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BAMx Comments on Inter-Agency Analysis of Generation and Transmission Options for Eliminating Reliance upon Once-Through Cooling Power Plants

Re: CEC Docket Number 09-IEP-10, "2009 IEPR – OTC"

The Bay Area Municipal Transmission Group (BAMx)[1] offers the following comments on (1) the workshop conducted on July 28, 2009, Committee Workshop on Inter-Agency Analysis of Generation and Transmission Options for Eliminating Reliance upon Once-Through Cooling (OTC) of Power Plants, as part of the CEC preparation of the 2009 Integrated Energy Policy Report (2009 IEPR), and (2) the Draft Joint Agency Staff Paper, Implementation of Once-Through Cooling Through Energy Infrastructure Planning and Development of July 2009.

BAMx Comments

BAMx commends the state Energy Agencies (CEC, CPUC, CAISO) in developing a recommendation to the SWRCB on the reliability impacts of a water policy of requiring compliance of OTC Policy for power plants in the state. The principle mechanism of developing the proposed eleven step plan with a reliability objective to implement OTC compliance on an individual power plant or unit basis is appropriate. BAMx believes development of a feedback loop to allow for adjustment to the plan as time goes on is also very appropriate and provides for needed flexibility in complying with both the reliability requirements and proposed water policy objectives as part of the eleven step process.[2] The BAMx members also feel it is very appropriate to require Potrero 3, Humboldt and a part of South Bay Power Plant to comply with OTC Policy within one year after the effective date of the proposed Policy.[3] We support the proposed eleven step plan because (1) it allows for the

[1] BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities and Silicon Valley Power.

[2] An overview of the eleven step plan is as follows:

1) Identify existing studies informing the need for specific OTC power plants to satisfy local reliability.
2) Conduct enhanced LCR analyses and other studies to determine OTC plant replacement options
3) Energy Agencies review results of steps 1) and 2), devise a "Plan" identifying solutions, and periodically update such a Plan.
4) SWRCB and regional boards use the Plan
5) Energy Commission facilitates allocation of AQMD air credits to facilities that are part of the Plan.
6) CPUC modifies IOU procurement guidance to solicit OTC replacements
7) ISO modifies its annual transmission planning process to incorporate Plan elements, and identify transmission solutions
8) Energy agencies update the Plan to encompass proposed projects and provide updated Plan to SWRCB for use in permit revisions.
9) Energy agencies monitor progress, keep SWRCB up to speed on changes.
10) Energy agencies update the Plan.
11) SWRCB updates water discharge permits to be consistent with the Plan.

[3] Draft Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling - June 30, 2009, State Water Resource Control Board.

ability for setting aggressive timelines for compliance with OTC restrictions, and (2) it provides a feedback mechanism that prevents negative reliability impacts due to lack of success in achieving aggressive compliance goals.

BAMx Concerns

Despite our endorsement of the overall policy being put into place we have the following process and compliance policy concerns:

Process is Slow and Opaque: The Jones & Stokes report published in April 2008 studied the period of 2009-2020 for potential retirement/replacement of the once-through cooling units.[4] The results of this study needs to be reconciled with the existing CAISO studies. Some communication occurred with stakeholders in earlier CEC and CAISO planning work on this issue. None occurred during extensive time period taken by Energy Agency Staff since its formation in May 2008 to develop the current proposal. There appears to be an attempt now to gradually include others such as utilities in the discussions, but no promise of changes to include broader stakeholder involvement in the proposed Energy Agency recommendations input to the SWRCB-. It appears that the meetings of the three Energy Agencies are proceeding in a manner more opaque than typically exists in any one of the Agencies. We applaud the CEC as part of its 2009 IEPR preparation for conducting the two OTC workshops to date. Those workshops were informative but provided very little insight into how the Energy Agencies developed the details/timing of their recommendations contained in the attachment to their report.

More Aggressive Timeline for Compliance: All indications are that although substantial issues remain to be resolved in the Southern part of the State, some of the plants in the Bay Area, in addition to Potrero 3, could be required to face more aggressive compliance dates based upon existing studies and planned and permitted infrastructure. The CAISO 2010 LCR studies[5] indicate that obeying the local area requirements of Pittsburg and Oakland Sub-area as well as the overall Greater Bay Area (GBA), nearly 1,200MW[6] of OTC capacity can be retired within the Greater Bay Area itself without the addition of added generation or transmission capacity. The GBA OTC Retirement study prepared by Quanta Technology for Pacific Gas & Electric[7] indicated that existing grid with additional reactive compensation would allow 3,900 MW[8] of OTC to be retired before major additions of transmission or new generation would be required on or before 2020. The reactive compensation needed would cost in the range of $37.5 million to $45 million. The Jones & Stokes study reaches similar conclusion, which indicates that all OTC capacity can be retired within the GBA in the presence of the transmission upgrades with a total cost $42 million.[9] The study by Quanta

[4] Electric Grid Reliability Impacts from Regulation of Once-Through Cooling in California, prepared for California Ocean Protection Council and State Water Resources Control Board, prepared by Jones & Stokes report, Global Energy Decisions and Mathew Trask, April 2008.
[5] 2010 Local Capacity Technical Analysis, May 1 2009, p2 and pg 54.
[6] This amount of capacity does not include the Moss Landing units 6 and 7, which are the OTC units external to the Greater Bay Area and potentially retired.
[7] Greater Bay Area Once Through Cooling Generation Retirement Study, March 31, 2009.
[8] This amount of capacity includes the Moss Landing units 6 and 7 as well as Potrero 4,5 &6 units.
[9] pp.48-49 and Table 4-5.

Technology also pointed to the Russell City Project as allowing substantial retirement of GBA plants without the approximately $40 million of transmission upgrades indicated above. Since we were not part of the discussions involving the recommended Draft Joint Action Agency Paper, we are not aware of the reasons the above observations did not lead to a more aggressive compliance policy for GBA OTC generation.

BAMx Recommendations to the Energy Agencies

1. Continue to promote to the SWRCB the type of policy developed by the Energy Agencies, i.e., OTC compliance (retirement) plan with a reliability objective.
2. Concurrently, proceed to advance a more aggressive compliance schedule building off of existing studies. Determine now if based on existing studies additional plants can be identified for compliance within a year (beyond Potrero 3, Humboldt and a part of South Bay Power Plant).[10]
3. Conduct more studies as contemplated in the Draft Staff Paper to further expand the ability to require compliance at the earliest date without compromising reliability.
4. Do all of the above in a more open and transparent manner.[11] Include stakeholders beyond the staff of the state Energy Agencies in the development of the additional policies and studies.

The BAMx members appreciate the opportunity to provide comments on the Energy Agencies recommendations. BAMx also thanks the CEC for conducting the OTC workshops and publishing the Staff Paper as part of its 2009 IEPR preparation.

[10] Implementation of once-through cooling mitigation through energy infrastructure planning and procurement, July 2009, CEC-200-2009-013-SD. Page B-2: Draft Infrastructure Replacement Milestones and Compliance Dates for Existing Power Plants in California Using Once-Through Cooling.

[11] The CAISO is obligated under Order No. 890 to conduct an open and transparent transmission planning process; additionally, the CAISO BPM at section 9.1, states, "in addition, the ISO will include on the calendar of events maintained on the ISO Website a schedule of the public meetings conducted jointly between the ISO and any PTO or third party, as well as other relevant meetings of the CEC, CPUC, sub-regional, and regional planning groups." We feel both the CAISO and the CEC has an obligation to conduct a more open and transparent process with stakeholders on OTC retirement/elimination policies and reliability impacts.