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Bay Area Municipal Transmission Groupâ€™s Comments on the CEC Draft 2015 Draft IEPR Scoping Order

Attached please accept the Bay Area Municipal Transmission Groupâ€™s (BAMx) Comments on the CEC's Draft 2015 Draft IEPR Scoping Order (Notice of Request for Public Comments on Draft 2015 Integrated Energy Policy Report Scoping Order, dated 1/26/2015).

Additional submitted attachment is included below.

Bay Area Municipal Transmission Group's Comments on the CEC Draft 2015 Draft IEPR Scoping Order

February 6, 2015

The Bay Area Municipal Transmission Group[1] (BAMx) appreciates the opportunity to comment on the California Energy Commission's (CEC) Draft 2015 Integrated Energy Policy Report ("2015 IEPR" hereafter) scoping order, dated January 26, 2015.

Introduction

The CEC's scope of the *2015 IEPR* deals with variety of issues involving energy efficiency, new renewable goals, and continuation of several other topics that were initiated in the *2014 IEPR*. BAMx supports the CEC's focus on many of these areas and looks forward to active participation in the proposed public workshops, which are expected to offer more details regarding the scope for each topic.

Identification of issues and potential solutions for reaching Governor Brown's goal of Renewables for 50 percent of California's electricity use by 2030

BAMx supports the State's 2050 goal of reducing greenhouse gas (GHG) emissions by 80% below the 1990 level. BAMx also supports a State policy that allows utilities the flexibility to address these emission reduction goals in a manner that controls costs to consumers and maintains reliability. Flexibility could include the use of renewable resources, energy efficiency, demand response, and energy storage. Allowing utilities to use and combine these tools in a way that best meets their local resource, load profile, infrastructure, and financial needs of their customers has delivered proven results to date. BAMx members look forward to working through Northern California Power Agency (NCPA) and California Municipal Utilities Association (CMUA) to help achieve the State's climate policies in a cost-effective and reliable manner. Controlling consumer cost is a major priority for BAMx. Efforts to reduce carbon emissions and other greenhouse gasses should be measured by their costs to the public. Significant or rapid cost increases for residents could compromise the state's important climate goals.

BAMx believes major changes are needed to the methodology used in the infrastructure planning process in regards to building additional renewable projects to move beyond the States' energy-based goals for beyond 2020 in a cost-effective manner. BAMx appreciates the CEC's efforts toward promoting renewable energy planning by streamlining transmission planning and land use permitting to increase efficiency. We support the CEC position outlined in the *2014 IEPR* that California needs to build on best practices to help ensure that efforts to advance renewable energy development are made thoughtfully and with careful stewardship of the state's natural

[1] BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities, and the City of Santa Clara's Silicon Valley Power.

[2] The CPUC RPS Calculator included a methodology that was used to generate an environmentally-preferred RPS

resources. The development of these practices will be even more important in identifying issues and potential solutions for reaching Governor Brown's goal of renewables for 50 percent of California's electricity use by 2030.

While the recent and projected unprecedented increase in transmission costs is only one of many issues driving up electric rates in California, it is seemingly growing at a rate faster than any other sector. We need to accomplish the State's renewable goals while minimizing the adverse impact on the natural environment and at minimum cost to customers. For example, billions of dollars of customer money has been spent, and are planned to be spent, in building transmission infrastructure to access not the energy, but the full capacity of renewable generation, while the state is long in this system capacity. In other words, billions of dollars are being spent to deliver a product that is already over supplied. We hope this subject will get significant attention in the *2015 IEPR*. We believe the CEC and the California Public Utility Commission (CPUC) should be responsible in determining this aspect of how to get our future capacity needs in the State. In the recent past, the Participating Transmission Owners (PTO), renewable developers, and the CAISO have, in essence decided to build transmission to obtain system capacity from renewables. This is now occurring as the CAISO declares that transmission is needed as "Policy-Driven" projects under their FERC approved Tariff.

Chapter 8 of the *2014 IEPR Update* was dedicated to "Integrating Environmental Information in Renewable Energy planning Processes." We understand that the CEC staff has worked with the CPUC to develop an environmental scoring metric that was used in the 2013 LTPP proceeding. BAMx strongly endorses this activity, but is disappointed in the relatively light use of this past work in the CPUC and CAISO planning processes. For example, the CEC has played a key role in providing environmental scoring input into the CPUC's RPS Calculator model that produces RPS portfolios used in the CAISO's annual Transmission Planning Process (TPP). However, the environmental scoring has played a very minor role in the selection of RPS portfolios used in the TPP thus far.[2]

In our comments to the CEC on the *2014 IEPR Update*, we had explained how the current infrastructural planning practices could be improved.[3] We hope that the CEC through its *2015*

