends that the CAISO review the outcomes of the proposed Hybrid TAC structure through a stakeholder initiative three years after implementation in a separate stakeholder process or as part of the 2022 Transmission Planning Process (TPP). The CAISO agreed to phase-in the Hybrid TAC proposal over two-years.¹⁶ Following this phase-in process, the CAISO should evaluate whether the outcomes of this proposal, after full implementation, are just and reasonable. The Public Advocates Office recommends an evaluation of the Hybrid TAC proposal because the CAISO's Hybrid TAC impact analysis includes forecasted outcomes for future years 2018 to 2022 but assumes no change in load. There may, in fact, be changes in load, so the actual outcomes from the implementation of the Hybrid TAC

¹² *July 25, 2018 TAC Rates Based on Filed Annual TRR/TRBA and Load Data*, CAISO, October 2, 2018.

¹³ The July 25, 2018 TAC Rates Based on filed annual TRR/TRBA and Load Data illustrates that the ratepayers of Southern California Edison Company, Azusa, Banning, Vernon and Colton all pay more in transmission access charges for their service area HV transmission investments than the cost of the facilities used to serve their load.

¹⁴ The July 25, 2018 TAC Rates Based on filed annual TRR/TRBA and Load Data illustrates that Anaheim, Pasadena, and Riverside also pay less in transmission access charges for their service area HV transmission investments.

¹⁵ *Review Transmission Access Charge Structure Second Revised Straw Proposal*, June 22, 2018, CAISO, p. 62

¹⁶ TAC Draft Final Proposal, September 17, 2018, p. 6.

proposal may differ significantly from the forecasted outcomes. The CAISO, therefore, should monitor and evaluate the actual outcomes.