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1 THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION

2 CALIFORNIA INDEPENDENT SYSTEM OPERATOR

3 BOARD OF GOVERNORS MEETING

4 May 1, 2017

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10 TRANSCRIPT OF AUDIO RECORDED MEETING EXCERPT

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12 PUBLIC COMMENTS

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1 ACTING CHAIR BHAGWAT: Questions? Thank you.
2 Next we have James Caldwell from CEERT and the City of
3 Oxnard.

4 MR. CALDWELL: Good afternoon. I'm Jim Caldwell
5 and I'm representing today CEERT and the City of Oxnard
6 separately but together on this issue.

7 I'd like to start real quickly with three shout
8 outs to the Cal ISO for initiatives that were undertaken
9 last year which I think are very important and very good
10 going forward.

11 The first is the thing that Clyde Loutan and
12 First Solar did to prove the fact that utility-scale PV
13 plants can provide significant voltage support and
14 significant essential reliability services, and that
15 demonstration, which has been out there for a while in
16 terms of academic papers and so forth, so to see that
17 actually being done is really pretty good.

18 And not only that, is that I'd also like to say
19 that Clyde has been out on the road spreading that gospel,
20 and I think that's also good; that going to WECC, going to
21 CREPSI, going around and telling other people, that this
22 is something I think is very good.

23 The second initiative that I'd like to give a
24 shout off on is the slow -- so-called slow response/demand
25 response initiative that is being taken up by a

1 combination of the ISO and the PUC to get more demand
2 response, more responsive to the needs of the grid and to
3 try to get that on. That process is hard. It's a slog,
4 it's been going on for months. There's a big workshop
5 coming up. But it has a lot of promise going forward and
6 believe me, I'll try to get back to where we connect these
7 dots together.

8 And the third thing that I want to give a shout
9 out about is the study that was done as part of last
10 year's transmission plan on the risk of early economic
11 retirement of the gas fleet, and I think that is a very
12 important study that was done and what it really says is,
13 is that after we go through all of the retirements from
14 the once through cooling, after we retire Diablo Canyon,
15 we still have 4 to 6,000 megawatts of gas plants that are
16 merchant; that is, that they do not supply a local or
17 system RA, they're not required for essential reliability
18 services and therefore, they are a merchant on the market
19 in a very unfavorable environment for merchant plants on
20 the market; and therefore, at significant risk of
21 retirement.

22 So how do those three things get together, and
23 why am I here today?

24 Well, we think that the first two offer a real
25 opportunity to supply noncombustion essential reliability

1 services to fill LCR needs in especially Southern
2 California where that is a very, very hot topic.

3 And kind of in combination with the third, where
4 we're talking about the gas fleet, what we're really
5 saying is every new gas plant we build, some other one is
6 going to get pushed off the back end of the truck, and
7 what gets pushed off the back end of the truck -- because
8 it is now surplus to any needs -- is likely probably more
9 useful than the one we built. And that's especially true
10 when we think in one area in Southern California, and
11 that's in the Moorpark area in California. In Moorpark we
12 have an LCR need that is defined by an N-1-1 transmission
13 constraint, i.e., it is very real, it has to be mitigated,
14 but it's also very rare.

15 It is a -- and that LCR need, the quantity of
16 that need is now set by voltage collapse, meaning that
17 supplying reactive margin through the inverters that are
18 already installed in the Moorpark area from not only PV
19 plants but battery installations and other -- other
20 distributed generation things, that those inverters that
21 can supply that can reduce the LCR need and paired with
22 slow response/demand response, which doesn't currently
23 qualify for LCR need because it takes too long to get
24 going, but if you have the batteries there, you can use
25 the batteries when the contingency happens, bring on the

1 demand response and half-hour, 40 minutes later, then you
2 can back off of the batteries, and in effect recharge
3 those batteries with the reduction in load that you get
4 from the demand response.

5 So the combination of those forms, the basis for
6 a real noncombustion solution to a issue like the LCR need
7 in the Moorpark area N-1-1.

8 And then the third leg of that is that the
9 current solution for that thing is a new gas plant which
10 is the wrong plant in the wrong place at the wrong time.

11 Something has to be done to mitigate the LCR
12 need, but that is one large plant on one large shaft that
13 if it has a forced outage rate, you're going to go black
14 in the Moorpark area. So you have all -- in effect what
15 you've done is created a new N-1, with that one plant
16 supplying all of the services. It's inefficient, it's a
17 frame 7HA, but in an open cycle mode. It has a very high
18 pmin, so it's going to be crowding out the renewables if
19 you commit it just in case. It's in the wrong place.
20 It's right smack on the ocean in a two-acre protected
21 wetlands. And that plant, if you build it, it's going to
22 tie up 50 acres of prime real estate on the coast for this
23 purpose. And so we think that there is a viable
24 noncombustion alternative to that need in the Moorpark
25 area. We filed that case at the CEC last week. We're

1 here today to say that this needs to be studied.

