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Southwestern Power Group Comments on July 22 SB100 Joint Agency Workshop

Additional submitted attachment is included below.

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RE: Comments on July 22 Joint Agency Workshop Next Steps to Plan for SB 100 Resource Build: Transmission

To the California Energy Commission (CEC), California Public Utilities Commission (CPUC), and California Independent System Operator (CAISO)

Southwestern Power Group II, LLC ("SWPG") is an independent developer of utility-scale generation and transmission projects in the southwestern US and is developing the SunZia Transmission Project to deliver ~3 GW of high-quality New Mexico wind energy to California and neighboring southwestern states in 2025. We appreciate the opportunity to have provided a SunZia project update at the July 22 workshop and also speak generally on the challenges of developing out-of-state (OOS) transmission projects to deliver high-quality renewable energy to the California market. SWPG appreciates the tremendous amount of work the agencies are putting forth towards this important effort, and in particular the inclusion of 10 different OOS transmission projects in the July 22 workshop to help educate the public on the valuable benefits these projects provide. We offer the following insights to reinforce certain points that were made at the workshop.

SunZia Project Costs will be Borne by the Customers through a "Subscription" Model

As was briefly discussed at the workshop, the SunZia transmission costs will be funded by SunZia's anchor tenant wind developer Pattern Energy who will in turn collect revenues from the customers purchasing the wind energy delivered by SunZia through power purchase agreements (PPAs) or other contractual arrangements. As illustrated on slide 4 of our presentation this type of "subscription" model has been successfully utilized by Pattern for its previous New Mexico wind projects, most notably the 1,050 MW Western Spirit wind and transmission projects currently in construction for December 2021 delivery start[1]. Through this model the costs of new build transmission are borne by the specific customers reaping the benefits of the wind energy deliveries, most of whom being California load-serving entities (LSEs) conducting competitive solicitations, as opposed to being carried by the entire CAISO ratebase. We are hopeful that this subscription model will streamline acceptance of the project since it need not be studied for transmission access charge (TAC) recovery.

[1] Refer to https://efiling.energy.ca.gov/GetDocument.aspx?tn=238999&DocumentContentId=72428 at p. 77.

Lack of Inclusion of OOS Transmission Projects in CAISO's Transmission Planning Process (TPP) Hinders Delivery to the CAISO Grid

SWPG finds it critical that the CAISO begin to study and approve transmission upgrades to support the import of renewables that are beneficial to California's goals. As we explained in our presentation, projects such as SunZia and others are currently not being studied in the TPP since it is based on the CPUC's RESOLVE modeling output which we find does not align well with commercial interest. For example the aforementioned Western Spirit Transmission project was never studied in the TPP and as a result the CAISO has not been preparing to receive the ~700MW of new wind on track to commence delivery to CAISO in December 2021. The TPP portfolios do contain "Baseline Resources" or resources which have PPAs with CAISO-based LSEs. However for the longer-lead OOS transmission projects, the PPAs are often not signed until the transmission project is in construction. Hence waiting until the renewable import projects are fully contracted to study the deliverability impacts is too late to plan and execute any needed CAISO internal transmission upgrades.

As a consequence of the lack of inclusion of these projects in the TPP, the CAISO is not studying the need to increase the Maximum Import Capability (MIC) at the corresponding interties to allow the LSE customers to receive RA credit. When these resources are not included in the TPP portfolios CAISO's MIC allocation procedure relies entirely on historical import flows and therefore MIC would not be increased to accommodate a new resource until 1-2 years after the energy flows from the new resource are observed. This MIC timing mismatch is a barrier to procurement of new import resources for LSEs who need to receive capacity credit for such resources, and this barrier hinders achievement of California's carbon and reliability goals. The CPUC and CAISO need to work together with stakeholders to modify the TPP portfolios to include OOS transmission projects that will provide valuable diversification benefits.

Conclusion

In closing, SWPG thanks the CEC, CPUC, and the CAISO for the opportunity to present on the SunZia project and provide input on these import efforts. SWPG is also available to provide the agencies with additional information pursuant to these comments as needed.

Sincerely,

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