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California Energy Commission
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1516 Ninth Street
Sacramento, CA 95814-5512

California Energy Commission

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Re: Comments of the Independent Energy Producers Association on the 2014 Draft Integrated Energy Policy Report Update; Docket Number 14-IEP-1.

The Independent Energy Producers Association submits these comments on the California Energy Commission's (CEC) 2014 Draft Integrated Energy Policy Report (IEPR) Update, released November 10, 2014. IEP provided oral comments at the hearing on November 24, 2014 and we incorporate those comments herein. As noted at the hearing, IEP's comments focus primarily on Chapters Eight and Nine of the Draft IEPR, and relate to (1) the coordination of the state's electric infrastructure planning processes; and (2) the proposal for "contingency planning".

Coordinated Planning Should Not Undermine the CAISO's Existing Interconnection Policies and Procedures. Chapter Eight of the Draft IEPR speaks to the alignment of the electric infrastructure planning processes including the CEC's IEPR, the CPUC's Long Term Procurement Plan (LTPP) and the CAISO's Transmission Planning Process (TPP). The agencies have made a conscious effort to coordinate these planning processes such that the IEPR feeds into the LTPP which correlates with the TPP and so forth. As noted in the Draft IEPR, "The agencies are committed to continuing to collaborate and align their electricity infrastructure planning processes with a primary goal being to ensure that California's energy and environmental policy goals are met in a coordinated, transparent, and effective manner."¹

While IEP supports the enhanced coordination between the agencies related to infrastructure planning, IEP is concerned that the attempt to align generation and transmission planning may risk undermining the integrity of the existing interconnection process and the rules regarding open and nondiscriminatory access to the transmission grid. This undermining could occur, for example, if the transmission expansions or upgrades ultimately approved in the CAISO transmission plan failed to include in a timely manner the necessary transmission expansions or upgrades prescribed in the Interconnection Customer's Generator Interconnection Agreement (GIA).

Independent power producers that interconnect to the transmission grid in California are subject to the CAISO Tariff provisions on generator interconnection. The CAISO Tariff enables Interconnecting Customers (ICs) (except those qualifying under the Fast Track or Independent Study processes) to enter the CAISO interconnection queue by filing an Interconnection Request

¹ 2014 Draft Integrated Energy Policy Report Update, page 175.

during a Cluster Application Window. Each IC filing an Interconnection Request during a cluster study window is required to submit an Interconnection Study deposit that can be as high as \$250,000. The Interconnection Study Deposit pays for costs incurred by the CAISO and the Participating Transmission Owners (PTOs) to perform and administer Phases I and II of the Interconnection Studies.

The Phase I and II study processes determine the costs of interconnecting the generator to the grid, including the system upgrades necessary to maintain a prescribed level of reliable service across the grid as a whole (Reliability Network Upgrades) and Delivery Network Upgrades required for ICs that request Full Capacity Deliverability Status. Interconnection requirements and associated costs are set forth in the Generator Interconnection Agreement (GIA) entered into by the IC, the PTO, and the CAISO. The GIA identifies the generator's obligations, including the physical interconnection requirements, and the generator's interconnection cost responsibility, including transmission upgrades or expansions. The PTO and CAISO commit to interconnect the IC to the electric grid in a timely manner, which allows the generator to establish an approximate commercial operation date (COD). Once the Phase II study is finalized and the GIA is executed, the developer knows the costs of interconnection and the approximate COD of the unit. Equally important, the developer is able to bid into the utilities' RFOs with relatively reliable data about its costs.² In addition, the generator can/will reflect its expected Resource Adequacy (RA) status (e.g. full deliverability, energy-only, etc.).

It is unclear at this time how the interconnection process described above ultimately links to the inputs of the LTPP and the TPP. As a worst case scenario, IEP is concerned that a generator that has successfully completed the CAISO's interconnection process may in fact be excluded from the final transmission plan. It is unclear at this time what the implications would be for a generator that has completed the CAISO interconnection process successfully, but that is not included in the final transmission plan. Generators must have certainty that their interconnection agreements will not be compromised or delayed even if the resulting transmission plan indicates a different course.

IEP understands that the CEC, CAISO, CPUC and stakeholders will continue to have a dialogue regarding the link between the infrastructure planning processes and the generator interconnection process. While IEP appreciates the need for further discussion regarding the relationship between these two processes, the proposed alignment of planning and procurement should not undermine the open, nondiscriminatory interconnection rules currently in place in California, particularly the interconnection rules and procedures prescribed in the CAISO tariff.

Contingency Planning Reveals A Lack of Confidence In The Existing Planning Processes.

The Draft IEPR discusses the idea of "contingency planning" if the development of preferred resources, conventional generation, and transmission resources do not advance as planned. For example, contingency measures could include (1) a request that the State Water Resources Control Board (SWRCB) "defer compliance dates for specific OTC facilities"; (2) that conventional power plant proposals be "taken as far through the permitting and procurement processes as practicable, but then held in reserve to receive final approval and begin construction

² As a result of CPUC Decision 14-11-041, which conditionally accepted the 2014 RPS Procurement Plans, a completed Phase II study is now a prerequisite for bidding in the investor-owned utilities' RPS RFOs.

only if triggered.”³ The contingency plan is designed to assure reliability for the Southern California Region and would essentially trigger mitigation measures if resource expectations do not match requirements.⁴

IEP has significant concerns with this approach. First, IEP is concerned that the contingency plan proposal is utility centric and limits the opportunities and flexibility for Independent Power Producers (IPPs) to build generation in California. Second, the state already has contingency planning built into the Long Term Procurement Plan (LTPP) and the Resource Adequacy (RA) program. The LTPP is designed to forecast need 10 years out and ensure that there is a sufficient reserve margin, which requires the utilities to “maintain a set amount of energy above what they estimate they will need to serve their customers.”⁵ In addition to the LTPP, the Public Utilities Commission also relies on the Resource Adequacy program, which insures that sufficient resources are available to the CAISO to ensure the safe and reliable operation of the grid in real time.⁶ The combination of the LTPP and RA programs were established to avoid situations where available resources are insufficient to meet actual electric needs.

A contingency plan that is an addition to the LTPP and RA programs reflects policy-makers’ lack of confidence in these existing planning frameworks. Rather than creating a third-level of contingency planning, the better solution would be to improve the current LTPP and RA planning processes. Moreover, the proposed third-level of contingency planning likely will raise a whole host of new question that may further complicate, rather than solve the existing planning framework. For example, how will projects targeted in the contingency plans progress through the siting and environmental review processes in the absence of specific information provided regarding plant operations? How will contingency plans ensure competition between IPPs and Utility Owned Generation (UOG)?

Instead of creating additional layers to infrastructure planning through a contingency plan, IEP recommends fixing the existing planning processes such that there will be a renewed confidence in these planning processes and the state can again begin to trust that the appropriate amount of resources needed to serve the grid will be available when needed and as planned.

IEP appreciates the opportunity to comment on the 2014 Draft Integrated Energy Policy Report Update.

Respectfully Submitted,



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³ 2014 Draft IEPR Update, page 194

⁴ 2014 DRAFT IEPR Update, page 194

⁵ California Public Utilities Commission website, December 2, 2014:
<http://www.cpuc.ca.gov/PUC/energy/Procurement/LTPP/>

⁶ California Public Utilities Commission website, December 2, 2014:
<http://www.cpuc.ca.gov/PUC/energy/Procurement/RA/>

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