

# Stakeholder Comments Template

## Review TAC Structure Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Straw Proposal that was published on January 11, 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>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com).

Submitted by	Organization	Date Submitted
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Submissions are requested by close of business on **February 15, 2018**.

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

### EIM Classification

1. Please indicate if your organization supports or opposes the ISO's initial EIM classification for the Review TAC Structure initiative. Please note, this aspect of the initiative is described in Section 4 of the Straw Proposal. If your organization opposes the ISO initial classification, please explain your position.

**SCE Comments:** SCE agrees that this initiative falls outside the scope of the EIM Governing Body's advisory role. The issues being considered do not depend on market bids or outcomes, and the initiative does not propose to revise any Wheeling charges to be paid by ISO transmission users located outside of the ISO's Balancing Authority area.

### Ratemaking Approaches

2. Please provide your organization's feedback on the three ratemaking approaches the ISO presented for discussion in Section 7.1 of the Straw Proposal. Does your organization support or oppose the ISO relying on any one specific approach, or any or all of these ratemaking approaches for the future development of the ISO's proposals? Please explain your position.

**SCE Comments:** The three ratemaking approaches the ISO presented for discussion were (briefly summarized):

- 1) Charge TAC according to cost causation and cost drivers when decisions to invest in transmission infrastructure were made;
- 2) Charge TAC according to current usage (and benefits); and
- 3) Charge TAC to send price signals as incentives to modify future behavior.

SCE believes that each of the three ratemaking approaches has potential merits and benefits, and the potential merits and benefits of each approach should be considered in developing the TAC rate structure. However, if one approach is not feasible, or is inconsistent with the others, then it should be assigned a secondary role or discarded.

Transmission assets are long-lived, and so the initial cost driver when the decision to invest is made should play a primary role in the TAC rate structure. Basing TAC bills to PTO/UDCs on the current usage of transmission (however defined) at the PTO/UDC customer level is also an important consideration of the fairness of TAC cost assessment, so that bills would be equal for similarly situated PTO/UDC customers that use equivalent amounts of transmission.

However, designing the TAC rate to send price signals as incentives to modify future behavior is problematic in SCE's opinion. The rate design used in the ISO's assessment of the TAC to PTO/UDCs does not carry on to the retail billing of the TAC costs. Therefore, the entities that can change behavior in response to price signals (retail customers) will not face the signals and their behavior cannot change as a function of the ISO TAC rate design.

Accordingly, in SCE's view, the primary ratemaking approaches that should be considered are 1 and 2.

### **Hybrid Approach for Measurement of Usage Proposal**

3. Does your organization support the concept and principles supporting the development of a two-part hybrid approach for measurement of customer usage, including part volumetric and part peak-demand measurements, which has been proposed by the ISO as a potential TAC billing determinant modification under the current Straw Proposal? Please provide any additional feedback on the ISO's proposed modification to the TAC structure to utilize a two-part hybrid approach for measurement of customer usage. If your organization has additional suggestions or recommendations on this aspect of the Straw Proposal, please explain your position.

**SCE Comments:** SCE supports in concept the ISO's recommendation that a two-part hybrid TAC assessment approach, based on volumetric (energy) and peak demand, has the potential to provide a better assessment of TAC costs than the current volumetric-only rate. SCE's support is contingent on a more detailed examination of rate, including the details of the split of costs between peak and energy, and ensuring that the rate would not raise any implementation issues. In addition, SCE would like to request that the ISO consider a third category for TAC assessment that is based on the number of service meters. This would allow for an equitable assessment of costs that are not based on energy or demand. An example would be costs expended for vegetation management that are driven by the geo-

spatial expanse of the transmission network more so than the demand or energy needs provided by the system.

### **Split of HV-TRR under Proposed Hybrid Approach for Measurement of Usage**

4. The ISO proposed two initial concepts for splitting the HV-TRR under two-part hybrid approach for measurement of customer use for stakeholder consideration in Section 7.2.1.2 of the Straw Proposal. Please provide your organization's feedback on these initial concepts for determining how to split the HV-TRR to allocate the embedded system costs through a proposed two-part hybrid billing determinant. Please explain your suggestions and recommendations.

