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
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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?

   CCSF 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.

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

   CCSF 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 the use of existing transmission and aligns with longer-term transmission planning processes.

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?

   CCSF does not support using the system load factor approach. CCSF believes that, in alignment with cost causation, a proper allocation of costs to the drivers of transmission investment would reasonably result in much greater than the 50% that would be collected based on demand under the proposed system-load factor approach. The CAISO, therefore, should continue to explore other alternatives, including the previously proposed historical transmission cost categorization allocator method. While doing so, the CAISO needs to clearly set the parameters that reflect the costs of the system associated with the functions of energy delivery versus capacity and reliability.

   The CAISO has indicated that it is difficult to precisely determine cost drivers of the existing system associated with energy delivery versus capacity and reliability functions. There are a number of steps the CAISO could take to use the past transmission capital approvals through the CAISO's Transmission Planning Process (TPP) to allocate the annual HV TRR between energy and demand.

   The CAISO has not responded to CCSF/BAMx's proposal in the February 15, 2018 Joint CCSF/BAMx comments on the Straw Proposal, nor has CAISO shared with stakeholders CAISO's work on allocating costs based upon the drivers of transmission investment. A more accurate estimate of the Straw Proposal Table 3 should be developed for all CAISO-approved transmission projects after 2006. This likely would result in a much greater allocation to demand than estimated in Table 3.

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

   See CCSF response to Q.3 above.

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?

   CCSF 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. CCSF asserts that both of these links are misplaced. First, the Revised Straw Proposal states:

> "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."[1]

CCSF believes that within each TAC area, 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. 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. Even then, as the above language clearly indicates, the reference is to off-peak periods rather than to monthly peaks.[2] As such, the proposed use of twelve monthly coincident peaks clearly does not align with the CAISO transmission planning process.

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."[3]

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.[4]

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?

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[1] Revised Straw Proposal, p. 16
[2] Most recently, shunt reactors have been approved to better control the high voltages that may occur due to a lightly loaded transmission system.
[3] Revised Straw Proposal, p. 16
[4] "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.

CCSF supports applying the hybrid billing approach to the Non-PTO Municipal and Metered Sub Systems (MSS) entities.[5]

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

The billing methodology for deliveries to Non-PTO Municipal and MSS loads embedded within the CAISO BAA should be consistent with the methodology used for other CAISO embedded loads because these loads are included in the CAISO transmission planning process and affect both the need for new transmission and usage of existing transmission in the same manner as the internal PTO loads. This is in contrast to Exports to entities external to the CAISO.

Additional comments

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

Application to Going Forward Costs vs. Historical Costs

CCSF opposes proposals that would apply the changes in cost allocation only to the TRR associated with new transmission expenditures. The drivers of both historical and going forward investment in transmission support application of the hybrid approach for both existing and future costs.

Phase-In Period for Transitioning to the Hybrid Billing Determinant Approach

Some stakeholders have suggested that it may be necessary to include a phase-in to reduce possible billing impacts, should the cost allocations among PTO/UDCs change significantly. CCSF does not agree with such an approach. CCSF believes that past energy-only based recovery of transmission costs was not consistent with cost causation. Phasing in the implementation of the proposed changes would only serve to continue this inequity. 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. In addition, 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, do not justify a phase-in period.

[5] CCSF is not a CAISO Metered Sub-System (MSS) customer, but is a Non-PTO Municipal customer.