BAMx Comments on 2014/2015 CAISO Transmission Planning Process Renewable Portfolios

The Bay Area Municipal Transmission Group (BAMx)¹ appreciates the opportunity to comment on the 2014/2015 ISO Transmission Plan Renewable Portfolios (Renewable Portfolios). Historically BAMx has had the opportunity to file comments on the renewable resource portfolios as part of the CAISO Transmission Planning Process (TPP) even though it has not been a party to the CPUC LTPP proceeding. However, this year we understand this may be the only opportunity to comment on the Renewable portfolios in the CAISO stakeholder process. To our knowledge, none of the State agencies have clarified that one needs to be a party to the CPUC proceeding in order to comment on the Renewable Portfolios used in the CAISO TPP. Due to all the reasons described above, we request that the CPUC Energy Division (ED) accept these comments and incorporate them in its final TPP Renewable Portfolios.

We commend both Agencies for involving others in the process of selecting the Renewable Portfolios and encourage them to continue to look for ways to improve the engagement process. The comments and questions below address the Renewable Portfolios presented Thring the December 18, 2013, joint CPUC, CEC and CAISO workshop.

BAMx comments are specific to the following five areas.

- Need for Open Transparent Process in Deciding Renewable Portfolios for 2014/2015 TPP;
- 2. The State Goal to Meet 33% RPS in an Energy Requirement and Not one of Resource Adequacy Capacity;
- 3. The CPUC ED-proposed Current Range of Scenarios is Insufficient to Cover Current Policy Issues Facing the CPUC: Need for Cost-Constrained and Environmentally-Constrained Portfolios;
- 4. Currently Proposed RPS Portfolios Are Not Consistent with the CPUC's Guiding Principles; and
- 5. Additional Questions.

1. <u>Need for Open Transparent Process in Deciding Renewable Portfolios for 2014/2015</u> <u>TPP</u>

We are heartened to see the CEC, CPUC and the CAISO cooperating in developing the renewable portfolios that will drive or highly influence the recommendations to the CAISO for

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

the TPP. But such cooperation should not be a substitute for a quality stakeholder process. BAMx is concerned that the process as outlined is insufficient to fully involve stakeholders. In particular, the proposed schedule² does not allow the parties and stakeholders opportunity for adequately responding to the issues raised in the Comments and Reply Comments. From the perspective of BAMx the process for developing these portfolios has changed over the last few years. Originally, it was a CAISO focused stakeholder process. Gradually, input from the CEC and CPUC has appeared to play a more significant role while opportunities for meaningful stakeholder input as failed to meet the need. As demonstrated in the next sections, we have not obtained meaningful responses to the questions that we raised at the December 18 workshop. This shift from a CAISO dominated process to one intimately involving the CEC and CPUC is a positive development only if it includes a formal, transparent stakeholder process. We therefore request that the current proposed schedule be expanded to include the following two milestones between the ALJ Ruling on the LTPP proceeding seeking comments on 12/18 workshop and the Reply comments on ALJ Ruling.

- Written responses from the CPUC ED to the party/stakeholder comments.
- A stakeholder meeting/call to discuss the party/stakeholder comments and the CPUC ED responses.

2. <u>The State Goal to Meet 33% RPS is an Energy Requirement and Not One of Resource</u> <u>Adequacy Capacity</u>

During the December 18 workshop, the CPUC staff indicated that they have assumed transmission projects identified by the CAISO to be needed "only" to provide resource adequacy (RA) based upon a strict set of deliverability criteria. The CPUC ED staff has not provided any justification to model these delivery network upgrades that are not determined to meet the State's 33% "energy" goal by 2020 without any cost-benefit analysis.

BAMx believes that the CPUC ED should not assume the need for transmission projects make renewable resources fully deliverable to meet their RA obligations in the development of the Renewable Portfolios for several reasons. First, there is no State policy to prioritize Resource Adequacy acquisition from renewable generation as needed to meet the RPS. BAMx has consistently questioned relying on new renewable resources to meet the State's system resource adequacy needs. Second, as indicated by the CPUC, there is no immediate need for new system

 2 1/8/14 – Comments due on ALJ Ruling

- 1/15/14 Reply comments due on ALJ Ruling
- 1/27/14 CPUC, CEC, and CAISO complete final review of Planning Assumptions, Scenarios, and RPS portfolios
- 1/31/14 Expected Assigned Commissioner's Ruling adopting the proposal
- 2/7/14 CPUC and CEC jointly submit RPS Portfolios to CAISO

RA capacity.³ In addition to an existing oversupply of system RA resource capacity, the local capacity additions that will result from the 2012 LTPP Track 1 and 4 decisions, as well as capacity additions stemming from the storage mandate, make it very unlikely that any additional system or flexible resources will be required in 2024. Third, the CAISO applies unduly stringent deliverability requirements when qualifying resources to provide RA. For all of these reasons, deliverability of renewable resources should not be built into the model for the 2014 LTPP. We also request the CPUC to update the transmission capacity amounts included in the 33% RPS Calculator⁴ for each area, especially if they are based on the CAISO's deliverability assessments.

