Transmission access charge discussion

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Transmission access charge discussion

- ISO has been exploring potential modifications to the Transmission Access Charge (TAC) structure
- Changes may affect cost burden for UDCs, future cost drivers, and transmission and generation resource investment
- Market efficiency and potential distortions are other considerations
- ISO seeks feedback from MSC on two major issues and related questions for this initiative

ISO seeks MSC feedback on following major TAC issues

- Issue 1: What TAC structures would cause the least distortion and best promote efficient market outcomes?
  - How does elasticity of demand affect this consideration?
  - How does the interplay between CAISO HV TAC structure and retail rate structure impact this consideration?
- Issue 2: How do potential modifications to the TAC structure influence future system costs (transmission, generation, and distribution)?
  - Costs of both new transmission expansion and maintaining existing system
  - Decisions regarding generation and distribution investments

ISO seeks MSC feedback on current volumetric TAC structure

- Does the current TAC volumetric billing determinant (fixed rate per MWh of load) distort the efficient dispatch of ISO markets?
  - DMM argues that charging TAC to each MWh of load essentially results in the TAC rate becoming part of the marginal price of energy, thus creating a market inefficiency
  - Does MSC believe an alternative methodology for assessing TAC would avoid distorting efficient dispatch of ISO markets?
    - *e.g.*, peak/net peak demand (MW), time-of-use (TOU), or a hybrid approach (blend of volumetric and peak demand)?

ISO seeks MSC feedback on the efficiency of current TAC measurement point

- Currently, the ISO assesses TAC based on end use customer meter load data
- Certain stakeholders argue the current practice of using end-use metered load for assessing TAC is a market distortion that disadvantages distributed generation resources located on UDC distribution systems and subsidizes transmission connected resources
  - Does MSC have any opinion on this issue?

What are the possible impacts of potential modifications to the TAC measurement point?

- If ISO were to change the point of measurement for TAC assessments to the T-D interface would it cause other market distortions or inefficiencies?
- Would using T-D interface to assess TAC amount to a subsidy/incentive to distributed generation resources?
  - If yes, could this impact actually influence procurement decisions and have a material impact on the proliferation of DG resources?
    - ISO bills TAC to UDCs, who in turn allocate costs to the various LSEs within their territories
    - The procurement entities are LSEs, not UDCs. Could this mute the potential impacts if the incentive does not fully flow to those parties conducting procurement?

How does potential modifications to the TAC structure influence future transmission costs?

- What future transmission costs are truly avoidable?
  - Stakeholders mostly indicated they believe the vast majority of future transmission costs are associated with maintenance and reliability of the existing system and thus are not avoidable
- How should ISO consider future transmission expansion costs versus normal maintenance and refurbishment costs to maintain reliability of the existing system?
- Should ISO consider different cost allocation approaches for the existing system versus future ISO approved transmission projects?