

Review of TAC Structure

SCE Comments

September 25, 2017

General Comments

- SCE agrees that it is a useful exercise to consider whether changes to the CAISO's Transmission Access Charge ("TAC") are warranted at this time, specifically with respect to the two issues that are the subject of this stakeholder process:
 - 1) Defining transmission system usage and measuring its use; and
 - 2) TAC Billing determinants
- The current TAC structure has been durable over the past almost two decades and any changes should not be taken lightly or without thorough consideration of alternatives and impacts
 - FERC has approved the TAC framework as just and reasonable and consistent with Order No. 1000
 - FERC recently rejected changes to the current structure in ER17-1432
- SCE strongly believes that all customers on the distribution system receive benefits from the transmission grid and should pay for the transmission grid
- The current TAC billing mechanism between the PTOs with load and the CAISO should remain in place

All Load Benefits from the Transmission Grid

- It is clear that all load connected to any distribution circuit receives benefits, such as reliability, from the CAISO transmission grid
- FERC policy recognizes that all load benefits from the CAISO transmission grid. FERC rejected the concept of “distribution only service” that would not pay for transmission at the inception of the CAISO:

“The ISO-controlled grid is the very backbone of the service that Enron now proposes to implement under the Companies’ WDTs. The theory behind Enron’s distribution-only service depends on the technical ability of such service to operate in isolation from the ISO grid. If anything has been proven in respect to this issue, it is that distribution-only service would have numerous effects on the ISO grid, and cannot be performed in isolation from the ISO grid.” (Initial Decision in ER97-2358, page 70*)
- SCE is concerned about any proposal that would exclude distribution-connected load from all TAC charges if it is associated with Distributed Generation (“DG”)
 - An assessment of the TAC solely based on measurement of usage at the CAISO/distribution system interface would be unreasonable in SCE’s opinion
- SCE is open to exploring the nature of benefits received by distribution-connected load and generation and the potential measurement of those benefits, including:
 - Reliability of service
 - Ability to participate in CAISO markets

*WDT is Wholesale Distribution Tariff

TAC Rate Design Principles

- There are several principles that should be considered in designing the TAC rates and the billing structure for the TAC, including:
 - Cost causation
 - Benefits received
 - Customer affordability and fairness
 - Recovery of the total transmission revenue requirement
 - Non-discriminatory between customers or customer types
 - Technology neutrality
 - Awareness of State carbon reduction goals
 - Economic efficiency
 - Practicality
- There are tradeoffs between these principles and so the best rate design is a matter of judgment

TAC Billing Structure Should be Maintained

- The current TAC billing structure should not be modified
 - Each PTO recovers its transmission revenue requirement from its retail customers through its own FERC-jurisdictional approved retail transmission rates
 - The CAISO bills each PTO for its net TAC cost (total CAISO TAC bill less total PTO transmission costs), with the net cost or benefit to the PTO also recovered by the PTO through its retail rates
- There should be no direct billing of PTO retail customers for TAC costs by the CAISO

In Conclusion

- SCE supports this CAISO stakeholder process and its basic goals of evaluation of the transmission system usage and measurement, and consideration of billing determinants
- SCE does not know the “correct” answer yet regarding what may be the “best” TAC structure
- SCE looks forward to open discussion on all issues with the CAISO and stakeholders