GOLDEN STATE
CLEAN ENERGY

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Golden State Clean Energy (GSCE) provides the following comments on the CAISO's deliverability assessment methodology straw proposal dated July 29, 2019, and the stakeholder meeting held on August 5, 2019.

I. Introduction

GSCE very much appreciates the CAISO's work on this topic, not only in opening last year's proposed new deliverability assessment to the stakeholder process, but also in being considerate of stakeholders' comments submitted in this initiative. We recognize that CAISO identified a need to improve its deliverability assessment methodology to conform to the new peak timeframe, and we laud CAISO's efforts here to balance that need with the desire to address the consequences of the methodology changes. GSCE believes there are some remaining issues to discuss before this methodology change is ready to implement, but we are optimistic that these issues can be addressed in a timely manner while simultaneously addressing the on- and off-peak deliverability assessment methodology together as a package.

II. Comments

<u>Need for holistic development of the on- and off-peak assessment</u>
GSCE does not believe the methodology changes to the on- and off-peak assessment should be separated; we strongly oppose implementing the new on-peak assessment first while further policy development of the off-peak assessment occurs. The timing of this initiative remains a concern as CAISO targets its September Board meeting, but GSCE appreciates the desire to bring these changes into effect for the 2020 reassessment. If any room exists for a last, quick stage of policy development to refine and clarify the consensus approach to the off-peak assessment methodology while maintaining the ability to incorporate results in the 2020 reassessment, GSCE believes the new methodology will be better for this additional vetting.

Despite our desire for some additional vetting, we believe the CAISO has greatly improved this proposal by adding the critically required off-peak deliverability assessment. For that reason, GSCE sees no need to break this initiative into separate tracks or to delay implementation of the off-peak assessment to more quickly implement the new on-peak methodology. The off-peak assessment responds to concerns over excessive curtailment, and Option 5 (discussed below) provides the correct approach and incentive that should give developers the ability to make choices to mitigate curtailment. GSCE does not think the proposed off-peak assessment is a panacea for California's long-term transmission needs to deliver renewables and meet the State's aggressive GHG reduction goals. Nonetheless, the off-peak assessment provides an implementable approach to address curtailment concerns in a more immediate timeframe for generation developers, and we think CAISO is right to improve the deliverability assessment methodology as a holistic initiative.

If CAISO were to develop the off-peak assessment more slowly and after the new on-peak methodology is implemented, we believe this would significantly jeopardize the State's progress in meeting its GHG reduction goals and create inequitable treatment of generators already in the queue. There is potential for higher market prices and additional GHG emissions as a result of the on-peak assessment changes if they are not simultanesouly mitigated by an off-peak assessment. Further, GSCE is concerned that by separating the on- and off-peak assessment, projects with newly allocated deliverability will not be responsible for addressing the congestion and curtailment impacts they create, and therefore, it would be difficult to retroactively require those same projects to later take responsibility for their impacts.

Option 5 is preferred

GSCE is optimistic that an off-peak deliverability assessment can provide some optionality to developers who have concerns about excessive curtailment. While we continue to support process improvements to identifying policy driven transmission upgrades and other long-term transmission solutions, the off-peak assessment provides some remedy within the scope of this initiative. Out of all the proposed options the CAISO analyzed for the off-peak assessment, GSCE supports Option 5 as the most feasible for both developers and the overall market because it provides the most balanced incentive considering CAISO's goals of addressing lack of deliverability and excessive renewable curtailment.

GSCE believes Option 5 is the only option that will truly incentivize developers to make voluntary upgrades, which is what will determine how affective the off-peak assessment will be at addressing curtailment of renewable resources. With Option 5, the generator interconnection process provides a timeframe to assess and address potential curtailment that more realistically aligns with developers' decision-making timeframe. In contrast, the TPP is too uncertain and utilizes a timeframe that poses too much risk to developers. OPDS also appears a fair incentive that some developers surely will want to take advantage of, and it seems that OPDS can be implemented smoothly because it works within CAISO's current prioritization regime. OPDS may be a critical attribute for renewables in future marketing and contracting.

