

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

Rulemaking 20-05-003
(Filed May 7, 2020)

**REPLY COMMENTS ON PROPOSED DECISION
ADOPTING 2021 PREFERRED SYSTEM PLAN OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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I. Introduction

The California Independent System Operator Corporation (CAISO) provides its reply comments on Administrative Law Judge Fitch’s *Proposed Decision Adopting 2021 Preferred System Plan* (Proposed Decision).

II. Discussion

A. The Commission Should Reject PG&E’s Recommendations to Modify Energy Storage Procurement at the Kern-Lamont and Mesa Substation.

The CAISO appreciates Pacific Gas and Electric Company’s (PG&E) concerns regarding storage procurement timing at the Kern-Lamont and Mesa substation projects.¹ PG&E suggests the Proposed Decision’s directed procurement timelines are infeasible, in part, due to CAISO interconnection queue processes. However, the Kern-Lamont and Mesa substation battery storage projects represent the most expeditious and cost-effective solutions to meet transmission system needs and system capacity needs simultaneously. Rather than modifying the Proposed Decision’s directives to procure battery storage at these substations, the CAISO recommends that it work with the Commission, and PG&E to develop appropriate timelines for resource procurement and development, while recognizing the challenges raised by PG&E. In particular, the CAISO will work with the Commission and PG&E to establish reasonable procurement timelines for these storage projects. The CAISO is open to exploring ways for these projects to come online in a timeframe that will not compromise reliability.

¹ PG&E Opening Comments on Proposed Decision, January 14, 2022, p. 1 (PG&E Opening Comments)

The CAISO does not support PG&E’s request to modify the Proposed Decision to direct the CAISO to move forward with transmission upgrades at the Kern-Lamont substation in lieu of storage procurement.² Appropriate collaboration among the CAISO, the Commission, and PG&E to develop feasible timelines for the Kern-Lamont storage project will address reliability needs much sooner than any transmission upgrades. Furthermore, the Kern-Lamont and Mesa substation energy storage resources are also necessary to meet system capacity needs. Thus, these projects are necessary to both meet transmission system needs and system capacity needs. The Commission should direct PG&E to work with the CAISO to explore options to expedite procurement processes taking into account challenges with the CAISO interconnection queue.

The CAISO disagrees with PG&E’s assertion that “the CAISO’s cost-effectiveness assessment is incomplete and it is therefore premature to conclude that the proposed energy storage project is in fact more cost-effective than the transmission upgrade solution.”³ The CAISO vetted the Kern-Lamont and Mesa storage projects along with stakeholders in the 2020-2021 Transmission Planning Process (TPP).⁴ Several stakeholders, including the Commission, supported these projects, and PG&E did not object. The CAISO vetted its study process extensively in the TPP using a method supported by the Commission and the majority of stakeholders. The CAISO’s economic analysis in the TPP shifted system-required resources already found to be cost-effective based on the Commission’s least-cost portfolio into specific local areas to address transmission needs.

B. The Commission Should Reject CalWEA’s Recommendation to Direct the CAISO to “Purchase” Diablo Canyon Power Plant-Associated Deliverability.

The California Wind Energy Association (CalWEA) recommends the Commission adopt a process to ensure transmission deliverability for offshore wind. Specifically, CalWEA suggests reserving Diablo Canyon Power Plant-associated deliverability for offshore wind resources. CalWEA states:

[t]he Commission should request that the CAISO seek to purchase the necessary Transmission Planning Deliverability (“TPD”) capacity for at least 1.7 GW of offshore wind (the capacity included in the PSP) from PG&E and its retiring nuclear plant. The payment offered by CAISO (to be recovered in the

² PG&E Opening Comments, p.4

³ *Id.*, pp.4-5

⁴ CAISO, 2020-2021 Transmission Plan, p. 114 and p. 118

Transmission Access Charge) would be based on the avoided cost of building new transmission, and the proceeds would benefit PG&E ratepayers.⁵

CalWEA’s proposal is technically and legally infeasible. Deliverability is not a fungible product that can be traded among resources. Furthermore, the CAISO has no authority or process to “purchase” deliverability rights from a market participant and assign them to someone else.

The CAISO acknowledges the Commission’s interest in ensuring that at least a portion of central coast transmission capacity associated with the Diablo Canyon Power Plant can be used for offshore wind development. Although CalWEA’s proposal to address the Commission’s concern is infeasible, there are offshore wind projects in the CAISO’s interconnection queue that are not currently competing with other resource types to use transmission capacity from Diablo to the bulk system. As a result, current circumstances thus do not present pressing concerns regarding the need to reserve transmission deliverability associated with the Diablo Canyon Power Plant.

C. The Commission Should Consider Ways to Align IRP Policy Direction with Actual Resource Procurement.

The Solar Energy Industries Association (SEIA) and the Large-scale Solar Association (LSSA) (Joint Solar Parties) express concern the Commission may assign solar resources energy-only deliverability service (EODS) but assign battery capacity associated with solar plus storage hybrid projects full capacity deliverability status (FCDS) in the preferred system plan.⁶ The Joint Solar Parties recommend the Commission “revise its methodology for assigning FCDS and EODS status to solar and solar hybrids and ensure that this methodology is grounded in the composition of the projects that will actually be available to LSEs in the next several years – namely, the resources currently in the CAISO queue.”⁷ The CAISO understands load serving entity solicitations require deliverability, whereas IRP portfolios largely assign solar resources EODS. The CAISO understands the Joint Solar Parties’ concerns and suggests the Commission

⁵ CalWEA Opening Comments on Proposed Decision, January 14, 2022, p. 10.

⁶ Joint Solar Parties Opening Comments on Proposed Decision, January 14, 2022, p. 4

⁷ *Id* pp.4-5

consider this issue in the programmatic approach to procurement described in the Proposed Decision.⁸

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments on the Proposed Decision.

Respectfully submitted

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⁸ Proposed Decision, p. 149.