



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
Jan Strack	SDG&E	April 25, 2018

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?

Response: SDG&E believes a transition to a hybrid billing determinant is needed; principally in anticipation of potential changes in the patterns of energy use among existing and new CAISO load serving entities. However, SDG&E believes the current allocation of the CAISO's existing high voltage transmission revenue requirement among existing CAISO load serving entities is reasonably proportional to the benefits each entity receives from use of the high voltage transmission system. No party, including the CAISO, has produced any evidence showing that the existing allocation fails to reasonably apportion costs in accordance with benefits received.

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

Response: As noted in response to question 1, SDG&E believes current method for allocating CAISO's existing high voltage transmission revenue requirements is just and reasonable. SDG&E believes that if a hybrid billing determinant approach is to be implemented, the impact of that approach should reflect future changes in the pattern of

Gross Loads among entities with cost responsibility for the CAISO's high voltage TAC. Accordingly, SDG&E recommends that the CAISO consider an approach under which the hybrid billing determinant would produce allocative impacts based only on changes in usage patterns relative to a current year.

The table below provides a hypothetical example of the approach SDG&E recommends. The example shows how the allocation of the high voltage TAC would change over time based on changes among three PTOs on their relative shares of Gross Load and monthly coincident peaks (CPs). In the example, Gross Loads for PTO A decline at 2% annual rate while gross loads for PTO B and PTO C increase by 1% per year. The 12 CPs for PTO B increase at an annual rate of 2% while the 12 CPs for PTO A and PTO C increase by 1%/year.

Step 1 – Calculate Energy-Based Benchmark

SDG&E's approach starts with the establishment of a historical benchmark for the energy-based and demand-based components of the high voltage TAC. Each PTO's annual load factor would be used to set its benchmark allocation for the energy component. In the example, year 2018 is the benchmark. PTO A, for example, has an annual load factor of 50.6% [102000 gWh/(23000 MW x 8760 hours)]. Using PTO A's actual 2018 high voltage transmission revenue requirement of \$953 million, PTO A's energy-based benchmark would be \$483 million (50.6% x \$953 million).¹

Step 2 – Calculate Incremental System Load Factor (One Year to the Next)

This step apportions the year-over-change in the CAISO's total high voltage transmission revenue requirement between the energy component and the demand component using the incremental annual system load factor. In the example, the change between annual revenue requirements in year 2018 and year 2019 is \$20 million (\$2020 million - \$2000 million). The portion of the \$20 million allocated to the energy component is determined by applying the incremental system load factor. The incremental system load factor is calculated as the year-over-year difference in system Gross Load (-920 gWh = 213080 gWh - 214000 gWh) divided by the year-over-year difference in system peak demand (740 MW = 50740 MW - 50000 MW): $-14.2\% = -920 \text{ gWh} / (740 \text{ MW} \times 8760 \text{ hours})$.

Step 3 – Calculate Next Year's Total Energy-Based Component of HV TRR

Using the -14.2% incremental system load factor, and the year-over-year difference in the CAISO's total high voltage transmission revenue requirement (\$20 million = \$2020 million - \$2000 million), year 2019's energy-based component of the high voltage revenue requirement would be -\$3 million (-14.2% x \$20 million) different than the year 2018 benchmark or \$980 million [\$983 million + (-\$3 million)].

Step 4 – Allocate Total Energy-Based Component of HV TRR to Individual PTOs

The -\$3 million change in the energy-based component of the high voltage revenue requirement in year 2019 would then be allocated among the PTOs using each PTO's share of the change in Gross Loads between year 2019 and year 2018. For example, PTO A's share would be 222% [(99960 gWh - 102000 gWh)/(-920 gWh)] or -\$7 million (-\$3

¹ SDG&E's approach for allocating the high voltage transmission revenue requirement between energy and capacity components is the same as the CAISO's proposal, except that it is done at the PTO level, not at the system level.

million x 222%). Adding -\$7 million to the year 2018 energy benchmark for PTO A (\$483 million) yields PTO A's 2019 energy-component of \$476 million.

