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BAMx Comments on 2015 Draft Integrated Energy Policy Report

Attached please find the Bay Area Municipal Transmission Group's (BAMx) comments on the California Energy Commission's 2015 Draft Integrated Energy Policy Report.

Additional submitted attachment is included below.

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

November 10, 2015

The Bay Area Municipal Transmission Group¹ (BAMx) appreciates the opportunity to comment on the California Energy Commission's (CEC) 2015 Draft Integrated Energy Policy Report ("Draft IEPR" hereafter), dated October 12, 2015.

Strategic Transmission Investment Planning Policy Recommendations

Below BAMx provides comments on the following three (3) policy recommendations included in the Chapter 3 (Strategic Transmission Investment Planning) of the *Draft IEPR*.

- **Encourage county planning efforts and use best practices in RETI 2.0.** The Energy Commission should assist and encourage county planning efforts that support state climate, renewable energy, conservation and climate adaptation policy goals. The Energy Commission should work closely with stakeholders to ensure the RETI 2.0 planning process is open, transparent, and science-based and provides for robust stakeholder dialogue and engagement.
- **To support the 50 percent RPS by 2030 goal and the development of a regional electricity market in the West, encourage the transformation of the California ISO into a regional organization.** To promote the development of regional electricity transmission markets in the Western states and to improve the access of consumers served by the California ISO to those markets, the state should encourage PacifiCorp and other entities to join the California ISO as a participating transmission owner, allowing for further coordination of high-voltage transmission grids in the West.
- **Develop right-sizing policies.** The Energy Commission recommends that the state develop a set of right-sizing policies through the 2016 Integrated Energy Policy Report Update process and informed by RETI 2.0. These policies, at a minimum, should include a comprehensive definition of right-sizing, as well as describe the process through which the costs and benefits would be analyzed.

BAMx also emphasizes the role Preferred Resources based upon the CPUC's 2012 LTPP Track 1 and 4 and upcoming LTPP authorizations may play in mitigating reliability risks not only in the Los Angeles Basin and San Diego areas, but also elsewhere in the CAISO grid.

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

RETI 2.0 Should Carefully Complement the Efforts Already Underway

The State agencies are to be commended for continuing to coordinate in an unprecedented manner on the issue of providing for a reliable electric grid that can help to achieve the State's GHG emissions reduction goals in a cost effective manner. It is important that the State agencies make transparent their knowledge of progress towards meeting the State's goals. Therefore, we are encouraged to hear about the CEC's development of the several work products and tools, such as the Renewable Energy Generation Scenario Tool². The CEC's work is important to ensure that all of the State's environmental goals are taken into account. We need to make sure that the new renewable generation projects and the potential accompanying transmission do not unnecessarily harm the environment. To our knowledge, the tools developed by the CEC thus far only incorporate the environmental impact of the renewable resources and not the potential adverse environmental impact of transmission upgrades triggered by those generating resources. We believe that it is very important to capture the environmental impact of transmission projects and urge the CEC to incorporate it as part of its environmental analysis for the support of statewide renewable energy planning.

BAMx believes major changes are needed to the infrastructure planning process methodology used for building additional renewable projects that move beyond the States' energy-based 2020 goals in a cost-effective manner. BAMx appreciates the CEC's efforts to streamline transmission planning and land use permitting to increase efficiency in renewable energy development. We support the CEC position outlined in the *Draft 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 resources. The development of these practices will be even more important in identifying issues and potential solutions for reaching the SB 350 goal of renewables for 50 percent of California's electricity use by 2030.

