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**Comments on the Joint Agency Staff Workshop on Resource
Portfolio Assumptions for the Next CAISO 20-Year Transmission
Outlook**

Additional submitted attachment is included below.



The Public Advocates Office’s Comments on the Joint Agency Staff Workshop on Resource Portfolio Assumptions for the Next CAISO 20-Year Transmission Outlook

The Public Advocates Office (Cal Advocates) is an independent consumer advocate with a mandate to obtain the lowest possible rates for utility services, consistent with reliable and safe service levels and the state’s environmental goals. Cal Advocates appreciates the opportunity to comment on the June 23, 2023 Joint Agency Staff Workshop on Resource Portfolio Assumptions for the Next CAISO 20-Year Transmission Outlook (June 23rd Workshop), in which Joint Agency staff presented a proposed resource portfolio that will underpin the California Independent System Operator’s (CAISO’s) next 20-Year Transmission Outlook (Outlook).

Even though the Outlook is primarily informational, stakeholders rely on it to inform their operational decisions. Moreover, the Outlook consistently influences California’s transmission and procurement policy landscape. As such, Cal Advocates recommends that the CAISO utilize the California Public Utilities Commission’s (CPUC’s) Integrated Resource Planning (IRP) process to create the portfolios used by the Outlook. The IRP process can, if needed, include a 20-year sensitivity, and using IRP-developed portfolios will ensure that 1) transmission planning assumptions are harmonized between the IRP process, the CAISO’s Transmission Planning Process (TPP), and the Outlook to minimize stranding risks and 2) the portfolios that underpin the Outlook are tested for reliability.

The projections used in IRP Portfolios could soon be extended to 15 years for the explicit purpose of improving transmission planning, better aligning those portfolios with the both the timeframe and goals of the Outlook.

Senate Bill (SB) 887 (Becker, Stats. of 2022, Ch. 358) requires the CPUC to “provid[e] projections of resource portfolios and electricity demand by region for at least 15 years into the future” to the CAISO for the CAISO’s annual TPP – an increase from the IRP’s historical 10-year planning horizon.¹ In moving the IRP to a 15-year planning horizon, SB 887 reflects a similar motivation as the Outlook. SB 887 explicitly states that the minimum 15-year projection will “ensure adequate lead time for the Independent System Operator to analyze and approve transmission development.”² Similarly, the goal of the Outlook is to “explor[e] the longer-term grid requirements and options for meeting the State’s greenhouse gas reduction and renewable energy objectives reliably and cost-effectively.”³

While the IRP has not yet proposed specific resource portfolios after the passage of SB 887, the CPUC could also consider implementing the requirement for an IRP time horizon of “at least 15 years” for future TPP portfolios by developing and transmitting its own 20-year TPP sensitivity portfolio(s), along with the mandated 15-year TPP base case portfolio.

Although it is informational, it is clear that stakeholders rely on the Outlook, and its influence on statewide policymaking is substantial.

During the June 23rd Workshop, in describing why the Outlook was not tested for reliability, CPUC stated that the Outlook is “not being used as a procurement or policy or transmission driver.”⁴ However, the

¹ Public Utilities Code Section 454.57(e)(1).

² Public Utilities Code Section 454.57(e)(1).

³ CAISO, *20-Year Transmission Outlook*, May 2022, at 5. Available at <http://www.caiso.com/InitiativeDocuments/20-YearTransmissionOutlook-May2022.pdf>.

⁴ June 23rd Workshop. See recording at 1:00:11. Available at <https://www.energy.ca.gov/event/workshop/2023-06/joint-agency-staff-workshop-resource-portfolio-assumptions-next-caiso-20>.

Outlook characterizes itself as “a baseline to establish expectations for longer-term planning” and, as such, has influenced the Joint Agencies’ and stakeholders’ perspectives on resource and transmission planning.⁵ Marin Clean Energy, for example, in comments during the CAISO’s 2022-23 Transmission Planning Process, stated that “from the load-serving entity (LSE) perspective, the 20-Year Outlook can provide information about how the system may evolve as LSEs plan procurement further out than 10-12 years.”⁶ The Outlook has been cited by numerous parties in multiple CAISO initiatives and CPUC proceedings; while the Outlook is described as informational, it does affect the direction of procurement and transmission policies.