Step 5 – Calculate Demand-Based Benchmark

PTO A's demand-based benchmark would simply be the difference between its actual high voltage transmission revenue requirement in year 2018 (\$953) and its calculated energy-based benchmark (\$483 million): \$471 = \$953 million - \$483 million.²

Step 6 – Calculate Next Year's Total Demand-Based Component of the HV TAC

Year 2019's total demand-based component of the CAISO's high voltage transmission revenue requirement is simply the difference between total high voltage revenue requirement (\$2020 million) and the total energy-based component (\$980 million) or \$1040 million.

Step 7 – Allocate Total Demand-Based Component of HV TRR to Individual PTOs

The change in the total demand-based component of the high voltage transmission revenue requirement between year 2019 (\$1040 million) and the benchmark year of 2018 (\$1017 million) is \$23 million. This change is allocated among the PTOs using each PTO's share of the change in total 12CP between year 2019 and year 2018 (496 MW). For example, PTO A's share would be 31% [(15564 MW – 15410 MW)/496 MW] or \$7 million (\$23 million x 31%). Adding \$7 million to the year 2018 demand benchmark for PTO A (\$471 million) yields PTO A's 2019 demand-component of \$478 million (accounting for rounding).³

	Actual	Future	Future	Future	Future	Future	Future	Future	Future	Future	Future
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Annual HV TRR (million)	\$2,000	\$2,020	\$2,040	\$2,061	\$2,081	\$2,102	\$2,123	\$2,144	\$2,166	\$2,187	\$2,209
Gross Load (gWh)											
PTO A (-2%/yr)	102000	99960	97961	96002	94082	92200	90356	88549	86778	85042	83341
PTO B (1%/yr)	96000	96960	97930	98909	99898	100897	101906	102925	103954	104994	106044
PTO C (1%/yr)	16000	16160	16322	16485	16650	16816	16984	17154	17326	17499	17674
total	214000	213080	212212	211395	210629	209913	209246	208628	208058	207535	207059
Peak Load (MW)											
PTO A (1%/yr)	23000	23230	23462	23697	23934	24173	24415	24659	24906	25155	25406
PTO B (2%/yr)	24000	24480	24970	25469	25978	26498	27028	27568	28120	28682	29256
PTO C (1%/yr)	3000	3030	3060	3091	3122	3153	3185	3216	3249	3281	3314

² SDG&E's approach for calculating the total demand-based component of the high voltage transmission revenue requirement is the same as the CAISO proposal.

³ SDG&E's approach for apportioning the total demand-based component of the high voltage transmission revenue requirement among individual PTOs is the same as the CAISO proposal except that SDG&E's proposal uses the year-over-year change in 12CP rather than the 12CP in each year.

