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Duke American Transmission Company Comments on November Workshop

Additional submitted attachment is included below.

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California Energy Commission
Dockets Office, MS-4
Re: Docket No.15-RETI-02
1516 Ninth Street
Sacramento, CA 95814-5512
Via e-Comment

Re: Duke American Transmission Company's Comments on the Joint Agency Workshop on the Proposed Organization Structure and Work Plan for the Renewable Energy Transmission Initiative 2.0

Dear Commissioners,

Duke American Transmission Company ("DATC") appreciates the opportunity to provide these comments on the November 2nd Joint Agency Workshop on the Proposed Organization Structure and Work Plan for the Renewable Energy Transmission Initiative 2.0 ("RETI 2.0").

DATC and its parent entities, including Duke Energy and American Transmission Company, have considerable experience developing, owning and operating major transmission facilities across the country. In California, DATC is a California Independent System Operator ("ISO") Participating Transmission Owner ("PTO") as it owns the majority of the transmission service rights for the critical Path 15 Upgrade Project portion of the ISO controlled transmission grid. DATC is also working with the Western Area Power Administration to develop the San Luis Transmission Project, a 62-mile transmission project that will serve federal water pumping needs and, if "right-sized", will make transmission available for renewable development in the San Joaquin Valley. Regionally, DATC is developing the Zephyr Power Transmission Project, which will meet regional needs including bringing highly reliable and low-cost wind power from Wyoming to California.

DATC supports California's climate and renewable goals, and the proposed or right-sized transmission projects advanced by DATC will assist the State's long-term pursuit of these goals. RETI 2.0 is a valuable planning effort because in order to characterize the energy and infrastructure needed to reach California's 2030 carbon reduction and renewable energy goals, RETI 2.0 will take a longer-term approach than has been the case in the ISO transmission planning process in its evaluation of the broader and longer-term transmission requirements of

California's new goals. Thus, DATC supports the RETI 2.0 goal of looking to the year 2030 and beyond. Indeed, DATC encourages the RETI 2.0 agencies to keep in mind that the 2030 decarbonization goals are still only interim. Executive Order B-30-15 sets an *intermediate* target to reduce greenhouse gas ("GHG") emissions by 40 percent below 1990 levels by 2030, with the ultimate goal being a GHG reduction of 80 percent below 1990 levels by 2050. As such, a 40% GHG reduction, and the energy sector's contribution to this goal, is only the first chapter in California's effort to combat climate change.

DATC agrees with Mr. Carl Zichella's comments during the November 2nd workshop that in considering transmission needs the Joint Agencies should not only consider least-regrets, but also how to obtain the most benefits from transmission investments. The 2015 Draft IEPR accurately describes the least-regrets approach as balancing "the two objectives of minimizing the risk of constructing under-utilized transmission capacity while ensuring that transmission needed to meet policy goals is built in a timely manner."[1] Plainly, such a balance is in the public interest. But the Joint Agencies should keep in mind that these objectives do not pose equivalent risks. Given the many years required to plan and permit significant transmission in California, the risk of planning/permitting transmission that may be under-utilized is both easily remedied and relatively manageable. Prior to construction, the planned transmission can be deferred or even cancelled altogether. Even after construction, an under-utilized transmission facility imposes costs on ratepayers that are a tiny fraction of the typical customer's bill.[2] In sharp contrast, failure to plan and permit transmission that future events reveal is needed has no timely or inexpensive remedy. Moreover, lack of needed transmission can significantly drive up generation costs (which are the major portion of the typical bill), impose significant environmental harm, and put at risk meeting the state's air quality and climate change goals. Indeed, the ISO has opined that lack of transmission contributed significantly to the California energy crisis.[3] Thus, in the balancing of objectives to achieve "least regrets", the Joint Agencies should carefully consider the significant difference in the risks inherent in the two objectives outlined above.

Diversity of renewable resources and of the geography of those resources are necessary factors in reaching the State's 50% RPS and climate goals. As discussed during the workshop,

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[1] 2015 Draft Integrated Energy Policy Report, hereinafter "Draft," at 99, n.142.

[2] The entire transmission component of the typical bill, including all facilities not just underutilized ones, is less than 10% of the overall bill.

[3] "*[T]ransmission upgrades are particularly valuable during extreme conditions and major values of transmission upgrade are insurance against extreme events. For example, the California energy crisis might have been avoided had there been a significant transmission capacity between the Eastern interconnection and the Western interconnection. If all of the inexpensive Eastern power could have gotten to the West during that time period, prices would not have risen and the state of California would not have had to assign forward contracts at prices that reflected substantial market power. In addition, it would have perhaps avoided the recent blackout in the eastern U.S. that led to significant economic loss to that area of the country.*" Transmission Economic Assessment Methodology; CAISO; June 2004; at p. 5-2, available at: https://www.caiso.com/Documents/TransmissionEconomicAssessmentMethodology.pdf.

this will take a West-wide effort. The Draft 2015 IEPR also provides that "[g]eographic diversity in the renewables portfolio can help achieve the 50 percent renewable goal by 2030. Strategic transmission investments are needed to link our extensive renewable resources to load centers throughout the grid."[4] Additionally, "[p]lanned generation associated with several multistate transmission projects could provide seasonal and geographical diversity that could complement California's renewable generation."[5] DATC encourages the Joint Agencies to maintain and support both an in-state and regional focus in RETI 2.0, consistent with the likely outcome of the 2015 IEPR.

Lastly, energy storage will play a key role in achieving the State's renewable and climate goals. As such, the Joint Agencies should explicitly include energy storage in the combination of resources that will be deployed in California and throughout the West to best meet the State's goals. Specifically, RETI 2.0 should consider whether the potential for storage should be one of the criteria for approving transmission lines or establishing corridors. Additionally, among the potential future scenarios, RETI 2.0 should consider a reasonable range of storage estimates and how those could affect transmission needs.

DATC appreciates the Joint Agencies' consideration of these comments and looks forward to the next steps of this process.

Sincerely,

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[4] Draft IEPR at 3.
[5] Draft IEPR at 107; see also the Draft's summary of a regional grid at 81-82.