

DOCKETED

Docket Number:	19-SB-100
Project Title:	SB 100 Joint Agency Report: Charting a path to a 100% Clean Energy Future
TN #:	236023
Document Title:	Northern California Power Agency Comments - NCPA Comments on Draft 2021 SB 100 Joint Agency Report
Description:	N/A
Filer:	System
Organization:	Northern California Power Agency
Submitter Role:	Public Agency
Submission Date:	12/18/2020 12:03:06 PM
Docketed Date:	12/18/2020

*Comment Received From: Northern California Power Agency
Submitted On: 12/18/2020
Docket Number: 19-SB-100*

NCPA Comments on Draft 2021 SB 100 Joint Agency Report

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

**In the matter of:
SB 100 Joint Agency Report: Charting a
Path to a 100% Clean Energy Future**

Docket No. 19-SB-100

**NORTHERN CALIFORNIA POWER AGENCY COMMENTS ON
DRAFT 2021 SENATE BILL 100 JOINT AGENCY REPORT**

The Northern California Power Agency¹ (NCPA) offers the following comments to the California Energy Commission (CEC), California Public Utilities Commission (CPUC), and California Air Resources Board (CARB) (collectively, the “Joint Agencies”) on the *Draft 2021 SB 100 Joint Agency Report*, released on December 3, 2020 (Draft Report) and the December 4, 2020 Senate Bill (SB) 100 Draft Report Workshop (December 4 Workshop).

I. INTRODUCTION

The Draft Report represents a significant achievement on the part of the Joint Agencies, and NCPA² appreciates the opportunity to provide this feedback to the Joint Agencies. While the Draft Report provides a great deal of information to be utilized by the state in evaluating options for achieving the SB 100 goals, NCPA urges the Joint Agencies to keep in mind that the Draft Report is directional only, and that several crucial factors – such as electric reliability, affordability, and land use implications – are not assessed in the Draft Report, and therefore, not reflected in the results. NCPA offers these comments to the Joint Agencies in an effort to help further frame not only the final 2021 SB 100 Report, but the direction set forth in that report regarding the statewide collective next steps for meeting the SB 100 goals.

¹ NCPA’s members are the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District. Collectively, these publicly-owned utilities, rural electric cooperative, port authority, public transit district, and public utility district provide reliable and affordable electricity to approximately 700,000 electric customers in central and northern California.

² NCPA and its member agencies prioritize the provision of clean, reliable, and affordable electricity for their residential, commercial, and industrial customer-owners; NCPA’s 775-megawatt portfolio of power plants is approximately 50% greenhouse gas emission-free. For more information about NCPA, please refer to NCPA’s November 12, 2019 comments; <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-SB-100>.

II. COMMENTS ON THE SB 100 DRAFT REPORT

A. This First SB 100 Report is Just the Initial Offering in a Comprehensive Assessment to Achieve the 2045 Goal

The Draft Report reflects the analysis of a great deal of information, but it is far from complete in providing a clear indication of how the state can and should meet the SB 100 policy, or even of addressing completely each of the elements set forth in PUC 454.53(d)(2). This is evident from the series of 13 recommendations that are offered in the Draft Report, many of which call for additional analysis for the next edition of the SB 100 report in 2025. NCPA agrees with the need for additional analysis, although, as noted later in these comments, suggest that many of these recommendations be accelerated so that important policy decisions needed to reach the 2045 goals can be better informed. As such, NCPA cautions that the Joint Agencies (as well as other policymakers) not over-rely on these preliminary results. For example, The Draft report states that:

“initial findings suggest that SB 100 is achievable, though opportunities remain to reduce overall system costs. This report presents various scenarios to meet the 100 percent clean electricity target with existing technologies, as well as alternative scenarios that explore additional factors. All of these scenarios require additional analysis. The preliminary findings are intended to inform state planning and are not intended as a comprehensive nor prescriptive roadmap to 2045. As discussed in Chapter 4, future work will delve deeper into critical topics such as system reliability and land use and further address energy equity and workforce needs.”

