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Comments of the California Consumers Alliance regarding Joint Agency Workshop on the Proposed Organization Structure and Workplan for RETI 2.0

Additional submitted attachment is included below.

Before the California Energy Commission

In the matter of:

Renewable Energy transmission Initiative 2.0-Docket No. 15-RETI-02

RE: Workshop November 2, 2015

Comments of the California Consumers Alliance regarding Joint Agency Workshop on the Proposed Organization Structure and Work Plan for RETI 2.0

Submitted by,

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The California Consumers Alliance (CCA) appreciates the opportunity to submit the following comments in the hope of adding another perspective to the RETI 2.0 discussions regarding the transmission needed to achieve California's renewable development and GHG reduction goals.

Incentivizing developers to develop new generation in environmentally preferred areas is beneficial and should be pursued. Building transmission facilities far in advance of a renewable generation developers' commitment to develop new resources, however, unjustifiably places consumers at risk. Developers can be incentivized to locate new resources in environmentally preferred areas by streamlining both environmental and transmission permitting and approval processes. Efforts can also be made to find ways to shorten the transmission permitting and approval process for transmissions upgrades that are necessary to bring the timing of the transmission and renewable development more in sink. But we should not put the consumers at risk by allowing transmission upgrades to be developed prior to obtaining commitments for new renewable generation.

While in some of the other ISO's, such as the Pennsylvania-New Jersey-Maryland Interconnection ("PJM"), the generators pay for the transmission upgrades necessary to accommodate renewable generation in new locations, in the California ISO consumers are mainly responsible to pay directly for the cost of transmission upgrades. Arguably, in either case, consumers end up paying for the cost of transmission upgrades. In the PJM model, consumers pay indirectly through the higher purchase costs renewable energy; since the developers of renewable energy have to internalize the cost of transmission upgrades in their Purchase Power Agreement (PPA) prices. In the case of the California ISO model, consumers pay directly for the cost of transmission upgrades that the CAISO determines are needed to support a specific Renewable Portfolio Standard (RPS) portfolio provided to the CAISO by the CPUC (currently at the 33% RPS level). Prior to the CAISO's implementation of the Generation Interconnection Deliverability Allocation Procedure (GIDAP), generation developers were supposed to finance the cost of transmission upgrades and then get reimbursed after the resource went into operation. With the implementation of GIDAP, this has been changed. Now the consumers effectively finance the cost of transmission upgrades that support the specific RPS portfolio developed by the CPUC for use in the CAISO's annual Transmission Planning Process (TPP).

In either case, consumers likely pay for the cost of new transmission. In the PJM model, the transmission price signal directly confronts developers; they have to account for the cost of transmission upgrades when selecting where to locate their resources relative to the existing transmission system and consider the difficulty of permitting and building the necessary transmission upgrades when selecting where to locate. In the California ISO, the price signal related to transmission costs, for all practical purposes, is gone. Generation developers whose projects fit within the CPUC's RPS portfolio have limited, if any, financing responsibility for transmission upgrades (i.e., only Reliability Network Upgrades – a relatively small cost) and no cost responsibilities whatsoever for transmission upgrades to support the deliverability of renewable resources.

Some level of transmission cost is incorporated in the RPS Calculator model's algorithm that selects renewable resources to fill the RPS portfolio. But the transmission cost assumptions input into the

RPS Calculator model are highly generic and account for location mainly by assuming distances of renewable resource options from the existing transmission system. The analysis is crude and in most cases inaccurate due to lack of the robust analysis necessary to fully evaluate the cost and value of new transmission.

Notwithstanding the above price signal deficiency, some stakeholders are pressing for going further and proposing to build major transmission in corridors that would connect to areas environmentally preferred for renewable resource development. These areas are intended to encourage/attract generation developers. Such an approach resembles the "if you build it they will come" theory. This theory, however, suffers not only from the existing process' deficiency (lack of price signal described above), but goes one step further and places the risk of tepid renewable generation development on customers. If transmission is built at the consumers' expense ahead of the renewable development, and the renewable developers don't come as the RPS Calculator model projects, consumers would be at risk to the tune of hundreds of millions to several billions of dollars in under-utilized assets.

CCA will be glad to work with the stakeholder groups to explore ways to promote development of renewable resources, particularly in environmentally preferred areas through properly constructed incentives. However placing all of the risk of transmission development to provide incentive for one type of renewable (i.e., centralized remotely located) resource development on consumers cannot be justified and is not good public policy.

Respectfully submitted,

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