

Smart Wires Comments on the 2020-2021 Transmission Planning Process

December 1, 2020

Smart Wires appreciates this opportunity to provide comments on the CAISO 2020-21 Draft Transmission Plan. The comments below address material presented at the CAISO Stakeholder meeting on November 17, 2020. These comments focus the economic assessment of Local Capacity Requirement (LCR) reduction projects.

Regarding PG&E's project submission to reduce Greater Bay Area (GBA) Local Capacity Requirement (LCR)

During the September 25th TPP stakeholder meeting, PG&E proposed a project to reduce Greater Bay Area LCR following its sudden rise due to N-1-1 criteria adoption. PG&E's proposed solution included use of SmartValves to reduce flow on the constrained Metcalf transformers and to reduce Greater Bay Area LCR down to the next most limiting constraint (reduction of ~1350 MW). CAISO's latest analysis has confirmed the solution's impact is as designed by PG&E.

CAISO's economic assessment that was conducted to value the ~1350 MW reduction indicates that there is no incentive to reduce GBA local capacity with *any* project at this time. Smart Wires acknowledges that this is due to the local and system weighted average capacity costs being roughly the same per *The 2018 Resource Adequacy Report* published by the CPUC. However, given the prior stakeholder engagement around this constraint following its identification in the 2021 Local Capacity Technical Study, Smart Wires believes stakeholders would benefit from additional commentary as to why a project to reduce GBA LCR should or should not be pursued.

Use of historical weighted average capacity costs neglects the influence that local constraints have on the tails of capacity cost distributions. A sudden rise in local requirements, as identified for GBA, can have an outsized impact on procurement, and several million dollars' worth of local capacity costs could materialize before CAISO's methodology would adequately reflect the actual costs incurred on ratepayers. On the heels of the 2021 local capacity technical study results, the CPUC suspended 2022 and 2023 local procurement associated with the GBA LCR increase for these reasons. As such, Smart Wires request that additional data be provided to ensure the methodology utilized accurately captures the estimated cost of procurement and that procuring additional local generation is the most economical solution for ratepayers.

Additionally, in the recent LCR study results presented by CAISO in the latest TPP stakeholder meeting on November 17th, the underlying assumption is that GBA has deficient local Net Qualifying Capacity (NQC) while other local areas have a net ~7 GW of surplus (slide 155, titled, "2030 Final LCR Needs"). This underlying assumption of GBA being deficient in future years runs counter to the near term capacity cost trends identified in *The 2018 Resource Adequacy Report*. Smart Wires also requests CAISO to comment on how to reconcile the difference between historical data and assumed future trends.

If you have any questions or concerns about these comments, please contact Andrew Martin (andrew.martin@smartwires.com) or Chris Ariante (chris.ariante@smartwires.com).