

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company (U39E) for Approval and  
Recovery of Oakland Clean Energy  
Initiative Preferred Portfolio  
Procurement Costs.

Application 20-04-013

**REPLY BRIEF OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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The California Independent System Operator Corporation (CAISO) submits its reply brief in this proceeding pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission) and the *Assigned Commissioner's Scoping Memo and Ruling* issued in this proceeding on July 14, 2020 (Scoping Memo).

**I. INTRODUCTION**

The Oakland Clean Energy Initiative (OCEI) is a multi-faceted mitigation plan approved by the CAISO in its 2017-2018 transmission planning process to meet Oakland sub-area reliability requirements. The CAISO approved the OCEI to facilitate the retirement of the existing Oakland Power Plant, a 165 MW fossil-fueled power plant in Oakland, which the CAISO has designated as a Reliability Must Run (RMR) resource necessary to support local reliability. The Local Area Reliability Service (LARS) agreements at issue in this proceeding will provide the resources necessary to maintain Oakland sub-area reliability and retire the existing RMR generation. The LARS resources are a necessary element of the OCEI project. Without them, the CAISO must continue the existing RMR designation for all or a portion of the Oakland Power Plant.

Parties filing opening comments generally agree that there is a need for additional local resources in the Oakland sub-area to retire the existing RMR generation and

maintain reliability.<sup>1</sup> Several parties, however, oppose Pacific Gas & Electric Company's (PG&E's) request to approve the LARS agreements based on assertions that (1) the OCEI, in aggregate, will not provide resources sufficient to meet the local sub-area needs,<sup>2</sup> or (2) the LARS agreements will not provide sufficient resources to meet local needs without the additional elements of the OCEI project.<sup>3</sup> Contrary to the first assertion, the CAISO's transmission planning process analysis conclusively demonstrated the OCEI will meet Oakland sub-area needs through 2024 based on the California Energy Commission's load forecast.

Regarding the second assertion, the CAISO agrees the LARS agreements are insufficient, by themselves, to maintain reliability and retire the existing RMR generation, but they are necessary. In addition to the storage resources secured through the LARS agreements, the OCEI includes upgrades to existing transmission facilities and continued reliance on an operating agreement allowing transfer of Alameda Municipal Power (AMP) load during peak loading conditions and under various contingency events. The CAISO recognizes that AMP filed a complaint with the Federal Energy Regulatory Commission (FERC) challenging whether the operating agreement allows for the load transfer contemplated in the transmission planning process. However, the outcome of the pending FERC proceeding should not influence or delay the Commission's decision to approve the LARS agreements. The storage resources provided by the LARS agreements are necessary to retire the RMR generation as soon as possible, regardless of how FERC rules on the complaint. In other words, the FERC complaint does not affect whether the Commission should approve the LARS resources. Delaying or denying PG&E's application to approve the LARS agreements will only serve to extend the need for the Oakland Power Plant and the associated RMR designation.

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<sup>1</sup> See Opening Brief of the California Large Energy Consumers Association (CLECA), p. 4. ("First, it is not clear that the portfolio of projects proposed by PG&E will meet the local sub area reliability need..."); Opening Brief of the Northern California Power Authority (NCPA), p. 5 ("NCPA has no reason to question the studies done by the CAISO...");

<sup>2</sup> Opening Brief of Center for Energy Efficiency and Renewable Technologies (CEERT), p. 5. ("CEERT believes the proposed OCEI solution (CEERT simply cannot bring itself to use the word "portfolio") may already be insufficient to meet the identified local sub area reliability need.") and CLECA Opening Brief, p. 4. ("First, it is not clear that the portfolio of projects proposed by PG&E will meet the local sub area reliability need at all...")

<sup>3</sup> CLECA Opening Brief, p. 4-5.

## II. DISCUSSION

Consistent with the assigned Administrative Law Judge's direction in this proceeding, the CAISO structured this reply brief consistent with the July 14, 2020 Scoping Memo. Below, the CAISO responds to specific questions posed in the Scoping Memo.