total	50000	50740	51492	52257	53034	53824	54627	55444	56274	57118	57976
Avg. 12CP (MW)											
PTO A (1%/yr)	15410	15564	15720	15877	16036	16196	16358	16522	16687	16854	17022
PTO B (2%/yr)	16080	16402	16730	17064	17406	17754	18109	18471	18840	19217	19601
PTO C (1%/yr)	2010	2030	2050	2071	2092	2113	2134	2155	2177	2198	2220
total	33500	33996	34500	35012	35533	36062	36600	37147	37704	38269	38844
Energy TAC (millions)	bench- mark										
PTO A	\$483	\$476	\$470	\$464	\$458	\$453	\$447	\$442	\$437	\$432	\$427
PTO B	\$410	\$413	\$416	\$419	\$422	\$425	\$428	\$431	\$434	\$437	\$440
PTO C	\$91	\$92	\$92	\$93	\$93	\$94	\$94	\$95	\$95	\$96	\$96
total	\$983	\$980	\$978	\$975	\$973	\$971	\$969	\$967	\$965	\$964	\$962
Demand TAC (millions)	bench- mark										
PTO A	\$471	\$478	\$485	\$492	\$499	\$506	\$513	\$520	\$526	\$533	\$540
PTO B	\$488	\$502	\$517	\$532	\$547	\$562	\$577	\$593	\$608	\$624	\$639
PTO C	\$58	\$59	\$60	\$61	\$62	\$63	\$64	\$65	\$66	\$67	\$68
Total	\$1,017	\$1,040	\$1,062	\$1,085	\$1,108	\$1,131	\$1,154	\$1,177	\$1,200	\$1,224	\$1,247
Existing TAC (millions)											
PTO A	\$953	\$948	\$942	\$936	\$930	\$923	\$917	\$910	\$903	\$896	\$889
PTO B	\$897	\$919	\$941	\$964	\$987	\$1,010	\$1,034	\$1,058	\$1,082	\$1,107	\$1,131
PTO C	\$150	\$153	\$157	\$161	\$165	\$168	\$172	\$176	\$180	\$184	\$189
Difference (Existing – New) (millions)											
PTO A	\$ 0	\$6	\$13	\$20	\$28	\$35	\$43	\$51	\$60	\$69	\$78
PTO B	\$ 0	\$(4)	\$(9)	\$(13)	\$(18)	\$(23)	\$(29)	\$(34)	\$(40)	\$(46)	\$(53)
PTO C	\$ 0	\$(2)	\$(5)	\$(7)	\$(9)	\$(12)	\$(14)	\$(17)	\$(20)	\$(22)	\$(25)

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?

Response: *SDG&E supports the CAISO proposal for splitting the HV-TRR between energy and demand using a system-load factor calculation. However, as described in SDG&E's response to question 2, SDG&E would apply the system-load factor on an incremental (year-over-year) basis. This approach avoids the immediate reallocation of the HV TRR that occurs under the CAISO proposal. SDG&E does not believe any evidence has been produced that indicates the existing allocation of the HV-TRR is unreasonable and that an immediate reallocation is justified.*

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

Response: *See SDG&E's response to question 2.*

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?

Response: *SDG&E supports the CAISO proposal for using a demand measurement. However, as described in SDG&E's response to question 2, SDG&E proposes using the year-over-year change in demand. This approach avoids the immediate reallocation of the HV TRR that occurs under the CAISO proposal. SDG&E does not believe any evidence has been produced that indicates the existing allocation of the HV-TRR is unreasonable and that an immediate reallocation is justified.*

Additionally, SDG&E recommends that the CAISO evaluate the impacts of using a non-coincident demand measurement. A non-coincident demand measurement would help to ensure that PTOs be assigned demand-based cost responsibility in circumstances where a PTO may have little metered demand coincident with the time of the CAISO's monthly peak.

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

Response: *See SDG&E's responses to questions 1 through 5.*

While not critical to the CAISO's basic concept, SDG&E requests that the CAISO clarify the difference between the "Filed Annual HV-TRR" for year 2016 shown on Table 4 (\$2,195,146,895) and the "CAISO Total" for year 2016 shown on Table 6 (\$2,366,000,000).

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?

Response: *Yes, except that SDG&E recommends use of the incremental hybrid billing determinant approach described in SDG&E's response to question 2.*

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

Response: *See SDG&E's response to question 7.*

Additional comments

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

Response: *Given the complexities of implementing a new approach for allocating the CAISO's high voltage transmission revenue requirement among PTOs with load serving responsibilities, SDG&E suggests adding an additional iteration to the existing schedule for this initiative. This will allow additional time for stakeholders to review the CAISO's and SDG&E's proposals and understand the potential ramifications of each proposal on individual PTOs. In particular, SDG&E believes it is important for stakeholders to review both proposals from the standpoint of the impacts that could arise over time.*

Additional time would also provide an opportunity to explore the details of data sources and implementation requirements (including timing).