[2] The CPUC RPS Calculator included a methodology that was used to generate an environmentally-preferred RPS portfolio (with 100% weight on environmental scoring). However, the environmental portfolio was not part of the CAISO 2014-15 TPP portfolios. We understand from the CPUC ED proposal that it is unlikely to be part of the CAISO 2015-16 TPP. The base 2014-15 TPP portfolios have only 20% weight for environmental scoring. The RPS calculator utilizes environmental scoring approach that was created in 2010 and utilized the same map that was used in the 2010 LTPP RETI process. (**Source:** Attachment 2: Standardized Planning Assumptions (Part 2 – Renewables) for System Resource Plans, CPUC 2010 LTPP Proceeding, R12-03-014, February 10, 2011) The CPUC Energy Division staff plans on updating the environmental scoring methodology in a separate Ruling in the near future and vet the updated methodology with stakeholders before being incorporated into the RPS Calculator. This update (version 6.1) will likely be used for the 2016-17 transmission plan. (**Source:** California Public Utilities Commission Energy Division's Staff Proposal on the RPS Calculator, CPUC RPS Proceeding, R.11-05-005, October 10, 2014.)

[3] "Bay Area Municipal Transmission Group's Comments on the CEC 2014 Draft IEPR Update." dated December 11, 2014 (http://www.energy.ca.gov/2014_energypolicy/documents/2014-11-24_workshop/comments/), pp.1-4.

IEPR and its cooperation with the CPUC and the CAISO in infrastructural planning activities will facilitate those positive changes. Our comments in the *2014 IEPR Update* also drew the CEC's attention to the CPUC's RPS Calculator update, which would serve as an important screening mechanism in deciding the need for new transmission to meet State RPS goals. This new version of the RPS calculator will be used to develop a greater than 33% RPS Portfolio, which will form the basis for a special study by the CAISO within the 2015-2016 TPP cycle. The CEC's *2015 IEPR* proceeding could draw upon many issues that the CPUC staff is currently working on in the development of a resource portfolio that considers an RPS penetration level greater than 33%.

BAMx is aware that the CPUC's RPS calculator is only a screening tool and is not expected to be used to provide all the solutions to issues related to reaching Governor Brown's 50% renewable goal by 2030. In some cases we would need to explore alternative mechanisms and processes. For instance, to the extent the RPS Calculator cannot accurately incorporate the costs and benefits of the transmission lines selected to provide deliverability, a more rigorous economic and congestion analysis is required. This analysis would determine whether the benefit of a proposed transmission project (relative to other feasible alternatives) exceeds its cost. If the benefits do not exceed the cost, then the proposed transmission project should not be approved and the more beneficial alternative should be pursued instead. Although the CAISO has the tools to conduct this analysis including using its security constrained production cost models to determine the impact of congestion, it has not performed this type of analysis in the past. BAMx believes this economic assessment for system capacity, including the option of obtaining it from renewable resources needs to occur, and the CEC has the capability to help ensure that analysis is completed on a timely basis.

Continuation of the Analysis of Southern California Electricity Reliability Due to Loss of SONGS and OTC Retirements

The *2015 IEPR* scoping order includes the continuation of the analysis of Southern California electricity reliability due to loss of San Onofre Nuclear Generation Station (SONGS) and retirements of once-through cooling (OTC) power plants. The analysis will continue to examine California's need for new electricity infrastructure (transmission and conventional power plants), preferred resources, and electricity contingency planning. BAMx supports the inclusion of this topic in the *2015 IEPR*.

The CEC and other state agencies are to be commended for coordinating in an unprecedented manner on the issue of providing for a reliable electric grid in light of the pressures of the San Onofre shutdown in addition to the probable shutdown of some existing South Coastal OTC plants. Meetings like the one held on August 20, 2014 as part of the *2014 IEPR* are extremely important. It is critical that the state agencies make transparent their knowledge of progress towards meeting the Local Capacity Requirements (LCR) needs of the South Coast. Therefore, we are encouraged to hear about the CEC's development of the *Accounting tool* to keep track of developments in and for the South Coast. We assume the CEC will maintain its past practices of

keeping the public informed on the development of the tool and the details of analysis based upon the tool.

The South Coast reliability issue is a prime example of how there are a multitude of options to supply the reliability needs of a major metropolitan area. It is an area where the CPUC has taken steps forward to incent meeting those reliability needs through the development of preferred resources based upon the State's loading order. The transmission and new conventional generation solutions that are not preferred require longer lead times than the preferred resources. The CEC's tracking of the development process with their *Accounting tool* in combination with their understanding of the timing for OTC compliance obligations, place them in a key position to make sure we can meet the reliability needs through timely additions of preferred resources or look to delays of compliance obligations if more time is needed. The CEC can also play an important role in making sure we meet the reliability needs at least cost to ratepayers. There has been little stakeholder discussion of finding ways to meet the reliability needs at least cost.