Because of the role that the Outlook plays in the transmission planning ecosystem, the Outlook should use resource portfolios developed by the CPUC’s IRP processes and tested for reliability. This will ensure that the resource and transmission planning regime provides ratepayers with the optimal mix of assets needed to meet the state’s long-term goals.

Any stakeholder policy positions or Joint Agency decisions that are predicated on the Outlook, but which are not ultimately reflected in the TPP portfolios could be subject to high stranding risks. For example, the proposed Outlook portfolio has 15 gigawatts of thermal retirements, but the 2023-24 TPP base case portfolio has no corresponding retirements.⁷ In another instance, the transmission upgrades in the original Outlook differ from the IRP transmission constraints and the identified projects in the CAISO’s most recent Transmission Plan. For example, the IRP has no upgrade that corresponds to the “Diablo-South” high voltage line in the original Outlook.⁸ In fact, the CAISO appears to have studied a substantially similar, if not identical, project in the 2020-21 TPP and concluded that such a project could even risk negative *gross* benefits for ratepayers, depending on the project’s configuration.⁹ Misalignment increases the stranding risks facing ratepayers to the extent that future Outlooks may play a stronger policy and procurement role.

Reliability testing is also critical because reliability is a core procurement value. Without validation through adequate reliability testing, the imputed reliability attributes of the proposed Outlook portfolio have no known relationship to standard reliability metrics, such as loss-of-load-expectation or expected unserved energy values. At best, the proposed portfolio presents a subjective “smell test” for reliability – a far cry from the robust reliability metrics that come with production cost modeling. And to the extent that reliability testing uncovers a need for the system to retain and/or develop firmer resources, reliability testing can help align the various portfolios by reducing instances such as the gap in assumed thermal retirements.

Finally, developing the Outlook portfolio as part of the IRP process develop would support the consideration of local capacity requirements (LCR). The currently proposed Outlook resource portfolio sites 10,475 megawatts of thermal retirements within local capacity areas (LCA).¹⁰ The Outlook acknowledges that retirements in LCAs may require transmission development to enable retirements without causing reliability issues.¹¹ However, the volume of local RA resources and their effectiveness in meeting the LCR should also be considered. This is especially true for energy storage resources that are being procured in large number but have charge and discharge restrictions used in the LCR process that limits the ability of storage can meet local reliability.¹²

⁵ CAISO, *20-Year Transmission Outlook*, May 2022, at 5. Available at <http://www.caiso.com/InitiativeDocuments/20-YearTransmissionOutlook-May2022.pdf>.

⁶ Comments on the Draft Transmission Plan. Marin Clean Energy. April 25, 2023. Available at <https://stakeholdercenter.caiso.com/Comments/AllComments/3b5eb926-9bce-4c7f-806c-9ae156a4f9f3>.

⁷ June 23rd Workshop, slide 33.

⁸ CAISO, *20-Year Transmission Outlook*, May 2022, at 50. Available at <http://www.caiso.com/InitiativeDocuments/20-YearTransmissionOutlook-May2022.pdf>.

⁹ CAISO, 2020-21 Transmission Plan, at 323 et seq. Available at <http://www.caiso.com/Documents/BoardApproved2020-2021TransmissionPlan.pdf>.

¹⁰ Presentation Slides, at 41.

¹¹ Presentation Slides at 15.

¹² CAISO *2024 Local Capacity Technical Study*, April 28, 2023 (2024 LCR Study) at 25-26. Available at: <http://www.caiso.com/InitiativeDocuments/Final-2024-Local-Capacity-Technical-Report.pdf>.

The most straightforward way for the Joint Agencies to align the Outlook portfolio with the CPUC's assumptions and to test the portfolio for reliability would be for the CPUC to develop the portfolio itself, using the same publicly vetted IRP inputs and assumptions that the CPUC will use to develop the Preferred System Plan and any TPP sensitivity portfolios, later this year.¹³ If this timing is sufficient to meet any remnant Joint Agency needs for the next Outlook, then the Joint Agencies should turn to the CPUC's IRP to develop a portfolio using the vetted IRP inputs and assumptions, to test the portfolio for reliability, and to make any changes that may be needed for the portfolio to achieve sufficient reliability results.

¹³ CPUC Energy Division, *Inputs & Assumptions 2022 – 2023 Integrated Resource Planning (IRP)*, June 2023. Available at www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/2023-irp-cycle-events-and-materials/draft_2023_i_and_a.pdf.