

Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your written comments on the stakeholder initiative:

“Review Transmission Access Charge Structure”

Submit comments to InitiativeComments@CAISO.com

Comments are due July 26, 2017 by 5:00pm

The Issue Paper posted on June 30, 2017 and the presentations discussed during the July 12, 2017 stakeholder meeting can be found on <http://www.caiso.com/informed/Pages/StakeholderProcesses/ReviewTransmissionAccessChargeStructure.aspx>.

Please use this template to provide your written comments on the issue paper topics listed below and any additional comments that you wish to provide.

1. Suggested modifications or additions to proposed scope of initiative.

The issue paper proposed two main topics for the scope of this initiative. If you want to suggest modifications or additions to the proposed scope, please explain how your proposed changes would fit with and be supportive of the two main topics.

Comments:

The Issue Paper proposes to address in the current stakeholder process at least two issues:

1. Whether and how to modify the TAC billing determinants to reduce TAC charges for load offset by DG output; and,

2. Whether to modify the current volumetric TAC structure to incorporate other approaches such as demand-based or time-of-use structure.

To the extent these two issues are to be addressed in sequential order, IEP recommends addressing issue #2 first (i.e. whether to modify the current volumetric TAC structure to incorporate alternative approaches). It would be a mis-use of time/resources to first address the treatment of DG output and then, subsequently, go back and consider broader TAC reform proposals. Rather, we recommend considering the broader TAC structure first. Then, to the extent any additional DG review/consideration remains warranted, take up the more narrow issue of the treatment of DG output in light of whatever TAC Structure has been adopted.

2. Structure of transmission cost recovery in other ISOs/RTOs.

Please comment on any lessons learned or observations from the other ISO/RTO approaches that you think will be useful to the present initiative.

Comments:

IEP does not believe that other ISO/RTO approaches are particularly helpful in providing guidance to stakeholders or the CAISO on how to address the relatively narrow, singular issue of CAISO TAC Structure. While revealing examples of different approaches, TAC Structures associated with individual ISOs/RTOs inherently reflect the circumstances, compromises, rulings, etc., which have occurred over time and which are unique to each ISO/RTO and which may not be appropriate for the CAISO given its own unique history and market design.

3. Today's volumetric TAC rate structure.

Do you think it is appropriate to retain today's volumetric TAC rate structure (\$ per MWh of internal load or exports) going forward? If so, please explain why. If not, please indicate what type of change you think is preferable and why that change would be appropriate.

Comments:

At this point, IEP is not convinced that a change in the TAC rate structure is warranted.

4. Impact of distributed generation (DG) output on costs associated with the existing transmission system.

Do you think DG energy production reduces costs associated with the existing transmission system? Please explain the nature of any such cost reduction and suggest how the impact could be measured. Do the MWh and MVAR output of DG provide good measures of transmission costs avoided or reduced by DG output? Please explain your logic.

Comments:

While Question 4 focuses on the impact of DG on the existing transmission system, IEP prefers to respond to Question 4 by addressing (a) whether DG reduces costs associated with the existing transmission system and, (b) whether DG reduces costs associated with new transmission.

Overall, the existing transmission system was designed and constructed to maintain grid reliability (i.e. Reliability Transmission), meet public policy purposes (i.e. Public Purpose Transmission), and/or lower costs to customers (i.e. Economic Transmission). Moreover, the grid was planned, designed and constructed in an integrated fashion with the distribution system in light of DG. The costs of this existing, integrated grid are effectively “sunk” and not avoidable. Thus, the critical question is not whether DG reduces costs associated with the existing transmission system because it does not reduce these embedded costs. Rather, the critical question is whether DG should enable a select segment of load to bypass its full share of TAC cost responsibility and shift that cost onto remaining customers? From IEP’s perspective, because the TAC reform proposal does not reduce the embedded costs of the existing transmission system but rather will simply shift those cost, the answer must be no.

With regards to new transmission, new DG energy could reduce the costs of new transmission if it is responsible for deferring new transmission infrastructure. However, that deferral will be considered explicitly or implicitly in the IRP/TPP planning process before new transmission is considered. If, as an output of the IRP/TPP planning process, new transmission is determined to be needed after due consideration of future DG output, then the cost responsibility for the new transmission rightfully should be shared by all load interconnected to the T/D system including load served by DG resources. In the context of new transmission, the current TAC cost allocation methodology wherein costs are allocated on a regional and local TAC basis seems reasonable.

5. Potential shifting of costs for existing transmission infrastructure.

If the TAC rules are revised so that TAC charges are reduced or eliminated for load offset by DG output, and there is no reduction in the regional transmission revenue requirements that must

be recovered for the existing transmission infrastructure, there will be an increase in the overall regional TAC rate that presumably will be paid by other load. How should this initiative take into account this or other potential cost shifts in considering changes to TAC structure?

Comments:

IEP strongly believes that enabling load associated with DG, which is otherwise interconnected to the T/D grid, to avoid TAC cost responsibility will result in cost shifts similar to what occurred with regard to Net Energy Metering (NEM). In the case of NEM, a select group of consumers (i.e. load) were positioned to escape cost responsibility of the embedded costs of the electric system, thereby shifting costs onto other customers/load that could not avail themselves of NEM. In situations such as this, the increasing cost responsibility imposed on the load that remains creates further incentives for consumers to pursue DG to avoid the embedded costs of the system, thereby furthering increasing the cost burden on load not so well positioned. Ultimately, this is an unstable and untenable policy.

6. Potential for DG and other DER to avoid future transmission costs.

The issue paper and the July 12 presentation identified a number of considerations that the transmission planning process examines in determining the need for transmission upgrades or additions. Recognizing that we are still at an early stage in this initiative, please provide your initial thoughts on the value of DG and other DER in reducing future transmission needs.

Comments:

[See answer to Question 4.](#)

7. Benefits of DERs to the transmission system.

The issue paper and the July 12 discussion identified potential benefits DERs could provide to the transmission system. What are your initial thoughts about which DER benefits are most valuable and how to quantify their value?

Comments:

DG benefits will be assessed and valued in the integrated IRP and TPP planning process. Any transmission determined to be needed in that process will be in consideration of DG output. Thus, DG output should not be the rationale for some customers at the distribution level avoiding transmission charges to cover the sunk costs of the transmission system.

8. Other Comments

Please provide any additional comments not covered in the topics listed above.

Comments:

IEP has no additional comments at this time.

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