

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

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**JOINT COMMENTS OF THE BAY AREA MUNICIPAL TRANSMISSION GROUP
AND THE CITY AND COUNTY OF SAN FRANCISCO IN RESPONSE TO PROPOSED
DECISION SETTING REQUIREMENTS FOR LOAD SERVING ENTITIES
FILING INTEGRATED RESOURCE PLANS**

<p>DEBRA LLOYD For the BAY AREA MUNICIPAL TRANSMISSION GROUP Utilities Compliance Manager City of Palo Alto Utilities 1007 Elwell Ct. Palo Alto, CA 94303 650.329.2369 E-Mail: debra.lloyd@cityofpaloalto.org</p>	<p>DENNIS J. HERRERA City Attorney THERESA L. MUELLER Chief Energy and Telecommunications Deputy JEANNE M. SOLÉ Deputy City Attorney CITY AND COUNTY OF SAN FRANCISCO City Hall Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102-4682 Telephone: (415) 554-4700 E-Mail: jeanne.sole@sfgov.org</p>
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January 17, 2018

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The Bay Area Municipal Transmission Group (“BAMx”)¹ and the City and County of San Francisco (“San Francisco” or “City”) respectfully submit these comments in response to Commissioner Liane M. Randolph’s Proposed Decision (“PD”) Setting Requirements for Load Serving Entities Filing Integrated Resource Plans (“IRP”) as provided in Rule 14.3 of the Commission’s Rules of Practice and Procedure.

BAMx and San Francisco strongly support the PD’s conclusion (1) that it is premature to order early procurement of renewables at this time in order to take advantage of existing tax benefits, and (2) to conform the Greenhouse Gas (“GHG”) Planning Price to the output of the RESOLVE model rather than as a straight line to a very high price that develops only in over a decade. Both these determinations provide the basis for cost-effective achievement of the State’s GHG reduction goals and reject approaches that would unnecessarily increase ratepayer costs. To further promote this outcome, and to be consistent with the PD’s determination that it is premature to approve early procurement of renewable resources, the PD should be changed to provide for assessment of the *42 MMT* Scenario as a sensitivity rather than a policy-driven case in the California Independent System Operator (“CAISO”) 2018-2019 Transmission Planning

¹ The members of BAMx are City of Palo Alto Utilities and City of Santa Clara, *dba* Silicon Valley Power.

Process (“TPP”). In addition, the PD should be revised to ensure that Load Serving Entities (“LSEs”) are credited for all GHG free energy they pay for.

I. THE PD ERRS IN CONCLUDING THAT THE 42 MMT SCENARIO SHOULD BE A POLICY DRIVE CASE IN THE CAISO’S 2018-19 TPP

BAMx and San Francisco support the PD’s conclusion that the Default Scenario should be used as the reliability base case in the CAISO 2018-19 Transmission Planning process². However, the PD errs in selecting the *42 MMT* Scenario as the policy-driven case to be submitted to the CAISO for use in its 2018-19 TPP.³ Adopting the *42 MMT* Scenario as a policy-driven case now could improperly increase transmission costs to support unduly risky early procurement of renewables (which the PD properly rejects). Instead, the *42 MMT* Scenario should be studied in order to develop the information needed to ensure that only transmission projects that are necessary to achieve the electric sectors’ responsibilities for GHG reductions are approved.

The PD states the following to explain its selection of the *42 MMT* Scenario as the policy-driven case to be submitted to the CAISO for use in its 2018-19 TPP.

Since we are adopting the 42 MMT Scenario as the planning target for individual LSEs planning their IRPs, we also agree this is the appropriate target for use as the policy-driven scenario in the TPP.⁴

The PD does not however consider or discuss the potentially troubling result of this selection. Transmitting the *42 MMT* Scenario to the CAISO as a policy-driven case provides the basis for the CAISO to approve transmission projects identified as needed using the *42 MMT* Scenario as Category 1 Policy Driven projects the costs of which would be included in the CAISO-wide Transmission Access Charge (“TAC”).⁵ However, the *42 MMT* Scenario selects early procurement of renewables in order to take advantage of expiring tax credits. As San Francisco and BAMx argued in their comments⁶ and the PD properly concluded, early procurement of renewables is not prudent because such procurement is only shown as beneficial based on

² PD, pp.81-82.

³ PD, p.123, 126, 130.

⁴ PD, p.86

⁵ CAISO tariff section 24.4.6.6 (Policy-Driven Transmission Solutions).

⁶ Joint BAMx and San Francisco Opening Comments (pp.2,3,5-9, October 26, 2017) and Reply Comments (pp. 3-4, November 9, 2017).

questionable assumptions that have not been adequately vetted and, even using questionable assumptions, the approach results in significantly higher ratepayer costs in the near term that are only offset by savings far in the future.⁷ If the *42 MMT* Scenario is nonetheless submitted to the CAISO a policy-driven case, the CAISO would be encouraged to approve transmission projects to accommodate the very resources that the PD properly rejects because their value has not been proven.

The CAISO itself recommended a better approach that would provide for the development of information necessary to support more prudent decisions about necessary transmission upgrades. The approach also results in a more iterative process between the CPUC and the CAISO to ensure availability of up-to-date information when approval of transmission upgrades and utility procurement is considered respectively by the CAISO and the CPUC. BAMx and San Francisco's November 9, 2017 reply comments highlight the importance of a more iterative process.⁸

In particular, the CAISO proposed that the 2018-2019 TPP should utilize the Reference System Plan (*42 MMT* Scenario) as a "sensitivity" scenario to analyze policy-driven needs. By reflecting the *42 MMT* Scenario as a sensitivity, the CAISO can assess potential transmission solutions as *Category 2* rather than *Category 1* transmission upgrades.⁹ This would mean that the planning process would develop information that would allow the CAISO and the CPUC to assess the need for transmission to achieve the State's GHG goals, but would not immediately provide for approval of transmission projects only justified by renewable projects that have themselves been determined to be premature.

