



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.

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?

Yes. As stated in our February 15, 2018 comments, the CPUC's Energy Division supports a two-part hybrid approach for measurement of customer usage, including part volumetric and part peak-demand measurements. Demand charge HV-TAC rates should be based on coincident peak demands only. This approach should apply to both existing and new transmission projects.

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

The CPUC's Energy Division concurs with the assessment in the Revised Straw Proposal, that *"The ISO allocates transmission costs to UDCs that have their own retail rates. This additional layer of rates can mute the price signals the ISO TAC rate design might otherwise provide to end use customers, unless the individual UDC rates are closely aligned with the ISO's HV-TAC structure."*

Once again, as we have previously commented, incentives for efficient use of the transmission system provided by restructured TAC rates will not be fully effective without reform of current IOU retail transmission rates, and we would welcome ISO support of CPUC efforts at FERC to better align retail transmission rates with a restructured TAC.

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?

Yes. The ISO's proposal has the merits of being data-driven and requiring little or no subjective interpretation. The outcomes appear reasonable and consistent with those of the original Straw Proposal.

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

The CPUC's Energy Division has no additional feedback at this time.

Peak demand charge measurement design for proposed hybrid billing determinant

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

Yes. The 12-CP method has several advantages that merit support:

- It is widely used at FERC, and therefore has a high likelihood of adoption.
- Being based on coincident peak demands, it reasonably represents cost causation for the peak-related portion of the HV-TAC revenue requirement.
- It represents a reasonable balance between summer and non-summer transmission cost causation.
- The California large IOUs already use 12-CP to allocate the Transmission Revenue Requirement among the various retail customer classes.

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

The CPUC's Energy Division has no additional feedback at this time.

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

7. 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?

Currently, non-PTO entities are allocated transmission costs based on a volumetric based Wheeling Access Charge (WAC). CPUC staff supports the consistent treatment approach to modify the WAC rate structure for non-PTO entities to create a similar hybrid billing model which

establishes rates based on a 1) volumetric WAC rate and 2) a peak WAC rate based on 12CP demand, while retaining the current volumetric-only WAC rate for traditional exports and wheeling purposes.

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

The CPUC staff has no additional feedback at this time.

Additional comments

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

The CPUC Energy Division is reconsidering its position expressed in earlier comments, and can see the potential for increased economic efficiencies and alignment between cost causation and recovery within the Clean Coalition's proposal to move the TAC point of measurement from the customer meter to the transmission-distribution (T&D) interface. However, we do not recommend moving forward with the proposal at this time due to significant uncertainties that exist relating to many elements of the proposal. Below, CPUC staff reviews a few general principles and discuss topics that warrant further investigation as the CAISO and other stakeholders work to resolve these issues.

- 1. The CPUC Energy Division believes that that there is growing evidence that DERs offset the need for additional transmission resources, and that, as an overarching principle, the TAC structure should reflect transmission cost causation. While we believe all distributed generation should be assessed consistently, uncertainties exist regarding its impact on the transmission system.**

The recently-approved 2017-2018 CAISO Transmission Plan cancelled \$2.6 billion of previously-approved transmission investments, which, per the CAISO, can be attributed to changes in local-area load forecasts and the deployment of DERs such as energy efficiency and rooftop solar PV. Without determining the exact attribution of these drivers to each cancelled project—whether customer demand was over-forecast, DER deployment was under-forecast, or if other factors significantly contributed—CPUC staff finds valid the overall premise that DERs can avoid future transmission costs by reducing the peak load forecasts that contribute to reliability-driven transmission needs.

If DERs can offset future transmission costs, then it follows that all DERs' contribution to load reduction on the transmission system should be consistently accounted for in transmission cost recovery. The current TAC point of measurement allows behind-the-meter (BTM) distributed generation (DG) to reduce the TAC paid by the serving PTO, as BTM DG reduces the customer load volumes on which the TAC is currently assessed. In contrast, PTOs with front-of-the meter (FTM) DG receive no TAC offset from such generation, as customer loads do not distinguish between energy delivered solely by the distribution system versus that which also is delivered by the transmission system. To the extent that neither BTM nor FTM DG "uses" the transmission

system (assuming no backfeed from distribution to transmission), CPUC staff believes there is insufficient evidence to conclude that BTM and FTM DG impact the transmission system differently. CPUC staff thus believes the status quo point of measurement to be insufficient at reflecting the contributions of FTM DG to transmission cost causation and subsequent TAC allocation.