While the unprecedented projected increase in transmission costs is one of many issues driving up electric rates in California, it is growing at a rate faster than any other sector. We need to accomplish the State's renewable goals while minimizing the adverse impact to the natural environment and at minimum cost to customers. For example, billions of dollars of customer money has been spent, and is planned to be spent, in building transmission infrastructure to access not only the energy, but the full capacity of renewable generation, while the state is long in system capacity. In other words, billions of dollars are being spent to deliver a product that is already over supplied. The 2013 IEPR noted that the power purchase agreements signed by renewable generators typically require full deliverability during peak conditions, which can require costly transmission upgrades that may not be operational until several years after the generator is on-line. To that end, the CEC made the following recommendation: "The cost-

² The CEC staff presentation on "An Approach to Environmental Analysis for the Support of Statewide Renewable Energy Planning" at the Joint Agency Workshop Renewable Energy Transmission Initiative 2.0, on September 10, 2015.

effectiveness, prudence, and alternatives for requiring full deliverability for future renewable generation that is procured to meet RPS requirements should be evaluated by California's energy agencies in the overall context of long-term planning for meeting RPS and GHG emission reduction goals."³ We hope this subject will get significant attention in the final version of the *2015 IEPR*.

BAMx strongly supports the CPUC Energy Division's revised version of the RPS Calculator model, which, for the first time, performs an assessment to determine whether the transmission needed to satisfy the strict deliverability criteria for those generators seeking capacity credit is economically justified. The past assumption that transmission is needed for deliverability if capacity credit is desired by generation developers has historically driven excessive and unnecessary large-scale transmission projects. The CAISO and several other stakeholders recognize that the concern is the deliverability assignment for resources that allows buyers of a renewable project's output to count the generator's capacity toward their Resource Adequacy (RA) requirements. Full Capacity Deliverability Service (FCDS) is a value-added element for generators so that their capacity may potentially be sold to and count towards a Load Serving Entity's (LSE's) RA requirements. With the new versions of the RPS Calculator, the costs and benefits of building expensive transmission to acquire the RA credit from Variable Energy Resources (VER) can be studied. Though most of the renewable power projects in the past have requested FCDS transmission service, this does not mean that such a service is in California's or the ratepayers' best interest.

As acknowledged in the *Draft IEPR*, in conjunction with the CPUC Energy Division's latest efforts in refining the RPS calculator, the CAISO is in the process of performing a special study of the transmission system using a security constrained production cost simulations model in the current (2015-16) transmission planning cycle. The results of this study will inform Track 1 of the RPS Calculator overhaul process in the CPUC's RPS Proceeding.⁴ BAMx believes that RETI 2.0 should recognize this progress and seek to carefully complement the above-mentioned efforts currently underway.

It is necessary to study the transmission infrastructure that will be needed to achieve a 50 percent renewables target. The CPUC Energy Division, in coordination with the CEC and CAISO, has developed very sophisticated tools that were not available when RETI was originally formed. It is very important that this joint agency effort fully recognizes and builds off of these tools. BAMx is in agreement with several stakeholders who filed comments in response to the September 10, 2015, RETI 2.0 workshop⁵ in regards to the need for optimizing the use of existing transmission and the critical role that the existing tools, such as the RPS Calculator, and current CPUC and the CAISO processes that can provide in that regard.

³ Draft 2015 IEPR, p.116.

⁴ CPUC RPS Proceeding (R.15-02-020), "RPS Calculator Land Use and Portfolio Selection Staff Paper," dated August 25, 2015, p. 11.

⁵ See <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?doctnumber=15-RETI-02>

Need for a Comprehensive Evaluation to Evaluate the Benefit and Cost to the CAISO Customers of Increasing the CAISO Footprint

BAMx agrees with the *Draft IEPR* that coordination of high-voltage transmission grids in the West would be an important element to support the 50 percent RPS by 2030 goal. BAMx supports increased regional coordination. However, we believe that the California stakeholders need to appropriately identify and allocate the benefits and costs of increased regional coordination before jumping to conclusions regarding the merits of PacifiCorp and other entities joining the CAISO as participating transmission owners. The CAISO has introduced several stakeholder initiatives over the next year or so such as: Regional Transmission Access Charge Structure, Resource Adequacy Rules, Regional Integration - CA GHG Compliance, and Full Network Model Enhancements. These multiple stakeholder initiatives need to be completed to fully evaluate the potential impact in terms of benefit and cost of expanding the CAISO footprint.