**SCE Comments:** Although an examination of the capital investment costs associated with Reliability, Economic, and Policy transmission projects over the recent past (presented in Table 3) is a useful exercise, it is not a precise exercise. After all, most transmission projects, once built, provide a mixture of all three functions, but in difficult-to-measure amounts. Therefore, at this time, and without additional data to supplement Table 3, SCE would be inclined to support a 50/50 ratio between the volumetric and peak components, assuming a two-part billing determinant. If the ISO implements a three-part allocation (per the comments above), additional discussions are needed on what portion of costs – not directly related to energy usage or demand – should be collected in the third component.

It is also important that any division of the HV TRR costs between Peak and Energy should be done at the ISO level, applied to the aggregated HV TRR of all PTOs. Individual PTOs should not be required to separate out the HVTRR into Peak and Energy components, as such an exercise would add unnecessary complexity to FERC rate filings (in addition to the fact that, depending on the split method, PTOs do not necessarily have the accounting data necessary to perform the split).

- a. Please provide any additional feedback or suggestions on potential alternative solutions to splitting the HV-TRR costs for a two-part hybrid approach.

**SCE Comments:** No additional comments.

- b. Please indicate if your organization believes additional cost data or other relevant data could be useful in developing the approach and ultimate determination utilized for splitting the HV-TRR under the proposed two-part hybrid approach. Please explain what data your organization believes would be useful to consider and why.

**SCE Comments:** No additional comments.

5. The ISO seeks feedback from stakeholders regarding if a combination of coincident and non-coincident peak demand charge approaches should potentially be used as part of the two-part hybrid approach proposed in Section 7.2.1.2. Does your organization believe it would be

appropriate to utilize some combination of coincident and non-coincident peak demand methods to help mitigate the potential disadvantages of only use of coincident peak demand charges? Please provide any feedback your organization may have on the potential use of coincident versus non-coincident peak demand measurements, or some combination of both under the proposed two-part hybrid measurement of usage approach.

**SCE Comments:** Conceptually, NCP demand has some appeal as a measure of the amount of transmission capacity individual PTO/UDCs are using. If there are significant differences between the loads of PTO/UDCs in terms of their CPs versus NCPs, then there may be a benefit of billing some portion of the peak TAC charge to PTO/UDCs on an NCP basis. If, on the other hand there is a very high correlation between the CPs and NCPs of PTO/UDCs, and parties expect this correlation to remain for some years to come, then there would be no significant benefit to including NCP as a basis for TAC assessment. In order to have a definitive opinion on this issue, SCE would like to see additional data to see if there is a potential benefit to inclusion of NCP as a billing determinant.

- a. What related issues and data should the ISO consider exploring and providing in future proposal iterations related to the potential utilization of part coincident peak demand charge and part non-coincident peak demand charge? Please explain your position.

**SCE Comments:** As discussed above, the benefits of including NCP in TAC billing depend on whether NCPs would actually measure something different than CPs, and if so, to what degree. So SCE believes the ISO should examine the correlation of PTO/UDC CPs to NCPs for all PTO/UDCs.

#### **Treatment of Non-PTO Municipal and Metered Sub Systems (MSS) Measurement of Usage**

6. Under Section 7.2.1.2 of the Straw Proposal the ISO indicated there may be a need to revisit the approach for measuring the use of the system by Non-PTO Municipal and Metered Sub Systems (MSS) to align the TAC billing determinant approaches for these entities with the other TAC structure modifications under any hybrid billing determinant measurement approach. Because the Straw Proposal includes modifications for utilization of a two-part hybrid measurement approach for measurement of customer usage the ISO believes that it may also be logical and necessary to modify the measurement used to recover transmission costs from Non-PTO Municipal and Metered Sub Systems (MSS) entities. The ISO has not made a specific proposal for modifications to this aspect of the TAC structure for these entities in the Straw Proposal, however, the ISO seeks feedback from stakeholders on this issue. Please indicate if your organization believes the ISO should pursue modification to the treatment of the measurement of usage approach for Non-PTO Municipal and Metered Sub Systems to align treatment with the proposed hybrid approach in the development of future proposals. Please explain your position.

**SCE Comments:** SCE believes that the assessment of TAC charges to non-PTO and MSS entities should be revised to better align with the assessment of the TAC to PTO/UDC entities, if the TAC is revised from the current energy-only assessment. Specifically, if a peak charge for the TAC is implemented it should be assessed to all entities on an end-use load basis. The peak component of the TAC put forth in the Straw Proposal is intended to represent the potential use of the grid by a TAC customer, and potential use is represented by the total end-use load of a customer.

