Transmission cost allocation issues for Behind the meter (BTM) generation

ISO-NE IMM Key takeaways

1. Regional Network Load (RNL) is the allocator of transmission costs among network customers and is required to be grossed up (or reconstituted) to account for BTM generation

2. BTM generation is not a tariff defined term but is a well understood concept in the industry.
   – We consider it to generally include generation located behind the retail meter, connected to the distribution system and intended to serve host load

3. There is potential widespread non-compliance with this requirement and/or inconsistent application

4. Under-reporting of RNL results in a lower allocation of transmission costs to the under-reporting network customer, and consequently an over-allocation to others
   – The financial impact can be significant for individual projects and network customers, but does not appear to result in significant cost shifting between states (based on BTM photovoltaic estimates)

ISO-NE IMM Key takeaways (cont)

5. BTM generation can have positive impacts in terms of reducing peak load levels and potentially transmission investment, but under the current tariff provisions the benefits should not be monetized through under-reporting load

6.A number of recommendations are included to address issues raised in the assessment, including:

a)Non-compliant PTOs/network customers should change current practices and reconstitute monthly RNL values

b)Review tariff for potential helpful specificity and clarification [e.g. definitions, determination of peak load hours]

c)Undertake a wider review of the transmission rate structure for consistency with transmission planning process and benefits due to BTM generation

ISO Tariff definition of Regional Network Load includes load served with BTM Generation

- ***Regional Network Load*** *is the load that a Network Customer designates for Regional Network Service under Part II.B of the OATT. The Network Customer's Regional Network Load shall include all load designated by the Network Customer (including losses) and* ***shall not be credited or reduced for any behind-the-meter generation.*** *A Network Customer may elect to designate less than its total load as Regional Network Load but may not designate only part of the load at a discrete Point of Delivery. Where a Transmission Customer has elected not to designate a particular load at discrete Points of Delivery as Regional Network Load, the Transmission Customer is responsible for making separate*

IMM Recommendation #1

- ***The current practice of not reconstituting load is inconsistent with the ISO-NE tariff and should be brought into compliance***

–There is potentially widespread non-compliance with the ISO-NE tariff as Network Customers likely do not gross up load served by BTM generation

–If the Network Customer is responsible for grossing up RNL load for BTM generation, the PTO must provide them with an opportunity to do so

–Practices should be reviewed and changed to comply with the meaning and intent of the rules.

–ISO-NE, as settlement administrator, should consider incorporating a certification step whereby the RNL data submission includes an attestation that it has been reconstituted consistent with the tariff

IMM Recommendation #2

- ***The tariff and operating procedures should be reviewed and changed, as appropriate, to provide helpful clarifications and specificity***

- –While the IMM's review of the tariff concludes that BTM generation must be grossed up when reporting RNL, various Network Customers interpreted the ISO-NE tariff differently
- •We recommend that *Behind-the-Meter Generation* be defined in the ISO-NE tariff
- •Additional specificity may need to be added to the determination of *Monthly Regional Network Load* to clarify whether PTOs calculate the peak hour based on gross load (reconstituted) or net load
- –We recommend that the PTOs engage with ISO-NE and stakeholders on this process

IMM Recommendation #3

Review of the Current Rate Structure with transmission planning practice and drivers

–In FERC Orders 888 and 888-A, transmission costs allocation is based on monthly peaks as it generally aligned with how utilities plan their transmission systems

–The transmission planning process is adapting to a "hybrid grid" and accounts for reductions in wholesale load due to the growth in BTM generation

- BTM generation may defer or negate the need for some future transmission projects
- However, exempting BTM generation from transmission charges may raise equity issues. The majority of transmission costs recovered through the uniform RNS rate were incurred some years ago (are sunk), and are recovered over an economic life spanning decades

–We recommend that PTOs engage with ISO-NE and stakeholders to assess whether the current uniform transmission rate structure is consistent with current transmission planning practices, and/or should be revised to account for the value of BTM generation

Next steps

- ISO-NE staff discussion
- Schedule a NETO call
- OC meeting on Thursday
- Work with the Regional utility group and NETOS to develop a common position that can be supported regionally.