

Stakeholder Comments Template

Review TAC Structure Stakeholder Working Groups

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Working Group Meetings that were held on August 29 and September 25, 2017. The working group presentations 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
Meg McNaul mmcnaul@thompsoncoburn.com 202.585.6940 Bonnie Blair bblair@thompsoncoburn.com 202.585.6905	<i>The Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California</i>	<i>Oct. 13, 2017</i>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **October 13, 2017**.

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

NOTE: See last page for definitions of some key acronyms and terms.

- One concept for allocating the costs of the existing transmission infrastructure is to charge each user of the grid in accordance with their usage of or benefits received from the grid. What do you believe is the most appropriate way to measure each end-use customer's or load-serving entity's (LSE) benefits or usage of the grid? What specific benefits should be considered? Please explain your answer.**

While the Six Cities will continue to carefully evaluate proposals to revise the TAC methodology, at this juncture, no party has made a credible showing that the current methodology for calculating and assessing TAC charges to recover the costs of the existing transmission system is unjust and unreasonable or unduly discriminatory and/or preferential, which is the applicable burden of proof for potential changes to a filed tariff under the Federal Power Act. Modifying the current methodology, particularly with respect to cost recovery for the existing system, is likely to result in inappropriate cost shifts. Because the revenue requirement for the existing transmission system represents sunk costs that cannot be avoided, eliminating or reducing charges for some customers will necessarily result in cost increases for other customers. Given the likelihood of

increased charges to some portion of current CAISO transmission customers, the proponents of changes to the existing methodology should be prepared to explain why such cost increases are appropriate and align with well-established cost causation principles. The Six Cities are extremely concerned about proposals that would result in an unjustified increase in the TAC merely by virtue of a change in cost allocation or billing methodology without any associated increase in benefits to users of the existing grid.

At the working group meeting on September 25th, stakeholders engaged in a discussion of whether usage (presumably as measured by the Transmission Energy Downflow or “TED” methodology) of the transmission system is equivalent to benefitting from the transmission system. While the CAISO and certain parties have attempted to explain the benefits – in addition to energy delivery – that the transmission system provides and for which transmission customers should pay, a more complete explanation from the CAISO of these benefits and whether/how the current billing structure accounts for these benefits would be useful.

Additionally, it is clear from the working group discussions that there is still wide variation in parties’ respective understandings of how TAC is currently calculated and assessed, what portion of load associated with distribution-connected generation already offsets TAC, what the capabilities are with respect to current metering infrastructure, and whether and what retail rate and billing practice revisions would be needed in order to accomplish any particular policy goal through changes to the TAC. Continuing to resolve these misunderstandings should remain a goal of this stakeholder initiative.

- 2. The example the ISO presented at the August 29 working group meeting (slides 21-22 of the ISO presentation) illustrated how using transmission energy downflow (TED) as the high-voltage TAC billing determinant (instead of end-use metered load) affects all ratepayers of each utility distribution company (UDC) irrespective of which LSE serves that load. If the ISO were to adopt TED as the billing determinant for the high-voltage TAC, what further procedures would be needed to ensure that the benefits of reduced TAC payments go to the correct LSEs that make the decisions to procure DG? Please explain your answer.**

Each of the Six Cities has its own local regulatory authority that is solely responsible for establishing the retail rates within each of the Cities, which may be bundled or unbundled. Therefore, each of the Cities’ local regulatory authorities would need to make a determination as to whether retail rate changes are appropriate as a result of changes in the CAISO TAC methodology and what the timing for any such retail rate changes would be. Because each City’s local regulatory authority has exclusive jurisdiction over the rates and charges for that City, the Six Cities are not in a position to speculate in stakeholder comments or make commitments regarding the implementation of future changes to retail rates that may be considered following any change to the CAISO’s TAC methodology. Such speculation would be especially inappropriate when changes to the TAC methodology are developed in order to achieve a policy goal, such as wider deployment of certain preferred resource types, that has not been adopted or identified as a priority by the Cities’ local regulatory authorities.

The Six Cities observe that similar constraints likely exist for the CPUC-jurisdictional Participating TOs, with the added complication that within these Participating TOs' UDC service territories there may be multiple load-serving entities. Thus, retail rate implementation of TAC changes could be complex, time-consuming, and controversial.

