

Review TAC Structure Second Revised Straw Proposal

Comments by Department of Market Monitoring

July 20, 2018

DMM appreciates the opportunity to comment on the ISO's *Review TAC Structure Second Revised Straw Proposal*.

The ISO's Second Revised Straw Proposal provides additional detail on how the ISO would implement a hybrid billing determinant approach to assess TAC charges. DMM appreciates the ISO providing additional analysis demonstrating how TAC charges under a hybrid approach would be settled and simulations of alternative billing approaches considered during the stakeholder process.

DMM believes the ISO's proposed hybrid approach to assess TAC charges is an improvement over the purely volumetric approach used today. A demand-based approach better aligns transmission cost allocation with the current use of the transmission system. The ISO's analysis shows that when TAC charges are increasingly demand-based, UDCs in Southern California incur a greater percentage of total TAC charges.¹ These results are consistent with the pattern of increased north to south power flows and congestion during periods of high load. Over time, a demand-based TAC could incentivize those who use the system more heavily during high load periods to reduce or shift load, potentially reducing future transmission buildout and associated costs.

DMM supports the ISO's proposal to base peak demand rates on forecasted coincident peak loads and to base demand charges on measured demand during actual coincident peak intervals. The ISO's proposed approach would make the peak intervals used in actual billing less predictable, thus reducing the incentive for entities to incorporate TAC charges into spot market offers in predetermined intervals.

DMM also appreciates the ISO's responses to and consideration of DMM's past comments. DMM continues to encourage the ISO to further evaluate various issues related to TAC charges:

- Eliminating a volumetric TAC billing determinant completely could further enhance spot market efficiency.²

¹ *Review TAC Structure Second Revised Straw Proposal*, California ISO, June 22, 2018, p. 56-69:

<http://www.caiso.com/Documents/SecondRevisedStrawProposal-ReviewTransmissionAccessChargeStructure.pdf>

² *DMM Comments on Review TAC Structure Revised Straw Proposal*, Department of Market Monitoring, May 20, 2018:

<http://www.caiso.com/Documents/DMMComments-ReviewTransmissionAccessChargeStructure-RevisedStrawProposal.pdf>

- The inefficiency of a volumetric TAC or WAC also applies to export and wheeling transactions; the ISO should evaluate alternative billing determinants for exports and wheeling transactions
- DMM supports the ISO revisiting the TAC point of measurement issue for allocating costs of future transmission facilities.
- The ISO should consider developing a process through which any entity that may have an obligation to deliver energy across the ISO transmission system could pre-pay TAC and participate in the CRR allocation process.³

³ *DMM Comments on Review TAC Structure Straw Proposal*, DMM, March 19, 2018, p. 6-7:
<http://www.caiso.com/Documents/DMMComments-ReviewTransmissionAccessChargeStructure-StrawProposal.pdf>