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Bay Area Municipal Transmission Group (BAMx) Comments on CECs Workshop on Southern California Electricity Reliability

Additional submitted attachment is included below.

Bay Area Municipal Transmission Group's Comments on the CEC Southern California Electricity Reliability Workshop

August 31, 2015

The Bay Area Municipal Transmission Group¹ (BAMx) appreciates the opportunity to comment on the California Energy Commission's (CEC) Southern California Electricity Reliability Workshop ("CEC Workshop" hereafter) on August 17, 2015.

State Agencies are Cooperating and Sharing Developments with the Public

The CEC and other state agencies are to be commended for coordinating in an unprecedented manner on the issue of providing for a reliable electric grid in light of the pressures of the San Onofre shutdown in addition to the probable shutdown of some existing South Coastal once through cooling (OTC) plants. Meetings like the one held on August 17 are extremely important. It is important that the state agencies make transparent their knowledge of progress towards meeting the Local Capacity Requirements (LCR) needs of the South Coast. Therefore, we are encouraged to hear about the CEC's development of the Local Capacity Annual Assessment Tool (LCAAT) to keep track of developments in and for the South Coast. We are glad that the CEC has maintained its past practices of keeping the public informed on the development of the tool and the details of analysis based upon the tool. We request that the CEC make this tool publicly available so that the stakeholder can review it and have the opportunity to develop additional sensitivity scenarios.

The State Agencies Must Be Explicitly Concerned About Ratepayer Impacts

It was encouraging to hear that there has been substantial progress made towards meeting the reliability needs of the South Coast. However, we were discouraged to not hear more concern regarding how the alternative ways to meet the reliability need will impact ratepayers. There was no discussion at the meeting of finding ways to meet the reliability needs at least or even moderate cost. Given the complicated structure of the State's electricity industry, performing economic studies that compare alternative methods of meeting the reliability needs of the grid is more difficult than in the past when the utilities were more vertically integrated. However, just because it is more difficult does not mean that such efforts should be abandoned. Satisfying the South Coast reliability issue may provide the best example to illustrate the capability and limitations of using standard industry tools to approximate the cost of meeting the reliability

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

needs for the area. We believe the CEC has the expertise to develop the comparative economics of meeting the reliability needs of the South Coast basin associated with the various solution options.²

BAMx Encourages the Further Development of Contingency Mitigation Plans Such as Those Shared at the August 17th Workshop

There appears to be a general consensus that the infrastructure approved so far by the CAISO and the CPUC should be sufficient to meet reliability needs, if the infrastructure and programs all come to fruition and provide the expected reliability benefits. It also seems to be generally recognized there is considerable uncertainty around the likelihood of timely completion of this infrastructure and actual delivery of demand side programs. The CEC's development of LCAAT and appropriate, cost-effective contingency mitigation plans seem to be very logical next steps.

BAMx fully supports the immediate development of contingency mitigation plans that would be triggered in stages as the commitment to meet the OTC retirements dates is threatened. The development and prioritization of such plans should be vetted with all stakeholders and reviewed periodically as additional information is obtained. The CEC's development of the mitigation options³ comprising OTC deferrals and generation options are welcome first steps in this regard.

We also need to recognize that the event that drives the LCR need for the South Coast is extremely unlikely. As illustrated in 2012 LTPP Track 4 proceeding, it is a cost effective strategy to shed load for such events in a controlled fashion while long-term plans are being implemented.⁴ As the timing for mitigating the dependence on the current load shedding scheme is completely within the control of the Agencies, we recommend the State recognize this existing capability as one of the interim strategies to protect against a delay in proposed additions for the

² CEC has developed several tools to perform such comprehensive analysis. For example, see (i) *Cost of Generation Model* referred in the "Estimated Cost Of New Renewable And Fossil Generation In California," dated May 2014 CEC-200-2014-003-SD, and (ii) "*Integrated Transmission And Distribution Model* For Assessment Of Distributed Wholesale Photovoltaic," dated APRIL 2013 CEC-200-2013-003.

