

## **BAMx Comments on CAISO's Second Discussion Paper Imperial County Transmission Consultation**

The Bay Area Municipal Transmission group (BAMx)<sup>1</sup> appreciates the opportunity to comment on the Imperial County Transmission Consultation – Draft Second Discussion Paper dated October 1, 2014, and the associated stakeholder presentation on October 8.

**1. BAMx Appreciates the CAISO's Stakeholder Involvement:** BAMx applauds the CAISO for preparing a second issue paper and hosting a stakeholder meeting on these issues. Although the results of any studies would need to be incorporated into the CAISO 2014-15 transmission planning process (TPP), this meeting and description of issues allows for broad stakeholder input before the CAISO develops its position. We appreciate the detailed response the CAISO has provided to the July 28 stakeholder comments on the CAISO's July 14 Stakeholder Meeting.<sup>2</sup> We commend the CAISO for having this discussion now and encourage the CAISO to expand on this type of pre-draft report activity for other stakeholder activities.

**2. There is a Wide Concern Among Stakeholders About Building Transmission to Provide RA Credit to Variable Energy Resources (VER):** The CAISO and several other stakeholders recognize that the issue at hand is deliverability for resources that allow buyers of renewable projects' output to count the generators' dependable capacity toward their Resource Adequacy (RA) needs. BAMx has questioned the need to build expensive and unneeded transmission to acquire the RA credit from VERs in several stakeholder processes thus far.<sup>3</sup> In their comments dated July 28, 2014, several other stakeholders have raised exactly the same concern.

For instance, Pacific Gas and Electric (PG&E) states the following.

“Since 2010, the CAISO, CPUC, and CEC have committed to coordinate transmission planning assumptions through a Memorandum of Understanding (MOU) among the agencies. Through this MOU, the Commissioners and senior staff have jointly agreed to the RPS portfolio assumptions that should be used as inputs into the planning process. However, while the number of MWs by location and technology are very clear in these portfolio assumptions, **the**

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<sup>1</sup> BAMx consists of Alameda Municipal Power, City of Palo Alto Utilities, and City of Santa Clara, Silicon Valley Power.

<sup>2</sup> See the CAISO Comments Matrix at <http://www.caiso.com/Documents/CommentMatrix-ImperialCountyTransmissionConsultation.pdf>.

<sup>3</sup> See BAMx Comments to CAISO with Respect to CAISO Led Effort on Imperial County Transmission Consultation, dated July 28, 2014 ([http://www.caiso.com/Documents/StakeholderComments-ImperialCountyTransmissionConsultationStakeholderMeetingJul14\\_2014.pdf](http://www.caiso.com/Documents/StakeholderComments-ImperialCountyTransmissionConsultationStakeholderMeetingJul14_2014.pdf)). See also BAMX Comments on the CAISO 2014-15 Transmission Planning Process Draft Study Plan, dated March 13, 2014 (<http://www.caiso.com/Documents/BAMxCommentsDraft2014-2015StudyPlan.pdf>)

**choice of whether or not to assume this incremental procurement requires Full Capacity Deliverability Status (FCDS) remains unclear.”**

**“The cost/benefit of Resource Adequacy (RA) vs. network upgrades is currently an issue in the 2014 RPS Plan,** where the CPUC has asked parties to comment on its proposal to assume the value of capacity from RPS procurement to be zero. While PG&E, in its comments to the CPUC, has argued that RA from fully or partially deliverable RPS resources does have positive value, PG&E notes that it currently expects the RA value from non-flexible resources to be low for the foreseeable future, and, with respect to energy-only deals, the RA value, by definition, would be zero.”

Similarly, San Diego Gas and Electric (SDG&E) states the following.

**“Deliverability at Any Cost is Not a Public Policy Objective:** The CAISO’s paper is focused on “renewable generation deliverability.” It does not address the question of whether it makes economic sense to provide “deliverability” for all of the “future increased generation potential in Imperial County.” SDG&E believes there should be some assessment of whether consumers would be better off (i) procuring renewable generation on an “energy only” basis thereby avoiding the transmission costs that would make such generation deliverable and buying Resource Adequacy (RA) capacity from sources that do not require incremental transmission capacity, or (ii) procuring renewable generation with both energy and RA capacity attributes, which could mean incurring transmission costs to make such generation deliverable for RA counting purposes.”