3. <u>Need for Cost-Constrained and Environmentally-Constrained Portfolios</u>

The renewable resource portfolios are being developed as an input to the CAISO transmission planning process and are considered by the CAISO when identifying policy-driven transmission projects⁵. Our concern is that these scenarios may fail to identify the lowest-cost resource options, and may draw attention to a single set of assumptions that drive the need for additional and unnecessary transmission. Such a narrow focus could result in the addition of very expensive transmission additions without appropriate cost-effectiveness review. This outcome is particularly troubling in a context where absent new transmission from these portfolios, transmission costs are already growing exponentially.

To mitigate these concerns, a comprehensive, inclusive planning exercise should be used to evaluate the cost of different alternatives in a way that is transparent to stakeholders. We believe that one way to achieve this effectively is to include a cost constrained scenario and use this scenario as the base case. From this basis, incremental costs and benefits associated with diverging from the cost constrained scenario can be assessed. In the past, and in fact up until May 2012, a cost-constrained scenario was presented and used as the base-case.⁶ However, the ³ Source: 2012 LTPP, See Appendix B. Data shown is the Base Scenario from D. 12-12-010, Appendix C, and page C-1. Also, see the presentation by Edward Randolph, Director Energy Division, CPUC at CPUC-CAISO Long-Term RA Summit, February 26, 2013. ⁴ Available capacity on existing Transmission ("g-TxInputs" tab) in the 33% RPS calculator. ⁵ See CAISO Tariff Section 24.4.6.6, CAISO Business Practice Manual for the Transmission Planning Process Section 4.8. ⁶ In 2011, the CPUC submitted a cost-constrained scenario for use as a base case for the CAISO's 2011-2012 Transmission Planning Process. See June 6, 2011 letter from Julie Fitch to Keith Casey. Similarly, initially in March of 2012, in a letter from CPUC President Peevey, CPUC Commissioner Florio and CEC Chair Weisenmiller, the CPUC transmitted to the CAISO a cost-constrained scenario to be used as a reasonable base case in the 2012-2013 planning process. See March 12, 2012, Letter from President Peevey, Commissioner Florio and Chair Weisenmiller to Steve Berberich. Then, in May, the same representatives of the CPUC and CEC wrote a further letter to the CAISO indicating that a commercialinterest scenario⁶ should be used instead as the base case. See May 16, 2012, Letter from President Peevey, Commissioner Florio and Chair Weisenmiller to Steve Berberich. In their letter, President Peevey, Commissioner Florio and Chair Weisenmiller explained that this change was in response to

scenarios presented at the workshop did not include a cost constrained scenario. It seems unfathomable that the CPUC would want to ignore ratepayer costs when evaluating these resource portfolios.

Out of the CPUC staff's proposed four (4) renewable portfolios for the study year 2024, three (3) are exclusively based on the commercial interest criterion. During the December 18 workshop, a BAMx representative asked the CPUC staff why both cost-constrained and environmentally constrained scenarios were not considered. CPUC staff responded that based on the current level of procurement of renewable resources, the trajectory (heavily weighed by commercial interest) scenario was deemed the most appropriate. Further questions regarding several specific projects modeled in the trajectory (commercial interest) portfolios, made it evident that a significant amount of modeled renewable resources have neither Purchase Power Agreements (PPA) nor any permits. In other words, their commercial viability is questionable, and the primary criterion for inclusion appears to be that they are part of the CAISO's generation interconnection queue. It is very important to note that the current CAISO generation queue has a renewable resource capacity of about three times what is needed to meet the 33% RPS goal. Therefore, if BAMx believes there is little or no justification for including these projects in the majority of portfolios. Additionally, although securing a PPA is better predictor of commercial viability, historically the failure rate among generation projects with signed PPAs has been about 33%.. So, a project with a PPA has only a two-thirds likelihood of being developed. Despite this shortcoming, exempting only projects having PPA's from competition within the calculator would represent a substantial improvement. As the Commercial interest portfolio is expected to drive greater transmission need, the consequences of such forecast error are expected to be higher transmission cost with no apparent benefits.