2 We'll be -- later this week we'll be at the PUC,
3 we'll be at the legislature, we'll be at the governor's
4 office with this plan, and all we're asking from the ISO
5 at this stage of the game is to say that this alternative
6 will be studied as part of the routine annual analysis of
7 transient stability, short-circuit current duty -- all of
8 those sort of things -- in the Moorpark area as part of
9 the 2017 TPP. So make this one of the scenarios studied
10 in the normal course of events this year.

11 So that is the request that we have today.

12 ACTING CHAIR BHAGWAT: Did you want to respond?

13 MR. CASEY: I guess my best response would be,
14 you know, the point they brought up in the middle of the
15 CEC proceeding right now. We're really going to look to
16 take our cues from the CEC commission on how they want to
17 proceed on this and we stand ready, as we always do, to be
18 a collaborative party with the CEC as well as the PUC on
19 this. So, you know, we'll take his recommendation under
20 advisement, but we really think that the prudent course of
21 action is to -- the CEC is the lead agency on this, then
22 look to them for direction on how we move forward.

23 MR. CALDWELL: Let me quickly respond. I
24 appreciate that. And indeed, it is right now, at the CEC,
25 undergoing CEQA analysis and the analysis of alternatives

1 to Puente was specifically excluded from the PUC decision
2 under the thing that said that the CEQA lead agency was
3 the CEC and that's where the discussion belonged, and
4 that's where the discussion is right now.

5 Now, the CEC recently -- not delayed, but added
6 to the hearing schedule to hear alternatives to Puente.
7 The alternative that they asked for was not specifically
8 ours, it was a smaller peaker at an inland location.
9 Okay? And they asked for testimony on that. That
10 testimony will be developed over the next three months, it
11 will come in this summer, there's going to be another set
12 of hearings on this. And so the request to have the ISO
13 study this alternative, you're probably going to get that
14 request anyway two or three months down the road, and all
15 we're suggesting is to get ahead of that and, you know, we
16 can talk about this, but that -- you're right, that's
17 where it belongs, but I think this body is the one that
18 needs to look at that.

19 The other thing I would point out is that in a
20 related proceeding at the PUC, we have the whole
21 Ellwood/Goleta issue which is part of Moorpark, it's
22 roughly 15 percent of Moorpark and has its own set of
23 issues. And that's a mess right now. Okay? That's all
24 up in the air about Ellwood. And the thing that we're
25 talking about for Moorpark also gets at that.

1 generation, and the question really with Puente is does
2 the State draw that line from new gas plants before Puente
3 or after Puente? So that's one -- one big question.

4 The other big question -- in my mind, anyway --
5 is a reliability based one, and that is having this one --
6 essentially making the response, the mitigation to the
7 contingency need that we found, dependent on this one very
8 large shaft, this GE frame 7 unit, which was not designed
9 for quick start -- quick start and stop. It's a long,
10 heavy shaft, it's got tight plate clearances.

11 It's just not the right unit to serve that need.

12 So I think there's all the more reason for us to
13 reconsider now, before we allow the Energy Commission to
14 go ahead and approve a unit which may not really be
15 necessary in the system scheme of the generation fleet,
16 and may not be the best solution from a reliability point
17 of view.

18 MR. CASEY: So I appreciate all those comments.
19 I guess my counsel to the board -- and Steve may want to
20 chime in here as well -- that maybe we have an offline
21 discussion on the ask that Mr. Caldwell put forward. And
22 I also think at the end of the day, if this is going to be
23 beneficial to the CEC process, rather than us presuming
24 that maybe there could be some outreach with the CEC to
25 figure out how best to coordinate with them on this. But

1 I would caution against committing to something here that
2 might, in the end, not be conducive to supporting the
3 process of the CEC.

4 GOVERNOR FERRON: I just want to add my comment,
5 for what it's worth. We are, as we're moving toward
6 50 percent renewable, increasingly going to run into these
7 issues where the gas generation fleet is going to be the
8 minority in the state, and it just seems that adding
9 resources in that column, particularly that don't have
10 attributes that can, you know, provide the kind of
11 flexibility that we need, would be a mistake.

12 And I appreciate, having served on the PUC and
13 observed the process that, you know, the coordination
14 between the CEC and the PUC and the ISO, I appreciate that
15 there are feedback loops and cycles and things, but this
16 also strikes me as an instance where, you know, given the
17 lead time and the change in the technology and the change
18 of the requirements over the last few years, it may merit,
19 you know, perhaps stepping outside of the usual -- the
20 usual framework.

21 GOVERNOR GALITEVA: I would also agree with that.
22 It seems to me that if we're going to be moving forward
23 with a gas plant at this time, in this juncture, in the
24 context of everything that's going on, not evaluating
25 other alternatives that are viable, noncombustion

1 alternatives, is a missed opportunity. So if we can
2 inform the process and have those considerations taken
3 into account, I think it would be useful for everybody all
4 around and inform the decisionmaking better.

5 MR. BERBERICH: Governors, if I might.

6 Let's kind of zoom out and then we'll zoom in on
7 the process for a second.

8 We couldn't agree more to everything you are
9 talking about, and indeed our job is to identify needs and
10 the Southern California Edison went and did an RFO on
11 this, and much of what they got were not preferred
12 resources, there were not enough preferred resources bid
13 into that to fill the need.

