



Stakeholder Comments Template

Review TAC Structure Revised Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Revised Straw Proposal that was published on April 4, 2018. The Straw Proposal, Stakeholder Meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeStructure.aspx>.

Submitted by	Organization	Date Submitted
Debra Lloyd (650-329-2369)	BAMx ¹	April 25, 2018

Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submissions are requested by close of business on **April 25, 2018**.

Please provide your organization's comments on the following issues and questions.

Hybrid billing determinant proposal

1. Does your organization support the hybrid billing determinant proposal as described in the Revised Straw Proposal?

Yes - BAMx supports adopting a methodology where a significant portion of the HV TRR is recovered based upon peak demands on the system because this reflects cost causation and sends appropriate price signals for maximizing usage of existing transmission facilities.

2. Please provide any additional general feedback on the proposed modification to the TAC structure to utilize a two-part hybrid billing determinant approach.

BAMx sees value in incorporating elements of cost causation and in providing the right price signals as incentives to modify future behavior. A fundamental tenet of rate design and cost allocation is that costs should be assigned proportional to benefits received. This avoids cross-subsidization, provides proper incentives for use of existing transmission facilities and aligns with transmission planning processes.

¹ BAMx consists of City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power.

Determining components of HV-TRR to be collected under hybrid billing determinants

3. Does your organization support the proposal for splitting the HV-TRR for collection under the proposed hybrid billing determinant using the system-load factor calculation described in the Revised Straw Proposal?

Yes, though see the specific details below concerning qualifications.

4. Please provide any additional specific feedback on the proposed approach for splitting the HV-TRR costs for the proposed hybrid billing determinant.

BAMx believes that, in alignment with cost causation, a proper allocation of costs to the drivers of transmission system investment would reasonably result in much greater than the approximately 50% that would be collected based on demand under the proposed system-load factor approach. BAMx understands, however, that to properly allocate costs based on the drivers of those costs is complex and depends on detailed calculations, both now and in the future. Given those complexities, BAMx is not opposed to a load factor-based approach for historical and going-forward costs because of the relative simplicity and transparency of the calculation, and the stability and predictability of the results.

BAMx supports the use of a forecasted² annual system coincident peak in the calculation, though the annual system coincident peak used in the calculation should be based upon adverse weather conditions. Adverse weather coincident peak demand better tracks the way in which the transmission system is planned, and therefore better aligns with cost causation.

Peak demand charge measurement design for proposed hybrid billing determinant

5. Does your organization support the proposed 12CP demand charge measurement as described in the Revised Straw Proposal?

BAMx does not support the use of a 12CP demand charge measurement because this approach

- i. does not align with how the transmission system is actually planned,
- ii. does not reflect that nearly all of the costs of the transmission system are driven by the need to meet system peak load that occurs in a fraction of the hours in one or two months, and
- iii. effectively becomes a surrogate for a volumetric measurement by spreading the measurement points throughout the entire year, which will result in much less than 50% of the costs being collected based on demand and instead effectively increase the amounts collected based on energy.

6. Please provide any additional feedback on the proposed design of the peak demand charge aspect of the hybrid billing determinant.

The CAISO describes four options for the frequency of the peak demand measurements, annual peak (1), seasonal peaks (4), monthly peaks (12), or daily peaks (365). The CAISO proposes utilizing a 12 CP approach, citing links to the way the system has been planned and to the RA approach. BAMx asserts that both of these links are misplaced. First, the Revised Straw Proposal states:

² Using forecasted data eliminates the volatility associated with weather variations that could result from using recorded data.

“The ISO plans its system through its Transmission Planning Process (TPP) not only based on meeting the annual system peak, but also to meet identified reliability issues that can occur in numerous off-peak scenarios. Given the unique circumstances on the ISO grid, the transmission system must meet important reliability needs during both peak and off-peak periods.”³

The need for the vast majority of transmission projects approved in the CAISO’s annual TPP is to address the summer peak loading condition. Only in a very few instances does the critical condition occur during other time periods. As such, each entity’s contribution to that TAC area’s coincident peak (CP) demand should be used, and that something closer to a yearly (1 CP) methodology would more closely align with the CAISO transmission planning methodology. (Even for those very few projects in the TPP not driven by the summer peak demand, as the above language clearly indicates, the reference is to off-peak periods rather than to monthly peaks.⁴) As such, the proposed use of twelve monthly coincident peaks clearly does not align with the CAISO transmission planning process.

