

**Comments of the Committee on Regional Electric Power Cooperation on the Preliminary Report
Prepared by the California Independent System Operator and National Renewable Energy
Laboratory Pursuant to California Assembly Concurrent Resolution 188**

February 8, 2023

The Committee on Regional Electric Power Cooperation (CREPC) welcomes the opportunity to provide comments on the report prepared for California Assembly Concurrent Resolution 188 (ACR 188) titled *Impacts of Expanded Regional Cooperation on California and the Western Grid*, herein referred to as the Regional Cooperation Report. ACR 188 requested that the California Independent System Operator (California ISO) conduct an independent report summarizing regional studies and policies that focus on the impact of expanded regional cooperation on California. The California ISO hired the National Renewable Energy Laboratory (NREL) to co-author the study and perform an independent review. The following comments address this preliminary report published for stakeholder review on January 13, 2023.

Background

CREPC is a joint committee of the Western Interstate Energy Board (WIEB) and the Western Conference of Public Service Commissioners (WCPS). CREPC's formal membership includes an energy office official and a regulatory utility commissioner from each of the Western states and Canadian provinces. CREPC works to improve the efficiency of the Western electric power system through education, convenings, and by providing comments on electricity market development efforts in the Western Interconnection. For many years, CREPC has been working on the challenges and opportunities of wholesale electricity market development with a variety of regional stakeholders. The resulting cooperative initiatives include the Western Energy Imbalance Market (Western EIM) and the Western Power Pool's (WPP) Western Resource Adequacy Program (WRAP). Each of these initiatives has proved to be a valuable, incremental step towards greater regional cooperation; the Western EIM alone has "provided participants with over \$3 billion in benefits since 2014 [and] has significantly avoided CO₂ emissions."¹

Over the years, efforts by CREPC, its partners, as well as those by the many researchers listed in the Regional Cooperation Report, conclude that expanded regional cooperation is essential to achieving states' energy and environmental goals and that greater regionalization means we can achieve these goals faster and with less cost to electricity customers.²

The two-year study, titled, "Exploring Western Organized Market Configurations: A Western States' Study of Coordinated Market Options to Advance State Energy Policies" compared the "business-as-usual" scenario to alternative theoretical market constructs and footprints (e.g., day-ahead markets and multi-state Regional Transmission Organizations). Since that report, we have moved beyond theoretical constructs and electric utilities in the West are considering whether to join the California ISO Extended Day-Ahead Market (EDAM), the Southwest Power Pool's proposed day-ahead market (Markets+), the Southwest Power Pool's proposed RTO (RTO West), and the Western Power Pool's Western Resource Adequacy Program (WRAP). Governance and the need for an independent Board of Directors has been

¹ National Renewable Energy Laboratory, "Impacts of Expanded Regional Cooperation on California and the Western Grid, California Independent System Operator, p. 2, available at: <http://www.CaliforniaISO.com/Documents/ACR188DraftSummaryReport-Jan13-2023.pdf>.

² Id., 4.

an overriding issue for Western States during the design of these regional programs. Electric utilities will be making important and potentially irreversible decisions on market participation in 2023.

Considering the positive impact of the Western EIM, there are unmistakable benefits for Western electricity customers from further regional cooperation, whether that be a single West-wide Regional Transmission Organization (RTO), two or more Western RTOs, a regional energy market, or a regional resource adequacy program. The many modeling efforts reviewed in the report demonstrate that achieving state energy and environmental goals is likely to be significantly more expensive and result in diminished reliability for consumers if regional cooperation is not further developed. In these comments, CREPC reiterates the benefits of enhanced regional cooperation found in this report, with an emphasis on three specific topics: reduced production costs,³ reduced resource adequacy costs,⁴ and efficient transmission planning.⁵

I. Expanded regional cooperation, such as a West-wide RTO or energy market, will significantly reduce production costs across the West.

Many studies assessed within the Regional Cooperation Report discussed how expanded regional cooperation would result in reduced production costs for the Western Interconnection. The 2019 *Western Flexibility Assessment* by Energy Strategies and WIEB found that production costs will fall by 8% for 2025 and 12% for 2035 if integrated day-ahead and real-time energy markets are incorporated West-wide.⁶ Additional flexibility strategies⁷ could reduce those production costs by another 4% for 2025 and 22% for 2035, and these additional strategies and cost savings “could reach a clean energy penetration of 69%,”⁸ satisfying much of California’s energy and environmental goals. If regional cooperation beyond energy markets is realized, such as suggested by the 2021 *State-Led Market Study* by Energy Strategies, then “a West-wide RTO would produce \$833 million in annual production cost savings by 2030.”⁹ This is eight times greater than the production cost savings under a West-wide day-ahead market.¹⁰ *CREPC recognizes the potential cost savings throughout the West that are possible through an expanded multi-state RTO. Western States are willing and able now to work collaboratively with California on governance and market expansion.*

II. Resource adequacy planning can be improved with expanded regional cooperation and result in cost-saving benefits for all.

