

**Comments  
of the  
California Municipal Utilities Association**

**Review Transmission Access Charge Structure Issue Paper  
June 30, 2017  
Market & Infrastructure Policy**

CMUA appreciates the opportunity to provide initial comments on the above-referenced Issue Paper on the critical issue of possible changes to the Transmission Access Charge (“TAC”) structure.

This initiative is obviously in its early stages and proposals have yet to be put forth. As such, these Comments are necessarily general in nature. We appreciate the efforts of the CAISO to lay a policy and legal foundation for this complex issue, in both this Issue Paper and Background White Paper issued on April 12, 2017.

**It is Premature to be Removing Potentially Relevant Issues from the Scope of this Initiative**

The CAISO has proposed to take certain issues associated with the TAC off the table by determining them to be beyond the scope of this initiative. (Issue Paper at 2). CMUA believes this is premature. It may very well be that the CAISO is correct that, for example, the bifurcation of regional and local transmission charges should not be considered in this initiative.<sup>1</sup> However, we cannot make that determination at this time. As will be discussed below, no empirical analysis has been commenced and it is unwise to speculate on the impact of various designs on transmission customers. Nor have the potential benefits of Distributed Energy Resources (“DER”) and, for example, whether any such benefits have locational components,

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<sup>1</sup> In this context, the CAISO references the TAC initiative considered as part of the effort expand the CAISO Balancing Authority Area and integrate the Balancing Authority Areas of PacifiCorp and perhaps others. CMUA notes that consensus on the proposals developed in that effort was not close to being achieved and CMUA would object to the use of that proposal as a baseline for consideration of any relevant issues in this initiative.

been investigated and identified. Therefore, while CMUA agrees that it is likely that several sub-issues relevant to the TAC structure may not need to be reconsidered, we simply don't know enough at this early stage to make that judgement now.

### **Care Should be Taken When Attempting to Extrapolate from other RTO/ISO Practices**

The Issue Paper alludes to the transmission charge structure of certain other RTO/ISOs. Understanding what other RTO/ISOs do is certainly helpful. However, if our own experience is any guide, transmission cost allocation structures are highly affected by the individual facts and circumstances of the relevant region. Issues such as existing cost structure, energy policies such as renewable development goals, historic operational and contractual relationships, and other issues, affect the TAC structures. Indeed, in California the current structure was a compromise among many parties, and that compromise was informed by the issues above. As such we should approach with caution cherry-picking particular methods of transmission cost allocation from other markets as those cost allocation elements may be highly tailored to the particular circumstances of those markets.

### **A Plan is Needed to Advance Empirical Analysis and Inform This Process**

To date, virtually no empirical analysis has been performed to allow the CAISO and stakeholders to assess various design options, and the impacts not only on overall policy objectives but on individual transmission customers. If it has not occurred already, individual stakeholders will soon commence their own efforts to understand the potential effects of design options on their individual economics. As a result, it may be difficult to focus stakeholders on a common set of facts to undergird policy decisions, since competing analysis will be in play. CMUA urges the CAISO to bring this issue to the fore early in this process and discuss with stakeholders what may be realistic in terms of CAISO-led analysis. If the CAISO does not

believe it is the right entity to undertake this analysis, a discussion among stakeholders and the CAISO on that conclusion would also be helpful.

**It Should be Remembered that the Existing Structure Has been Found to be Just and Reasonable.**

The CAISO's existing structure checks many boxes. It is simply and easily understandable. It has been stable and has ensured cost recovery over the roughly 15-years of its effectiveness. The rate design has been relatively free of disputes. FERC has found the TAC structure to be just and reasonable.

Clearly, the CAISO and stakeholders must anticipate and respond to changing industry conditions. The advent of DERs and their projected growth precipitates reasonable discussions about whether existing cost allocation structures will fit the grid conditions of the future. Yet, there is much we do not know. We do not know the extent of penetration of DERs over the next decade, which may be affected by several factors including the fate of current tax and energy policies, overall energy prices, economic conditions, and other factors. We also do not know how to quantify the benefits of DERs and whether those benefits will be evenly distributed or localized. Any attempt to shift the TAC structure that currently works must be supported by strong empirical evidence and compelling policy rationale.

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