GSCE agrees with CAISO's assessment of the options, *i.e.*, the first four do not sufficiently address excessive curtailment. Timing, as just mentioned, is one aspect that must work within generator development timelines to provide a workable solution for individual projects. Further, a lack of incentive may result in there being functionally no off-peak mitigation at all.

CAISO recognizes the shortcomings of the other options and we think those shortcomings are sufficient reason to select Option 5. Option 1 will not be effective considering the length in delay from upgrade identification in the deliverability assessment and any possible construction of upgrades as a result of the TPP studies. Further, merchant transmission is not a workable solution because CRRs will not cover the capital cost of the upgrades. Option 2 is also not desirable because it will encourage more generators to opt for energy-only status to avoid having to construct off-peak LDNUs that may be seen as too costly, which defeats the goal of mitigating congestion and excessive curtailment. We also have concern that Option 4 will not work to mitigate congestion or curtailment because there is no incentive for developers to choose it.

Finally, we are mindful of the shift in policy that this represents from a focus on upgrades for deliverability to upgrades driven by relieving congestion and mitigating curtailment. We believe that California policy offers significant support for embedding these upgrades in the generator interconnection process. The GHG reduction goals and CPUC assumptions on the amount of energy-only projects needed to meet these State policies clearly contemplate dramatically more solar being constructed in California. If these investments, which as CAISO notes ultimately are paid for by ratepayers, become more costly because they strand the megawatts from production, it will make achieving the RPS and GHG reduction goals more challenging and lead to higher electric costs for consumer.

<u>Existing resources with deliverability should be grandfathered in to OPDS</u>
GSCE supports CAISO's position that existing FCDS resources should receive OPDS status. That is because existing FCDS resources have paid for upgrades to support deliverability during a timeframe that likely covers at least a portion of the off-peak deliverability upgrades that will be identified in CAISO's new studies.

<u>Energy-only projects in the queue should be given a one-time option to obtain FCDS under the new proposed rules and have the opportunity to select OPDS</u>.
Since the shift in methodology arguably creates additional deliverability, we urge the CAISO to develop a methodology to allow existing energy-only projects to compete for an allocation of the "new" deliverability that will be available when CAISO changes its on-peak deliverability assessment methodology. Offering energy-only projects this opportunity in advance of newly-interconnecting projects is the most equitable way to address the additional deliverability that is created due to the change in methodology. Similarly, energy-only projects should be given an opportunity to elect to be studied for OPDS. So many factors go into why a project may have elected to fund deliverability upgrades in the past, and this more focused and localized opportunity to fund upgrades to get the OPDS and scheduling priority should be offered on a one-time basis to current energy-only projects.

Off-peak assessment and OPDS implementation issue—prioritization level

We request that the CAISO provide additional detail around the priority level afforded OPDS and some details of how it would work. We do support the CAISO moving forward with the OPDS proposal as part of the reform package but request additional detail behind the CAISO's thinking that the incentive it presents will encourage voluntary payment for the local upgrades identified in the off-peak studies. For example, CAISO could provide a couple of scenarios illustrating the effect of the OPDS priority to provide stakeholders a better understanding what type of load and generation conditions might be present in days where having OPDS made the difference in protecting a project from curtailment.

III. Conclusion

GSCE would like to thank CAISO for their efforts in this initiative. We believe the potential impact of the new on-peak methodology on renewable generation in California could be problematic and are encouraged by the creative thinking behind the CAISO's proposed solution. Projects in the current queue have already made significant investment in transmission upgrades to support the State's GHG reduction goals, and the State will continue to need renewables to be developed to meet its RPS requirements. In light of those concerns, we feel the straw proposal has made a significant step to address curtailment, and the new off-peak study process with the local upgrades and OPDS option appears to be an effective solution to helping limit excessive curtailment of these resources.

Respectfully,

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