BAMx notes that the scenarios presented at the December 18 workshop mistakenly give the impression that there is a need for additional expensive transmission capacity in the Kramer CREZ and the Riverside East CREZ (such as the Coolwater-Lugo project, estimated to cost \$750 million, and the West of Devers project, estimated to cost \$950 million). No additional transmission capacity in the Kramer CREZ is shown to be needed in the cost-constrained scenario, and no transmission is identified for the Kramer CREZ and the Riverside East CREZ in either the environmental scenario (as modeled by BAMx, since CPUC ED has not presented these scenarios) or the high distributed generation (DG) scenario. Moreover, there is ample transmission capacity available to achieve the State's 33% RPS goals without expensive new transmission projects to deliver projects in the Kramer CREZ and the Riverside East CREZ.

The general perception that a cost-constrained scenario and the commercial interest scenario have similar costs is simply not accurate. BAMx has used the CPUC's 33% RPS model to develop the cost-constrained scenario and found that, in addition to obviating the need for additional transmission in the Kramer CREZ, a cost-constrained scenario would reduce total annual costs by \$217 million. These differences are significant.

In sum, the CEC and CPUC must reinstate both, the cost-constrained and environmentallyconstrained scenarios. Since those Agencies have major responsibilities to protect the environment and to manage ratepayer impact, it seems incongruent that those agencies would ignore these important criteria in deciding how to meet our renewable goals. The need for consistency in following their own criteria, as demonstrated below, requires it. The state agencies should require a cost-constrained scenario to undertake their respective responsibilities to ensure reasonable rates. Moreover, stakeholders are entitled to accurate and transparent information on the cost- and environmental consequences of different alternatives, which cannot be determined in the absence of a cost-constrained or an environmental impact baseline.

4. <u>Currently Proposed RPS Portfolios Are Not Consistent with the CPUC's Guiding</u> <u>Principles</u>

One of the guiding principles for the CPUC renewable portfolios is that the resource portfolios should be substantially unique from each other. Three out of four proposed portfolios are based on the Trajectory (Commercial Interest) scenarios. They differ only with respect to the assumed load and Energy Efficiency (EE) projections. Purely changing load and EE projections, as the CPUC staff has proposed, does not fulfill that uniqueness requirement. Such scenarios might be helpful for performing operational flexibility studies, where the objective is to estimate the amount and type of operational flexible resources needed given the variability and uncertainty of renewable resources and load. The limitation for even this purpose seems unclear. However, the proposed "Trajectory" scenarios based purely on one single criterion, i.e., commercial interest, are highly unlikely to provide significantly different results in the CAISO's transmission planning process, where the future need for transmission infrastructure is determined. Though such scenarios may be of value in assessing flexible resource needs, they are not very enlightening when considering alternative transmisison network upgrades to access renewable generation. It is important to recognize that sometimes specific needs trump the need for consistency. The CPUC ED had followed this principle for the case of the Renewable Portfolios provided as an input into the 2013-14 TPP. We encourage them to do the same in the 2014 CPUC LTPP and 2014-15 CAISO TPP cycles, where the Renewable Portfolios used in the operational flexibility studies differ from those modeled in the CAISO TPP.

5. Additional Questions

Below we list a few technical questions on the CPUC Staff's December 18 workshop presentation. We urge the CPUC ED to provide written responses to these questions.

- 1. The Renewable Net Short Calculation (GWh) By Portfolio table (slide #14 of the December 18 workshop presentation) indicates that the annual out-of-state renewable generation is assumed to be 10,639GWh. However, the last year's portfolios assumed this amount of be 12,600GWh. Please provide a rationale for this nearly 2,000GWh of reduction in the value assumed for out-of-state renewable generation.
- 2. Please explain why the discounted core generating capacity modeled in the last year, i.e., 10,383MW has been reduced to 9,103MW (slide #15 of the December 18 workshop presentation). Should it be interpreted that nearly 1,280MW of additional renewable capacity has become operational since the last year?

BAMx appreciates the opportunity to comment on the development of Renewable Portfolios for the CAISO 2014/2015 Transmission Plan and acknowledges the significant effort of CPUC, CEC and the CAISO staff to develop the proposed portfolios.

植 my have any questions concerning these comments, please contact Pushkar Waglé (888-634-3339 and pushkarwagle@flynnrci.com).