

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

Order Instituting Rulemaking to Continue  
Electric Integrated Resource Planning and  
Related Procurement Processes.

Rulemaking 20-05-003  
(Filed May 7, 2020)

**COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS  
ON NEED AND PROCESS FOR CENTRALIZED PROCUREMENT  
OF SPECIFIED LONG LEAD-TIME RESOURCES**

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**Table of Contents**

I. Introduction..... 1

II. Discussion..... 2

    A. The CAISO Recognizes the Need to Balance Prompt Engagement in LLT  
        Transmission Development with Parallel LLT Resource Development Efforts. .... 2

    B. The Commission Should Reflect Decisions Regarding LLT Resource Development  
        Directly in Integrated Resource Plan Portfolios. .... 3

    C. The CAISO Clarifies the SPTO Model is Specific to New Transmission from  
        Locations Currently Outside the CAISO Balancing Area. .... 3

III. Conclusion ..... 4

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**I. Introduction**

Pursuant to the April 26, 2024 *Administrative Law Judge’s Ruling Seeking Comments on Need and Process for Centralized Procurement of Specified Long Lead-Time Resources* (Ruling), the California Independent System Operator Corporation (CAISO) hereby submits its comments to the California Public Utilities Commission (Commission) on the Ruling and Energy Division Staff’s *Analysis for Centralized Procurement of Specified Long Lead-Time Resources* (Ruling Slides).<sup>1</sup>

The Commission’s Ruling focuses on pathways for potential procurement of long lead-time (LLT) resources, including offshore wind (OSW). The CAISO’s comments do not respond to specific Ruling questions, but instead highlight language added to the CAISO’s Revised Draft 2023-2024 Transmission Plan to address offshore wind development. Specifically, the CAISO highlights the need to balance prompt engagement in LLT transmission development with parallel resource development processes.

In Ruling Slides, Energy Division also considers cost caps and non-economic benefits in LLT resource evaluation. The CAISO recommends the Commission continue to reflect

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<sup>1</sup> Energy Division Staff, *Analysis for Centralized Procurement of Specified Long Lead-Time Resources*, April 2024: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/ab1373/need-determination-analysis-centralized-procurement-of-specified-llt-resources.pdf>

decisions regarding LLT resource development directly in Integrated Resource Plan (IRP) portfolios. This will allow the CAISO to continue to study the Commission’s preferred resource portfolios and plan the transmission grid accordingly.

Lastly, the CAISO clarifies Ruling Slides regarding the CAISO Subscriber Participating Transmission Owner (SPTO) model.

## **II. Discussion**

### **A. The CAISO Recognizes the Need to Balance Prompt Engagement in LLT Transmission Development with Parallel LLT Resource Development Efforts.**

The Ruling provides additional analysis on OSW costs and notes that floating OSW is a nascent technology “for which any cost assumptions have considerable uncertainty.”<sup>2</sup> The CAISO recognizes inherent uncertainties associated with development of new technologies such as floating offshore wind off the California coast. In light of these uncertainties, the CAISO added language to the Revised Draft 2023-2024 Transmission Plan that recognizes a need to balance timely engagement in LLT transmission development (given lengthy development timelines) with parallel development paths such as resource and port infrastructure development. To help achieve this balance, the CAISO’s Revised Draft 2023-2024 Transmission Plan discussed the need to prudently manage expenditures associated with OSW transmission development as well as the need to provide transparency on transmission development activities and associated cost exposure. The CAISO will add information and transparency expectations to competitive solicitation functional specifications for transmission projects associated with OSW development.

The CAISO included the following language on this topic to in its Revised Draft 2023-2024 Transmission Plan:

The ISO acknowledges and appreciates stakeholder concerns expressed through the transmission planning stakeholder process regarding the inherent uncertainty with the development of new technologies such as floating offshore wind off the California coast. In balancing the need to engage promptly on long lead time transmission yet remain in step with the numerous other parallel development paths needed to enable offshore wind to develop, the ISO is committed to both seeking to prudently manage expenditures that could be the subject of cost recovery processes, as well as providing industry transparency on the pace of transmission development activities and associated cost exposure. Accordingly, the functional specifications for these projects set out additional

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<sup>2</sup> Ruling, p. 21.

informational expectations to facilitate these efforts, and the ISO will explore how [to] best provide industry transparency once a project sponsor has been selected through the ISO's competitive process.<sup>3</sup>

The CAISO will continue to coordinate closely with the Commission and other entities to ensure transmission development to support OSW remains in sync with parallel resource development processes.

**B. The Commission Should Reflect Decisions Regarding LLT Resource Development Directly in Integrated Resource Plan Portfolios.**

The Commission should also reflect any decisions regarding LLT procurement in future IRP portfolios. This will ensure the CAISO Transmission Planning Process can adequately plan transmission for LLT resources based on the Commission's resource decisions.

In Ruling Slides, Energy Division staff discuss risk management strategies associated with potential competitive solicitations for offshore wind.<sup>4</sup> Energy Division staff discuss factors such as cost caps and non-economic factors in bid evaluation. Energy Division staff also discuss the need to reflect transmission network costs in addition to bids for offshore wind resources.<sup>5</sup> The Commission should reflect such factors directly in the development of IRP portfolios. Reflecting resource decisions directly in IRP portfolios will allow the CAISO to continue to study the Commission's preferred resource portfolios and plan the transmission grid accordingly.

**C. The CAISO Clarifies the SPTO Model is Specific to New Transmission from Locations Currently Outside the CAISO Balancing Area.**

Energy Division Ruling Slides state that "it is unclear that centralized procurement is necessary given examples of merchant-based transmission moving forward with LSE-level contract commitments (SunZia)."<sup>6</sup> The CAISO clarifies that Sunzia, and the SPTO model in general, is specific to new transmission from locations currently outside the CAISO Balancing Area, not for transmission within the CAISO footprint. In the CAISO's SPTO model tariff amendment filing, the transmittal letter states, "The CAISO and stakeholders designed the new

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<sup>3</sup> CAISO, Revised Draft 2023-2024 Transmission Plan, May 15, 2024, p. 73: [https://www.caiso.com/InitiativeDocuments/REVISEDRAFT\\_2023-2024\\_TransmissionPlan.pdf](https://www.caiso.com/InitiativeDocuments/REVISEDRAFT_2023-2024_TransmissionPlan.pdf) (Note: The 2023-2024 Transmission Plan was approved by the CAISO Board of Governors on May 23, 2024).

<sup>4</sup> Ruling Slides, Slide 54.

<sup>5</sup> *Id.*, Slide 57.

<sup>6</sup> Ruling Slides, Slide 66.

[SPTO] model to enhance opportunities for the construction of new transmission in locations currently outside the CAISO balancing area to facilitate delivery of critically needed resources.”<sup>7</sup>

### **III. Conclusion**

The CAISO appreciates the opportunity to provide comments on the Ruling.

Respectfully submitted

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<sup>7</sup> CAISO, Subscriber Participating Transmission owner Model Tariff Amendment, ER23-2917, September 22, 2023, p. 2: <https://www.caiso.com/Documents/Sep22-2023-Tariff-Amendment-Subscriber-Participating-Transmission-Owner-Model-ER23-2917.pdf>