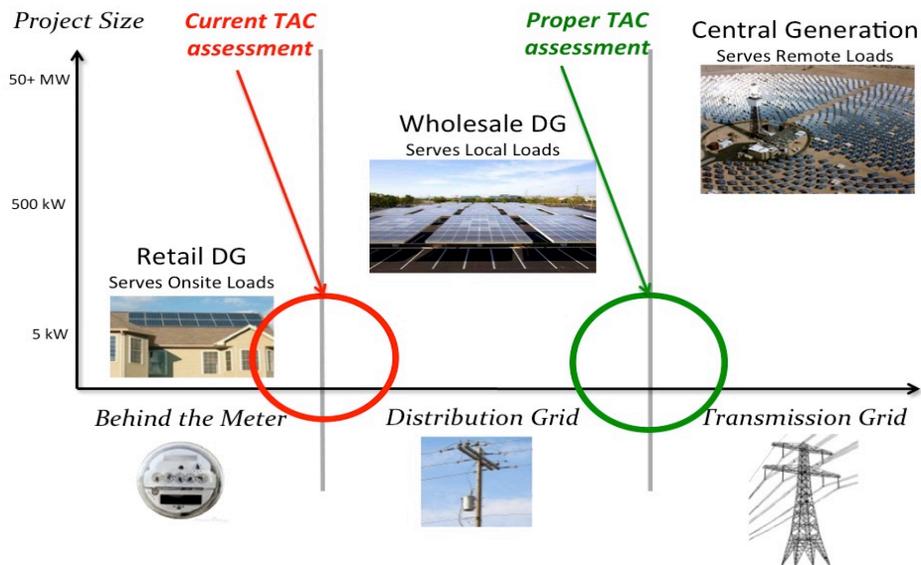


Transmission Access Charges Market Distortion Disadvantages Local Renewables

Transmission Access Charges (TAC) are fees designed to pay for the state's transmission system, including operations & maintenance, amortization of capital, and return-on-equity, and add about 3¢/kWh to the levelized cost of energy over a 20 year contract. When TAC are assessed on every kilowatt-hour (kWh) of metered customer electric usage, the transmission cost savings of local wholesale distributed generation (WDG) are denied to ratepayers, local generation is denied fair market competition, and communities lose the benefits of local energy development.

Under current CAISO tariff language, TAC are assessed against most utilities based on the gross customer load of that utility instead of the portion of load served by transmission resources (i.e., as measured at the transmission interface). This has the impact of assessing transmission costs on local distributed renewable resources that serve loads without the use of the transmission system as if that energy were utilizing the transmission system, as illustrated below. As a result, local renewable generation is not credited with the full avoided-cost value it can offer, and development of lower net total cost local renewables is depressed.



The Clean Coalition seeks to ensure proper valuation of local renewable generation including the avoided use of transmission, which at \$0.03/kWh, is around 30% of the wholesale value of energy in California. Local energy should not continue to subsidize transmission infrastructure when these resources are actually reducing the need for future investments into the transmission system. Utilities that utilize DG to serve local load must be recognized for reducing load on the transmission system and the need for additional transmission capacity.

Current Situation:

- Utilities that do not own transmission pay TAC based only on their use of the transmission system (monthly MWh load). This applies to many municipal utilities served by CAISO.
- Utilities that do own transmission (PTOs) pay TAC based on their total customer load instead of their transmission loads. This applies to all 3 major IOUs and some others.

Impact:

Most utilities are charged for transmission service regardless of whether they use it, discouraging procurement of cost effective local resources and increasing demand for more transmission, resulting in higher costs to ratepayers.

- The cost of energy that is not delivered through the transmission grid is artificially inflated, from an accounting perspective, by \$0.03/kWh.
- Local energy helps pay for transmission amortization costs, and the cost of energy delivered via the transmission system is artificially deflated.
- Demand for transmission-connected energy is artificially high because it does not face its true, all-in costs. Almost 76% of the proposed expenditure on transmission between now and 2023 is specifically to integrate centralized renewable energy to the transmission grid.

Preferred Situation:

The Clean Coalition recommends TAC to be calculated based on CAISO's metered transmission load for each utility of CAISO, aligning charges with cost causation.

Utilities that utilize DG to serve local load must be recognized for reducing load on the transmission system and the need for additional transmission capacity.

Correct application of TAC allows local resources to compete on a level playing field according to all-in costs to ratepayers, including transmission capital, interest, and ROE payments. This would better guide least-cost and best-fit procurement of resources and associated transmission facilities, including those required to meet RPS standards and greenhouse gas targets.

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