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California Energy Commission

Docket No. 21-IEPR-05

Written Comments of The Center for Energy Efficiency and Renewable Technologies (CEERT) regarding the Commissioner Workshop on Natural Gas Infrastructure

CEERT appreciates the opportunity to provide written comment on the Integrated Energy Policy Report (IEPR) Natural Gas Infrastructure Workshop. As observed during the May 20th workshop, gas issues have not historically been a large part of the IEPR process. However, as the CEC's Jason Orta highlighted, the gas system and electric grid are highly interdependent. As electric sector and gas issues rapidly evolve in California, more analysis on this relationship is needed to help inform and facilitate an orderly transition away from the state's dependence on fossil fuels. Thus, as part of this 2021 IEPR process, CEERT recommends that the CEC maintain a dynamic demand forecast to reflect the ongoing evolution of the gas system. This demand modeling should be adjusted regularly to account for building decarbonization and electric load increases from decarbonization of other sectors such as transportation.

The effect of volatile natural gas prices on electric ratepayer bills exemplifies the link between the electric and gas systems. As the CEC highlighted at the May 20th workshop, natural gas price volatility is correlated with declining production in the state's traditional gas basins. Due to this gas price volatility and effects of the 2015 Aliso Canyon leak, electric customers paid almost \$916 million in excess power costs in 2018.

Facilitating an orderly, equitable transition away from fossil fuel generation is not only essential to meeting California's SB 100 goals while maintaining ratepayer affordability, but is also vital in rectifying environmental injustices. The state's most underserved communities disproportionately experience the negative public health and air quality impacts from fossil fuel generation. Along this line, CEERT is very supportive of the CEC's suite of research and development (R&D) initiatives for targeted decommissioning. The CEC should specifically conduct a focused analysis on Aliso Canyon and Playa del Rey storage fields and help mobilize a plan for orderly demand reduction and phase out of these harmful facilities.

While the electric and gas systems are currently linked, CEERT disagrees with SoCalGas that the need for thermal generation capacity will increase to meet variability of increasing renewable penetration. As the SB 100 modeling results show, some natural gas capacity will have to be retained in the near future to facilitate California's electric grid transformation. However, clean, firm, dispatchable resources – such as long duration storage, geothermal, and offshore wind – can complement variable renewable resources and effectively reduce the state's dependence on natural gas. This paradigm shift is already visible in California's regulatory arena. For example, the CPUC's recent Proposed Decision¹ and Alternate Proposed Decision² in the Integrated Resources Plan (IRP) proceeding both specifically order incremental firm, zero-emitting capacity for mid-term reliability.

¹ Proposed Decision Requiring Procurement to Address Mid-term Reliability (2023-2026), filed on May 21, 2021.

² Alternate Proposed Decision of Commissioner Rechtschaffen Requiring Procurement to Address Mid-term Reliability (2023-2026), filed on May 21, 2021

In addition, CEERT greatly appreciates the CEC's attention to renewable hydrogen in its natural gas system analysis. Hydrogen will be an essential resource in California's diverse, decarbonized portfolio as it has the potential to fill a variety of niches. Recent events, including a focus on green hydrogen in Governor Newsom's May Budget Revise and Commissioner Rechtschaffen's Alternative Proposed Decision, represent important steps in bringing these resources to economic viability. To further assist in this effort, CEERT encourages the CEC to study the potential for an in-basin, electrolytic supply of hydrogen for application in the power sector and oil refineries.

CEERT strongly agrees with CEC Commissioner Siva Gunda's statement during the May 20th workshop that California's deep decarbonization must be clean, affordable, and reliable. A major piece in the success of this transition is reducing the state's dependence on the natural gas system. As such, CEERT appreciates the CEC's focus in this 2021 IEPR on forming a robust gas system plan, and looks forward to continued participation as this effort comes to fruition.

Sincerely,

A handwritten signature in black ink, appearing to read "V. John White". The signature is fluid and cursive, with the first name "V." and last name "White" clearly distinguishable.

V. John White
Executive Director