14 Now, we do this on all of the areas inside our
15 footprint, and in this case and in all cases, we identify
16 need. We full well know that many of these -- needs can
17 be filled in many different ways, and Mr. Caldwell talked
18 about different ways that could be filled in here.

19 We don't take exception to that. There could
20 very well be. So that's the broader issue.

21 Now, zooming in, though, the hesitancy we have is
22 not that we won't do the study. Of course we would do a
23 study associated with this. The question is one of
24 process, and it's a process that we work very closely and
25 collaboratively with the Public Utilities Commission and

1 California Energy Commission. And for us to unilaterally
2 do this in this case or any other cases, I think would be
3 -- would undermine this collaboration and the process that
4 we have, and all we're trying to say here, in response to
5 everything you are suggesting, is that let us collaborate
6 with the CEC. We're happy to have them ask us. And we
7 will reach out to them to see if they would like to ask us
8 this. We're usually pretty effective about this.

9 But I've got to tell you, just jumping out and
10 unilaterally doing this, I think would be provocative.

11 GOVERNOR GALITEVA: And that's not what we're
12 suggesting. This is clearly a collaborative process, we
13 want it to be within the collaborative process, and well
14 informed.

15 GOVERNOR OLSEN: But wouldn't a study like is
16 being suggested, be something that we would do in the
17 normal course of our present transmission planning
18 process, so 2017-2018 transmission planning process,
19 looking at preferred resource sources.

20 MR. BERBERICH: Yeah. Governor Olsen, we're in
21 the business of need, of identifying need, and we did this
22 study back when we identified the need in this area. As
23 Mr. Caldwell properly pointed out, it's an N-1-1
24 situation, and then we give the need to the PUC and -- in
25 this case Edison -- and their job is to go do an RFO and

1 see what they can get out of this. That process happened.

2 Now, whether it was a right decision or not, I
3 suppose is one that you could argue at the PUC about the
4 single shaft and the right technology and all those
5 things. We don't get into that business.

6 Then it's now gone to the CEC. The PUC asked the
7 CEC to look at that -- again, as people properly pointed
8 out -- as the lead CEQA agency on this.

9 We stand ready to collaborate with them on this.

10 We know full well, our engineers have looked at
11 this, that there could be other options associated with
12 it; whether it be demand response and storage.

13 But I also have to tell you that the size of the
14 storage is something to be discussed, that would have to
15 be there. The fact of the matter is, we have a demand
16 response process in California that is not as robust as it
17 could be. We've had discussions in this venue about the
18 speed of the demand response and using demand response to
19 be being able to fill in for when we have these
20 contingencies.

21 We're still working with the CEC to get fast
22 response. A battery with a fast response makes good
23 sense, but right now we have a battery and not so fast
24 response, and how big does that battery have to be to be
25 able to do that? We can evaluate all those options.

1 All we're suggesting -- and we defer obviously to
2 the Board's prerogative on this -- but that we stay with
3 the process. And we will -- I commit to you that I will
4 speak with the chair of the CEC and tell them that we're
5 prepared to this, and even suggest that they ask us to do
6 this.

7 GOVERNOR OLSEN: When you do so, it's very
8 important to point out to Chairman Weisenmiller that if
9 the Energy Commission were to approve this project without
10 having had any consideration of noncombustion ways to meet
11 this need, then that is not going to stand the Energy
12 Commission in very good stead. And from a reliability
13 planning point of view, ditto.

14 So I think that there's -- I hope that he will be
15 responsive to having the ISO -- through the ISO do a
16 study, which we can do as part of our transmission
17 planning process, on a timeline that would provide the
18 Energy Commission the information it needs, by the time it
19 makes a decision later this fall on the Puente project.

20 MR. BERBERICH: Governor Olsen, just from a
21 process perspective, the next set transmission plan
22 wouldn't be done until the end of the year. We would have
23 to go do a special project -- a special study for this.

24 MR. CASEY: And again --

25 MR. BERBERICH: We're not against doing the

1 study.

2 MR. CASEY: All of that is doable. It really is,
3 Steve, underscored. We're not pushing back on the notion
4 of the study, we're trying to be respectful of the process
5 we have with our partner agencies and that's really what
6 the ask here is; let us work it through that process, as
7 opposed to going off on our own, because if we do this
8 request, there could be, you know -- I don't know -- the
9 Sierra Club could be here next month with another request
10 and --

11 MR. CALDWELL: They probably would be, yes.

12 MR. CASEY: Yes. And it could just create chaos
13 that would undermine ultimately moving forward on any
14 solution. We've seen that movie before.

15 ACTING CHAIR BHAGWAT: I actually think at this
16 point we are all very close to being on the same page. I
17 think that the reaching out commitment is appreciated. I
18 think that's a good first step. I think as part of that,
19 it would be good to express the mood during this
20 particular conversation, and I think that's -- I'm okay
21 with that. And thank you.

22 (End of transcription: 52:15.)

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