Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide written comments on the Clean Energy and Pollution Reduction Act Senate Bill 350 Study initiative posted on February 4, 2016.

Please submit comments to regionalintegration@caiso.com by close of business February 19, 2016

1. Do you think the proposed study framework meets the intent of the studies required by SB350? If no, what additional study areas do you believe need to be included and why?
Comment: No. The proposed study framework considers an unrealistic scenario (Scenario 3) in which 1) the entire Western US is a single market, 2) renewable procurement is optimized across all LSEs according to some common vision and plan, and 3) all renewable procurement is in bucket 1 under SB 2x because the entire West is interconnected. None of these assumptions has been shown to be realistic. Even Scenario 2 assumes regional market operations and de-pancaking of transmission charges, which are not of high probability. There is no evidence that BPA would ever engage in joint market operations with CA, even if certain investor-owned utilities decided to do so. There would have to be a broad multi-BA agreement to change transmission pricing and there has been no sign of this happening in the West. The studies also assume the implementation of the Clean Power Plan, the implementation of which has been stayed by the Supreme Court. If the CPP does not become mandatory, several Western states have indicated that they do not intend to change their supply mixes to reduce carbon emissions. At a minimum, the stay will delay the implementation by about two years.

The fact that Pacificorp is considering joining the CAISO does not mean that the rest of the US part of WECC will follow. Furthermore, there are considerable unanswered questions about the terms of Pacificorp's participation, including resource adequacy (RA) requirements and the transmission access charge (TAC). These topics, along with the regional governance, are currently being addressed in ongoing CAISO stakeholder initiatives. CLECA agrees with the other stakeholders' statements at the February 8, 2016 public meeting raising serious concern with the concomitant timing of the regional governance initiative and the studies; CLECA is also concerned with the concurrent timing of the Regional RA and TAC stakeholder initiatives and the studies, not to mention the GHG initiative that has yet to be started. The studies essentially assume that the Regional RA issues and TAC will be resolved by assuming the same RA requirements for all participants and de-pancaking of transmission rates; those assumptions appear flawed, given Pacificorp's written comments in the Regional RA initiative and the initial straw proposal on the TAC. Ideally, the Regional RA and TAC policies would be finalized prior to the studies and could inform the assumptions. As they are not, there should be an additional scenario assuming Pacificorp's stated positions in those initiatives become the policy.

Finally, we have no idea how carbon would be treated in an expanded CAISO; again, that initiative has not yet been initiated. CLECA understands that some electric corporations in the West have a policy that all of their electricity entering California is deemed to have a "blended" emissions factor representative of the emissions profile of their entire generation portfolio, as opposed to a specific emissions factor associated with a specific plant. How will this be addressed and how do the studies deal with this specific issue?

2. Five separate 50% renewable portfolios are being proposed for 2030 as plausible scenarios for the purpose of assessing the potential benefits of a regional market. Are these portfolios reasonable for that purpose, and if no, why?
Comment: No. Given the economics of geothermal, as well as its baseload nature, the assumptions of 500 MW of new geothermal energy is questionable. It is also possible that the economics of Wyoming and New Mexico wind are dependent on who is responsible for building and paying for the new transmission. It is not clear what is assumed in either the E3 or the Brattle analysis.
3. To develop the five renewable portfolios the RESOLVE model makes a number of assumptions resulting in a mix of renewable and integration resources for the scenario analysis (rooftop solar, storage, retirements, out of state resources etc.) Do you think the assumptions associated with developing the renewable portfolios are plausible? If no, why not?
Comment: No. First of all, since renewable procurement is done by individual LSEs, there is no reason to believe that it will be optimized, yet E3 is using its RESOLVE model to attempt such optimization. By definition, this will overstate the benefits, as there is no central plan for procurement by LSEs to achieve such a result, even with the IRP requirements of SB 350 (which only apply to CA). Second, most states in the West do not have RPS or GHG requirements to inform their procurement. The statement of E3 that no new capacity additions are triggered under the 3 scenarios is unsupported. If Diablo Canyon will be shuttered in 2025 and the OTC plants will be closed, there needs to be considerable support for this apparent conclusion. What is E3 assuming about SONGS replacements?
4. The renewable portfolio analysis assumes certain costs and locations for the various renewable technologies. Do you think the assumptions are reasonable? If no, why not?
Comment: No. Given the high costs assumed for geothermal resources, it is hard to fathom why E3 has included 500 MW of geothermal resources. In addition, geothermal resources are baseload, and the CAISO is focused on flexibility. BTM solar does not count for RPS today, so we do not understand why E3 assumes it will count in the future. (Slide 34) Does E3 assume the utilities are purchasing the RECs from such facilities?

