

Stakeholder Comments Template

Review Transmission Access Charge Wholesale Billing Determinant

June 2, 2016 Issue Paper

Submitted by	Company	Date Submitted
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The ISO provides this template for submission of stakeholder comments on the June 2, 2016 issue paper. The issue paper, presentations and other information related to this initiative may be found at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeWholesaleBillingDeterminant.aspx>

Upon completion of this template please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 30, 2016**.

Issue Paper

Currently the ISO assesses transmission access charge (TAC) to each MWh of internal load and exports. Internal load is measured as the sum of end-use metered customer load (EUML) in the service area of each participating transmission owner (PTO) in the ISO balancing authority area. Clean Coalition proposes that the ISO change how it measures internal load for TAC purposes, to measure it based on the hourly energy flow from the transmission system to the distribution system across each transmission-distribution substation; a quantity called “transmission energy downflow” (TED). The main difference between using TED or EUML as billing determinant is that TED excludes load that is offset by distributed generation (DG). Please see the ISO’s June 2 straw proposal for additional details.

The ISO does not yet have a position on the Clean Coalition proposal, and has posted the June 2 issue paper in order to stimulate substantive stakeholder discussion and comments on this topic.

1. At this point in the initiative, do you tend to favor or oppose Clean Coalition’s proposal? Please provide the reasons for your position.

2. Clean Coalition states that TED is better aligned with the “usage pays” principle than EUML is, because load offset by DG does not use the transmission system. Do you agree? Please explain your reasoning.
3. Clean Coalition states that using TED will be more consistent with the “least cost best fit” principle for supply procurement decisions, because eliminating the TAC for load served by DG will more accurately reflect the relative value of DG compared to transmission-connected generation. Do you agree? Please explain your reasoning.
4. Clean Coalition states that changing the TAC billing determinant to use TED rather than EUML will stimulate greater adoption of DG, which will in turn reduce the need for new transmission capacity and thereby reduce TAC rates or at least minimize any increases in future TAC rates. Do you agree? Please explain your reasoning.
5. In the issue paper and in the stakeholder conference call, the ISO pointed out that the need for new transmission capacity is often driven by peak load MW rather than the total MWh volume of load. This would suggest that load offset by DG should get relief from TAC based on how much the DG production reduces peak load, rather than based on the total volume of DG production. Please comment on this consideration.
6. Related to the previous question, do you think the ISO should consider revising the TAC billing determinant to utilize a peak load measure in addition to or instead of a purely volumetric measure? Please explain your reasoning.
7. Do you think adopting the TED billing determinant will cause a shift of transmission costs between different groups of ratepayers? If so, which groups will pay less and which will pay more? Please explain your reasoning, and provide a numerical example if possible.
8. Do you think a third alternative should be considered, instead of either retaining the status quo or adopting the TED billing determinant? If so, please explain your preferred option and why it would be preferable.
9. Do you think that ISO adoption of TED by itself will be sufficient to accomplish the Clean Coalition’s stated objectives (e.g., incentives to develop more DG)? Or will some corresponding action by the CPUC also be required? Please explain.

10. What objectives should be prioritized in considering possible changes to the TAC billing determinant?
11. What principles should be applied in evaluating possible changes to the TAC billing determinant?
12. Please add any additional comments you'd like to offer on this initiative.

The Staff of the California Public Utilities Commission (CPUC Staff) appreciates the opportunity to comment on the California Independent System Operator Corporation's (CAISO's) issue paper, which addresses a proposal put forth by Clean Coalition to exempt end-use customer load served by local distributed generation (DG) or distributed energy resources (DER) from the CAISO's wholesale transmission access charge (TAC) for the Load Serving Entities (LSEs) within the Participating Transmission Owner (PTO) service territories. CPUC Staff is committed to working productively with the CAISO and other stakeholders in this initiative to ensure that any change to the existing TAC structure result in a just and reasonable TAC rate for California ratepayers. The CPUC Staff provides the following general comments.

In its proposal Clean Coalition asserts that local DG does not use the transmission system. The goal of the proposal is to remove the existing cost shift, fix market distortion, and make local generation more competitive. Additionally the Clean Coalition argues that the proposal provides consistent treatment across California. For example, the CAISO's TAC for the LSEs in non- PTO service territories (municipal utilities) excludes DG/DER.

The Clean Coalition's proposal has potential significant policy, technical, and ratemaking implications that need to be examined thoroughly. The current TAC is recovering the cost of transmission investments that occurred prior to the proliferation of DG/DER. There is a policy question as to whether DG/DER should be exempted from such costs. The proposal lacks sufficient analysis to support many of its claims. The CAISO's transmission planning process (TPP) studies evaluate transmission needed to serve peak load. Whether current and future DG/DER reduce peak load and avoid new transmission investments should be examined further, potentially in the next TPP. The proposal did not provide the total metering costs, which are required in order for the CAISO to receive settlement data excluding load served by local DG/DER. The proposal also requires change in the complex retail transmission rate design and cost recovery (billing) from retail customer groups, which is under the CPUC jurisdiction. Additional analysis and data are needed for a better understanding of the impact of the exemption from TAC on bundled ratepayers. The Clean Coalition's proposal, if adopted by CAISO, will require corresponding actions by both CPUC and FERC. CPUC will need to reconsider its current retail rate design and address utilities' billing on behalf of non-bundled customers to ensure no cost shifting to bundled customers. The FERC will need to adjust the utilities' retail transmission rates to ensure no over or

under-collection of its authorized transmission revenue requirement (TRR) as a result of the Clean Coalition's proposed change in the TAC.

In conclusion, staff recommends that the CAISO defer the release of a straw proposal until further information and analysis are available to allow the CPUC Staff and other stakeholders to thoughtfully give it full consideration.