**Scoping Memo Question 1: Should the Commission approve the two Local Area LARS Agreements resulting from the OCEI Request for Offers (RFO) for energy storage locational attributes at the Oakland C and Oakland L substations?**

CEERT recommends the Commission deny PG&E's application to approve the LARS agreements. CEERT argues "PG&E has under-procured in the OCEI and should be directed by the Commission to procure additional preferred resources to meet this need."<sup>4</sup> CEERT clarifies it has "issues" regarding "whether these storage resources are in and of themselves adequate to meet the local capacity requirement (LCR) needs of the Oakland load pocket and allow the retirement of the Oakland Power Plant."<sup>5</sup> CEERT's claims are without merit or factual basis. Even assuming *arguendo* the LARS resources are insufficient to meet the local capacity need, the logical course of action would be to procure incremental resources, not reject the LARS resources.

The CAISO conducted detailed power flow analyses of the Oakland sub-area in the 2017-2018 and 2019-2020 transmission planning processes to determine the quantities of capacity and energy necessary to retire the existing Oakland Power Plant while maintaining sub-area reliability.<sup>6</sup> The CAISO based these analyses on California Energy Commission (CEC) demand forecasts, which the Commission and the CAISO use to set local capacity requirements.<sup>7</sup> In the 2019-2020 transmission planning process, the CAISO determined that the OCEI is expected to serve the forecasted north Oakland subarea reliability need until at least 2024.<sup>8</sup> CEERT does not provide an independent analysis challenging the CAISO's study results. Instead, CEERT cites to its expert

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<sup>4</sup> CEERT Opening Brief, p. 3.

<sup>5</sup> *Id.*

<sup>6</sup> PG&E Exhibit 1, p. 2-2 to 2-3.

<sup>7</sup> *See*, for example, Commission Decision 20-06-031 adopting local capacity obligations for 2021-2023 based on the CAISO's local capacity study.

<sup>8</sup> PG&E Exhibit 1, p. 2-6

witness opinion regarding the inadequacy of the proposed resources. Those conclusory opinions provide no evidentiary basis to contradict the CAISO's robust studies and analysis regarding the local need determination and the efficacy of the LARS resources in meeting that need.

Separately, CLECA argues the Commission should not approve the LARS agreements as written. CLECA asserts "[t]he Commission must have assurance that the [LARS] contracts will meet the reliability requirements," which it says cannot happen "unless and until PG&E's proposal to have AMP participate in OCEI by performing station transfers, or by manually dropping its own load, is found by *FERC* to be consistent with the Operating Agreement between AMP and PG&E, or the Operating Agreement is modified by mutual consent."<sup>9</sup>

CLECA fails to explain why the Commission must wait for FERC to act on the AMP complaint. The LARS storage resources effectively reduce Oakland sub-area local capacity requirements regardless of how FERC resolves AMP's complaint. Depending upon the outcome of the FERC process, the CAISO will assess whether additional mitigation measures, beyond the battery storage and transmission upgrades currently identified as part of the OCEI, will be necessary in the next transmission planning cycle and subsequent cycles. Denying PG&E's application will only serve to further delay procurement and construction of resources that are necessary to replace and retire the Oakland Power Plant.

**Scoping Memo Question 2: Will the portfolio of projects proposed by PG&E meet the local sub area reliability need in the areas served by the Oakland C and Oakland L substations, effectively addressing the need identified by the CAISO, as amended most recently in the CAISO's 2019-2020 Transmission Plan?**

CEERT claims the OCEI solution "may already be insufficient to meet the identified local sub area reliability need" based on its independent predictions of future load growth in the Oakland sub-area.<sup>10</sup> Similarly, CLECA states "the need for OCEI

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<sup>9</sup> CLECA Opening Brief, p. 3.

