

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.

CDWR does not have a comment at this time.

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.

All three ratemaking principles presented in the straw proposal are reasonable and a particular rate design could also be consistent with more than one principle. Of the three principles presented by CAISO in the Straw Proposal, CDWR believes that emphasis should be placed on charging transmission costs 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.

CDWR supports the CAISO proposal to change to a hybrid billing determinant approach that allocates transmission costs based on both a volumetric component and a peak demand component. CDWR agrees with CAISO's summary in the Straw Proposal that "the current volumetric-only approach may no longer best reflect the cost causation, utilization, and benefits of the existing transmission system." Use of the transmission system during the system peak is a driving consideration in transmission planning and investment decisions and it is therefore appropriate to allocate costs consistent with this driver. The demand component of the hybrid approach has the benefit of creating price signals to load to use available flexibility to minimize the system peak – a behavior that will reduce or delay the need for increased spending on transmission capacity.

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.

CDWR believes both methodologies proposed by CAISO in the straw proposal for splitting the hybrid method determinants deserve further consideration. CDWR believes that relative simplicity and the ability to readily implement should be key considerations when considering different methodologies.

The straightforward approach of splitting determinants 50-50 provides the benefits of being readily implementable, limiting the potential for additional contentious disputes in the transmission planning process, avoiding the challenge of assigning drivers to transmission projects developed prior to the transmission planning process, and providing an additional degree of cost certainty prospectively. A key consideration for pursuing this approach further is determining how to demonstrate to FERC that this approach is not arbitrary. CDWR believes this concept deserves continued consideration in this stakeholder processes.

CDWR sees different benefits associated with the concept of basing the split on the driver for individual transmission projects as determined through the CAISO Transmission Planning Process (TPP). This concept has the potential to more closely align transmission costs with their drivers and this concept could be more readily justified before FERC. Key considerations for pursuing this approach further would include identifying how to appropriately assign costs that occurred before the current TPP was in place and how to appropriately assign transmission costs associated with the substantial capital expenditures that are not approved through the TPP. Notwithstanding these challenges, CDWR believes that this concept also deserves continued consideration in this stakeholder process.

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.

CDWR supports allocating costs based on coincident peak as opposed to non-coincident peak. CDWR believes that it is the system's peak demand that plays a key role in system planning and drives the need for further investment in the transmission system. It is therefore a load's share of the coincident peak that should serve as the basis for cost allocation.

Additionally, allocating costs based on either the non-coincident peak or volumetric throughput both result in aligning costs with the benefits derived from use of the transmission system during non-system-peak times. There is enough similarity in the volumetric and non-coincident peak determinants that an allocation methodology that combines these two forms of cost recovery may not be effective. For the hybrid allocation approach to best reflect the cost causation, utilization, and benefits of the transmission system, the hybrid approach should comprise the volumetric and coincident peak determinants.

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.

CDWR does not believe that the circumstances that lead Non-PTO Municipal entities to be charged for their transmission usage through the WAC have changed. Accordingly, CDWR believes that these arrangements should remain in place. CDWR does agree that if the TAC is allocated according to CAISO's hybrid proposal, that it would most likely be appropriate to apply that 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.

CDWR does not have a comment on this part of the CAISO proposal at this time.

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.

CDWR does not have a comment on this part of the CAISO proposal at this time.

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.

CDWR does not have a comment on this part of the CAISO proposal at this time.

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.

CDWR does not have any additional comments at this time.