



Stakeholder Comments Template

Review TAC Structure Revised Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Revised Straw Proposal that was published on April 4, 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 **April 25, 2018**.

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

Hybrid billing determinant proposal

1. Does your organization support the hybrid billing determinant proposal as described in the Revised Straw Proposal?

SCE Comments: SCE continues to support the ISO's recommendation that a two-part hybrid billing determinant TAC assessment approach, based on volumetric (energy) and peak demand, be implemented. SCE believes this hybrid billing approach will better reflect the nature of transmission usage as compared to the current energy-only billing.

The ISO has provided estimated cost impacts to each PTO/UDC (pages 20-21), and the ISO indicated that it will be reexamining those impacts to ensure their accuracy. SCE looks forward to any updates that the ISO determines are appropriate. In addition, SCE would like to see additional details that would explain the differing impacts of the proposal on the PTO entities. For example, what are the load characteristics of the PTO entities that are projected to incur additional costs as compared to the load characteristics of the PTO entities projected to have lower costs? In order for all market participants to be able to assess and understand the cost impacts of the proposal, SCE believes it would be helpful for the ISO to make available system load information on an hourly basis for the most

recent available year, as well as individual system load information to each individual PTO/UDC.

2. Please provide any additional general feedback on the proposed modification to the TAC structure to utilize a two-part hybrid billing determinant approach.

SCE Comments: SCE continues to believe that a third billing determinant should be considered: number of service meters. This third billing determinant would allow for an equitable assessment of costs that are not based on either energy or demand. An example would be costs expended for vegetation management that are driven by the geo-spatial expanse of the transmission network more so than the demand or energy needs provided by the system. As the University of Texas noted – *“We analyzed the influence of a utility’s customer count, annual peak demand, and annual energy sales on its annual TD&A [Transmission, Distribution, Administration] capital, operation, and maintenance costs. We found that the number of customers in a utility’s territory is the single best predictor for annual TD&A costs.”*¹

Determining components of HV-TRR to be collected under hybrid billing determinants

3. Does your organization support the proposal for splitting the HV-TRR for collection under the proposed hybrid billing determinant using the system-load factor calculation described in the Revised Straw Proposal?

SCE Comments: Yes, SCE supports the new HV-TRR splitting proposal, based on the system load factor (which simplifies to setting the fraction of the HV-TRR allocated to the energy component to equal the system LF, and the fraction of the HV-TRR to be allocated to the peak component to equal (1 – the system LF). The originally proposed method, which would have examined transmission additions and reasons for the additions, would have been difficult to implement and potentially result in ambiguous results.

4. Please provide any additional specific feedback on the proposed approach for splitting the HV-TRR costs for the proposed hybrid billing determinant.

SCE Comments: SCE also supports that the splitting of the HVTRR should be done by the ISO, not by individual PTOs in their rate cases. SCE understands the ISO proposed splitting proposal would be performed by the ISO annually.

Peak demand charge measurement design for proposed hybrid billing determinant

5. Does your organization support the proposed 12CP demand charge measurement as described in the Revised Straw Proposal?

SCE Comments: Yes, SCE supports the assessment of the 12CP demand charge to PTO/UDCs to be based on a coincident peak. As SCE understands the proposal, each

¹ See “Trends in Transmission, Distribution, and Administration Costs for U.S. Investor Owned Electric Utilities”, University of Texas Energy Institute, August-2016, p.30.

month the ISO would determine its peak hour and the peak loads of each PTO/UDC at that hour in MW. Each PTO/UDC would then be billed the Peak demand component of the HV TAC based on the Peak demand rate times its coincident peak MW for that month. Thus, the HV TAC bill would be assessed on a monthly basis.

6. Please provide any additional feedback on the proposed design of the peak demand charge aspect of the hybrid billing determinant.

SCE Comments: SCE agrees with the calculations of the Peak demand charge shown on pages 18-19, with the following clarifications:

- 1) The 31,800 represents the average of the system peaks across the 12 months of the year (so that the total 12-CP is in fact $12 \times 31,800$, or 381,600 MW);
- 2) The Peak demand charge can more simply be calculated by dividing the HVTRR allocated to the Peak component (\$1,183,000,000) by the annual total 12-CP of 381,600 MW. So $1,183,000,000 / 381,600 = \$3,100.1$ per MW per month.
- 3) Footnote 11 could be revised as follows to be consistent with this simple Peak demand charge calculation:

“The data used to derive the system ~~average~~ 12CP peak demand will be taken from the CEC demand forecast. The forecast peak demand for all PTO/UDC areas each month will be summed ~~averaged~~ to calculate the ~~average~~ system peak demand that will be utilized under the proposed 12CP rate.”

Treatment of Non-PTO entities to align with proposed hybrid billing determinant

7. Does your organization support the proposed modification to the WAC rate structure to align treatment of non-PTO entities with the proposed TAC hybrid billing determinant?

SCE Comments: Yes, SCE believes that the assessment of the HV TAC to non-PTO entities and MSS entities should be aligned with the ISO’s hybrid HV TAC billing structure, so that it would include both an energy and peak charge.

8. Please provide any additional feedback related to the proposal for modification to the treatment of the WAC rate structure for non-PTO entities.

SCE Comments: SCE has no additional comments.

Additional comments

9. Please offer any other feedback your organization would like to provide on the Review TAC Structure Revised Straw Proposal.

SCE Comments: An earlier Straw Proposal (January 11, 2018) mentions that “NEM BTM exports should not be netted from the Gross Load data reported to the ISO” (page 18), and that the ISO intends to address this issue in future efforts. That commitment does

not appear in this Revised Straw Proposal. SCE supports billing the HV TAC based on Channel 1 imports into the retail end-use customer meter (not netting BTM exports that are recorded on Channel 2), as that is the best measure of transmission usage. The ISO should clarify that TAC billing should be based on Channel 1 import meter data for end-use retail customers, and not allow netting of Channel 2 exports for the purpose of determining Gross Load.