

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Martin Caballero, (209) 526-7490, Martin.Caballero@mid.org Sean Neal, (916) 498-0121, smn@dwgp.com	Modesto Irrigation District	July 26, 2017

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:

[\[Insert comments here\]](#)

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:

[\[Insert comments here\]](#)

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:

[\[Insert comments here\]](#)

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:

[\[Insert comments here\]](#)

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:

MID is cautious of proposals that could cause the TAC to increase. Significant investments in transmission infrastructure have been made over the past decade. Those investments were made on the premise of certain assumptions, including that they would be used to reliably serve certain, contemplated load. Changes in TAC should be careful not to effectively exempt load from payment of costs which were intended for facilities to benefit such load, through the netting of newly installed, distribution-level power supply services. Further, such changes should be aligned with sound, cost causation principles.

MID is further concerned that the proposed TAC charge could effectively shift costs to and increase the cost of exports. The reduction in the TAC denominator would increase the Wheeling Access Charge (“WAC”), which MID pays as an entity located outside of the CAISO Balancing Authority Area (“BAA”). Further, a proposal to exempt certain distribution-level load, would shift costs from certain CAISO internal load to be paid by exports. It is not a desirable outcome for utilities located outside of the CAISO to pay part of the difference in transmission costs resulting from the exemption of CAISO-internal, distribution-level load.

Proponents of a new rate design for the TAC have the burden to show that the existing rate design is unjust and unreasonable. *See PJM Interconnection, LLC*, 119 FERC ¶ 61,063 at P 41 (2007). The Federal Energy Regulatory Commission (“Commission” or “FERC”) is careful in re-allocating costs of existing transmission facilities, given the potential effect that changing rates may have on expectations and future decisions about regional transmission organization (“RTO”) participation. *See id.* at P 43. In *PJM Interconnection*, the Commission held that it could not find that the existing and sunk costs of the PJM transmission system were required to be spread and shared equally among all customers within PJM in order to produce just and reasonable rates. *See id.* at PP 3, 42. The Commission’s conclusion, however, was based on the finding that the transmission facilities were not constructed for customers who would not benefit from the facilities. *See id.* MID would have to see that the construction of facilities that have been rolled into the TAC was not intended to benefit the same load that is being sought to be exempted, but instead was intended for the benefit of customers other than that exempted load.

In *Midwest Indep. Transmission Sys. Operator*, 105 FERC ¶ 61,212 at P 48 (2003), FERC stated “[c]onsistent with the principle of cost causation, the load of an importing utility should pay a fair share of the costs of the exporting utility’s transmission facilities for its use of those facilities.” The Commission described that export transactions should pay appropriate transmission costs, but based on principles of benefits received. *See id.* at P 48. Proponents of

a revised TAC would need to justify whether exports are receiving additional benefits to justify an increased export charge.

As noted above, the exempting of certain, distribution-level load from TAC would create disparate rates for different loads. That difference in rates requires convincing justification. In approving a proposal to roll-in the costs of certain location-constrained resources, the Commission explained that it “has determined that discrimination is undue when there is a difference in rates or service among similarly situated customers that is not justified by some legitimate factor.” See *Calif. Indep. Sys. Operator Corp.*, 119 FERC ¶ 61,061, at P 69 (2007). While the analysis presently before the CAISO is comparing treatment of load instead of different types of generation, MID has not yet seen a legitimate factor raised in this case that would justify exemption of certain CAISO-internal load from the TAC.

The price of transmission has become an increasingly significant part of MID’s electricity costs. This increase is reflected, for example, in the Weighted Average High Voltage Wheeling Rates for “Multi-Participating Transmission Owner-Owned” Scheduling Points, which were, as of April 23, 2017, priced at \$11.6722/MWh.¹ Yet, the same rate effective March 1 – May 31, 2010 was \$4.8176/MWh.² MID must weigh carefully any proposal that would have the effect of further increasing MID’s transmission costs.

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:

[Insert comments here]

¹ See ISO website at:

http://www.caiso.com/Documents/WheelingAccessRatesEffectiveApr23_2017_UpdatedMay03_2017.pdf.

² See ISO website at:

http://www.caiso.com/Documents/RevisedWheelingAccessRatesEffectiveMar1_2010_RevisedFeb14_2011.pdf (as Revised).

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:

[Insert comments here]

8. Other Comments

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

Comments:

Entities that pay the TAC should be able to determine the impact of the revised TAC charge to them. MID requests that when a straw proposal is posted, the CAISO make available the data on individual entity billing impacts or the data required for entities to conduct their own analyses of the billing impacts of the proposals to them. MID must analyze the reasonableness of cost impacts of the proposals, as applied to MID's customers. Further, the severity of cost shifts is a factor in the Commission's decision making as to the justness and reasonableness of such shifts. *See PJM Interconnection* at P 59. Appropriate data would allow stakeholders to understand the magnitude of the shifts proposed.

MID reserves the right to change or supplement its position through this initiative process.