



November 30, 2018

Comments to the 2018-2019 Transmission Planning Process Meeting – November 16, 2018

The California Transmission Project Corp. appreciates the opportunity to submit comments with regard to CAISO’s November 16th presentation of its Preliminary Policy and Economic Assessments for the 2018-2019 Transmission Planning Process. As an initial matter, California Transmission Project Corp. appreciates the confirmation on slide 42 of the “Preliminary Production Cost Simulation Results” section of the presentation that CAISO will be studying the California Transmission Project (CTP) as an economic project. We stand ready to assist in any way that will be helpful.

As you know, in February 2018, we submitted an economic study request for the CTP and submitted supplemental reliability and economic benefits for the project during the 2018-2019 Open Window in October 2018. The proposed offshore HVDC submarine transmission project provides several benefits to the electric grids of Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) operated by the CAISO. These benefits include reductions in the Local Capacity Requirements within the Ventura/Big Creek and LA Basin in SCE’s service area and increased transmission capacity between Northern and Southern California. These capacity benefits will be particularly valuable as gas fired plants are retired under the recently approved Senate Bill No. 100, which requires the State to move towards a 100% clean energy standard. Indeed, CTP is also a significant step forward in enabling the interconnection of offshore wind generation which we believe can be an important component for achieving a 100% renewable portfolio for California. Thus, CTP, which is entirely supported by other economic benefits, will also lower the cost of offshore wind and enhance its timely development.

We also fully support the CAISO’s affirmation on slides 2 and 3 of Mr. Millar’s presentation, that the CAISO economic study process will continue to utilize production cost modeling and the CAISO’s TEAM analysis to further evaluate the broader economic benefits of projects like CTP that deliver reliability solutions and provide other ratepayer benefits including the elimination of local capacity deficiencies and the creation of production cost or other savings.

It is critically important for the CAISO to calculate and consider **all** economic benefits in determining whether ratepayers receive a net benefit from CAISO planning decisions. Doing so



for all projects being studied also ensures fair and equal treatment of all alternatives. This is consistent with, and required by, the CAISO's TEAM approach which provides on page 2¹:

"In the current ISO's planning practice, benefits can be categorized into:

- *Production benefits: Benefits resulting from changes in the net ratepayer payment based on production cost simulation as a consequence of the proposed transmission upgrade.*
 - *Capacity benefits: Benefits resulting from increased importing capability into the CAISO BAA or into an LCR area. Decreased transmission losses and increased generator deliverability contribute to capacity benefits as well.*
 - *Public-policy benefit: Transmission projects can help to reduce the cost of reaching renewable energy targets by facilitating the integration of lower cost renewable resources located in remote area, or by avoiding over-build.*
 - *Renewable integration benefit: Interregional transmission upgrades help mitigate integration challenges, such as over-supply and curtailment, by allowing sharing energy and ancillary services (A/S) among multiple BAAs.*
- Avoided cost of other projects: If a reliability or policy project can be avoided because of the economic project under study, then the avoided cost contribute to the benefit of the economic project."*

In our October 15th open window submittal, CTP calculated and presented the benefits it provides under several of these TEAM categories. In addition, the CAISO's preliminary economic results presented at the November 16th meeting identified 1,284 hours of congestion that will be alleviated by CTP. We request that the CAISO use its TEAM analysis and perform a detailed evaluation of CTP to confirm and quantify all of CTP's reliability and economic benefits under the TEAM benefit categories consistent with your statement on slide 42 of Mr. Zhang's presentation. We also request that the CAISO calculate and present the resulting Benefit to Cost Ratio for CTP.

In particular, CTP requests that CAISO confirm and quantify CTP's ability to reduce Local Capacity Requirements in Big Creek/Ventura and LA Basin. This is a particularly important category of benefits under both the TEAM approach and the CAISO's historic evaluation process. We note that CAISO did not select either the greater Big Creek/Ventura or LA Basin areas for assessment in its special LCR Reduction Assessment for this 2018-2019 cycle. CTP respectfully requests that CAISO quantify CTP's ability to reduce and/or eliminate the LCR requirements in either or both of those LCAs and to include these benefits in the CTP Benefit to Cost Ratio. As noted in our Open Window submittal, our assessment is that CTP can greatly reduce local capacity requirements and provide significant procurement cost savings to California ratepayers.

¹ http://www.caiso.com/Documents/TransmissionEconomicAssessmentMethodology-Nov2_2017.pdf



By performing a comprehensive economic analysis in this 2018-2019 TPP cycle, including with respect to LCR benefits, the CAISO will also provide valuable insight to all California agencies as they assess solutions to LCR and other State energy needs consistent with the forward-looking policies reflected in SB 100. The CAISO's Benefit to Cost Ratio for CTP will provide the CPUC and others with important input for their own deliberations. In particular, it will assist the CPUC with respect to IRP decisions, including with respect to LCR issues and SB 100 related gas fired generation reduction plans.

Following the CAISO's calculation of all CTP benefits under its TEAM approach, we are confident that the CAISO will conclude that inclusion of CTP in the CAISO Transmission Plan as part of the 2018-19 TPP planning cycle is in the best interests of California electricity customers both from a reliability and economic standpoint.

The California Transmission Project Corp. appreciates the time and effort from CAISO's transmission planning team to share its preliminary results with stakeholders on November 16th. We stand ready to assist the CAISO in any way necessary in its efforts to provide a comprehensive TEAM evaluation of CTP so that the best economic solutions are selected to meet the State's current and future policy objectives.

Sincerely,

Martin Walicki

Cal Energy Development Company LLC

On behalf of California Transmission Project Corp.