The need for this additional work cannot be overstated, and until such time as that work is conducted, the initial findings can speak only to the *possibility* that the SB 100 goal is *achievable*. How the goal *can* be achieved is not determinable based on the 2021 SB 100 Report because the results do not reflect the true costs of meeting the goals while ensuring electric reliability, and therefore cannot serve as the basis for concrete actions moving forward.

The modeling results included in the Draft Report are directional only, intended to provide a potential pathway for the state to achieve its 2045 goals but not robust enough to serve as a significant planning tool for California. Recognizing that CARB will be using this information in the upcoming Scoping Plan Update (December 4 Workshop, oral comments of CARB Chair Mary Nichols), it is critically important that it be viewed in the proper context, and that these preliminary results not be seen as conclusory. The agencies should make it clear to policymakers that this opening report and the modeling results presented therein are to be used to frame the next round of modeling and analysis that builds off of what has presented, and that the next iteration will specifically include detailed, real time information about reliability implications, as well as land-use and permitting, and affordability for California electricity ratepayers.

The Draft Report’s own “Key Take-Aways” highlight the challenges ahead, and the need to ensure that we use the results as a base step to *additional* analysis, and not as the base step to direct specific actions. *Yes*, the Draft Report shows that the state’s SB 100 goal is achievable, and this is good news for Californians and others following the state’s lead. However, we must also acknowledge the challenges inherent in fully developing the path forward, including the specific policies measures, programs, and potential mandates that will pave the way. The Draft Report acknowledges that sustained record setting build rates will be required to meet SB 100 in a high electrification future and that the current SB 100 analysis is directional and further analysis is necessary. Further analysis is necessary to determine reliability of the portfolios, better capture the impact and value of resources that are either not represented or not well valued in the current modeling framework, including long duration storage, hybrid resources, demand-side resources, load flexibility, and emerging technologies, such as hydrogen and natural gas with 100 percent carbon capture and sequestration, as well as assess local community impacts.

NCPA fully supports the Joint Agencies emphasis on additional assessment of reliability, emerging technologies and innovation, land use and environmental impacts, and non-energy benefits and societal costs. (Draft Report, p. 26). And as the report notes, these must all be balanced with considerations of equity in the implementation of the goals, affordability for California’s struggling electricity ratepayers, safety of the entire electric grid, and resilience of the electric system moving forward. Again, the significance of these considerations cannot be overstated.

Achieving our environmental goals is critically important, but we cannot afford – both literally and figuratively – to make achieving those goals at any cost our end-game. The pandemic, wildfires, and heat storms that California has faced over the last year have proven that Californians are resilient, but they have also demonstrated the importance of reliable and affordable electricity during all conditions. Similarly, our policies should not favor any specific technology or pick winners and losers in the clean-energy arena. Rather, we should be looking to remove barriers to project development across the entire region, and collaborate on comprehensive solutions with the western interconnect which is essential part of the state’s electricity grid.

B. Timeline to Assess Reliability Impacts of SB 100 Policies Must be Accelerated

SB 100 requires the Joint Agencies to provide “an evaluation identifying the potential benefits and impacts on system and local reliability associated with achieving” the SB 100 policy goals. The Draft Report acknowledges this requirement and the fact that such an evaluation is forthcoming. (PUC 454.53(d)(2)(B)) To that end, the Draft Report recommends performing a comprehensive reliability assessment as the next step in the modeling process. (Draft Report, p.

109) However, NCPA recommends that the Joint Agencies embark on this assessment right away, and not wait until the next SB 100 Report in 2025.

CARB Chair Nichols stated during the December 4 Workshop that in order for the state to reach its carbon neutrality goal by 2045, the state's plan for getting there needs to be established by 2022. If that is the goal that CARB will be working towards in developing the 2022 Scoping Plan Update, a comprehensive reliability assessment must be completed if this effort is intended to inform that process. The Joint Agencies should continue their work in this regard without delay, and could use the CEC's 2021 Integrated Energy Policy Report (IEPR) process to explore this important policy issue. Doing so will not only help inform the CARB Scoping Plan process but could also assist the CPUC as considers the appropriate preferred system portfolio for load serving entities.