⁷ *Ibid*, and PD on p.81 states that "the cost savings estimated by Commission staff that could flow from capturing the federal tax credits are highly uncertain," and on p.82 states that "...although federal tax credits may be available to developers in the nearterm, there is no guarantee that all of those benefits will flow through to ratepayers in the form of lower prices, especially if the Commission creates an artificial scarcity by requiring a set amount of early renewable procurement outside of reliability, RPS, or GHG-related need."

⁸ Joint BAMx and San Francisco Reply Comments (pp. 5-6, November 9, 2017).

⁹ Per the CAISO tariff section 24.4.6.6 (Policy-Driven Transmission Solutions), Category 1 transmission solutions are those which are found to be needed and are recommended for approval as part of the comprehensive Transmission Plan in the current cycle, whereas Category 2 transmission solutions are those that could be needed to achieve state, municipal, county or federal policy requirements or directives but have not been found to be needed in the current planning cycle. Furthermore, any transmission solutions that are in the baseline scenario and at least a significant percentage of the stress (sensitivity) scenarios may be Category 1 transmission solutions, whereas transmission solutions that are included in the baseline scenario but which are not included in any of the stress (sensitivity) scenarios or are included in an insignificant percentage of the stress scenarios, generally will be Category 2 transmission solutions.

Further, the CAISO explained the merits of treating the *42 MMT* Scenario as a sensitivity (rather than the Baseline scenario) given the preliminary nature of the resource portfolio generated under the *42 MMT* Scenario in their October 26, 2017 opening comments:¹⁰

The “rule of thumb” was developed by CAISO in 2015 to represent the approximate capacity available on the existing transmission system by renewable energy zone to interconnect energy only resources before significant congestion is expected to occur. However, as the name reflects, these rules of thumb are not a guarantee that no transmission is needed. Actual upgrades based on realistic locations still need to be verified through modeling in the TPP.

For the reasons similar to those the PD relied on in declining to approve early procurement of additional renewables¹¹, it is premature to approve Category 1 policy-driven transmission in the CAISO 2018-19 TPP based upon the *42 MMT* Scenario rather than waiting until better information becomes available in the following TPP cycle.¹² Therefore, the PD should be revised to provide that the *42 MMT* Scenario be submitted to the CAISO, for use in its 2018-19 TPP, as a “sensitivity” scenario for policy-driven transmission analysis rather than the “baseline” scenario.

II. GREENHOUSE GAS (GHG) ACCOUNTING METHODOLOGY NEEDS TO CREDIT LSEs FOR GHG-FREE GENERATION THAT THEY PAY TO OPERATE

The PD adopts PG&E’s Clean Net Short (CNS) proposal for calculating GHG emissions for planning purposes.¹³ This proposal would calculate an LSE’s GHG emissions on an hourly, rather than an annual basis. It is unclear whether PG&E’s Clean Net Short (CNS) process credits LSEs for all GHG-free generation that they pay to operate. The current annual approach to calculating GHG emissions focuses on the resources an LSE procured and paid to operate, whereas typically, an hourly approach requires LSE GHG-free procurement to match an LSE’s particular load profile. Having an individual LSE procure resources that exactly match its individual load profile to enable it to get credit or make claims towards meeting an emissions goal is inefficient. If PG&E’s hourly approach does not credit an LSE for procurement that

¹⁰ CAISO Opening Comments, p. 10.

¹¹ PD, pp.81-82.

¹² It would not be an economically efficient outcome if the CAISO approves a “policy-driven” transmission project in a specific transmission planning process cycle based upon the CPUC-provided resource portfolios that could have been further refined with revised transmission-related information from the CAISO in the same TPP cycle.

¹³ PD, pp. 97-98.

provides real GHG benefits and it ignores the value of operating within a broader California context, it should be rejected. Many LSEs have procured significant GHG-free resources that only partially correlate with their load profile. Therefore, BAMx and San Francisco believe that any changes to the existing annual approach such as an hourly approach needs to provide a credit for GHG emissions an LSE paid to operate.

III. CONCLUSION

BAMx and San Francisco appreciate the opportunity to provide comments on the PD, and look forward to continued participation in the IRP proceeding.

January 17, 2018

Respectfully submitted,

<p><u>/s/ Debra Lloyd</u> DEBRA LLOYD For the BAY AREA MUNICIPAL TRANSMISSION GROUP Utilities Compliance Manager City of Palo Alto Utilities 1007 Elwell Ct. Palo Alto, CA 94303 650.329.2369 E-Mail: debra.lloyd@cityofpaloalto.org</p>	<p>DENNIS J. HERRERA City Attorney THERESA L. MUELLER Chief Energy and Telecommunications Deputy JEANNE M. SOLÉ Deputy City Attorney <u>/s/ Jeanne M. Sole</u> CITY AND COUNTY OF SAN FRANCISCO City Hall Room 234 1 Dr. Carlton B. Goodlett Place San Francisco, California 94102-4682 Telephone: (415) 554-4700 jeanne.sole@sfgov.org</p>
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