Coordination on resource adequacy, such as pooling load and generation fleet across the region, through the modes of expanded regional cooperation identified in the Regional Cooperation Report could result in reduced resource adequacy costs for California and the other Western states that participate in a regional resource adequacy program.¹¹ The studies in the Regional Cooperation Report that focused on resource adequacy concluded that improved planning “could help California avoid or mitigate the effect of disruptions caused by climate change [and that] joining a regional resource adequacy program could

³ Id., 82.

⁴ Ibid., 82.

⁵ Id., 83.

⁶ Id., 51.

⁷ Additional flexibility strategies may include new transmission, the addition of storage, more diverse resource mixes, etc.

⁸ Id., 52.

⁹ Id., 84.

¹⁰ Ibid., 84.

¹¹ Id., 86.

reduce California's cost of resource adequacy”¹² through greater grid flexibility and a diversified resource mix from the expanded regional cooperation and footprint. Utilities in ten Western states and provinces have already committed to participate in the WRAP,¹³ and CREPC has endorsed the WRAP tariff filing at FERC¹⁴ in an effort to prioritize resource adequacy planning throughout the region. *CREPC recognizes that enhanced coordination between the WRAP and the California Public Utilities Commission (CPUC) Resource Adequacy Program has the potential to provide greater cost-savings for the entire region and encourages the California ISO and other California agencies to engage with the Western Power Pool on the interoperability of the two resource adequacy programs.*

III. Expanded regional cooperation can result in more efficient transmission planning, producing further cost savings and greater access to renewable energy sources for California and the West.

Multiple studies included in the Regional Cooperation Report find that “transmission planning across a region rather than separately by individual utilities can reduce transmission congestion and the cost of operating reserves required to maintain reliability.”¹⁵ Though a best method for regional transmission planning has not yet been identified or agreed upon in the West, CREPC recognizes that many Western state representatives, including those in the CEC and the CPUC, have been in support of greater coordination across the Western Interconnection. This support for greater regional cooperation on transmission planning has been demonstrated in a comment filing at FERC regarding its April 2022 Notice of Purposed Rulemaking.¹⁶ The efficient transmission planning that comes with expanded regional cooperation has other benefits to California and the West such as better grid resilience, and “less curtailment of solar and wind resources... [and] better and cheaper access to renewable energy for customers.”¹⁷ *CREPC commends the California ISO for its leadership on preparing the 20-year Transmission Outlook and encourages the California ISO to continue its work with the other regional transmission planning entities to improve the interregional coordination procedures.*

Concluding Observations

The Regional Cooperation Report and the studies within it find that California is uniquely positioned for expansion to a multi-state RTO because the California ISO already operates under FERC jurisdiction. Additionally, sharing the cost of the ISO’s investment in sophisticated and highly capable market operations among more customers creates efficiencies and avoids the costs of developing efficient seams with neighboring states.

As the regional entity that focuses on electric power system cooperation efforts, CREPC will continue to host and guide further discussions with regional stakeholders in support of expanded regional

¹² Id., 87.

¹³ Western Resource Adequacy Program Area Map as of January 18, 2023, available at: <https://www.westernpowerpool.org/news/wrap-area-map>.

¹⁴ Comments of CREPC under FERC Docket No. ER22-2762, available at: <https://www.westernenergyboard.org/wp-content/uploads/Comments-of-CREPC-under-ER22-2762.pdf>.

¹⁵ National Renewable Energy Laboratory, “Impacts of Expanded Regional Cooperation on California and the Western Grid, California Independent System Operator, p. 82.

¹⁶ Comments of Western State Representatives under FERC Docket No. RM21-17-000, available at: https://www.westernenergyboard.org/wp-content/uploads/WesternComments-FERCNOPR-RM21-17-LongTermPlanning-FINAL_Aug.17.22.pdf.

¹⁷ National Renewable Energy Laboratory, “Impacts of Expanded Regional Cooperation on California and the Western Grid, California Independent System Operator, p. 83.

cooperation. The Regional Cooperation Report outlines that these benefits will not only be realized in California, but the rest of the West as well.

CREPC thanks the California ISO for the opportunity to provide comments on the Regional Cooperation Report pursuant to ACR 188 and welcomes future opportunities for collaboration.

Respectfully submitted,

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