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**Joint POU Balancing Areas and CMUA Comments on SB 100 Draft
Results Workshop - Docket 19-SB-100 - SB 100 Joint Agency
Report**

Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the Matter of:
SB 100 Draft Results Workshop
RE: SB 100 Joint-Agency Report

Docket No. 19-SB-100

**JOINT COMMENTS OF THE PUBLICLY OWNED UTILITIES BALANCING
AUTHORITIES AND CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION
ON THE SENATE BILL 100 DRAFT RESULTS WORKSHOP**

The Balancing Authority of Northern California (“BANC”), Imperial Irrigation District (“IID”), Los Angeles Department of Water and Power (“LADWP”), Turlock Irrigation District (“TID”) (collectively the “Publicly Owned Utilities Balancing Authorities” or “POU BAs”) and California Municipal Utilities Association (“CMUA”) (collectively the “Joint Parties”) appreciate the opportunity to provide comments on the *SB 100 Draft Results Workshop* (“Workshop”) held on September 2, 2020.¹

I. INTRODUCTION

Senate Bill (“SB”) 100 requires that electricity retail sellers procure a minimum share of their electricity sales from eligible renewable resources according to the following schedule:

- 33% by December 31, 2020
- 44% by December 31, 2024
- 52% by December 31, 2027

¹ BANC is a Joint Powers Authority consisting of the Sacramento Municipal Utility District, Modesto Irrigation District, Trinity Public Utilities District, and the Cities of Redding, Roseville, and Shasta Lake. BANC is a registered Balancing Authority (“BA”) with the North American Electric Reliability Corporation and operates as a neighboring Balancing Authority Area (“BAA”) to the California Independent System Operator (“CAISO”) BAA. IID provides irrigation service in Imperial County, electric service in both Imperial and east Riverside Counties and operates as the Balancing Authority in the region. LADWP provides water and electric service and operates as the Balancing Authority, serving over four million residents in Los Angeles. LADWP reserves the right to discuss section C at another time. TID provides irrigation service, electric service and operates as the Balancing Authority serving central California. CMUA is a statewide organization of local public agencies in California that provide electricity and water service to California customers.

- 60% by December 31, 2030.²

SB 100 also establishes State policy that eligible renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity to California end-use customers and 100 percent of electricity procured to serve all state agencies by December 31, 2045.³ In addition, SB 100 requires that the California Public Utilities Commission, California Energy Resources Conservation and Development Commission, and the California Air Resources Board (collectively the “Joint Agencies”), in consultation with all California BAs, issue a joint report to the Legislature by January 1, 2021, and every four years thereafter.⁴

II. COMMENTS ON DRAFT RESULTS WORKSHOP

The Joint Parties are strong supporters of the goals reflected in SB 100 and recognize the hard work and efforts of the Joint Agencies in developing this initial set of analyses. We recognize that this is a first work-product and encourage the agencies, in collaboration with the BAs as required by statute, to address the admitted limitations in the study around reliability and affordability impacts and submit an updated work-product to the Legislature as soon as possible.

The following comments focus on the need to incorporate the critical components of reliability, affordability, and equity into the analyses.

A. System Reliability is Paramount

The capacity addition study and the RESOLVE model do not take into account a host of system reliability requirements and, for example, do not assess deliverability of added resources in particular locations. This must be rectified at the earliest possible moment. System reliability is paramount because, without it, consumer support for achievement of decarbonization goals

² Cal. Pub. Util. Code § 399.15(b)(2)(B).

³ Cal. Pub. Util. Code § 454.53 (a).

⁴ Cal. Pub. Util. Code § 454.53 (d)(2).

will wane. Specifically, if we seek to achieve the SB 100 goals with occasional power outages, the public will likely reject continuation of the program. Moreover, as electrification of other economic sectors (e.g., buildings, transportation) continues and is assumed necessary to meet overall carbon emission reduction targets, the reliability of the power sector becomes more critical. The future will include installation of significantly more intermittent resources, with a variety of short-, medium- and long-duration storage technologies, each with different efficacy. Before we move from the current reliability profile to a new paradigm, or as we take steps, we must be certain the grid has sufficient resources at all times to maintain the highest degree of reliability. It is simply a subject that we cannot ignore, as the rolling blackouts on August 14-15, 2020, proved.

In order to appropriately consider system reliability, this study should evaluate impacts on an individual BA basis and not just assume that a single state-wide evaluation will be sufficient.

SB 100 recognizes the key role BAs play to ensure system reliability and requires collaboration with the BAs in the study process, in part for this purpose. The POU BAs look forward to working with the joint agencies to help shape inputs and assumptions into the next phase of the study and particularly to help inform the reliability parameters of the system in order to ensure the study makes the necessary assessments to inform the Legislature on the reliability impacts of our resource choices, the cost implications, and the mix of resources that will support grid reliability.

B. To achieve SB 100 goals the Joint Agencies' analyses must address BA-specific resource adequacy.

As noted during the Workshop, the analyses performed by the Joint Agencies do not constitute a detailed plan for implementing the goals of SB 100. Instead, the analytical work is

intended to be indicative and directional as to what could potentially be accomplished in meeting the State's clean energy goals. As such, the modeling results do not reflect a thorough evaluation of how to balance these clean energy goals with the equally important goal of reliability. The viability of the electric grid and ensuring reliable electric service to California customers' demands that this detailed evaluation be performed. This is especially true given California's recent resource adequacy challenges.