5. The renewable portfolio analysis makes assumptions about the availability and quantity of out-of-state renewable energy credits ("RECs") to California. Do you think the assumptions are plausible? If no, why not?

Comment:
No. These assumptions should not only be informed by the availability and quantity of the RECs, but also the answer to the question posed above regarding the possible purchase of RECs from BTM solar. The utilities' current "headroom" - or ability to purchase bucket two products and bucket three products (RECS) for RPS compliance – should also inform the renewable portfolio analysis.

6. The renewable portfolio analysis makes assumptions about the ability to export surplus generation out of California (i.e., net-export assumptions). Do you think these assumptions are reasonable? If no, why not?

Comment:
No comment at this time.

7. Does Brattle's approach for analysis of potential impact on California ratepayers omit any category of potential impact that should be included? If so, what else should be included?

Comment:
No comment at this time.

8. Are the methodology and assumptions to estimate the potential impact on California ratepayers reasonable? If not, please explain.

Comment:
No. The ratepayer impact analysis assumes that there will be a regionally uniform RA requirement. Pacificorp has objected to such a requirement and it has not been resolved; indeed, the CAISO staff proposal for regional RA states is pending, and not only do we not know what the staff proposal will be, we don't know what the ultimate policy will be. CA ratepayers should be concerned that a different, lower RA requirement for other entities joining the CAISO, such as Pacificorp, could result in their leaning on CA with its higher requirement.

Brattle also assumes that a larger western market will drive down the cost of ancillary services. Generators need a certain level of income to remain economic and in operation. If AS prices fall, they will expect to make up for that loss of income through higher income from some other source, such as RA. We note that E3 assumes that generators will be compensated regardless of market prices, which is in direct contradiction to Brattle's assumption.

Brattle also assumes greater reserve sharing across a larger footprint, but its analysis must first demonstrate that this will not be impeded by congestion. To our knowledge, Brattle is not running a power flow analysis, nor are any of the other studies.

Brattle assumes CPP compliance throughout WECC, which is at present a heroic assumption.

Brattle says it will convert production cost savings into utility revenue requirements. Not all procurement is done by utilities, so it will not be subject to revenue requirement treatment.

Brattle appears to assume a reduction in operating reserves, but has presented no analysis to support this assumption.

Given the high level of assumptions presented in the Brattle slid deck, it is difficult to fully respond to this question. It is not clear if all assumptions have been made explicit in that presentation. For example, who would be paying for new transmission projects for Wyoming and New Mexico wind and who would see the benefits?

9. The regional market benefits will be assessed based assuming a regional market footprint comprised of the U.S. portion of the Western Interconnection. Do you believe this is a reasonable assumption for the purpose of this study? If not, please explain.

Comment:
No. As noted above, this is not a reasonable assumption for the reasons stated.

10. For the purpose of the production cost simulations, Brattle proposes to use CEC carbon price forecasts for California and TEPPC policy cases to reflect carbon policy implementation in rest of WECC. Is this a reasonable approach? If not, please explain.

Comment:
No. As explained above in our response to question 1, there is significant concern over the collective lack of knowledge of how carbon would be treated in an expanded CAISO; it is not a reasonable approach to make such critical assumptions prior to even the preliminary straw proposals for the GHG policy for an expanded CAISO.

11. BEAR will be using existing economic data, and generation and transmission data from E3, the CAISO, and Brattle. These data are currently being developed. Are there specific topics that you want to be sure to be addressed regarding these data?

Comment:
No comment.

12. The economic analysis will focus on the electricity, transportation, and technology sectors to develop the economic estimates of employment, gross state product, personal income, enterprise income, and state tax revenue. These results will be further disaggregated by sector, occupation, and household income decile. Do you think these sectors are the appropriate ones on which to focus the job and economic impact analysis? If no, why?
Comment: No comment.
13. Under the proposed study framework, both economic and environmental impacts of disadvantaged communities will be studied. Based on the study overview do you think this satisfies the requirements of SB350?
Comment: No comment.
14. The BEAR model will evaluate direct, indirect, and induced impacts to income and jobs, including those in disadvantaged communities. Do you think additional economic analysis is required? If yes, what additional analysis is needed and why?
Comment: No comment.
15. The environmental analysis will evaluate impacts to California and the west in five areas – air quality, GHG, land, biological, and water supply. Do you think additional environmental analysis is required? If yes, what additional analysis is needed and why?
Comment: No comment.
16. The environmental analysis presentation identified a number of potential indicators for the various impacts. Are the indicators sufficient? If no, what additional indicators would you suggest?
Comment: No comment.
17. Other
Comment: No comment.