

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Hannah Kaye hannah.kaye@pge.com (415) 973-8237	Pacific Gas and Electric Company	July 26, 2017

Please use this template to provide your written comments on the stakeholder initiative:

“Review Transmission Access Charge Structure”

Submit comments to 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.

Introduction

Any decision by the CAISO with regard to TAC structure, whether to keep the existing structure, modify it, or adopt a new one, must be based on thorough, rigorous, and transparent evaluation of a wide range of potential options through a public stakeholder process. The TAC structure developed through this initiative must reflect realities of the grid today and accommodate the evolving energy landscape of the future. Identifying and considering potential options will be complex and challenging, but only a comprehensive and holistic review of TAC will allow the CAISO and stakeholders to make fully-informed decisions and understand possible consequences of those decisions. To ensure a just and reasonable outcome, the

process should fairly consider all reasonable alternatives, giving preference to no one specific mechanism or objective.

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:

PG&E recommends that only the second of the CAISO's proposed two main topics, "Whether to modify the current volumetric TAC structure to incorporate other approaches such as demand-based or time-of-use structure," should be the overall objective of the Review TAC Structure initiative. This topic appropriately recognizes the need to consider many possible alternatives to the status quo to achieve the objective. PG&E supports framing the scope of the initiative using just this inclusive language. In contrast, the topic of "whether/how to modify the TAC billing determinant..." should be removed as a main topic. Instead, the consideration of TAC billing determinants is one possible mechanism to be explored in the stakeholder process to evaluate the overall TAC structure. Therefore, the topic of revising the TAC billing determinant should be considered later in the process as one of various options.

As the Review TAC Structure initiative is in an early stage, stakeholders and the CAISO have not yet identified the range of alternatives to the current structure, data and analysis has not been shared or performed to compare a variety of options, and no alternatives have been considered or ruled out by the parties. At this stage, PG&E does not see a reason to limit the scope to just one set of possible solutions or to exclude any options or considerations. As a result, and because most options are subsumed within the main topic ("Whether to modify the current volumetric TAC structure to incorporate other approaches such as demand-based or time-of-use structure"), PG&E does not propose other modifications or additions to the scope of the initiative at this time.

PG&E also suggests that the CAISO not unnecessarily restrict the scope of the initiative. Elsewhere in the issue paper, the CAISO suggests that several aspects of existing TAC structure be excluded from the initiative. However, given the interrelatedness of the topics, the CAISO needs to consider the TAC structure holistically. Any changes to the TAC structure may impact retail customers and the resulting cost impacts will need to be assessed. Though PG&E is not taking a position at this time on whether or not a postage stamp rate would be most appropriate under an updated TAC structure, for example, excluding such a consideration from

the discussion would artificially narrow the range of options that stakeholders can evaluate. Many of the changes that the CAISO would consider in-scope, such as a change to the TAC billing determinant, would likely result in changes to the relative TAC responsibility of each PTO. Though PG&E appreciates the effort to simplify a challenging task, such a restriction would only limit the range of potential solutions and not the complexity of the issues or the number of up-and down-stream consequences that could result from 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:

PG&E appreciates the effort that the CAISO has taken to review alternative transmission cost recovery structures used by other RTOs and ISOs in its Issue Paper. For example, the CAISO notes that several jurisdictions use demand as a billing determinant, and PG&E agrees that such an approach is one of the options that should be evaluated when considering an appropriate structure for California. PG&E looks forward to a stakeholder process that considers all viable options for developing a TAC structure that equitably allocates costs to those who benefit from the transmission grid.

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:

Customers rely on and benefit from the transmission grid for many reasons, and the range of services and benefits provided by the transmission grid has increased as the energy landscape evolves. The transmission grid has been and continues to be essential to safely, effectively, and affordably facilitate the achievement of RPS goals, support new and intermittent resources, absorb excess generation, and provide reliability, among other roles. At this early stage of the initiative, it is unclear whether the current volumetric TAC rate structure will continue to be the proper mechanism for assigning transmission costs to those benefitting from the grid. PG&E believes that the CAISO's Review TAC Structure initiative is an appropriate venue to explore this issue with stakeholders, and PG&E looks forward to working with the CAISO to thoroughly and thoughtfully consider whether and how the existing rate structure should evolve. The decision

to retain or replace the existing TAC structure must be based on extensive analysis of a range of alternatives, and PG&E urges the CAISO to lead a deliberate and methodical process to carry out this challenging assessment.

