

**Initial Comments of the Transmission Agency of Northern California
on the California Independent System Operator's
*Review Transmission Access Charge Structure Issue Paper***

The Transmission Agency of Northern California (TANC) respectfully provides these initial comments on the California Independent System Operator's (CAISO) June 30, 2017 *Review Transmission Access Charge Structure Issue Paper (TAC Issue Paper)*. TANC recognizes that the TAC Issue Paper is focused on two major TAC structural topics:

1. Whether/how to modify the TAC billing determinant to reduce TAC charges in Participating Transmission Owner (PTO) service areas for load offset by "DG output."
 - "DG Output" includes energy injections from (1) distribution-grid connected resources, and (2) behind-the-meter resource output that exceeds consumption at the same site during the same hour
 - For each settlement hour the difference [TED –Gross Load] reflects DG Output for the same hour
2. Whether to modify the current volumetric TAC structure to incorporate other approaches such as demand-based or time-of-use structure.

TANC believes that it is appropriate for the CAISO to continue to assess transmission charges and cost recovery, and commends the CAISO for developing the TAC Issue Paper and its initial thoughts for addressing important matters of transmission rate design and cost recovery.

With regard to TAC structure, TANC's initial comments focus on two core principles of utility and regulatory ratemaking: (1) cost causation; and, (2) equitable treatment. As the CAISO advances this stakeholder initiative, TANC believes that the CAISO should also focus on these core principles during the development of its Straw Proposal. Maintaining focus on these core principles will help ensure that the Straw Proposal is not being developed to favor one group of stakeholders over another, or a group of users of the CAISO-controlled transmission grid at the expense of another group of users.

TANC believes that all users of the bulk transmission grid should pay for their commensurate use of and reliance on the grid, and the way to achieve this is through the development of equitable charges based upon cost causation associated with prudent transmission planning.

In addition to focusing on the two core principles of cost causation and equitable treatment in this stakeholder initiative, TANC notes that regardless of any potential broad changes to the TAC structure or billing determinants, the CAISO should place emphasis on managing cost increases associated with transmission capital additions and the associated maintenance costs that contribute significantly to and are recovered through the TAC. This should remain a priority for the CAISO through its Transmission Planning Process, and not be lost as a point of crucial importance during this specific stakeholder process.

TANC recognizes that this stakeholder initiative highlights important issues related to transmission cost recovery and any changes to the design and application of transmission rates will impact certain stakeholders differently, but TANC also understands and agrees that the time is 'ripe' for an open stakeholder discussion regarding transmission cost allocation. This is particularly relevant at this time as the high-voltage TAC has increased over 330 percent in the past decade. Based on other transmission projects approved and proposed in the CAISO transmission planning process, TANC believes that the high voltage TAC will continue to grow at a rapid pace for the next several years – therefore, it is essential to explore new rate mechanisms that embody cost causation and allocate costs equitably.

We look forward to being an active participant in this stakeholder initiative.