

# 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 Dynamic Grid Council (DGC) is a trade organization whose mission is to accelerate the deployment of distributed energy resources (DER) by providing project exposure, policy advocacy, and technical custom consulting services.

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](mailto: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.

The Dynamic Grid Council (DGC) favors the Clean Coalition's proposal to change the TAC wholesale billing determinant from EUML to TED because it will

- Align TAC with transmission system usage and FERC Order 1000's Usage Pays principle
  - Remove an existing cost shift whereby DG subsidizes transmission-dependent generation
  - Bring consistency to the state of California
  - Level the playing field for DG in utility procurement processes, which in particular will help expand cost-effective DG options for utility Distribution Resources Plans
  - Fix the TAC market distortion now under the current TAC system, to save billions for electricity customers by avoiding new transmission and deferring transmission upgrades. To meet the new 50% RPS standard, California's utilities (and community choice aggregators) will be making a lot of RPS-related procurement decisions in the near future. According to a [2013 Edison Electric Institute \(EEI\) report](#), 76% of the proposed expenditure on transmission in between now and 2023 for EEI members (California is well represented) is specifically to integrate centralized renewable energy to the transmission grid. A primary business case for increasing DG investment is the potential to defer transmission upgrades. For example, increased utilization of distributed energy resources (DERs) including rooftop solar has already resulted in PG&E canceling \$190 million worth of low-voltage transmission upgrades in the 2015-2016 transmission planning process.
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.

Yes, the DGC agrees that using TED instead of EUML better aligns TAC with the Usage Pays principle, because DG does not use the transmission system to deliver electricity to customers. It would clearly be inappropriate to charge two load serving entities (LSE) the same TAC if both had 50 GWh of EUML, but one LSE met 100% of its customers' energy demand without delivering any energy through CAISO transmission, and the other LSE relied entirely on energy delivered through CAISO transmission.
  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.

Yes, the DGC agrees that using TED instead of EURL will enable utilities using the “least cost best fit” methodology to more accurately value proposed energy generation projects because the value of DG, unlike that of centralized generation, would then include avoided TAC – as it should, since DG does not use the transmission system to deliver energy to customers, unlike centralized generation.

4. Clean Coalition states that changing the TAC billing determinant to use TED rather than EURL 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.

Yes, the DGC agrees that using TED instead of EURL will stimulate more DG deployment, because DG will then have higher value both to utilities and other load serving entities (LSE) in their service territories, for example community choice aggregators (CCA) like Marin Clean Energy. Furthermore, the DGC believes DG markets in California will be significantly different if the procuring LSE is not subject to TAC on DG. For example, investor owned utilities (IOUs) like PG&E will procure additional cost-effective DG options for their Distribution Resources Plans, and CCAs will have to procure more DG because more electricity customers will choose CCAs’ 100% local renewable service offerings due to lower prices.

The DGC also agrees that more DG deployment will reduce the need for new transmission capacity and as a result minimize increases in future TAC rates, since (i) there will be reduced need to build or upgrade transmission to deliver (or guarantee delivery of) centralized (renewable) energy to electricity customers, and (ii) DG does reduce peak load. The DGC has reviewed the examples and information previously submitted by the Clean Coalition, and believes that they accurately describe the impacts of the Clean Coalition’s proposed TAC fix under the scenarios described. Long term forecasts are subject to a high degree of uncertainty due to a variety of factors, but the assumptions and logic discussed are appropriate and appear to be accurate.

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.

The DGC believes that any change to the TAC system, for example to include a peak load demand charge, is a separate issue that should be handled in a separate initiative. CAISO should fix the TAC market distortion now under the current TAC system by changing the wholesale TAC billing determinant from EURL to TED, to prevent electricity customers from overpaying for transmission. Utilities will be making a lot of RPS-related procurement decisions in the near future. According to a [2013 Edison](#)

[Electric Institute \(EEI\) report](#), 76% of the proposed expenditure on transmission in between now and 2023 for EEI members (California is well represented) is specifically to integrate centralized renewable energy to the transmission grid.

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.

See response to question #5.

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.

Yes, the DGC believes that changing from EUML to TED would cause a shift in total TAC payments from one Participating Transmission Owner (PTO) utility's ratepayers to another, to the extent that one PTO utility uses more or less DG than the average PTO utility.

However, the DGC also believes that this cost shift is (i) appropriate, since it removes an existing cost shift whereby DG subsidizes transmission-dependent generation, and (ii) very small at this point, because PTOs currently serve at most 2% of their load with DG according to recent PTO Distribution Resource Plan filings. If in the future one PTO decides not to build any DG to serve customer demand, and instead relies on centralized generation to serve its customer demand, then that PTO will pay significantly more in TAC payments - as it should, according to the Usage Pays principle.

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.

No.

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.

Yes. SCE confirmed on the June 14 teleconference that both retail and wholesale billing is within FERC jurisdiction, so there is no need to coordinate CAISO decisions with the CPUC to address concerns regarding differences in wholesale and retail TAC billing determinants. If this information is incorrect, please inform stakeholders.

10. What objectives should be prioritized in considering possible changes to the TAC billing determinant?

- Align TAC with transmission system usage and FERC Order 1000's Usage Pays principle
- Fix the TAC market distortion now under the current TAC system, to save billions for electricity customers by avoiding new transmission and deferring transmission upgrades.

11. What principles should be applied in evaluating possible changes to the TAC billing determinant?

Align TAC with transmission system usage and FERC Order 1000's Usage Pays principle. It would clearly be inappropriate to charge two load serving entities (LSE) the same TAC if both had 50 GWh of EUML, but one LSE met 100% of its customers' energy demand without delivering any energy through CAISO transmission, and the other LSE relied entirely on energy delivered through CAISO transmission.

12. Please add any additional comments you'd like to offer on this initiative.

Thank you for soliciting and listening to stakeholder comments.