³ Options for Developing Contingency Mitigation Measures, Mike Jaske, CEC Workshop, August 17, 2015.

⁴ Moreover, it can be effectively argued that such controlled load shedding should be compared economically against the construction of new transmission as a long-term means to cost-effectively manage the reliability needs of the South Coast, especially if an event is extremely unlikely. Though allowed by NERC, unfortunately, the CAISO has taken a position against its long term use in this application without any consideration for economics.

South Coast. Based upon our preliminary review of the Baseline LCAAT results⁵, we are under the impression that LCAAT is not assuming the 588 MW of load shedding envisioned as part of the Track 4 decision (D.14-03-004)⁶. We request the CEC staff to clarify their assumptions as regards to the impact of controlled load shedding on the LCR need.

BAMx Supports Efforts to Date to Promote Preferred Resources

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.⁷ SCE and SDG&E need to be diligent about efforts to procure additional Preferred Resources to meet the residual deficit in 2024. There are several sectors that encompass the Preferred Resources, such as Energy Efficiency, Demand Response, Renewable Distributed Generation and Energy Storage. In the event one sector is projected to underperform⁸, 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 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.

⁵ Appendix B of the "Assessing Local Reliability In Southern California Using A Local Capacity Annual Assessment Tool," CEC, August 2015, CEC-200-2015-004.

⁶ Track 4 Decision states the following. "We conclude that it is reasonable to subtract a conservative estimate of 588 MW from the ISO's forecasted LCR need because our policy decision entails a certainty that resources will not be procured at this time to fully avoid the remote possibility of load-shedding in San Diego as a result of the identified *N-1-1* contingency."

⁷ 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.

⁸ For example, there was a concern expressed during the CEC Workshop that energy efficiency is not providing the initially assumed reductions in peak demand.

Need to Better Understand the Impact on LCR from Transmission System Upgrades

The resource need calculations in CEC's LCAAT assume a certain level of local capacity credit attributed to Transmission System Upgrade Impacts. For example, the baseline LCR need calculations for the Consolidated LA Basin/San Diego area assumes an LCR credit of 1,046MW attributed to Transmission System Upgrades.⁹ This credit presumably pertains to the CAISO-approved *Group I* transmission projects, including the dynamic reactive support at San Luis Rey, the Imperial Valley Flow Controller, and the Mesa Loop-In Project. The CAISO's 2013-14 transmission plan had indicated the LCR benefits associated with the *Group I* transmission projects to be in the range of 800MW to 1,680MW¹⁰. We request the CEC staff to clarify how much of this point estimate (rather than a range) of 1,046MW is assumed to be attributed to the CAISO-approved Group I projects. Furthermore, please explain if the LCR benefit of 1,046MW includes any credit attributed to the Sycamore-Penasquitos 230kV project, which was approved by the CAISO in the 2012-13 Transmission Plan.

Thank you for the opportunity to comment. We look forward to commenting on further aspects of developing a cost effective plan to meet the reliability needs of Southern California consistent with the state's preference for preferred resources.

If you have any questions concerning these comments, please contact Barry Flynn (888-634-7516 and brflynn@flynnrci.com) or Robert Jenkins (888-634-0777 and robertJenkins@flynnrci.com) Dr. Pushkar Waglé (888-634-3339 and pushkarwagle@flynnrci.com)

⁹ **Source:** Table B-1: Baseline Results for Consolidated LA Basin/San Diego Area, "Assessing Local Reliability In Southern California Using A Local Capacity Annual Assessment Tool," CEC, AUGUST 2015, CEC-200-2015-004

¹⁰ **Source:** Table 2.6-5: Summary of Proposed Transmission Solutions, Cost Estimates and Local Resource Reduction Benefits, CAISO 2013-14 Transmission Plan, March 25, 2014.