- 3. The ISO could (a) continue to use the end-use metered load (EUML) or customer energy downflow (CED) as the basis for assessing high-voltage TAC, or (b) propose a change to assess HV TAC based on downflow at the transmission-distribution interface (T-D TED), or (c) assess HV TAC based on downflow at the interface between the high-voltage and low-voltage transmission systems (HV-LV TED). Does your organization prefer one of these approaches at this time? Please explain the reasons for your preference.**

Any party proposing modifications to the current TAC methodology should be prepared to demonstrate why the current methodology no longer meets the relevant criteria in the Federal Power Act. In the absence of such a showing, the current approach of using end-use metered load should remain in place.

With respect to the phrasing of this particular question in the comments template, is the CAISO asserting that the T-D TED and the HV-LV TED are alternative methodologies? Or are these the same methodology, with different measurement points depending on where service is taken? The Six Cities had understood the Clean Coalition's proposed methodology to reflect the latter, but if that understanding is not correct, then perhaps parties would benefit from further explanation as to where and to which parties the Clean Coalition proposes to assess TAC charges and for what voltage. The Six Cities note that they neither recover Low Voltage TRRs nor take Low Voltage service on the SCE system, so if item (c) is intended to be a stand-alone methodology, it appears that the Six Cities would not pay TAC charges, because they do not receive service at the HV-LV TED interface.

- 4. Does your organization believe that any of the options in the previous question present any potential problems or issues that have not been identified or explained during the stakeholder process thus far? If so, please explain. Also, please indicate what other analyses could be done to help understand the impacts of changing the point of measurement?**

Given that this is only the beginning stage of this stakeholder process and detailed workpapers documenting, in particular, the Clean Coalition's proposal to change the TAC methodology have only recently been made available for review, it is likely that parties will continue to identify issues and concerns as their understanding of the TED alternative evolves.

The Six Cities note that the Clean Coalition's workpapers, posted on the CAISO's website as the "TAC Fix Impact Analysis," purport to show the impacts on Participating TOs that would result if the Clean Coalition's TED approach is adopted (see the "TAC Impact Immediate" tab-3). At this point, the Six Cities have identified two areas where the analysis should be revised in order to improve its accuracy:

- In deriving the “Transmission Energy Downflow (MWh),” the analysis imputes to all Participating TOs the same relative share of Gross Load served by wholesale distributed generation and net energy metering resource exports as occurs on the PG&E system. Unless there is a basis for assuming that all Participating TOs have these resources deployed within their systems at the same relative rate as PG&E, this portion of the analysis is of limited usefulness.
- The Clean Coalition appears to assume that PTOs’ TAC charges equal the FERC-filed Gross Load times the TAC rate. This is not correct, and the billing determinant for actual TAC charges varies from the forecasted Gross Load figures as filed with FERC depending upon metered loads. Because of this erroneous assumption, the Clean Coalition’s comparison of what the PTOs pay in TAC under the current methodology and what they would pay under the TED methodology – and, indeed, the TED figures themselves – may not be accurate. Instead, the analysis should be updated to reflect actual metered load, minus all distribution-connected generation resources regardless of technology type.

In addition to the Clean Coalition proposal, other options to revise the TAC methodology have been proposed by other parties. For example, the CPUC proposes time-of-use pricing for wholesale transmission charges, explained in its August 29th presentation. The City of Santa Clara presented another proposal to revise the TAC structure. While the present focus of this initiative seems to be on the Clean Coalition’s proposal, the Six Cities anticipate that consideration of other options will result in other issues to be considered in conjunction with those options.

5. Does your organization believe that the ISO should change *only* the point of measurement utilized for assessing TAC apart from considering other changes to the TAC structure? Alternatively, should the ISO change the point of measurement in conjunction with other changes to the TAC structure? Please explain your position.

As discussed elsewhere, the Six Cities do not believe that the proponents of any methodology changes have established that the current methodology is unjust and unreasonable and should be revised.

6. Does your organization believe that changing the point of measurement for assessing TAC to use TED instead of metered customer demand will result in increased procurement of DG by LSEs? Please explain your position.

The Six Cities do not believe that the Clean Coalition, the primary proponent of a change to the current measurement point for TAC assessment, has established a correlation between modifying the current methodology and increased rates of DG deployment. Rather, that correlation appears to be largely assumed. As the proponent of a revision to the existing methodology, the Clean Coalition has the burden of establishing that the current approach is unjust and unreasonable.

