

Stakeholder Comments Template

Review Transmission Access Charge Wholesale Billing Determinant

June 2, 2016 Issue Paper

Submitted by	Company	Date Submitted
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Preamble: Thank you for providing this opportunity to comment on the proposal of the Clean Coalition. It is laudable that the CAISO considers ideas put forth by others and provides other entities the ability to comment on those ideas. However, the validity of the assumptions and the practicality of implementation should be considered before other entities are asked to expend a significant amount of resources responding or participating in a stakeholder process. Furthermore, when one party is given the opportunity to provide information that will be relied on by the MSC, management, or the Board, equal time, in an equal forum, should be provided to entities that can make an articulate case that the “facts” presented were inaccurate.

Answers to Questions Posed by the CAISO

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.

Energy Users Forum strongly opposes the Clean Coalition’s proposal for a number of reasons; however an overarching reason is that their basic premise regarding price signals is flawed. Customers pay the cost of transmission through their utility bills based on a revenue requirement approved by FERC and a rate design adopted by the CPUC. Changes in cost allocation between the parties will not flow to the end use customer unless both FERC and the CPUC take action. Furthermore, the CPUC revenue allocation varies by customer group, but the allocators used, which are even further diluted when costs are scaled, would not send the signals asserted by the Clean Coalition.

We are opposed for many additional reasons. Some of those reasons are listed below.

Without significant effort by many entities, the Clean Coalition proposal would not provide the signals asserted, and there is no guarantee that any signals will be sent.

Their proposal is based on many false assumptions (correct facts/assumptions follow):

Customers pay the cost of the transmission grid, not their LSEs

DG does rely on and use the transmission grid unless it operates at 100% whenever distributed load is present.

Their version of a usage pays principle does not apply to IOU end use customers (because of cost allocation determinants, marginal cost scaling, billing determinants)

The proposal would shift costs between customers inappropriately.

The proposal does not mesh with the existing CPUC ratemaking and cost allocation framework.

Revenue quality metering is not in place to support their scheme and would have to be installed, most likely at customers' expense, to use their TED allocator.

2. Clean Coalition states that TED is better aligned with the “usage pays” principle than EURL is, because load offset by DG does not use the transmission system. Do you agree? Please explain your reasoning.

We disagree. The blanket statement that DG does not use the transmission system is not true. DG does rely on and use the transmission grid unless it operates at 100% whenever distributed load is present. The system has to be designed to meet all flows. If an increased amount of electricity flows into the “distributed area” when the generator is not operating, the system has to be planned to meet that need, whenever it might arise. However, there are situations where the load decreases to match the generation output and it could be argued that in that specific case the transmission system is not used.

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.

I believe the utilities and PRGs already integrate this into their decisions. A “solution” is not needed if there is no problem.

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.

If the cost signals are never passed through (see answer #1), then there will be no change in the amount of DG developed, and thus no change in transmission requirements. Also see the answer to question #2.

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.

DG only reduces the peak need if the generation can be counted on to ALWAYS be there at the assumed levels at the peak time. It should be noted that “the peak time” may vary and may not be the same for all transmission system components.

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.

This question is premature.

The change would not achieve the desired result if the IOU billing determinants assessing costs to customers are not also changed.

The peak for each component would have to be used not the system peak. Because IOU rates are not geographically differentiated, it would not be possible to pass the signal on given the current rate design.

More information on how costs would shift would have to be reviewed.

Costs and benefits must be reviewed before any decision is undertaken and in this case given the muted passage of the price signal, the benefits may not justify the use of resources or the costs.

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.

See answer to question #1.

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.

We see no reason that would justify straying from the status quo. (see also answer to question #12)

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.

No. See other answers.

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

Fair and non-discriminatory

Simple and understandable rates

Feasible without expending significant cost or using a significant amount of resources

Recovers authorized revenue requirement

Stable rates year to year

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

Just and reasonable

Avoids cost shifting; especially cost shifting not based on cost causation

Benefits are significantly greater than cost of implementation and expenditure or resources

Consistent with retail regulatory framework

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

There are many activities that must be undertaken to achieve the various policy goals of the CAISO, FERC, CPUC, state legislators and Governor, and the reliability needs of customers. Most entities are fully expending their resources, and may already be overburdened. The CAISO, CAISO stakeholders, customers and other entities do not have the resources to debate, let alone implement, an ill-conceived idea that is not consistent with the facts and is unlikely to meet the stated goals, and has the potential to shift costs to certain types of customers. If the CAISO decides to investigate this proposal further, silence by EUF at any point in the comment process should not be taken as assent, but rather a resource shortage. Unless expressly stated, EUF opposes implementation of this proposal, and further expenditure of resource to debate this poorly formed idea.