Development of Clear Right-Sizing Policies

BAMx supports the CEC recommendation to develop a comprehensive definition of right-sizing, as well as to describe the process through which the costs and benefits would be analyzed. We do not, however, believe that every line should be increased in capability in response to “right-sizing” if there is nothing in the reasonable foreseeable future that would justify the need for more capability. In the recent CAISO transmission planning cycle, we have seen a project being proposed by characterizing it as a fleeting opportunity to right-size the project to facilitate a 50 percent renewable energy goal.⁶ BAMx is not aware of any specific need for such capability.

Additionally, with the ongoing and projected rapid changes in both the demand for electric generation and the supply patterns increasing toward distributed generation and away from central plant facilities located far from load, making decisions based on long-term forecasts and historical requirements is a very risky venture. The possibility that such “right-sized” facilities will not be required in 10 to 20 years is ever increasing. Thus, careful analysis must be made of the factors being used to justify such over construction. The good news is that as indicated before, the CPUC has developed the RPS calculator that allows such questions to be analyzed. This is a dramatic difference from what the participants in RETI 1.0 were able to accomplish.

⁶ In 2014, Duke-America Transmission Company, Path 15, LLC (DATCP) submitted the San Luis Transmission Project in the California ISO’s 2014 request window.

BAMx Supports Efforts to Date to Promote Preferred Resources

We endorse the following CPUC Energy Division's (ED) comment in the CAISO 2015-16 Transmission Planning Process.⁷

“While there has been emphasis on the ability of preferred resources and storage to mitigate reliability risks in the Los Angeles Basin and San Diego areas, the desired characteristics for such resources to mitigate reliability risks in other parts of the CAISO-operated grid should also be examined, particularly where there is potential to avoid significant transmission investments.”

We also agree with the CPUC Energy Division (ED) that the CAISO's 2015-16 Transmission Plan should fully account for the minimum amounts of preferred resources authorized in the CPUC's 2012 LTPP Track 1 and 4 decisions.⁸ BAMx is encouraged to see both Southern California Edison's (SCE) and San Diego Gas and Electric's (SDG&E) procurement of Preferred Resources and Energy Storage so far. BAMx observes that there are considerably higher amounts of procurements, 100MW and 300MW for SCE and SDG&E, respectively, which still must be achieved as part of the 2012 LTPP Track 1 and Track 4 authorizations.⁹ SCE and SDG&E need to be diligent about efforts to procure additional Preferred Resources to meet the residual deficit projected for 2024. There are several sectors that encompass the Preferred Resources, including: Energy Efficiency, Demand Response, Renewable Distributed Generation and Energy Storage. In the event one sector is projected to underperform¹⁰, we encourage the utilities and policymakers to utilize other sectors to fill in the gaps. The multi-source procurement mechanism should help achieve this goal. Furthermore, it is very important to note that given the relatively short implementation time for preferred resources, any future deficit can

⁷ Comments of the Staff of the California Public Utilities Commission on the 2015-2016 Transmission Planning Process Preliminary Reliability Assessment Results Following the September 21-22 Stakeholder Meeting, October 7, 2015, pp.1-2.

⁸ CPUC Staff noted that the 2015-2016 TPP Final Study Plan assumed MW amounts of preferred resources plus storage in the Los Angeles Basin and San Diego areas that were lower than the minimum amounts authorized in the CPUC's Track 1 and 4 decisions, whereas there was considerable time for further procurement especially by the 10-year planning horizon.

⁹ A presentation (slide #7 and #9) by Michele Kito, CPUC's Energy Division in the CEC's Workshop on Renewable Progress, Challenges, and Opportunities, August 17, 2015.

¹⁰ For example, there was a concern expressed during the CEC Workshop that energy efficiency is not providing the initially assumed reductions in peak demand.

be made up by increasing the preferred resource authorizations in 2016 LTPP and upcoming LTPPs. This method, which seems to address any deficiency in a manner most consistent with the State's loading order, appears to be ignored in the contingency mitigation analysis thus far.

Concluding Remarks

BAMx appreciates the opportunity to comment on the proper scope for the *2015 Draft IEPR*. We recognize that any meaningful resolution to the proposed *2015 IEPR* topics will require the support of multiple state agencies. We support the cooperation of those agencies and are encouraged to see that it is happening. 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)