7. Does your organization believe that increased procurement of DG by LSEs will reduce the need for future investment in transmission infrastructure? Please explain your position.

At this juncture, no party has established that increased procurement of DG will reduce the need for future investment in infrastructure such that a modification to the existing TAC methodology is appropriate. While there are recent examples of transmission projects having been cancelled or put on hold as a result of, in part, changed circumstances, including increased levels of DG installation in certain areas, the full range of impacts on future transmission planning by DG resources does not seem to be well understood. The Six Cities believe that it would be premature to conclude, based on a limited number of project cancellations and deferrals, that DG simply obviates the need for additional transmission resources and that the loads offset by DG will not make use of or receive any benefit from the transmission system.

8. The Clean Coalition provided a spreadsheet and documentation (available at the ISO's TAC initiative web page link on page 1) showing their approach for estimating the savings from avoided future transmission investment that could result from increased DG procurement in response to the ISO adopting TED as the point of measurement for assessing TAC. Does your organization believe that Clean Coalition's analysis provides a reasonable projection of transmission cost savings as a result of DG growth? Please explain your position.

No. The Six Cities do not believe that the Clean Coalition's analysis purporting to show future savings resulting from avoided investments due to increased DG deployment is a reasonable projection of transmission cost savings or that all of the identified cost savings will occur as a result of changes to the TAC design versus other factors that may drive DG deployment.

9. If you do not agree with Clean Coalition's projections of transmission cost savings, what approach would you suggest for estimating savings from reduced need for future investment in transmission that could result from increased DG development?

A starting point would be to incorporate the corrections identified above to the analysis that the Clean Coalition has prepared, to ensure that the immediate impacts of revising the TAC methodology are understood. Second, the data and assumptions in the "TAC Impact 20 Years" tab should be further reviewed and assessed.

10. The ISO must decide what types of analyses to perform to evaluate alternative TAC approaches, and how to prioritize them. Please provide your organization's view on what analyses would be most useful, and indicate the relative importance of each analysis you recommend to assist the ISO in determining which analyses should take precedence.

At this point, the Six Cities are not among the parties advocating for a change in the existing TAC methodology, and they take no position at this time on how studies of alternatives should be prioritized. That having been said, when and if the CAISO

identifies an alternative that it believes should be considered by stakeholders, that alternative should be thoroughly evaluated so that all parties may fully understand the implications.

11. How can the ISO evaluate the downstream financial impacts of potential changes to the TAC structure? What data would best inform the ISO and stakeholders of the potential impacts to various entities? Does your organization believe the ISO should focus on this question now, or wait until potential TAC structure options are better defined (e.g., after the ISO issues a straw proposal)? Please explain your position.

The Six Cities are unclear as to this question or what is meant by “downstream financial impacts.” It is critical to consider the financial impacts of any proposed change to the TAC methodology as part of the assessment of whether the change should be made.

12. How are transmission needs and costs driven by the delivery of energy versus the provision of capacity necessary to meet peak load conditions? Please explain your position.

Stakeholders would benefit from a whitepaper on this topic from the CAISO planning department. As the Planning Authority, the CAISO is in the best position to articulate how its planning practices reflect anticipated energy and capacity needs and how DG is factored into various planning decisions.

13. In considering potential changes to the TAC structure, what kinds of changes would best align with the impacts of energy delivery, peak load and other drivers of new transmission investment? Please explain your answer.

The Six Cities are not proposing any changes to the TAC structure at this time.

14. What are the cost drivers of operating and maintaining the existing transmission system and what, if anything, could materially affect these cost drivers? In particular, does your organization believe that increasing the share of load served by DG can reduce any costs associated with the existing transmission system? Please explain your position.

As explained elsewhere, the Six Cities believe that the costs of the existing transmission system represent sunk costs, and revising the methodology to allow some entities to avoid continuing to pay for those sunk costs would inappropriately shift costs to other transmission customers. Based on their review of the larger Participating TOs’ annual TRR update filings, the Six Cities are aware that operations and maintenance costs for the existing transmission system represent a significant driver of overall transmission cost increases. While there has been speculation in this initiative regarding the potential for DG resources to allow for deferral or avoidance of O&M costs, additional data supporting these assertions is necessary.

15. Please offer any other comments your organization would like to provide on the material discussed in the two Review TAC Structure Working Group meetings (August 29 and September 25), or any other aspect of this initiative.

N/A