Currently, non-PTO and MSS entities are assessed the Wheeling Access Charge (“WAC”) on an imported energy basis.<sup>1</sup> However, non-PTO and MSS entities are not comparable to WAC customers outside the ISO Balancing Authority Area (“ISO BAA”). WAC customers outside the ISO BAA are generally intermittent customers that are primarily using ISO transmission as a means of reducing their energy costs through market transactions. An energy-only WAC is an appropriate charge for such transactions, as it is most consistent with efficient market transactions between BAAs (absent more significant WAC revisions such as mutual agreements between BAAs for waivers of Wheeling charges, which is another issue).

The non-PTO and MSS customers, on the other hand, are more comparable with load-serving PTOs that have a stable base of load within the ISO BAA. Their total load is not intermittent like WAC customers outside the ISO BAA, and they do benefit from ISO transmission services in much the same manner as internal load serving PTOs. But their internal generation and any non-ISO transmission is not 100% reliable, and the ISO must consider the possibility that these resources would not be available at all times.

Accordingly, if the ISO were to institute a peak component to the TAC, it would be appropriate that the peak charge should be assessed to all TAC customers based on their peak end-use metered loads.

### **Point of Measurement Proposal**

7. Does your organization support the concepts and supporting justification for the ISO’s current proposal to maintain the current point of measurement for TAC billing at end use customer meters as described in Section 7.2.3.2 of the Straw Proposal? Please explain your position.

**SCE Comments:** Yes, SCE supports maintaining the point of measurement for TAC billing at the end use customer meter point. The main reasons for SCE’s support of maintaining this point of measurement are:

- a) All load on the distribution system benefits from the services provided by the transmission grid and should pay for its usage.
- b) On any given distribution system connected through a T/D interface to the ISO transmission grid, there may be many Scheduling Coordinators representing load

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<sup>1</sup> Such non-PTO and MSS entities may have internal generation, or transmission ownership rights (not under the ISO’s Operational Control), that would reduce the amount of energy imported over ISO transmission, and therefore reduce the WAC charges.

(PTO/UDC bundled service customers, Direct Access Load, Community Choice Aggregators, Wholesale Wheeling entities, etc.). An alternative assessment of the HV TAC to a PTO/UDC based on a T/D interface point of measurement would primarily be an exercise in cost shifting between PTO/UDCs, and would not be translated to retail customer bills on any particular distribution system.

8. The ISO has indicated that the recovery of the embedded costs is of paramount concern when considering the potential needs and impacts related to modification of the TAC point of measurement. The ISO seeks additional feedback on the potential for different treatment for point of measurement for the existing system's embedded costs versus future transmission costs. Does your organization believe it is appropriate to consider possible modification to the point of measurement only for all future HV-TRR costs, or additionally, only for future ISO approved TPP transmission investment costs? Please provide supporting justification for any recommendations on this issue of point of measurement that may need to be further considered to be utilized for embedded versus future transmission system costs. Please be as specific as possible in your response related to the specific types of future costs that your response may refer to.

**SCE Comments:** Under the current transmission planning paradigm which considers project additions to be justified on Reliability, Economic, or Policy reasons, SCE is not supportive of alternative treatment of cost recovery for newer TAC costs as compared to costs associated with facilities that predate a certain point in time.<sup>2</sup>

9. The ISO seeks additional stakeholder feedback on the proposal to maintain the status quo for the point of measurement. Please provide your organizations recommendations related to any potential interactions of the point of measurement proposal with the proposed hybrid billing determinant that should be considered for the development of future proposals. Please indicate if your organization has any feedback on this issue and provide explanations for your positions.

**SCE Comments:** SCE does not see any issues with applying the hybrid Energy/Peak billing of the HV TAC based on End Use Metered Load. SCE believes that the current ISO billing process should be able to be modified to include a Peak billing determinant, based on the same End Use Metered Load that is currently submitted to the ISO.

### **Additional Comments**

10. Please offer any other comments your organization would like to provide on the Review TAC Structure Straw Proposal, or any other aspect of this initiative.

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<sup>2</sup> In the event that the ISO's transmission planning process were to be revised, for example to consider some new category of transmission additions other than Reliability, Economic, or Policy, then it is possible that considering the vintage of transmission additions could be appropriate.

**SCE Comments:** The Straw Proposal mentions that “NEM BTM exports should not be netted from the Gross Load data reported to the ISO” (page 18), and that the ISO intends to address this issue in future efforts. SCE is supportive of an examination of the issue in order to ensure consistent reporting of end-use meter load and a fair assessment of TAC costs to all customers.