The current structure of the State's electricity industry makes economic studies comparing alternative methods of meeting the reliability needs of the grid more difficult to perform than in the past when the utilities were more vertically integrated. Even with the increased difficulty of performing this analysis, such efforts should not be abandoned. Satisfying the South Coast reliability issue may provide the best example to illustrate the capability and limitations of using standard industry tools to approximate the cost of meeting the reliability needs for the area. It is a very common planning practice to study the cost of providing needed resources close to load versus doing so remotely and building transmission. Unfortunately it is more challenging to do so in the current power procurement and contracting structure that keeps prices confidential, though using the CEC developed capital and operating costs for new power plants allow for a reasonable proxy. Utilizing its cost information for local preferred and conventional electric supply and the utility estimates for transmission expansion, the CEC has the expertise to develop the comparative economics of meeting the reliability needs of the South Coast basin associated with the various solution options.[4]

There appears to be a general consensus that the infrastructure approved so far by the CAISO and the CPUC should be sufficient, with margin to spare, to meet the reliability needs if the infrastructure and programs all come to fruition and provide the expected reliability benefits. It also seems to be generally recognized there is considerable uncertainty around the likelihood of timely completion of this infrastructure and preferred resources.

We also need to recognize that the event that drives the LCR need for the South Coast is extremely unlikely. As illustrated in the Track IV of the 2012 LTPP procurement proceeding, it is a cost effective strategy to shed load for such events in a controlled fashion while long-term

[4] CEC has developed several tools to perform such comprehensive analysis. For example, see (i) Cost of Generation Model referred in the "Estimated Cost Of New Renewable And Fossil Generation In California," dated May 2014 CEC-200-2014-003-SD, and (ii) "Integrated Transmission And Distribution Model For Assessment Of Distributed Wholesale Photovoltaic," dated APRIL 2013 CEC-200-2013-003.

plans are being implemented.[5] As the timing for eliminating the dependence on the current load shedding scheme is completely within the control of the Agencies, we recommend the State recognize this existing capability as an interim strategy to protect against a delay in proposed additions for the South Coast as part of the *2015 IEPR* efforts.

Discussion of Deliverability as Part of the Strategic Transmission Investment Plan

BAMx is encouraged that the CEC proposes to discuss deliverability of renewable and other generation as part of the Strategic Investment Plan[6] in the *2015 IEPR*. In our comments to the CEC on the *2014 IEPR Update*[7], we have outlined a number of issues involving stringent CAISO "deliverability" requirements that have driven billion of dollars of transmission infrastructure expenditure[8] primarily to access the full capacity of renewable generation. We have asked for an economic assessment to be made in our comments above. Hopefully, the concept of "Strategic Transmission Investment, including a **discussion of deliverability** and western regional planning activities" mentioned in the scoping order indicates the intention to provide a forum to debate whether more transmission should be built with its inherent environmental and economic adverse impacts or whether there are better ways to meet our system resource needs.

Concluding Remarks

BAMx appreciates the opportunity to comment on the proper scope for the *2015 IEPR*. We recognize that any meaningful resolution to the proposed *2015 IEPR* topics would require the support of multiple state agencies. We support the cooperation of those agencies and are encouraged to see that it is happening. This provides for a more efficient and effective planning process. The CEC has historically been careful to provide maximum opportunity for Stakeholder participation in policy decisions affecting the State's resources. We encourage it to make sure that the good cooperation that is occurring among State agencies does not interfere with broader Stakeholder involvement.

Thank you for the opportunity to comment and we look forward to continued public stakeholder participation.

If you have any questions concerning these comments, please contact Barry Flynn (888-634-7516 and brflynn@flynnrci.com) or Dr. Pushkar Waglé (888-634-3339 and pushkarwagle@flynnrci.com

[5] Moreover, it can be effectively argued that such controlled load shedding should be compared economically against the construction of new transmission as a long-term means to cost-effectively mange the reliability needs of the South Coast, especially if an event is extremely unlikely. Though allowed by NERC, unfortunately the CAISO has taken a positon against its long term use in this application without any consideration for economics.
[6] As required by Senate Bill 1565 [Bowen, Chapter 692, Statutes of 2004].
[7] "Bay Area Municipal Transmission Group's Comments on the CEC 2014 Draft IEPR Update." dated December 11, 2014 (http://www.energy.ca.gov/2014_energypolicy/documents/2014-11-24_workshop/comments/). pp.2-4.
[8] Since 2007 an estimated $8 billion in large-scale deliverability-driven transmission projects have been approved, permitted and/or are under construction