



The Public
ADVOCATES
OFFICE

Public Advocate Office's Proposal for Competitive Bidding

April 2024

Agenda

- Background
- Proposal
- Benefits to Stakeholders

Background

FERC Order 1000

- Federal Energy Regulatory Commission (FERC) Order 1000 removed "right of first refusal" (ROFR) requirements for new transmission projects.
 - Eliminated incumbent transmission provider's federal ROFR for new facilities selected in a regional transmission plan for cost allocation.
 - Local transmission facility projects are exempt from ROFR requirements.
- FERC defines "local transmission facility" as a project that is "located solely within a public utility transmission provider's retail distribution service territory or footprint that is not selected in the regional transmission plan for purposes of cost allocation."

CAISO's Current Tariff

- CAISO's current tariff exempts the following from competitive solicitation:
 - Upgrades, improvements or replacements of existing Participating Transmission Owner's (PTO's) facilities.
 - Local transmission facility projects entirely within a public utility's distribution service territory.
- CAISO's tariff defines a local transmission facility as one that is "located entirely within a Participating Transmission Owner's footprint or PTO Service Territory" **and** "operates at a voltage below 200 kilovolts".

ISO Comparison For Projects Eligible for Competitive Bidding

Competitive Transmission Project Eligibility for U.S. ISO/RTOs

	CAISO	ISO-NE	MISO	NYISO	PJM	SPP
Types of Projects Eligible for Competition	Reliability, Economic, Public Policy	Reliability, Economic, Public Policy	Market Efficiency, Multi-Value (MVP)	Reliability, Economic, Public Policy	Reliability, Economic, Public Policy	ITP, High Priority, Interregional

Exclusions Based on Voltage

Voltage > 300 kV						
Voltage 200-300 kV			√** (For MEP)			
Voltage 100-200 kV	√		√** (For MEP)		√***	
Voltage < 100 kV	√	√	√**		√***	√

- CAISO has stricter voltage-based exclusions than other ISOs, which also comply with FERC Order 1000.

Citation: Cost Savings Offered by Competition in Electric Transmission, Brattle Group Report, April 2019, pg. 20. Chart edited for brevity.

Chart Notes: Additionally, competitive transmission may be precluded in certain states, due to state Right of First Refusal (ROFR) provisions.

**In MISO, projects that are only classified as Baseline Reliability Projects are locally allocated (regardless of voltage), making them ineligible for competitive processes. Projects designated as Baseline Reliability Projects and MEPs/MVPs are cost-allocated as though they are MEPs/MVPs.*

***MISO limits competition to MEPs and MVPs; MEPs must have a total cost of at least \$5 million and a minimum voltage of 230 kV; MVPs must have a total cost of at least \$20 million and a minimum voltage of 100 kV; see MISO Tariff Attachment FF, Sections II.B, and II.C.*

****PJM has exceptions to these exclusions on lower voltage facilities for specific types of reliability violations. These exceptions are detailed in PJM Manual 14F Section 5.3.4.*

Local and Regional Benefits Distinction

- The current 200 kV split between local and regional categories aligns with many projects' local and regional benefits, due to the history of the California grid expansion.
- However, the voltage distinction is based mainly on bulk power flow benefits and is subjective. For example:
 - 200+ kV projects could provide benefits to lower voltage systems, beyond bulk power flow, such as absorbing unexpected frequency changes.
 - Some 200 kV and lower voltage infrastructure could still be providing regional benefits to the system, such as a parallel system that provides reliability benefits.

Citation: California Independent System Operator Corporation, Order 1000 Compliance Filing, Exhibit ISO-1, Attachment D - Prepared Direct Testimony of Neil A. Millar, October 11, 2012, at 7, states: "High voltage transmission facilities enable the ISO to absorb unexpected changes in frequency that occur from time to time and support adequate voltage levels throughout the system, thereby reducing the risk of voltage collapse and thermal overloads throughout the region."

Citation: California Independent System Operator Corporation, Order 1000 Compliance Filing, Exhibit ISO-1, Attachment D - Prepared Direct Testimony of Neil A. Millar, October 11, 2012, at 5, states: "existing facilities less than 200 kV generally support local service, and in instances where they remain parallel to high voltage facilities, they remain so only because the transition to higher voltage facilities is occurring gradually, only when increased flow patterns necessitate capital expenditures."

Magnitude of Issue

- Of the 45 projects approved in the CAISO's 2022-2023 TPP, only 3 projects (7%) were competitively bid.
- Cal Advocates found that an additional 6 of the 45 projects were at least partially under the 200 kV threshold and involved new equipment installations (rather than replacements or upgrades) but were not competitively bid.
 - The estimated total cost for these projects is \$232 million.
 - Assuming competitively bidding typically results in a cost savings of 25% (per the Brattle report), competitive bidding of these projects could have saved approximately \$68 million for ratepayers.
- The Electricity Transmission Competition Coalition claims that FERC, by failing to enforce Order 1000 to its full extent, potentially costs ratepayers \$277 billion nationally.

Note: Partially under the threshold means that at least one part of the project was rated at 200 kV or under. For example, this would capture a substation with a low side of 75 kV and a high side of 213 kV.

Citation: ETCC report "FERC'S \$277 BILLION ELECTRICITY PRICE HIKE", p. 5 - Assuming a conservative estimate, if only 33% of new transmission projects were competitively bid and there is an average cost savings of 40%, ratepayers could save an estimated \$277 billion. If all new transmission projects were competitively bid at an average cost savings of 40%, ratepayers could save an estimated \$840 billion by 2050.

Citation: Cost Savings Offered by Competition in Electric Transmission, Brattle Group Report, April 2019, pg 1. Brattle figures are for all of the US.

Proposal

Lower the Voltage Threshold From 200 kV to 100 kV for Projects Eligible for Competitive Bidding

- CAISO should find eligible for competitive bidding projects that are:
 - Rated at 200 kV and above.
 - Rated between 100 kV - 200 kV *and* have a regional benefit.
- If CAISO, a stakeholder, or developer can identify a regional benefit during Phase 2 of the Transmission Planning Process, then the project should be considered for competitive bidding.
- CAISO, with stakeholder input, would identify whether projects have regional benefits in order to qualify for competitive bidding.
 - E.g.: Moderate power flow between areas, voltage stability, and congestion reduction.

Benefits to Stakeholders

Benefits to Market Participants

- Increased competitive bidding can:
 - Increase pool of qualified transmission developers.
 - Encourage different types of transmission solution proposals.
- Distributing more projects among more developers could help decrease a backlog in approved transmission projects that have not been built yet.
 - Currently, the utilities have a backlog of about 140 CAISO-approved projects that have not been built yet.
 - Quickly completing approved projects could also help expedite meeting California's climate change goals.

Benefits to Ratepayers

- Ratepayers benefit from reduced project costs:
 - There's an estimated cost savings of 20-30% for competitively bid transmission projects.
- Reduced transmission revenue requirement results in reduced costs to CAISO ratepayers.

Questions?