Setting transmission access charges to maximize economic and environmental benefits

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Importance of getting transmission access prices right

TAC distorts incentives for local solar investment relatively to remote solar investment.

Increase costs of local solar thus lowers investment in local solar while increasing relative investment in remote solar.

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Wrong TAC, Wrong mix of local *vs* remote solar

Distorted TAC leads to lower investment than is economically and environmentally optimal in local solar:

- Higher local generation costs,
- Under utilizing local rooftops while over utilizes remote habitat with ecological value,
- Lowers job creation in urban areas where over supply of trained workers.

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Distorted TAC distort incentives for optimal transmission capacity planning

1. Because of incentives to overbuild remote solar creates an non-optimal future demand for transmission capacity,
   - Higher capacity than is socially optimal.

2. Distorts the assessment spatially of where adjustments in future transmission capacity should be built.
   - Planners cannot identify where to expand and reduce solar capacity

3. This financing mechanism creates a non-optimally large pool of revenue for expanding transmission.
   - Excess available revenues may encourage over building of transmission capacity