

## Six Cities' Stakeholder Comments

### 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](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.

At this time, the Six Cities, all of which are Participating Transmission Owners in the ISO, oppose the Clean Coalition's proposal, consistent with the concerns the ISO has already identified. The Six Cities are skeptical that modifying the TAC billing determinant as proposed by the Clean Coalition will achieve all or even many of the benefits that Clean Coalition claims. The prospect of TAC rate increases and cost shifts among and between ISO transmission customers as a result of modifying the existing billing determinants are extremely concerning, particularly in light of uncertainties regarding future TAC rate increases and/or allocation methodology changes that are being considered in stakeholder initiatives relating to ISO regionalization, which include potential changes in both the TAC methodology as well as the ISO's existing transmission planning process.

At best, consideration of the Clean Coalition's proposal is premature. Given that there is no apparent need for immediate changes to the current TAC billing determinants in order to incent deployment of DG resources, the Six Cities recommend that the ISO complete its TAC Options stakeholder initiative before further considering proposed modifications to the existing TAC billing determinants. With respect to consideration of future changes to the TAC billing determinants, in the absence of firm data demonstrating that the current methodology is impeding the deployment of DG in California, no changes should be made.

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.

At this juncture, the Six Cities do not agree with the premise that load offset by DG does not use the transmission system. Prior transmission planning determinations have not historically reflected this concept. Whether or not such load uses the transmission system may depend on the nature and type of the DG, and, in particular, whether the DG is offsetting load at peak times and whether the transmission system must support the same level of load at other times. There is not enough information in this stakeholder initiative to validate Clean Coalition's theoretical premise.

Irrespective of any one party's views on whether DG usage offsets reliance on the transmission system, unless and until transmission planning principles reflect that load offset by DG does not use the transmission system, it makes no difference whether the Six Cities or any other stakeholder believe that TED is more or less consistent with a "usage pays" principle. Only if DG materially offsets the peak loads for which the transmission system is planned and these offsets are factored into planning decisions would it be appropriate to exempt DG from TAC charges.

The Six Cities also question whether DG is sufficiently well-defined for purposes of this initiative. Specifically, the Cities with internal gas-fired generation interconnected to

their distribution systems are interested in understanding whether these generation resources would qualify to offset their loads and reduce the Six Cities' transmission costs under the Clean Coalition proposal.

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.

The Six Cities take no position on this issue at this time, but observe that the procurement decisions of non-CPUC jurisdictional entities are not governed by this CPUC-established policy. The Six Cities consider cost and an array of other factors in making their procurement decisions.

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.

The Six Cities have two primary concerns with the Clean Coalition's assertions that modifying the TAC billing determinant is necessary to incent greater adoption of DG. First, the Six Cities are not aware of data demonstrating that the current methodology is actually impeding deployment of DG at this time. Second, it is not clear that increased deployment of DG will materially reduce the need for new transmission capacity.

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 Six Cities are, again, skeptical that such a change is warranted at this time. With respect to the ISO's suggestion that load offset by DG should receive reduced transmission charges to the extent of (or in proportion to) such reductions, the Six Cities observe that no details concerning such an approach have been proposed in the Issue Paper, and this may be difficult to measure by relying on the volume of DG production.

Moreover, ISO peak load tends to occur in the evening as DG is ramping down when the sun sets. Therefore, DG is actually contributing to the need for flexible resources during the “neck of the duck” and, thus, increasing the need for thermal resources that depend on the transmission grid for delivery. As a result, transmission costs should be shared by the DG resources via the TAC.

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.

No, the Six Cities do not support consideration of revising the TAC billing determinant to reflect a peak load measurement versus a volumetric measure at this time. Once again, the details of such an approach have not been provided.

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.

More information and examples are needed in order to assess whether cost shifts among groups of ratepayers will occur as a result of this proposal, or whether the “shift” is simply that costs will rise for entities with relatively low quantities of DG.

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.

The Six Cities are not advocating changes to the TAC billing determinants at this time.

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.

The Six Cities take no position on this question at this time.

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

As stated elsewhere, the ISO should consider whether there is lack of sufficient DG deployment that should be mitigated through structural rate changes by the ISO, or whether DG deployment should be incented in other ways, such as through policy and procurement decisions lead by, for example, the CPUC and local regulatory authorities. Additionally, the Six Cities concur with the ISO that prior transmission planning decisions have not considered DG offsets to peak load (if such offsets in fact reduce the peak transmission load) and, to the Cities’ knowledge, there are no anticipated changes to planning criteria that would justify modifying plans for needed transmission in order to account for DG deployment. Finally, the Six Cities believe that completing the TAC Options stakeholder initiative should be a priority relative to this initiative, and that now is not the time to introduce a change in the existing ratemaking methodology that does not appear to be warranted and that even the proponents concede will increase TAC rates.

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

Please see the Six Cities' response to Question 10 above.

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

The Six Cities have no further comments at this time.