

# CLECA Transmission Access Charge Proposal

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Review of TAC Structure

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# Cost Causation

- What are the key functions served by the transmission system?
  - Reliably serving peak system load and net peak load (capacity)
  - Reliably serving load in locally-constrained areas, e.g., the new transmission requirements due to SONGS shutdown (capacity)
  - Delivering energy to load (energy)
  - Meeting public policy goals by providing access to preferred resources (energy)
- What is driving the use of the transmission system? Is it load, net load, delivering preferred resources or a combination?
- What causes the loading on the transmission system to peak (diurnally and annually) and when? Data are needed.

# Why Was Existing Transmission Infrastructure Built?

- To serve load using resources not located near load.
- For public-policy reasons, like bringing preferred resources to load.
- To provide system and local reliability, including:
  - Voltage support
  - Balancing and frequency control
  - Dynamic stability
  - Fault detection and control
- To reduce congestion.
- Existing transmission is all embedded investment, not marginal.

# Why Is New Transmission Being Built?

- *Not* to meet load growth, since load is not growing.
- *Not* for reliability and local capacity requirements and deliverability assessments, according to the CAISO, (e.g. 2016-2017 TPP at 102-104).
- Delivery of energy from preferred resources (policy-driven).
  - This is an energy function and not a capacity function.
- Repair and replacement. For PG&E, there is a claim that 60% of transmission expenditures fall into this category. (CPUC et al v. PG&E EL-17-45 at 3-4) This is not readily avoidable.

# Demand vs. Energy Charges

- The existing transmission revenue requirement is sunk. It cannot be avoided. Repair and replacement cannot be avoided or deferred unless the lines are no longer needed. It serves both capacity and energy functions.
  - These costs could be recovered on a demand charge basis, although not all of the existing transmission is driven by load. However, changing cost recovery to a new demand charge basis would require new settlement processes and software.
- New transmission is more energy-related than load-related.
  - Using demand charges to recover costs that are energy-related is problematic because the cost driver is not capacity.

# TOU Rates Can Be Demand- or Energy-Based

- Energy or demand charges can vary by TOU, partly or fully. Such pricing could be used to manage loading on the transmission system, once you know what that loading is. (This assumes that customers would respond to TOU demand charges by changing their usage.)
- Developing TOU rates does not require rates to be based on marginal costs but does require identification of costs by hour.
- In an embedded cost context you could use TOU pricing to reflect periods of higher and lower system costs
  - Example is TOU pricing for bridge tolls