Stakeholder Comments Template

Review TAC Structure Second Revised Straw Proposal

This template has been created for submission of stakeholder comments on the Review Transmission Access Charge (TAC) Structure Second Revised Straw Proposal that was published on June 22, 2018. The Second Revised 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
Jan Strack	*SDG&E*	*July 20, 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?

   SDG&E response:

   SDG&E supports the CAISO's hybrid billing determinant proposal provided two modifications are made.

   1. *In addition to allocating the HV-TRR on the basis of energy and peak demand, SDG&E agrees with suggestion in SCE's April 26, 2018 comment that there should be an allocation based on the number of end-use meters served by each PTO. Each PTO's number of end-use meters is a proxy for capturing the portion of the HV-TRR that is largely unrelated to either peak loads or to energy consumption. Examples include the costs of Reliability Network Upgrades,[1] fire-hardening, aging infrastructure replacement, operations and maintenance costs, grid visibility and control infrastructure, and facility relocations. None of these costs are directly-related to either peak loads or to energy use and none are directly-related to improving grid efficiency (e.g., congestion mitigation) or to public policy requirements.*

      The number of end-use meters served by each PTO accounts for the fact that each PTO benefits from certain transmission expenditures regardless of the quantity of energy

[1] *Reliability Network Upgrades are high voltage transmission facilities that interconnect a new generator to the existing transmission network, and which are determined without regard to whether the generator will be generating during the peak load hour and without regard to the amount of energy the generator may produce.*

consumed by the PTO's customers, either at time of peak or across an entire year. SDG&E estimates that for high voltage transmission projects with expenditures by SDG&E during the period 2012 through mid-year 2017, roughly 20% of the costs are primarily driven by factors other than peak load or end-use energy consumption.

As a starting point for further research and discussion, SDG&E proposes that 20% of the HV-TRR be allocated to PTOs based on the number of end-use meters served by each PTO. The remaining 80% of the HV-TRR would be allocated between peak load and end-use energy consumption using each PTO's load factor as described in the CAISO's current proposal.

2. *The portion of the HV-TRR to be allocated on the basis of peak loads, should use a 1 Non-Coincident Peak (1NCP) methodology.[2] As the CAISO has acknowledged, there are implementation challenges with the CAISO's proposed 12 Coincident Peak (12CP) methodology. The PTOs' filed transmission rate cases do not currently include forecast monthly peak loads that are recognized to be coincident with each other. SDG&E believes that none of the PTOs' transmission rate cases include forecast hourly load data that would be necessary to determine the hour of each month in which the CAISO peak load is forecast to occur. SDG&E also notes that the PTOs' transmission rate cases are filed at different times and therefore may reflect different load forecast vintages. For these reasons SDG&E believes it will be difficult to devise an "iterative process" among all the PTOs that results in a FERC-approved coincident monthly peak load forecast for all PTOs.*

   SDG&E recommends that each PTO's most recent FERC-approved non-coincident annual peak forecast be used to establish the PTO-specific 1NCP rates and the all-PTO average 1NCP rate. Each PTO's actual annual peak load would be used to calculate what is owed to the CAISO under the all-PTO average 1NCP rate and the amounts the CAISO owes to each PTO under each PTO-specific 1NCP rate. Compared to 12CP, use of 1NCP greatly simplifies the peak load portion of high voltage TAC settlements. There will be no need for an "iterative process" to determine the hour of each month in which the CAISO peak is forecast to occur and to determine each PTO's load during that hour.

   Finally, SDG&E notes that a 1NCP methodology is closely aligned with the basis on which the CAISO studies and approves peak load-driven high voltage transmission upgrades. The CAISO's Transmission Planning Process (TPP) assesses these needs considering maximum annual instantaneous forecast demand for each PTO's distribution service area or sub-area. The date and hour of these maximum annual instantaneous forecast demands may, or may, not be coincident with the data and hour of the forecast annual instantaneous peak for the CAISO Balancing Authority Area as a whole.

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[f] *demand (averaged over the hour) for each PTO with load serving responsibility. The term does not refer to the maximum annual instantaneous demand for individual end-users within each PTO; i.e., the maximum annual instantaneous demand for any end-user served by the PTO may, or may not, be coincident with the date and hour of the PTO's non-coincident annual peak. Likewise, the date and hour of any PTO's maximum annual instantaneous demand may, or may not, be coincident with the data and hour of the CAISO Balancing Authority Area's annual peak.*

2. Please provide any feedback on the proposal to utilize PTO-specific FERC rate case forecasts to implement the hybrid billing determinant proposal.

   For context, under the second revised straw proposal, the ISO modified the proposal to use PTO specific rate case forecasts to set the HV-TRR bifurcation and resulting HV-TAC volumetric and demand rates. Does your organization support this modification to the proposal?

   a. Please provide any feedback on the possibility that this proposal causes a need for PTO's FERC transmission rate case forecasts to be modified to include coincident hourly peak load forecasts.

      SDG&E Response:

      As indicated in SDG&E's response to question 1, SDG&E is concerned that the CAISO's proposal would require significant disruptions to, and modifications of, the PTOs' current transmission rate case processes. By adopting a 1NCP methodology instead of the proposed 12CP methodology, major changes to existing transmission rate case processes can be avoided. There will be no need for an iterative process among the PTOs.

      The use of a 1NCP methodology to determine the PTO-specific and all-PTO average rates will require minor augmentation of existing transmission rate case filings. Currently, forecast energy volumes, but not forecast peak demands, are included in these filings. Each PTO will need to augment their filings with their respective distribution service area annual instantaneous peak demand forecast.

   b. Does your organization believe that the use of historic data from the prior annual period could be a viable alternative for this aspect of the proposal? Please explain your response; if you believe this would be more appropriate or potentially problematic please indicate support for your position.

      SDG&E Response:

      While use of historic data would allow a straightforward determination of each historical month's coincident hour, and each PTO's load during that hour, it also introduces the possibility of significant month-to-month and year-to-year volatility in the PTO-specific rates and the all-PTO average rate. Use of forecast values, eliminates rate volatility due to historical weather variations and other unusual events among the various PTO distribution service areas. Forecast energy values are already being employed by the PTOs in their current transmission rate case processes.

3. Please provide any additional feedback on any other aspects of the hybrid billing determinant proposal.

   SDG&E Response:

   See SDG&E's responses to questions 1 and 2 above.

Additional comments

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

SDG&E Response:

"Gross Load" is a key determinant of the high voltage transmission costs that each PTO will be responsible for. It is important that there be a clear definition of this term and that all PTOs (and other load serving entities with responsibility for high voltage transmission costs) are reporting end-use meter data to the CAISO consistently. In this regard the outcome of the recently announced "Excess behind the meter production" stakeholder initiative is relevant to the instant "Review transmission access charge structure" initiative.