

Bay Area Municipal Transmission Group's Comments on the CEC Draft 2017 IEPR (17-IEPR-01)

November 17, 2017

The Bay Area Municipal Transmission Group¹ (BAMx) appreciates the opportunity to comment on the California Energy Commission's (CEC) 2017 Draft Integrated Energy Policy Report ("2017 Draft IEPR" hereafter), dated October 7, 2017.

Below BAMx provides comments on the selective areas of the *2017 Draft IEPR* chapters.

Chapter 5: Strategic Transmission Plan and Landscape-Scale Planning

RETI 2.0 and Landscape-Scale Planning

BAMx supports one of the major conclusions of the Renewable Energy Transmission Initiative 2.0 (RETI 2.0) that developing multiple scenarios reflecting different portfolios of renewable energy buildout would inform planning processes of the multiple ways in which to maximize the use of the existing transmission system.

BAMx encourages the CEC to apply proactive tools and approaches like landscape-scale planning, to help meet renewable energy and GHG reduction goals. The State should continue to work with federal, state and local agencies, and stakeholders to apply landscape-scale planning tools and approaches to renewable energy and needed transmission, including evaluation of transmission. This should include alternatives that consider potential upgrades to existing transmission facilities, the use of transmission corridors, and the "right sizing" of new transmission facilities to accommodate current and potential future needs.

"Right-Sizing" of New Transmission Facilities

Although BAMx supports the concept of right-sizing new transmission facilities, more work is needed to develop a comprehensive definition of right-sizing, as well as to describe the process through which the costs and benefits would be analyzed. We do not believe that every transmission capacity project should be oversized in the name of "right-sizing" when the need for such capacity is speculative and may not materialize with a reasonable period of time, if ever. The primary focus of right-sizing should be to identify low-cost adjustments to a transmission project scope that would facilitate *future* capacity expansion when it is needed, especially with emerging trends as the dramatic increase in energy efficiency driven by SB350 and the shift to distributed energy resources (DER). Furthermore, the unprecedented forecasting of decreasing loads driven by the above trends and rooftop solar require careful discernment in considering whether to invest today for an uncertain future use. In addition, there is now a recognition that additional transmission to accommodate Full Capacity Deliverability Status (FCDS) resources

¹ BAMx consists of City of Palo Alto Utilities, and the City of Santa Clara's Silicon Valley Power.

for resource adequacy purposes needs to be economically justified.² Given these recent developments, we do not agree with CEC that the emerging trends necessarily demand enlarging proposed transmission projects or designing them to be scalable to accommodate future goals.³ The right-sizing process should include economic and planning metrics sufficient to discern when and what level of cost is appropriate in deciding increase a transmission project capacity to meet system needs beyond the planning horizon.

Chapter 6: Electricity and Natural Gas Demand Forecast

California Energy Preliminary Demand Forecast, 2018–2028

The recent CEC electricity demand forecasts reflect a major shift towards declining future peak energy demands even before the impacts of the SB 350 goal of doubling statewide energy efficiency savings by 2030 are reflected. While the updated preliminary forecast⁴ is not yet adopted, it continues this trend. It is therefore important that the updated forecast be adopted on a timeline that supports its utilization in other planning processes such as the CAISO Transmission Planning Process and the CPUC IRP process going forward. Furthermore, expression of the energy demand in terms of hourly demands will facilitate a better understanding of the potential impacts of the peak load being shifted to the evening hours and avoid having to bootstrap such impacts into the planning processes.

Chapter 11: Update on Energy Reliability Issues in Southern California

Aliso Canyon

BAMx supports the CEC Staff recommendation to continue coordinated efforts to address the energy reliability risks related to the limited use of the Aliso Canyon natural gas storage facility in the near term. BAMx also supports the Joint Agencies⁵ monitoring, evaluating, refining, and extending the existing mitigation measures to reduce daily imbalances in gas scheduling, for the greater Los Angeles area.

San Onofre Shutdown and Once-Through Cooling Compliance

In order to assure local reliability in the greater Los Angeles area and San Diego, BAMx supports the CEC's recommendation for the CAISO to study a temporary extension of the Redondo Beach or Alamitos facilities. BAMx agrees with the CEC that there is a need to reduce

² In CPUC's RESOLVE Model used in the IRP proceeding, resources in excess of the limits of the existing system may be installed but require investment in new transmission. This may occur (1) if both the FCDS and Energy Only (EO) limits are reached; or (2) if the FCDS limit is reached and the value of new capacity exceeds the cost of the new transmission investment. Source: RESOLVE Documentation: CPUC 2017 IRP Inputs & Assumptions, September 2017, pp. 38-39.

³ CEC IEPR, p.155.

⁴ CEC 2017 DRAFT IEPR, Figure 30: Statewide Electricity Consumption

⁵ The CEC, the California Public Utilities Commission (CPUC), California Independent System Operator (CAISO), and the Los Angeles Department of Water and Power (LADWP).

time lags in reporting evaluated preferred resource performance going forward as these are the basis for expected future performance.

While the Local Capacity Annual Assessment Tool (LCAAT) tool's original objective of providing an early warning of the need to trigger short-term mitigation measures in implementing the 2020 plan will soon be met, this tool serves as a valuable visual tool in understanding the ability to maintain the local electric reliability in the face of planning uncertainties in the post-2020 period. Given the low post-2020 margins shown by the LCAAT model in the August workshop, such a visual presentation is a useful communication tool. BAMx, therefore requests the agencies continue to maintain the tool. Also, the LCAAT model should be updated to incorporate the latest information available including the most recent 2017 IEPR Update load forecast information to illustrate the most current view of the Southern California long-term reliability margins.⁶ BAMx strongly recommends the Energy Commission staff should update the LCAAT tool in the 2018 IEPR Update.

The Joint Agencies should pursue and execute options including OTC compliance deferral⁷, temporary delays in curtailing output of Aliso Canyon, increasing deployment of preferred resources to facilitate implementation of the long-term mitigation plan. In the August 2016 workshop, the scenarios presented using the LCAAT tool showed varying risks in maintaining local reliability following the retirement of the OTC generators in 2020. During the May 22, 2017 workshop SCE and SDG&E described having procured the Preferred resources for 2020, though the deployment may be lagging the original schedule. This highlights that there is a local supply market for such resources, though updated implementation timelines need to be incorporated into the planning process. As further transmission upgrades are costly with large, lumpy increments and long implementation timelines, the agencies should consider whether increased procurement of Preferred Resources would provide prudent margins for the planning uncertainties and system needs, certainly for dates beyond 2020 but potentially also to cover the uncertainties due to project delays. We also believe that the retention of some of the existing clean and efficient natural gas-fired plants should also be a part of the mitigation solutions in addressing local reliability and maintaining grid resiliency in not only in the greater Los Angeles area and San Diego, but also at the overall State-level.

Thank you for the opportunity to comment and we look forward to continued public stakeholder participation.

If you have any questions concerning these comments, please contact Kathleen Hughes (khughes@SantaClaraCA.gov or (408) 615-6656)

⁶ We understand that the CEC staff did not update the LCAAT analysis in the 2017 IEPR cycle since actions to deal with near-term reliability issues were already underway.

⁷ BAMx supports the CEC staff's proposal to continue to refine the OTC deferral mitigation measure by using the experience gained from the Encina OTC deferral.