

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.

I strongly favor the Clean Coalition's proposal for several reasons:

1. It more accurately accounts for actual use of the transmission system, and removes the market distortion requiring payment for non-use of the system
2. It removes a perverse incentive for investor-owned utilities, who have a financial interest in maintaining the current billing structure
3. It removes a perverse incentive for investor-owned utilities that have a financial interest in expanding the transmission system, by inflating the purported use of the transmission system
4. It aligns policy across utility service territories, by using policy consistent with that of municipal utilities

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.

Yes. This would seem self-evident, but if local electric customers are meeting their load with distributed power generation, then it seems nonsensical to have them pay for transmission access on the kilowatt-hours produced locally. Maintaining the access charges for distributed generation is like billing long-distance calling rates for local calls

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. Many of the most time-consuming regulatory and legal battles over the electricity system have their root in opaque and unclear pricing. Having an accurate price for distributed generation will direct private and utility capital to the most efficient investments for system reliability and affordability.

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 Commission-adopted “value of solar” formula in Minnesota accounts for the capacity-related value of distributed solar, based on its ability to offset more expensive capital investments in infrastructure. Although not on the transmission system per se, the recent Consolidated Edison investment in distributed resources, demand side management, and conservation was similar able to reduce capital requirements substantially to meet system capacity needs.

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.

While it may be true that transmission charges reflective of coincident peak demand would be more accurately reflect the demand for transmission expansion, the existing charges are based on per kilowatt-hour usage. Furthermore, most distributed generation is likely to be solar, which has a significant overlap and significant mitigating effect on system peak use.

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.

It may be worth investigating, but other measures (some already market-ready) such as time-of-use pricing may be more effective at shifting load and reducing peak use periods.

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. Using TED will reduce the cost of ratepayers who are supplied with distributed generation and increase the costs of those who actually use the transmission system for electricity delivery.

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.

This change by itself will not necessarily level the playing field between transmission-connected and distributed-connected electricity production, especially as long as utilities retain a financial incentive toward spending their own capital and a history of preferring large-scale generation assets. However, it will correct a major market distortion and likely result in more cost-effective deployment of new generation assets.

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

The most important objective is ensuring all market participants are being charged fairly on the basis of their actual use of the transmission system

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

Transparency in pricing

Fairness in charging for services actually used

Maximizing system efficiency

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