However, it is an open question whether there is a 1:1 relationship between a MW of distributed generation and a MW of generation delivered from the transmission system. Clean Coalition's point of measurement proposal seems to be premised on the assumption that there is, but CPUC staff believe more investigation is needed to conclusively determine the benefits the transmission system provides beyond the power and energy delivered to the distribution system at any given time. This should inform how to better account for the transmission cost causation of both BTM and FTM DG in considering a shift in the TAC point of measurement. Until a cost causation basis is established, CPUC staff does not support moving forward with the point of measurement proposal, as to avoid inappropriately "putting our thumb on the scale" in favor of distribution-connected generation over transmission-connected generation.

2. The Clean Coalition proposal could entail a significant implementation effort, and the benefits of such a proposal should be weighed against the costs, especially in light of the Revised Straw Proposal's hybrid billing determinant recommendation.

In principle, moving the TAC point of measurement to the T&D interface would work to better harmonize the treatment of BTM and FTM distribution-connected resources with respect to the TAC. In practice, however, this could potentially entail a costly and drawn-out implementation process, given the likely need to install revenue-grade meters at every T&D substation in CAISO's territory to effectuate the proposal. To our knowledge, the CAISO has not estimated the time and cost needed to realize the Clean Coalition proposal.

CPUC staff recommends further analysis to determine the estimated magnitude of such costs, in comparison to the magnitude of any "cost corrections" between PTOs that would result from the proposal, as well as any potential benefits that could be realized through future procurement of FTM DG reflecting a PTO's reduced TAC responsibility. Until then, CPUC staff finds that the Revised Straw Proposal's recommendation to transition from a 100% volumetric TAC billing determinant to a 50/50 split between volumetric charges and a demand charge based on the monthly coincident peak, on its own, represents a step in the right direction in terms of reflecting both BTM and FTM DG's contribution to reducing coincident peak (while affirming that moving to a hybrid billing determinant entails "cost corrections" of its own, as shown on page 21 of the Revised Straw Proposal).

3. The Commission does not currently have an open forum to evaluate the above-mentioned and other uncertainties, and thus does not recommend moving forward with the Clean Coalition until these questions are addressed.

Aside from the uncertainties discussed above, Energy Division also believes an open question exists as to whether any point-of-measurement shift should apply to all embedded transmission costs, or only to future transmission investments, as suggested by the CAISO in the Revised Straw

Proposal. We note that CPUC ratesetting for distribution entails recovering embedded *and* future costs based on forward-looking cost causation. Subjecting all transmission costs to the point of measurement shift would thus be more consistent with current CPUC rate design principles. On the other hand, we recognize that subjecting only future transmission investments could avoid a potential race amongst LSEs to procure DG in order to reduce its proportion of TAC responsibility (given that the embedded TRR must ultimately be recovered). CPUC staff could see merit in opening a proceeding to examine this and the above questions; until then, we do not support moving forward with the Clean Coalition proposal.

4. The CPUC Energy Division agrees that a retail rate design proceeding is needed to properly reflect UDC TAC savings in LSE procurement decisions, but disagrees that the Commission must act first.

CPUC staff acknowledges the CAISO's concern about the ability of non-IOU LSEs to realize benefits from FTM DER investments (without sharing them with other IOU customers), under the Point of Measurement shift proposal. We agree with the CAISO that this is a valid concern and should be addressed both by the CPUC and by FERC. The CPUC would need to address this within a retail rate design proceeding. Staff anticipates that any crediting mechanism to reflect UDC savings in LSE procurement decisions could be complex and administratively burdensome. However, we do not see reason for the CAISO to delay consideration and potential implementation of a point of measurement shift until the issue of pass-through to the LSEs is resolved at the Commission. FERC approval of CAISO-proposed tariff changes would have to precede any Commission rate design activities on the matter.