

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.

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.

The State Water Contractors will continue to track this issue and potentially offer comments once the concept is developed further.

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.

The State Water Contractors find all of the proposals acceptable for future development when they incorporate the standard of charges based on the principle of cost causation.

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.

The SWC proposed a peak-demand only approach in its October 13, 2009, comments on the TAC Structure. A demand only based approach has the advantage of providing an uncomplicated billing determinate. However, the two-part hybrid approach also has merit. The State Water Contractors offer additional comments on the appropriate system peak to apply for the demand based TAC component in its comments to Item 5.

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

The State Water Contractors find all of the proposals acceptable for future development. The alternative presented in the Straw Proposal cover the range of an easy to administer 50-50 split to the more sophisticated identification of the drivers for transmission project costs. The proposal offers a sufficient range of options.

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.
 - 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.

The State Water Contractors support allocating costs based on coincident peak as opposed to non-coincident peak. However, the concept of which coincidental peak is to apply should be given additional consideration than included in the CAISO's Straw Proposal.

The State Water Contractors are the customers of California Department of Water Resources' State Water Project and pay its transmission costs. Consequently, the State Water Contractors have a vested interest in ensuring the SWP is operated in an economically sensible environment.

In its October 13, 2009, comments on the TAC Structure, the State Water Contractors recommended use of the peak demand net of variable renewable energy or "net demand." The recommendation is based on SWP possible response to the TAC price signal. A price signal based on the traditional peak demand could lead to operation of the SWP that is not intended by the CAISO.

The CAISO is concerned about oversupply during the belly of the duck curve which is forecast to occur during the traditional on-peak periods. One remedy is to have more load scheduled at the low points of the duck curve. This low demand point will also be a low energy cost point. The prices created by the duck curve will signal the SWP and other entities to shift demand into the traditional on-peak period. However, use of the peak demand during the traditional on-peak period as the billing determinate for the demand component of the hybrid TAC will send a price signal to avoid scheduling in the traditional on-peak period. These conflicting price signals should be avoided in the TAC design. Using the peak demand net of variable renewable energy will provide a consistent price signal for modifying future behavior. This may not be the only solution to this mixed price signal. The State Water Contractors encourages the CAISO to rethink its position on this issue in refining the Straw Proposal.

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.

The State Water Contractors agree that if the TAC is allocated according to the hybrid proposal, that it would be appropriate for the CAISO to consider applying the same approach to Non-PTO Municipal loads as well.

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.

The State Water Contractors will continue to track this issue and potentially offer comments once the concept is developed further.

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.

The State Water Contractors will continue to track this issue and potentially offer comments once the concept is developed further.

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.

The State Water Contractors will continue to track this issue and potentially offer comments once the concept is developed further.

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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