

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.

Comment: City of Vernon supports the ISO's plan to only seek approval from the ISO Board and not the EIM Governing Body. The City agrees that this initiative only focuses on the TAC structure and not on any real-time market rules.

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.

Comment: As the grid usage pattern changes over time, the City of Vernon believes it is appropriate for the CAISO to review its transmission ratemaking approach to better reflect the balance between the usage pattern and the associated derived benefits (approach #2) and the historical cost responsibility for the transmission investments made (approach #1). Vernon

encourages the CAISO to take into account Vernon's unique situation when selecting a ratemaking approach. Historically Vernon has invested in baseload internal gas generation that provided and will continue to provide the majority of Vernon energy needs locally in lieu of relying on the bulk power transmission grid and thus reducing the overall bulk transmission investments from a historical perspective. Vernon urges the CAISO to consider providing transmission credits on a case-by-case basis for unique situation such as Vernon's.

Vernon further believes that in doing so, CAISO should strive to avoid significant cost dislocations/shifts among the users of the transmission grid.

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.

Comment: The City of Vernon supports CAISO's investigation of the two-part hybrid approach conditioned upon the disclosure of factual data and pertinent analysis that will enable Vernon to independently evaluate the merit and the impacts of the CAISO's proposal. Vernon agrees with the CAISO that the current approach needs to be revisited and evaluated to see if it continues to be pertinent in our current environment.

Also, the City of Vernon urges the CAISO to exercise utmost care in considering changing its current volumetric approach which has been shown to be just and reasonable to date. Changes to its current approach should not cause severe harm to any group.

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.

Comment: The City of Vernon does not have suggestions and recommendations at this time pending CAISO's disclosure of relevant cost data.

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.

Comment: As CAISO explained in its straw proposal, the CAISO plans its transmission grid based upon monthly CAISO system peaks. Therefore, it seems logical to Vernon that monthly coincident peak demand charge approach is more reflective of cost causation to recover demand based TRR and should be considered.

Vernon urges the CAISO to strive for simplicity and transparency in its rate design. Any perceived value and the associated cost assignment for the use of transmission on a non-coincident basis could be captured via the volumetric rate as opposed to creating new non-coincident demand billing determinants that will add complexity and opacity to the process.

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.

Comment: As the current TAC rate applied to PTOs/UDCs is numerically equal to the WAC rate applied to the non-PTO Municipal and Metered Sub Systems (MSS), it seems appropriate for the CAISO to investigate the application of the two-part hybrid approach to Non-PTO Municipal and Metered Sub Systems (MSS) as well to maintain the parity in transmission cost recovery.

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.

Comment: As stated in Question #2, the City of Vernon believes that the CAISO should strive to avoid significant cost dislocations/shifts among users of the transmission grid but we urge the CAISO to consider providing transmission credits on a case-by-case cases such as Vernon in which a PTO has internal baseload generation that provides the majority of its needs.

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

Comment: The City of Vernon would support modification to the point measurement for future HV TRR costs associated with transmission that is built for the purposes of delivery energy to load, i.e., policy driven projects and economic driven projects. The HV TRR associated with transmission projects that is built primarily for reliability purposes should still be broadly allocated to all users of the transmission grid.

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.

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.