The reliability assessment must look at the interrelated issues of electric grid resiliency and resource integration. Ensuring the reliability of the grid will also require coordination and integration with all of the state's balancing authorities, as well as California's western region partners, ensuring that the most cost-effective clean technologies are utilized when needed, and that alternative, sister resources are available to resolve critical need issue that may arise due to weather and other factors from time to time. NCPA believes it is also important for the Joint Agencies to ensure that the SB 100 Report is not viewed in a vacuum, and that the principals are not unintentionally excluding consideration of resources that can and should play a prominent role in meeting the state's clean energy goals in the coming years. Resources like hydrogen and large hydroelectric generation should not be discounted.

NCPA appreciates that the Draft Report acknowledges the August 2020 rolling blackouts. The Draft Report further recognizes the events "[w]hile the August events emphasized the need for near-term reliability, the state agencies and balancing authorities recognize the need to incorporate these reliability principles into the 2045 time horizon." (Draft Report, p. 109) To that end, the Joint Agencies plan to evaluate the resource portfolios in several steps, with the completion of the reliability assessment intended to "provide the joint agencies a more substantiated assessment of pathways to achieve SB 100 while maintaining reliability." The Joint Agencies are considering whether this final assessment should be part of the 2025 SB 100 Report or conducted through existing state efforts. NCPA encourages the Joint Agencies to accelerate this process and include this final assessment as part of existing CPUC, CEC, or even CARB planning processes, so that it can be completed ahead of the next SB 100 Report. This is necessary since it is likely that a number of policy decisions will be made in the next four years that will inform the state's path towards meeting SB 100, and those decisions should be based on the completed reliability analysis.

C. Recognized Resources and Technologies Must not be Unduly Limited

NCPA supports the Joint Agencies recognition of the RPS+ Resource Scenario option for renewable resources, which would include all existing RPS-eligible resources, as well as large hydroelectric generation resources, nuclear generation, and natural gas generation with full carbon-capture and sequestration (CCS). However, NCPA is concerned that the scenarios unnecessarily exclude resources that might be critical in helping the state achieve its objectives, and that future opportunities to include such resources in subsequent SB 100 analyses may be lost. We offer two examples.

The first is related to hydrogen. As several stakeholders have noted throughout the process, there is growing interest in the potential use of hydrogen for power generation at facilities that traditionally rely on natural gas. At NCPA's Lodi Electric Center, a 300-megawatt natural gas power plant, investments are being made that will allow the facility by 2023 to blend 45% hydrogen with natural gas, significantly reducing GHG emissions at the plant. Such a project as an emerging technology is largely ignored in the initial analysis, but could form the basis of a "game changing technology" for baseload resources that might otherwise be on a pathway for retirement in a zero-carbon environment.

Second, there is the exclusion of additional large hydro projects. While the study acknowledges the importance of existing large hydro projects (as did Ammon Danielson of the Western Area Power Administration during the December 4 Workshop), there are numerous opportunities being explored throughout the state that could increase available power generation at new or existing hydroelectric facilities. Much of the need is tied primarily to additional water supply for cities, farms, and environmental requirements, improved flood control and related factors, but it is important to recognize that those efforts could have a material impact on hydropower generation available in California. Omitting that from consideration in the original modeling efforts along with no commitment to take a deeper look into how to improve the generating capacity of existing technologies would leave out a key factor in reaching the 2045 goal. Potential benefits from the development of emerging technologies and enhancements at existing facilities must be part of any subsequent SB 100 policy conversation.