In response to BAMx’s July 28th comments, CAISO states the following.

“Since virtually all generation in the GIDAP process and therefore all generation procured to meet the 33% goal are specified as deliverable generation, the ISO policy driven transmission analysis has the objective of ensuring that the generation in the portfolios will be deliverable.”

To our knowledge there exists neither a requirement nor CPUC LTPP documentation that states that all resources in the CPUC renewable resource portfolios need to be fully delivered.<sup>4</sup> Therefore, BAMx strongly suggests that the CAISO must provide the CPUC the full information that it needs to guide the LSEs’ procurement processes in a manner that does not result in unnecessary costs. In this case, that would mean not only identifying a plan to make the portfolio quantities fully delivered as the CAISO has endeavored, but also a suite of alternatives

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<sup>4</sup> See Attachment 2 (Standardized Planning Assumptions (Part 2 – Renewables) for System Resource Plans) of Assigned Commissioner And Administrative Law Judge’s Joint Scoping Memo And Ruling, Rulemaking 10-05-006, dated December 3, 2010.

that identifies the cost and congestion if the portfolio quantities for the Imperial area are Energy Only.<sup>5</sup>

**3. It is Premature to Approve New Transmission for Imperial County Deliverability as Part of the 2014-15 Transmission Plan:** Many stakeholders have proposed several smaller, yet still quite significant, transmission projects to address the Imperial County deliverability constraints, but these options all lack clarity and details. It would, therefore, be inappropriate to consider these incomplete proposals as Category 1<sup>6</sup> transmission projects. These potential additions could be identified as potential Category 2 policy driven actions considered in the 2014-15 transmission plan. BAMx requests that the CAISO not approve any Category 1 policy driven transmission additions as part of the 2014-15 transmission plan.

The reasons for not considering the proposed transmission additions as Category 1 for this planning cycle are many. First, it is clear from the Aspen study that most of the projects being proposed in the CAISO presentation as Group 2 and 3 major projects will have major adverse environments impacts and will be very difficult to site. Any proposed solution that includes building a major new transmission line must have significant and clear public benefits that cannot be reasonably met through alternative means.

Second, the CPUC is undertaking efforts to revise various components of the 33% RPS Calculator that is used to develop the renewable TPP portfolios under the CPUC RPS proceeding.<sup>7</sup> We understand that the new version of the 33% RPS Calculator's (Version 6.1) resource selection likely will depart from the existing algorithm and will likely look at whether a renewable resource may be more economical if it is assumed not to be "Deliverable" for resource adequacy purposes. In other words, under the new calculator, while a "non-Deliverable" or "Energy Only" renewable resource option would have no RA value, it would be equivalent to any other "Full Capacity" resource in terms of meeting the State's 33% RPS goal.<sup>8</sup> Furthermore, the new renewable portfolio mix developed by the new calculator may recognize a much lower overall cost associated with a "Energy Only" renewable resource option, because

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<sup>5</sup> Consultation with the CPUC should be used to determine whether the consideration of Energy Only resources should be limited to the quantity currently not covered by approved Power Purchase Agreements requiring full delivery.

<sup>6</sup> Per the CAISO tariff Section 24.4.6.6 (Policy-Driven Transmission Solutions), any transmission solutions that are in the baseline scenario and at least a significant percentage of the stress scenarios may be classified as Category 1 transmission solutions.

<sup>7</sup> See the CPUC "Administrative Law Judge's Ruling (1) Issuing An Energy Division Proposal On The Renewables Portfolio Standards Calculator, (2) Entering The Proposal Into The Record, And (3) Setting A Comment And Workshop Schedule," Rulemaking 11-05-005, dated October 10, 2014

<sup>8</sup> *Ibid.* See *Treatment of Energy-Only Projects*, pp. 22-23 of the *Attachment: California Public Utilities Commission Energy Division's Staff Proposal on the RPS Calculator*.

these projects would not be tagged with the high transmission costs that the CAISO identifies to make the renewable resource option “Deliverable.”

