

Bay Area Municipal Transmission Group's Comments on the CEC 2014

IEPR August 20, 2014 workshop

Southern California Electric Reliability Issues

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The Bay Area Municipal Transmission Group¹ (BAMx) appreciates the opportunity to comment on the California Energy Commission's (CEC) 2014 IEPR- Southern California Electric Reliability workshop conducted on August 20, 2014

State Agencies are Cooperating and Sharing Developments with the Public

The CEC and other state agencies are to be commended for coordinating in an unprecedented manner on the issue of providing for a reliable electric grid in light of the pressures of the San Onofre shutdown in addition to the probable shutdown of some existing South Coastal once through cooling (OTC) plants. Meetings like the one held on August 20 are extremely important. It is important that the state agencies make transparent their knowledge of progress towards meeting the Local Capacity Requirements (LCR) needs of the South Coast. Therefore we are encouraged to hear about the CEC's development of the Accounting tool to keep track of developments in and for the South Coast. We assume the CEC will maintain its past practices of keeping the public informed on the development of the tool and the details of analysis based upon the tool.

The State Agencies Must Be Explicitly Concerned About Ratepayer Impacts

It was encouraging to hear that there has been substantial progress made towards meeting the reliability needs of the South Coast. However, we were discouraged to not hear more concern about the ratepayer impact of the alternative ways to meet the reliability need. There was no discussion at the meeting of finding ways to meet the reliability needs at least cost. Given the structure of the State's electricity industry, it makes performing economic studies to compare alternative methods of meeting the reliability needs of the grid more difficult than in the past when the utilities were more vertically integrated. But such efforts should not be abandoned. Satisfying the South Coast reliability issue may provide the best example to illustrate the capability and limitations of using standard industry tools to approximate the cost of meeting the

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

reliability needs for the area. It is a very common planning practice to study the cost of providing needed resources close to load versus doing so remotely and building transmission.

Unfortunately it is more challenging to do so with our current power procurement and contracting structure that keeps prices confidential, though using the CEC developed capital and operating costs for new power plants allows for a reasonable proxy. Utilizing its cost information for local electric supply and the utility estimates for transmission expansion, the CEC has the expertise to develop the comparative economics of meeting the reliability needs of the South Coast basin associated with the various solution options.²

BAMx Encourages the Further Development of Contingency Plans Such as Those Shared at the August 20th Workshop

There appears to be a general consensus that the infrastructure approved so far by the CAISO and the CPUC should be sufficient, with margin, to meet the reliability needs if the infrastructure and programs all come to fruition and provide the expected reliability benefits. It also seems to be generally recognized there is considerable uncertainty around the likelihood of timely completion of this infrastructure and demand side programs. So the CEC's development of an accounting tool³ as mentioned in the workshop and appropriate, cost-effective contingency plans seem to be very logical next steps.

The concept of power plant development and banking⁴ of sites did not seem to receive much support from some of the workshop participants including one or more of the State Air Agencies. Although BAMx has no problem with the general concept as described by the CEC as a contingency plan, rather than develop a new alternate contingent path that lacks a clear pathway to completion, BAMx recommends working with the owners of many OTC units engaged in the CEC's siting process that do not have power sales agreements yet. These plants provide a clearer contingent mitigation path in the event other infrastructure or preferred resources are delayed. In keeping with the previous comments, ratepayer impacts should also weigh heavily in the development and ranking of contingency plans. BAMx fully supports the immediate

² CEC has developed several tools to perform such comprehensive analysis. For example, see (i) **Cost of Generation Model** referred in the "Estimated Cost Of New Renewable And Fossil Generation In California," dated May 2014 CEC-200-2014-003-SD, and (ii) "**Integrated Transmission And Distribution Model** For Assessment Of Distributed Wholesale Photovoltaic," dated APRIL 2013 CEC-200-2013-003.

³ This tool will be designed to integrate local capacity requirements versus resource balance for future years for specific areas with shortfalls.

⁴ The term "Banking" refers to pre-approving sites for quicker regulatory approval, if and when needed.

development of contingency plans that would be triggered in stages as the commitment to meet the OTC retirements dates is threatened. The development and prioritization of such plans should be vetted with all stakeholders and reviewed periodically as additional information is obtained. As part of prioritizing the contingency plan options, analysis should include likely adverse impact to aquatic species due to the current development expectations compared to expectations under the original compliance plans that assumed San Onofre would be operating with OTC for many years. Such analysis should be useful for any proposed deferral request to the State Water Board should such a request be necessary.

We also need to recognize that the event that drives the LCR need for the South Coast is extremely unlikely. As illustrated in last year's LTPP procurement proceeding, it is a cost effective strategy to shed load for such events in a controlled fashion while long-term plans are being implemented.⁵ As the timing for mitigating the dependence on the current load shedding scheme is completely within the control of the Agencies, we recommend the State recognize this existing capability as an interim strategy to protect against a delay in proposed additions for the South Coast.

Need to Provide Resource Adequacy (RA) Credit for Distributed Generation (DG) located in the South Coast

The lack of Resource Adequacy (RA) credit for DG has been cited as an impediment to developing the preferred resources component of the CPUC authorized plan for the South Coast. This inability to receive RA credit for DG is largely driven by the very conservative deliverability criteria of the CAISO⁶ and the manner in which deliverability is allocated to generators on a first-come, first-served basis. This allocation method is not only inflexible to major system events such as the shutdown of San Onofre, it also allocates valuable capacity to

⁵ Moreover, it can be effectively argued that such controlled load shedding should be compared economically against the construction of new transmission as a long-term means to cost-effectively manage the reliability needs of the South Coast, especially if an event is extremely unlikely. Though allowed by NERC, unfortunately the CAISO has taken a position against its long term use in this application without any consideration for economics.

⁶ Our understanding is that the deliverability of generators in this area is restricted by the prior assumption of resources being imported to the area over the Southwest & Sunrise Power Links. Ironically, it is the loss of these two transmission paths and the absence of the constraining resources that drives the need for local resources. So these imported resources both drive the need for and restrict the value of local resources.

many generators that will never be built and many of them are dependent on the timely completion of very expensive and environmentally impactful transmission.⁷ The inability to obtain RA credit for DG in the South Coast should be investigated as part of an effort to satisfy the bulk of the resource needs for the South Coast from preferred resources.

Thank you for the opportunity to comment and we look forward to our ability to comment on further aspects of developing a cost effective plan to meet the reliability needs of Southern California consistent with the state's preference for preferred resources.

If you have any questions concerning these comments, please contact Barry Flynn (888-634-7516 and brflynn@flynnrci.com) or Dr. Pushkar Waglé (888-634-3339 and pushkarwagle@flynnrci.com)

⁷ While the method for determining the quantity of deliverability is developed within the state, the method for its allocation is subject to more direct FERC protocols.