Importantly, as more monthly peaks are added, the purpose of the demand charge becomes diminished. The Revised Straw Proposal states:

“Adding a peak demand usage measure will also allow the costs and benefits of serving customers with low load factors and high peak demands to be reflected in the costs recovery more appropriately than a volumetric approach alone.”⁵

By including the many months that have monthly peaks substantially lower than the system peak, the demand-based component begins to become redundant with the energy-based component and loses much of its purpose. As can be seen from the table below, use of a 12 CP methodology sweeps in many months where the peak demand is significantly below the summer peak demand that drives much of the transmission expansion need. This has the effect of compounding the load-factor approach used to split the overall TAC recovery between energy and demand, and effectively and unreasonably shifts costs away from demand.

³ Revised Straw Proposal, p. 16

⁴ Most recently, shunt reactors have been approved to better control the high voltages that may occur due to a lightly loaded transmission system.

⁵ Revised Straw Proposal p. 12

Yr 2016		
Month	CAISO Peak	% of Annual Peak
Jan	30,669	66.7%
Feb	30,096	65.4%
Mar	29,294	63.7%
Apr	31,619	68.7%
May	34,250	74.4%
Jun	44,452	96.6%
Jul	46,008	100.0%
Aug	43,798	95.2%
Sep	42,837	93.1%
Oct	32,823	71.3%
Nov	32,664	71.0%
Dec	31,039	67.5%

Secondly, the Revised Straw Proposal further attempts to rationalize the use of the 12 CP approach by stating:

“Additionally, the ISO and CPUC’s System resource adequacy (RA) capacity requirements are based on monthly peak loads, as determined by the CEC’s Integrated Energy Policy Report (IPER) load forecast. Because the system is utilized to deliver monthly peak capacity needs of loads, the ISO believes the proposed 12CP approach reflects the benefits associated with delivery of capacity on a monthly basis.”⁶

However, there is no foundation for a linkage between the monthly RA program and transmission demand. In fact, the RA program is more linked to a 1 CP approach in that the CAISO’s Deliverability Methodology focuses on the annual summer peak condition.⁷

While a 1 CP approach would better align the demand component with cost causation, BAMx appreciates how the focus on a single hour in the year may lead to anomalies or attempts to avoid transmission charges without commensurate impacts on transmission costs. Therefore, BAMx suggests three options:

- Option 1: Use a 4 CP methodology that uses the coincident peak demand of the highest 4 CP months selected from all the months in the year and not forced into a seasonal pattern. Based on the table above using 2016 data, this would result in all months selected being within 90% of the annual peak demand, i.e., June, July, August and September.
- Option 2: Rather than use the CAISO’s proposed 12 monthly CP approach, select the highest X number of load hours in the year, where X is sufficiently large to avoid the

⁶ Revised Straw Proposal, p. 16

⁷ “As described earlier, the deliverability methodology only addresses certain dispatch conditions during summer peak load conditions.” CAISO Generator Interconnection and Deliverability Study Methodology Technical Paper, July 2, 2013, p.5.

concerns about anomalies and undesired behavior, but small enough to maintain the focus on loads close to the system peak demand

- Option 3: If a 12 CP approach is used, modify the approach by utilizing a weighting mechanism that would result in placing a greater allocation to those months with higher peaks, which coincidentally would be more consistent with CPUC ELCC calculations for generator RA requirements than the proposed 12 CP method.

Treatment of Non-PTO entities to align with proposed hybrid billing determinant

7. Does your organization support the proposed modification to the WAC rate structure to align treatment of non-PTO entities with the proposed TAC hybrid billing determinant?

BAMx supports applying the hybrid billing approach to the Non-PTO Municipal and Metered Sub Systems (MSS) entities.

8. Please provide any additional feedback related to the proposal for modification to the treatment of the WAC rate structure for non-PTO entities.

BAMx has no additional feedback on this topic at this specific time.

Additional comments

9. Please offer any other feedback your organization would like to provide on the Review TAC Structure Revised Straw Proposal.

Transition

Some parties have argued for a transition period for the new approach. Again, BAMx strongly disagrees. The analysis supporting this TAC restructuring effort demonstrates that high load factor users of the CAISO system have been carrying more than their fair share of transmission costs. Any delays to implementing the new TAC structure would only serve to continue this inequity. Further, arguments for a transition period to protect some entities from potential upward cost shifts are without merit, given that the parties who would be receiving higher costs have been enjoying nearly two decades of lower costs under the volumetric approach and given the relatively minor percentage increases in comparison to historical changes in the HV TAC rate, which has increased ~13% per year on average since 2002. The CAISO's anticipated cost shifts resulting from the CAISO's Revised Straw Proposal do not justify a phase-in period.

Application to Going Forward Costs vs. Historical Costs

During the stakeholder meeting, there was a suggestion that any change in cost allocation only be applied to the TRR associated with new transmission expenditures. BAMx strongly disagrees. The drivers of both historical and going forward investment in transmission support application of the hybrid approach for both existing and future costs.