

TANC COMMENTS
ON THE CAISO'S 2016-2017 TRANSMISSION PLANNING PROCESS
NOVEMBER 30, 2016

The Transmission Agency of Northern California (TANC) appreciates this opportunity to provide comments on the California Independent System Operator's (CAISO) 2016-2017 Transmission Planning Process (TPP) November 16, 2016 stakeholder meeting pertaining to the results of the economic and policy studies and an overview of the Transmission Economic Assessment Methodology (TEAM). The CAISO 2016/17 Transmission planning cycle finds itself at a very interesting and uncertain time in the California energy market and TANC believes that the CAISO's cautious approach toward approving new projects and willingness to look and re-evaluate the need for certain projects is appropriate. Also, TANC is pleased that the CAISO is considering ways to improve its current modeling, particularly as it relates to the interties and specifically the California-Oregon Intertie (COI) to potentially provide modelling results that are more in line with historical tendencies and far more likely to be representative of future market realities.

COI Modeling

As a party to the Owner's Coordinating Operating Agreement (OCO), TANC and the other COI Owners are continuing to work with the CAISO to provide requisite data and future operation and maintenance requirements to allow the CAISO to improve upon its modelling of the COI. We believe that this is critical to illustrating the operational realities of the integrated bulk electric system realistically. Accurate and improved information regarding historic and future operational and maintenance realities should assist in effort to capture the true costs of congestion at Malin. Prior to additional model runs with realistic operational data, the 2016/17 planning cycle shows just \$330,000 of congestion costs over 38 hours on the COI. While this result is consistent with previous planning cycle estimates, it does not come close to replicating historical levels of congestion at Malin. From 2011-2015, congestion at Malin averaged over \$58 million and 2,500 hours annually. By underestimating the cost of congestion at the COI the CAISO is hindering its ability to find economic solutions that could potentially save CAISO customers and California consumers millions of dollars annually. Recent discussion between the OCOA Parties and the CAISO to explore and find ways to improve the economic modeling to better reflect true market and operational conditions (and the associated limitations and increased costs) is welcome and TANC looks forward to continuing to support the CAISO's efforts in this area.

TEAM Needs a Separate Stakeholder Process

TANC is appreciative of the CAISO's discussion and overview of the TEAM model and is looking forward to the updated documentation that has been promised as well as an opportunity to comment on the document and methodology. Going forward TANC would encourage the CAISO to make regular updates, as necessary, to the TEAM documentation, with appropriate stakeholder notice, and to include more detail on the assumptions that will be used in the annual development.

While TANC understands the 2016/17 TPP may not be the ideal forum for stakeholders and the CAISO to discuss the methodology of the TEAM, TANC recommends the initiation of a separate stakeholder process to allow a complete vetting of TEAM. The TEAM approach was developed in 2005 during a very different energy environment which by itself would call for a complete evaluation of the model that includes current stakeholders and market conditions. Additionally, the CAISO is proposing to use the TEAM as a primary determinant in its Transmission Access Charge (TAC) sub-regional cost allocation in the event of a regionalized CAISO footprint. The use of the model for such a potentially contentious annual process would require that TEAM undergo proper scrutiny in advance to insure it is being properly and fairly applied. Addressing this potentially critical component of a future Regional ISO (and a current integral tool for the CAISO TPP) is not only prudent at this time; but is likely a prerequisite for stakeholders and potential future CAISO participants to understand and vet how TEAM is not only used today, but how it will be applied in the future.

CAISO Should Expand its Review of Projects

The review of Projects previously approved by the CAISO for the Pacific Gas & Electric Company (“PG&E”) area has revealed several projects that the CAISO has determined are no longer needed. TANC appreciates the CAISO review of the projects and agrees with the recommendation to cancel these projects. The CAISO did not commit to a recommendation during the Stakeholder Meeting as to whether it would cancel the previously approved Gates-Gregg project or put the project on hold. TANC suggests that should the CAISO determine it wishes to place the project on hold as opposed to cancellation, that it makes clear that no project costs incurred during the deferral period should be recovered in the project sponsor’s transmission rate base.

Finally, TANC continues to recommend that the CAISO review all projects that have been approved in previous planning processes. Specifically, TANC would strongly suggest another look at the Harry Allen – Eldorado 500-kV Project that was approved in the 2013-14 TPP. The “Scenario 2016 in Excel v1.2” from the CEC, dated August 5, 2016,¹ shows a resource surplus of around 30-40% through 2036. A significant amount of the economic benefits of the Harry Allen – Eldorado Project came from anticipated capacity benefits that the CAISO economic studies included based on studies that indicated that SP26 would be resource ‘short’ by 2019-20. Based upon the current CEC analysis and the CAISO’s own push through the RETI process for Energy-Only interconnections – this Project may no longer provide the economic benefits or justification that the CAISO previously stated. TANC made the same request in the prior round of comments and the CAISO responded that it felt there was still enough reason to believe this project was needed. However, given that a fundamental driver for the project has changed, the project warrants re-evaluation to determine if the project remains economically viable and should continue to move forward. TANC respectfully requests that this project be vetted the same as the CAISO used to determine that Gates-Gregg is no longer required. TANC believes that it is paramount for the CAISO to utilize identical approaches for determination of a project’s need.

¹ <http://www.cpuc.ca.gov/General.aspx?id=11681>

Without a similar examination of Harry Allen – El Dorado it would appear that the CAISO is favoring projects (or project sponsors) in one portion of the grid over another region (by not reexamining).

50% Portfolios

TANC was concerned with the CAISO's indication during the November 16 meeting that it is not expected that the next planning cycle will include 50% Renewable Portfolio Standard (RPS) portfolios for its studies (i.e., beyond the information-only special studies). The RPS statute, SB350, was signed into law on October 7, 2015, a fact that has existed throughout the current TPP. By the time the policy studies are reported for the 2017/18 TPP it will have been over two years since Governor Brown approved the statute. It is imperative that the CAISO work with the appropriate state agencies to include at least a 45% portfolio for the 2027 study in the next planning cycle. It is vitally important for grid reliability and renewable deliverability that the CAISO models the future system as accurately as possible for the planning horizon.