

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.

NCPA’s comments are not precisely formulated at this point, because the proposal is not fully developed and some of the supporting information is unclear. However, NCPA’s initial reaction is that adjustment of the TAC methodology to favor one type of resource would be premature. The state of California favors many different types of resources for different purposes, but the

CAISO is not supposed to favor particular resources over others. A change from the MWh charge that has been in place since CAISO's inception, and underlies all investment to date, would be a major alteration. If CAISO were to contemplate such a change, it should be made only after due consideration of the impacts on all types of loads and resources, not as a piecemeal approach to favor one set of resources. There are also numerous resources located behind the meters within the CAISO footprint, some of which are renewable and some of which are not. The potential impacts of this proposal have not been examined.

The Clean Coalition has not demonstrated that DG could make a meaningful contribution to reducing the need to build new transmission facilities. In the current regionalization debate, future TAC costs will be driven in large part by what cost allocation methodology is chosen for a regionalized grid. Certainly some proposals would allocate significant shares of the costs of new facilities outside of California to current California TAC ratepayers. DG may not have significant effects on transmission construction outside the current CAISO BAA. Similarly, the studies CAISO has conducted under SB350 have assumed that the TAC retains its current mechanism. It is far from clear whether a meaningful assessment of costs and benefits of regionalization can be made if the CAISO causes the nature of the TAC to vary dramatically from what has been studied. NCPA does not advocate any change to the current TAC methodology, but if CAISO wishes to undertake one, it should be broadly based on consideration of all relevant factors.

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.

See above.

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.

See above.

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.

See above.

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.

See above.

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.

See above.

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.

NCPA does not advocate any change to the TAC methodology.

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 above.

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.

NCPA does not advocate any change to the TAC methodology.

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.

See above.

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

See above.

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

See above.

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

NCPA has no further comments at this time.