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:

The cost of the existing transmission system includes the capital cost of building that infrastructure and the ongoing expense of maintaining and operating that infrastructure. PG&E believes that DG and other resources may reduce or increase some of the ongoing expense of maintaining and operating the existing transmission system. However, it is possible that the large cost drivers for maintaining the transmission system are not impacted by DG or other resources. For example, tree trimming or other vegetation management is unlikely to be impacted by peak load or the amount of energy that flows across the line. PG&E is not aware of any public analysis evaluating the cost drivers associated with maintaining the existing transmission system and how energy consumption or peak load could impact these cost drivers, whether positively or negatively. This is a complex question that requires time and resources to thoroughly assess. PG&E looks forward to participating in these efforts as a part of this stakeholder process.

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:

PG&E agrees with the ISO that costs associated with ISO-approved transmission facilities that have already been built- or are in the process of being built- are not avoidable. Under FERC principles, the FERC-approved transmission revenue requirements (TRR) for these facilities

should be collected from the customers for whose benefit the transmission facilities were planned and built. The alternative would be unfair and unsustainable.

The Review TAC Structure stakeholder initiative, as currently proposed, is focused on one specific step in the transmission cost recovery process—namely, the appropriate billing determinant that equitably collects the FERC-approved transmission revenue requirements (TRR) of participating transmission owners (PTOs) through the TAC charges and how those revenues are distributed between the IOU PTOs and municipal PTOs¹. Revising the Regional TAC structure most directly impacts specific PTOs' TAC allocations. Changes to PTO cost responsibility will, in most cases, result in changes to retail customer charges. The CAISO should consider PTO customer costs and PTO customer benefits in examining potential cost shifts between PTO customers because a reduction in TAC charges for one set of customers, necessarily results in an increase in TAC charges for another set of customers.

Finally, the down-stream impact of any TAC structure changes should also be considered as part of a holistic evaluation of options. Changes to the TAC structure should not be done to achieve one particular goal in isolation, but to evaluate the methodology as a whole as part of a just and reasonable analysis of overall TAC structure. The TAC rules should not be revised so that TAC charges are reduced for load offset by DG output without careful consideration. The TAC structure should be based on the principles set forth in the issue paper and should not be based on any one specific policy issue. PG&E recognizes that some changes in TAC responsibility may be equitable and acceptable, but it is too early in the initiative process to determine by how much and based on what factors such shifts could appropriately occur.

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:

In general, distributed generation and other forms of load modifying resources (such as energy efficiency or demand response) can reduce the need for transmission upgrades that are related

¹ CAISO Background White Paper, "How Transmission Cost Recovery Through the Transmission Access Charge Works Today," April 12, 2017, page 4.

to increasing energy demand. For example, PG&E recognizes that several recent transmission projects have been cancelled or delayed in part due to increasing projections for distributed generation. However, generalities such as these do not clearly identify whether the investment in distributed generation is more cost effective to meet the identified need when compared with the wires solution. PG&E believes that distributed generation effectively reduces costs associated with transmission only if that distributed generation project is determined to meet a need that is identified through a planning process. Planning processes are the appropriate venue for performing the necessary analysis to determine needs and which solution is most cost effective for meeting that need. Given that the appropriate solution for a given need depends on many factors, such as location and characteristics, incenting a particular planning choice through TAC structure is likely to result in inefficiencies and unnecessary costs for customers.

A planning process provides the necessary balance, to determine that an appropriate level of reliability is provided without unnecessarily compensating every project that can have an incidental impact on transmission costs. Striking the proper balance is a challenging task, and one that would be impossible if each individual resource, distributed or otherwise, were to receive compensation for providing a transmission benefit, regardless of whether there has been a determination that the resource is needed to provide that benefit.

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:

Distributed Energy Resources are valuable to the transmission system when determined to be needed and should be pursued when they offer the least cost solution to a need. To the extent that DERs provide a service at the time when the system is being stressed, and they are synched, then there are benefits. DER existence on its own is not inherently valuable to the transmission system; it must be providing a solution to a need where and when that need occurs.

PG&E supports the CAISO examining barriers to DER participation in the Transmission Planning Process so that all potential solutions to identified need, including DER alternatives, can be evaluated by the CAISO in the TPP Request Window.

8. Other Comments

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

Comments:

[Insert comments here]