

**COMMENTS OF THE STAFF OF THE CALIFORNIA  
PUBLIC UTILITIES COMMISSION  
REGARDING THE CAISO 2018-2019 DRAFT TRANSMISSION PLAN  
FOLLOWING THE FEBRUARY 14, 2019 STAKEHOLDER MEETING**

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**February 28, 2019**

The Staff of the California Public Utilities Commission (“CPUC Staff”) appreciates this opportunity to provide comments on the 2018-2019 Draft Transmission Plan discussed at the California Independent System Operator Corporation’s (CAISO) February 14<sup>th</sup>, 2019 stakeholder meeting. Our comments address the following topics:

1. CPUC staff commends the CAISO on the impressive amount of work completed in the 2018-19 Transmission Planning Process.
2. CPUC looks forward to coordinating with the CAISO on improving the valuation of local capacity reductions when considering transmission solutions or non-wire alternatives.
3. CPUC Staff commends the CAISO on the substantive efforts in conducting economic benefit assessments for alternatives to gas generation in local capacity areas. CPUC Staff supports the CAISO’s recommendation to restudy a number of projects in future TPP cycles.
4. CPUC Staff looks forward to continuing coordination with the CAISO to ensure that the updated transmission capability estimates inform the CPUC Integrated Resource Planning process.
5. CPUC staff request additional information regarding the permitted revenue streams for the energy storage component of the Oakland Clean Energy Initiative (OCEI).

Complete comments are found on the following pages.

**1. CPUC staff commends the CAISO on the impressive amount of work completed in the 2018-19 TPP cycle.**

The multitude of projects and proposals studied as part of the reliability assessment, the economic assessment, and the interregional coordination process was undoubtedly an immense effort. CPUC Staff congratulates the CAISO on the completion of this TPP cycle. The results produced will be used to inform Integrated Resource Planning (IRP) and other CPUC programs where possible and appropriate.

**2. CPUC looks forward to coordinating with the CAISO on improving the valuation of local capacity reductions when considering transmission solutions or non-wire alternatives.**

Staff acknowledges that in the 2018-19 TPP cycle, due to a lack of information on system-level costs and benefits, the CAISO took a conservative approach in assessing the value of a local capacity reduction benefit when considering transmission investments or non-wire solutions that could reduce the need for existing gas-fired generation providing local capacity. The differential between the local capacity price and system capacity price was applied to reductions in the need for gas-fired generation. CPUC staff supports the use of this valuation approach by CAISO in the 2018-19 TPP cycle.

CPUC Staff also recognizes this valuation approach impacted the economic assessment results. Of the 25 proposals and alternatives studied by the CAISO only one economic-driven transmission solution, the Giffen Line Reconductoring Project, is being proposed as a recommendation to the Board of Governors for approval. The benefit to cost ratio of most projects was insufficient to warrant a project recommendation. Although many of the studied projects did demonstrate a substantial production cost benefit of reducing congestion, when summed with the low local capacity benefits captured under the differential approach used, the total benefits did not surpass the costs. CPUC Staff acknowledges that some of the projects may need to be restudied next year if the approach for measuring local capacity benefits is adjusted. CPUC Staff will coordinate with the CAISO to improve the information available to the CAISO on the system capacity benefits of preferred resources as they relate to reducing the cost of local capacity requirements.

**3. CPUC Staff commends the CAISO on the substantive efforts in conducting economic benefit assessments for alternatives to gas generation in local capacity areas. CPUC Staff supports the CAISO's recommendation to restudy a number of projects in future TPP cycles.**

CPUC Staff supports the CAISO's recommendation for further consideration of the following projects in future TPP cycles:

- o The S-Line Series Reactor Transmission Project due to the promising Benefit-to-Cost Ratios for both Local vs. System Capacity and Local vs. SP 26.
  - o The Mira Loma Dynamic Reactive Support project due to the positive 1.05 benefit to cost ratio in the local vs SP 26 result.
  - o The Pease Sub-area (Looping in of Pease-Marysville 60kV line into East Marysville 115kV substation) due to the RMR costs resulting in a benefit to cost ratio of nearly 1.0. CPUC Staff agrees that refined cost estimates and better understanding of the need for the gas-fired generation in the Hanford sub-area will be key to further study.
- 4. CPUC Staff looks forward to continuing coordination with the CAISO to ensure that the updated transmission capability estimates inform the CPUC Integrated Resource Planning process.**

CPUC Staff appreciates the CAISO's use of the new deliverability assessment approach to study the 42 MMT portfolio which was transmitted to the CAISO from the CPUC's Integrated Resource Planning proceeding. CPUC Staff understands that for the 2018-19 TPP the new approach was used for information-only purposes and not to recommend transmission solutions. It will be important for the 2019-20 TPP that the CAISO establish a deliverability assessment approach vetted and sufficiently supported by stakeholders, allowing for its use in identifying economic-driven transmission solutions and recommendations. CPUC Staff requests that in 2019 the CAISO coordinate with the CPUC to do a crosswalk between the information flowing from the 18-19 deliverability assessment and used in the IRP with the expected results of the 19-20 deliverability assessment, which may use a different study approach.

CPUC Staff looks forward to continuing coordination with the CAISO to ensure that the insights generated about renewable curtailment and conceptual upgrades in the Kramer-Inyokern, Eldorado, Mountain Pass and Southern NV zones are incorporated into the allocation of IRP-identified resources to substations in the future.

**5. CPUC staff request additional information regarding the permitted revenue streams for the energy storage component of the Oakland Clean Energy Initiative (OCEI).**

CPUC Staff wants to emphasize that a timely implementation of the energy storage component of OCEI will minimize ratepayer costs associated with the running of the Oakland Power Plant which currently operates under a Reliability Must Run (RMR) contract. Has the CAISO decided whether the

energy storage must function as a dedicated transmission asset, recovering capital investments only through the transmission rate case, or may the storage also access other market revenue streams?

Thank you for the opportunity to provide comments.

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