Third, another development that will affect the value of transmission that achieves deliverability for renewable resources is the CPUC intention to develop the Effective Load Carrying Capacity (ELCC) for Wind and Solar Resources in compliance with State law and as a replacement for the existing exceedance-based methodology to calculate the Net Qualifying Capacity (NQC) in the next yearly RA decision.<sup>9</sup> The ELCC-based NQCs for solar and wind resources are expected to significantly lower the current RA credit for these types of projects.<sup>10</sup>

The above-mentioned developments at the CPUC regarding the new 33% RPS calculator are likely to result in having significant greater amount for renewable resources that can be deemed deliverable from Imperial County. In light of these developments it would be premature to consider any new transmission proposal that is developed in order to achieve deliverability as a Category 1 project for this year’s transmission plan. Such a designation for a transmission project based upon currently available data and analysis is not warranted.

Fourth, prior to proposing any expensive transmission projects to provide deliverability for proposed projects, the CAISO should first determine whether the renewable portfolio goal can instead be met through a combination of reallocation of MIC and/or operational changes. If so, this would allow policy goals and requirements to be met at a significantly lower cost.

**4. Much Confusion Still Exists Concerning the Subject of Deliverability Assessment:** In their July 28<sup>th</sup> comments, several stakeholders, including the Center of Energy Efficiency and Renewable Technologies (CEERT) and Imperial Irrigation District (IID), have expressed confusion over the existing CAISO Deliverability Methodology and the need to improve it. The current methodology is at the heart of how deliverability is determined for the resources that are both internal and external (Maximum Import Capability) to the CAISO controlled grid. The CAISO cites its *Technical Paper on Generator Interconnection and Deliverability Study Methodology*<sup>11</sup> as the basis for restricting the ability of market participants to count RA credit from resources. Many, including the CPUC Energy Division, have asked for a separate stakeholder process to

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<sup>9</sup> *Ibid.* See *Capacity Value (RPS\_CalcV6.0\_CapacityValue.ppt)* pp. 26-27 of the **Attachment: California Public Utilities Commission Energy Division’s Staff Proposal on the RPS Calculator.**

<sup>10</sup> BAMx’s preliminary review of the composition of the 1,000MW of the TPP base portfolio renewable resources in the Imperial Zone indicates that purely shifting to the ELCC-based NQC calculations, nearly 20%-40% more renewable capacity can be considered deemed deliverable using the CAISO’s existing deliverability methodology.

<sup>11</sup> See <http://www.caiso.com/Documents/TechnicalPaper-GeneratorInterconnection-DeliverabilityStudyMethodology.pdf>

review the CAISO's Deliverability Assessment.<sup>12</sup> BAMx and several other stakeholders believe that the methodology is overly severe and potentially leads to unnecessary ratepayer funded transmission development. Subsequently, the CAISO held a stakeholder meeting to provide more details on its deliverability assessment methodology. However, one meeting cannot substitute for an extensive stakeholder process that involves meaningful review and participation. The need for such a stakeholder process is outlined in *Section 13.19* (Deliverability Network Upgrade Planning Criteria) of the CAISO's *Draft 2015 Stakeholder Initiatives Catalog*, dated October 1, 2014.

BAMx appreciates the opportunity to comment on the CAISO the Imperial County Transmission Consultation –Draft Second Discussion Paper. BAMx looks forward to working with the CAISO staff to continue to improve and enhance the planning process in California.

If you have any questions concerning these comments, please contact Barry Flynn (888-634-7516 and [brflynn@flynnrci.com](mailto:brflynn@flynnrci.com)) or Pushkar Wagle (888-634-3339 and [pushkarwagle@flynnrci.com](mailto:pushkarwagle@flynnrci.com)).

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<sup>12</sup> Among many stakeholders requesting such a process was an unprecedented step taken by the CPUC Energy Division through a letter from the Energy Division Director to the CAISO Vice President of Market and Infrastructure Development and Executive Director of Transmission Planning, dated December 19, 2012. See <http://www.caiso.com/Documents/CPUCCommentsDeliverabilityMethodologyTraining.pdf>