



## 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](mailto: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?**

ORA does not support the hybrid billing determinant proposal as described in the April 4, 2018 *Review Transmission Access Charge Structure Revised Straw Proposal* (Revised Straw Proposal) for two reasons.

First, ORA recommends that the CAISO provide a cost impact analysis on the range of potential peak demand methodologies (e.g. 12 CP, 4 CP, 1CP) to determine the most cost effective methodology that most aligns with peak demand usage. The CAISO should clarify the coincident peak measurement period it proposes to use, and the reasons why this peak measurement period is preferred. While the CAISO's proposed coincident peak measurement period is unclear, the CAISO should use a time interval longer than 15 minutes for the peak

demand measurement, if the CAISO moves forward with revising the Transmission Access Charge (TAC) to include a peak demand component.<sup>1</sup>

Second, the hybrid billing determinant analysis does not demonstrate that the resulting TAC allocation would be consistent with two of CAISO's ratemaking approaches, which are:

1. Charge TAC according to cost causation and cost drivers when decisions to invest in transmission infrastructure were made. *i.e.*, load for whom the facilities were built should continue to pay for transmission built to serve them, regardless if their usage patterns have changed.
2. Charge TAC according to current usage (and benefits), which may be different than the previous usage.<sup>2</sup>

The hybrid billing determinant proposal would allocate costs based on customer usage and contributions to the system's coincident peak demand, and does not consider the "ready-to-serve" benefit that the existing transmission system provides. The existing transmission system provides access to energy and other services when needed. The costs of the services received from this infrastructure does not change based on customer usage or whether that usage is during the peak period.

Other stakeholders<sup>3 4</sup> have also raised valid concerns regarding the value that customers receive from the grid's "standby service," which is not reflected in either the current volumetric TAC allocation or the proposed hybrid TAC billing determinant allocation. ORA agrees that transmission infrastructure provides a standby service benefit to all customers that is independent from the energy provided to meet demand off-peak or on-peak.

For these reasons, ORA recommends the CAISO continue to assess options for revising the TAC allocation design through a stakeholder process. As part of a more comprehensive assessment, the CAISO should include an evaluation of a standby service/ready-to-serve charge component to TAC in addition to an energy usage charge. Any recommended TAC allocation method should be consistent with principles of cost causation and should consider all the benefits received from the transmission system.

Instead of having stakeholders comment on the Hybrid TAC proposal by June 2018,<sup>5</sup> the CAISO should set a new date for comments that allows time to address the issues that ORA has identified in these comments. The discussion on a revised TAC structure that considers

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<sup>1</sup> *ORA Comments on the Review TAC Structure Straw Proposal*, February 15, 2018, p. 8.

<sup>2</sup> *Review Transmission Access Charge Structure Straw Proposal*, January 11, 2018, CAISO, p. 24.

<sup>3</sup> *Silicon Valley Power (SVP) TAC Presentation Overview*, August 28, 2017, slide 6.

<sup>4</sup> *California Large Energy Consumers Association (CLECA) comments on the Review TAC Structure Straw Proposal*, February 15, 2018, p. 8.

<sup>5</sup> *CAISO Review TAC Structure Revised Straw Proposal Stakeholder Meeting Presentation*, April 11, 2018, slide 4.

other usage measurements than volume has been the focus of the Review TAC Structure initiative starting this January 2018. For these reasons, ORA requests this initiative proposal be given more time for discussion and analysis because the existing proposal does not appear to be consistent with CAISO's rate design principles provided above.

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

As stated in ORA's Straw Proposal comments submitted on February 15, 2018, a two part hybrid billing determinant approach that splits costs based on volume and peak demand does not appear to align with current transmission cost drivers.<sup>6</sup>

The past CAISO Transmission Planning Processes (TPPs) and investor-owned utilities' (IOUs') transmission expenditures provide evidence that new transmission projects are not needed to meet peak demand.<sup>7</sup> Recent transmission costs appear to have two primary drivers, which are: (1) capital, operation and maintenance expenditures to maintain the existing infrastructure; and (2) new transmission lines and transmission line enhancement expenditures to integrate renewable resources to meet the state Renewable Portfolio Standard (RPS) targets and to respond to these new RPS resources.<sup>8</sup> Thus, redesigning the TAC to include a peak demand charge will not reflect these drivers and would be inconsistent with cost causation principles.

ORA agrees that the existing TAC volumetric structure does not consider the ready-to-serve benefit that the transmission system provides because it is solely based on usage. However, it is unclear why there would be a peak demand charge for the TAC because new transmission investments are not driven by customer usage patterns, but by compliance with state RPS targets and renewable integration.

**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?***

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<sup>6</sup> CAISO Introduction and Overview Draft 2017-2018 Transmission Plan and Transmission Project Approval Recommendations, 2017-2018 Transmission Planning Process Stakeholder Presentation, February 8, 2018, slide 6.

<sup>7</sup> Northern California Power Agency Comments on Review Transmission Access Charge Structure Issue Paper, July 25, 2017, pp.4-5.

<sup>8</sup> CAISO 2016-2017 Transmission Plan, March 17, 2017, pp. 10 and 379, and Appendix F Project Need and Description pp. 3-7; CAISO 2016-2017 Transmission Planning Process (TPP) - Draft Transmission Plan, February 17, 2017, Customized Energy Solutions Market IQ, p. 1; CAISO 2017-2018 Transmission Plan, March 22, 2018, CAISO, pp. 2-3.

Based on CAISO's analysis, the system load factor calculation<sup>9</sup> is not the superior method for splitting the HV-TRR, because this method does not consider the ready-to-serve benefit the transmission system provides.

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

Please refer to the responses provided to questions 1 and 2.

#### **Peak demand charge measurement design for proposed hybrid billing determinant**

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

At this time, ORA does not support a peak demand component for the TAC billing determinant because new peak demand investments appear related to retiring existing carbon generation resources that serve peak demand today with new renewable resources to meet state RPS targets. ORA recommends a more rigorous analysis of possible CP demand charge methodologies if the CAISO moves forward with this approach. ORA also recommends assessing preferred peak time frames and considering one-hour peak periods or highest hours peak periods.

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

Please refer to the response to question 2.

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

6. *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?*

ORA does not recommend modifying the existing TAC structure as proposed in the Revised Straw Proposal. However, if the CAISO moves forward with the proposed hybrid billing determinant measurement approach, ORA recommends modifying the Wheeling Access Charge (WAC) rate structure to align treatment of non-Participating Transmission Owner (PTO) entities with the proposed TAC hybrid billing determinant as proposed in the Revised Straw Proposal.

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

ORA has no additional feedback on this topic at this time.

#### **Additional comments**

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

ORA has no additional feedback on this topic at this time.

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<sup>9</sup> Review Transmission Access Charge Structure Revised Straw Proposal, April 4, 2018, CAISO, pp. 13-21.