<sup>10</sup> CEERT Opening Brief, p. 6 (emphasis in the original).

beyond 2024 is uncertain because the load forecast is uncertain” and “under some alternative forecasts the OCEI could be insufficient.”<sup>11</sup>

CEERT and CLECA’s generalized assertions that future Oakland sub-area loads may exceed the CEC’s forecast is unpersuasive. The CAISO uses the CEC’s 1-in-10 year demand forecast to set local capacity requirements. As with any forecast, actual conditions may, and likely will, vary from the forecast amount. To address this variability, the CEC updates its load forecast annually, and the CAISO conducts its annual transmission planning process based on an updated forecast each year. As a result, the CAISO can monitor any changing system or local conditions and adjust mitigation plans as necessary, through an iterative process that builds on previously approved solutions. Absent material changes in the load forecast that were not considered in the CEC process, the Commission’s application review process is not the appropriate venue to reconsider this fundamental planning assumption.

Importantly, neither CEERT nor CLECA provide a basis to conclude there have been material changes not considered in the CEC’s demand forecast. CEERT suggests that planned development activities within the Oakland area will cause an increase in the expected load, but does not show that this planned development is in excess of the CEC’s demand forecast. CLECA states there are “alternative forecasts” that could render the OCEI insufficient to meet Oakland sub-area needs, but fails to identify these alternative forecasts or explain why they should supersede the CEC’s demand forecast. Unsupported assertions should not be relied on to ignore the CEC’s robust and comprehensive demand forecast development. Even if CEERT and CLECA are correct that future Oakland sub-area loads will exceed the CEC’s demand forecast, that is no basis to deny the LARS agreements. Increased loads will very likely require additional resources, not fewer, to meet the reliability requirements. Approving the LARS agreements now provides security the necessary resources will be developed sooner, rather than later.

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<sup>11</sup> CLECA Opening Brief, p. 4.

**Scoping Memo Question 3: Given the recent increase in the Greater Bay Area local requirements (reflected in the 2021 CAISO technical Local Capacity Resource study), does PG&E now have projected need for Resource Adequacy (RA) in the Greater Bay Area over the course of the 10-year LARS contract? How do the LARS agreements differ from procurement of RA? Could additional RA procurement in the Greater Bay Area change the proposed value of the OCEI PPP solution? Would an alternative procurement have additional ratepayer cost advantages?**

CLECA suggests the LARS agreements and the associated storage resources are inadequate to meet local capacity needs because the CAISO plans to “pre-dispatch the storage in the case of an anticipated contingency.”<sup>12</sup> CLECA asserts that “[t]his assumes that the CAISO can anticipate a contingency with perfect foresight” and that “[p]erfect foresight for anticipating contingencies plus perfect pre-dispatching of storage is not a reasonable assumption.”

CLECA’s suggestion that storage resources require the CAISO to anticipate contingencies with “perfect foresight” and conduct “perfect pre-dispatch” is inaccurate. The CAISO currently dispatches use-limited resources to meet local capacity requirements. Storage has unique use-limitations, but the CAISO will use existing market tools to dispatch storage resources to meet local capacity needs without the need for “perfect foresight” or “perfect pre-dispatch.” Current tools include the assessment of forecast local load conditions and the possibility of and recovery from contingency conditions. The CAISO manages natural gas resources with long start times and demand response resources with limited duration or dispatch capabilities similarly today. Existing CAISO systems and market tools can also schedule storage resources to charge and retain energy to ensure that if a contingency does occur, the CAISO can maintain local reliability.<sup>13</sup> The CAISO is continuing to explore enhancements to more effectively use storage and may pursue specific changes to its Business Practice Manuals language to clarify that it may either dispatch storage resources to maintain an adequate state of charge to ensure local reliability.<sup>14</sup>

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<sup>12</sup> CLECA Opening Brief, p. 7.

<sup>13</sup> PG&E Exhibit 20, p. 2.

<sup>14</sup> *Id.*



### III. CONCLUSION

The CAISO recommends that the Commission approve PG&E's application for the LARS agreements to construct the necessary battery resources at the Oakland C and L substations. The LARS agreements are necessary to ensure that sufficient battery capacity is built to meet Oakland sub-area needs and retire existing fossil-fuel RMR generation.

Respectfully submitted

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