In addition to planning margins and assessing flexible supply to respond to increasing intermittence of generation and the observable load due to behind-the-meter supply, the reliability assessment should examine the ability of selected portfolios to meet energy demands in every hour, not simply peak assessment hours. Additionally, the reliability assessment should examine the deliverability of flexible resources. Having flexible resources located in a place from which the grid cannot deliver them does not meet system requirements and is a looming concern that the CAISO is already attempting to address. The reliability analysis should include elements of a resiliency analysis. This would include the impacts of cloud cover, smoke, and low-wind conditions on renewable generation, as well as multi-day events that stress the grid and examine how the resource mix would reliably serve load during those conditions. In addition, as a follow up, due to the distinct makeup of each BA in terms of geography and transmission available for imports, each BA must individually assess how resource conditions may affect its ability to fulfill its reliability obligations. A statewide evaluation will likely not provide an accurate assessment of each given BA's situation.

The Joint Parties strongly support beginning this reliability evaluation immediately. The Joint Agencies should not wait for an additional Phase of the study and certainly not for the next analysis to assess these impacts. As stated by the CAISO during the Workshop, the timeline is

compressed. By the time the next Joint Agency Report is due in 2025, we will be approaching the first run year in the modeling and resources should be under construction. As contemplated in SB 100, the POU BAs stand prepared to collaborate on this reliability evaluation with the Joint Agencies and the CAISO. The POU BAs believe the Legislature envisioned a more prominent role for the BAs in the study process, beyond that of an ordinary stakeholder.

B. Affordability Continues to be a Critical Concern

How California implements SB 100 and other energy policy objectives will have a profound impact on consumer rates and bills. The Joint Agency Report must address cost concerns of all customers, including those located in inland climate zones which have greater demand particularly in warmer summer months, and also tend to have greater economic challenges due to higher unemployment on average, lower median incomes, and higher poverty rates. As CAISO Governor Dr. Severin Borenstein and others have recognized, losing sight of affordable rates for consumers threatens our overall economy-wide decarbonization trajectory by making alternative fuels for other sectors more attractive.⁵ High rates threaten adoption of electric vehicles, home electrification and other measures that we are counting on to meet carbon reduction goals.

Continued public support of the State's clean energy goals depends on the State's ability to address these affordability concerns.

C. Equity and Environmental Justice

California's transition to a zero carbon future must be cognizant of energy equity issues. These include several difficult and potentially competing goals.

⁵ Borenstein, Severin. "The Electricity Price Isn't Right." *Energy Institute Blog*, UC Berkeley, September 17, 2018, <https://energythaas.wordpress.com/2018/09/17/the-electricity-price-isnt-right/>

There is an understandable desire to close natural gas fired power plants in disadvantaged communities, which also tend to suffer from several sources of pollution whether it be industrial, transportation, port operations, or other polluting processes. At the same time, these plants tend to be critical to meeting local reliability requirements, particularly in urban load pockets. This tension between reliability and the desire for particular plant retirement needs to be carefully balanced. Further, any analysis must consider the jobs impact of any action directed toward generating facilities. Also factored into this analysis must be the particular characteristics of the plant, how much it runs, its relative efficiency, and whether it makes up a significant percentage of the criteria pollutants in the affected area.

Affordability is an environmental justice issue. Publicly-owned utilities are stewards for their respective citizens. We firmly believe that California cannot create expensive policies that disproportionately impact disadvantaged communities. This impact may not be simply in the form of high rates and the disproportionate percentage of income that citizens in disadvantaged communities have to spend on electricity, but also the customer departures that are likely to result from the high rates and certain rate design choices that encourage bypass also place additional cost burdens and further inequities on remaining customers. In addition, the draft results reveal that the ability to meet the goals of SB 100 is predicated on new renewable generation development at rates that match development rates that have only been achieved in a few years historically. We must consider both the viability of that assumption and the potential cost impacts to consumers. Further, as stated above, high rates that do not reflect cost of service thwart adoption of decarbonization strategies in other sectors, particularly in disadvantaged communities where adoption of fuel alternatives is likely to be driven primarily by price than by other elements of considerations.

The Joint Parties urge the next iteration of the study to include a careful examination of costs and affordability and not simply focus on the incremental procurement costs of additional zero-carbon resources. It is the cumulative impacts of our energy policy choices that matter to consumers. We note, for example the comments by Southern California Edison's ("SCE") representative that to enable a modern grid to serve electric demands and accommodate distributed supply SCE anticipates \$75 billion dollars in grid capital investment. Extrapolating that to the rest of the state would result in a considerable increase in capital investment that needs to be understood and factored into overall rate and affordability metrics. Another example is the future of the gas fleet. As BA operators we agree that likely scenarios include a future for the gas fleet in zero carbon scenarios in order to meet both reliability and resiliency challenges of the future resource mix. This infrastructure, both generation and transportation, needs investment too. It does not seem likely that much, if any, of the current gas generation fleet will be operational in 25 years, and if it is it will be well beyond its useful life. Will new gas generation be developed, and how will the costs be borne under lower throughput scenarios? These factors need to be well understood.

D. The State Must Take a Collaborative Approach to SB 100 Implementation

The Joint Parties believe that the Joint Agencies, CAISO, and stakeholders need to work together in order to accomplish the ambitious goals of SB 100. As the Joint Agency Principals echoed in closing remarks, strong partnerships are going to be crucial as the State moves forward with implementation efforts. Stakeholders provide a panoply of knowledge and insight into how best to achieve the State's clean energy goals, and a collaborative approach will ensure that their perspectives inform emerging policy. To facilitate this collaboration, which is called for in the statute, we look forward to close interaction in the development of the study assumptions, inputs,

and sensitivities chosen in the development of reports to the Legislature and for other purposes. We can only achieve our ambitious goals if we have an open and collaborative study process moving forward.

III. CONCLUSION

The Joint Parties appreciate the opportunity to provide these comments and look forward to continuing to work with staff in this proceeding.

Dated: September 15, 2020

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Frank Harris".

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