D. Scenarios Must Assess Affordability and Impacts on Ratepayers

The Draft Report includes cost information, but not an analysis of the affordability of meeting the state's goal. We know that meeting the SB 100 2045 goal will require substantial new investments, and the Draft Report recognizes that sustained build rates will be required. However, the direct rate impacts of these new investments on the California residents and businesses that will be required to subsidize these statewide goals through electricity rates is missing from the Draft Report. NCPA appreciates – and agrees with – the Joint Agencies' statement that "[m]aintaining affordable electricity rates is critical to successful achievement of

the state’s GHG targets across sectors.” (Draft Report, p. 131) Given the importance of maintaining affordable rates, the rough estimates of system costs are not sufficient to guide policy direction at this time. Furthermore, a definition of affordability must consider statewide considerations, and not look solely at customers of CPUC-jurisdictional utilities. The metrics adopted by the CPUC to compare and assess affordability (household affordability ratio; socioeconomic vulnerability index; hours at minimum wage) must be evaluated in the context of overall potential cost impacts of meeting SB 100. (Draft Report, pp. 131-132) NCPA supports the Draft Report’s recognition of the importance of managing overall energy costs and thoughtful ratemaking to avoid price spikes for vulnerable households. (Draft Report, p. 132) However, determining affordability must also consider the cumulative impacts of recent events on electricity rates, including existing instances of utility bill non-payment. The impacts of sustained rate increases on business, commercial, and industrial customers who will need to pass those rate increases along to the consumers of their products, must also be evaluated, as should the long-term implications for the electric utilities.

E. Land Use Planning and Permitting Implications

The Draft Report acknowledges that sustained record setting build rates will be required to meet the SB 100 goals in a high electrification future. (Draft Report, p. 107) The Draft Report further notes that the “added demand from the various pathways to achieve economy-wide decarbonization creates a significant resource need, regardless of the SB 100 policy,” which will have broad, economy-wide implications. (Id.) One of those significant implications will be in land use planning and permitting. This in turn, will have implications for local regulations, equity and environmental justice issues, and natural resource planning. The full extent to which the SB 100 goals are “achievable” cannot be determined without an analysis of land use planning and permitting implications. NCPA recommends that this issue be addressed expeditiously, and concurrently with the reliability assessment, as the location of new and existing infrastructure will need to be included in the analysis. As discussed above, land use and permitting implications also affect the cost of meeting this goal. While the draft 2021 SB 100 Report addresses different financial costs, there is insufficient information provided to determine the actual impacts on electricity ratepayers.

F. Coordinated Future Actions

NCPA urges the Joint Agencies to clearly define the role of the 2021 SB 100 Report, and in particular how the report will inform or be used relative to the CARB 2022 Scoping Plan Update and the CEC’s 2021 IEPR. The Joint Agencies have acknowledged that this is an “iterative and ongoing effort,” and further analysis and assessment are needed, beginning with an analysis of system reliability. (Draft Report, p. 109) The Draft Report itself and the agency principals have also reiterated that the document is “directional,” and that it provides “insights

into what a 2045 portfolio of renewable and zero-carbon resources may look like, as well as the associated costs and resource build requirements to achieve such a portfolio.” (Id.) But these directional insights are incomplete, as they do not address things like reliability, affordability, or permitting impacts. These issues are also intertwined with, and related to, the issues addressed in both the Scoping Plan Update and IEPR. The Joint Agencies should clarify how the final 2021 SB 100 Report will be used in the context of those two documents, and how – if at all – the Scoping Plan Update and IEPR can be used as vehicles to assess the next step analyses that are needed to further develop the pathways to meeting SB 100.

III. CONCLUSION

NCPA is pleased to be part of the conversation about the opportunities that the state has to meet the SB 100 objectives, and is cautiously optimistic about the means for doing so. However, as noted herein, the final 2021 SB 100 Report should highlight its role as the initial step in an ongoing process, and not as conclusions of any kind. NCPA appreciates the opportunity to provide these comments to the CEC, CPUC, and CARB, and looks forward to continuing to work with the Joint Agencies as California strives to meet the SB 100 decarbonization and clean energy goals. Please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or scott.tomashefsky@ncpa.com with any questions.

December 18, 2020

Respectfully submitted,



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