

**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

**COMMENTS OF THE BAY AREA MUNICIPAL TRANSMISSION GROUP IN  
RESPONSE TO PROPOSED DECISION ADOPTING 2021 PREFERRED SYSTEM  
PLAN, DATED DECEMBER 22, 2021**

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January 14, 2022

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The Bay Area Municipal Transmission Group (“BAMx”)<sup>1</sup> appreciates the opportunity to provide comments in response to Proposed Decision (“PD”) Adopting 2021 Preferred System Plan (“PSP”), dated December 22, 2021.

**I. BAMx COMMENTS**

**BAMx Continues to be Concerned that the Proposed PSP does not Adequately Take into Account All Transmission Costs Nor Does It Propose a Vehicle to Ensure That California Accomplishes Its Important Policy Goals at Least Cost**

BAMx is fully supportive of taking any necessary steps to achieve the State’s climate goals. However, we are concerned that selecting the 38MMT Core Portfolio as the Base Portfolio in the CAISO 2022-2023 TPP may result in a suboptimal selection of transmission projects as this portfolio does not consider all transmission costs triggered by the generation resources selected by RESOLVE. The PD states the following with respect to the comments about inclusion of Out-of-State (“OOS”) resources and their not including total transmission costs,

“RESOLVE includes new transmission cost estimates for OOS resources based on assumptions developed for the CEC’s Renewable Energy Transmission Initiative 2.0. Furthermore, developing more refined and updated transmission costs is part of the purpose of the TPP study that the CAISO undertakes, to produce better cost analysis.

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

However, we remain convinced that some OOS resources will need to be developed to support the 38 MMT scenario buildout, and therefore believe it is prudent to include at least a subset of those resources in the portfolios being studied in the 2021-2022 TPP assessments now.”<sup>2</sup>

However, based upon the fact that the Commission Energy Division (ED) staff has asked the CAISO - as part of its analysis to be completed in the CAISO’s 2021-2022 TPP – to include analysis on the Sensitivity #1 (38 MMT GHG target with Out-of-State Wind Resources), it appears that the ED staff does not have answers to many questions regarding the transmission cost impact of the 1,500 MW of the OOS wind selected in the PSP. In particular, the ED notes that

“OOS wind resources would compete with projects in the CAISO’s balancing area already in the interconnection queue for use of the existing CAISO transmission headroom downstream of the OOS wind injection point. If a significant number of these in-BAA projects were to be built, they would utilize the existing downstream transmission system capability and leave the OOS wind resources needing downstream transmission upgrades.”<sup>3</sup>

BAMx agrees with the ED that there is considerable uncertainty on whether the OOS wind resources need additional downstream transmission upgrades within the CAISO. It is possible that after taking into account the cost of these transmission projects, RESOLVE may select competing in-BAA projects over the OOS wind selected in the PSP. Therefore, it is premature to include 1,500MW of wind in the PSP that would identify OOS and in-BAA transmission upgrades as policy-driven transmission upgrades.

Also, as acknowledged in Attachment 2 (p.65) of the PD, “the 1,500 MW of OOS resources on new transmission will be mapped to the potential injection points once CAISO’s 2021- 2022 Draft Transmission Plan and the relevant results are available.” In particular, the full 1,500 MW could either be injected at Palo Verde or at El Dorado, or it could also occur in the form of a combination not directly studied by the CAISO: for example, 500 MW at El Dorado and 1,000 MW at Palo Verde. More information and guidance from the CAISO 2021-2022 TPP

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<sup>2</sup> PD, p.109.

<sup>3</sup> California Public Utilities Commission - Energy Division comments on the “Sensitivity #1: 38 MMT GHG target with Out-of-State Wind Resources,” in its comments on the CAISO 2021-2022 TPP stakeholder meeting, dated December 6, 2021.

are needed to appropriately assess the transmission cost implications of OOS wind before the PSP is finalized.

A similar observation can also be made in regards to the selection of 1,708MW of Offshore Wind (“OSW”) resources in the proposed PSP. The PD states the following in regards to the OSW assumptions in TPP portfolios.

“We note that the CAISO is in the middle of studying the offshore wind sensitivity portfolio from the 2021-2022 TPP. CEC is the lead agency on the development of the AB 525 strategic plan and we will be coordinating closely. Until these efforts are completed, we are satisfied that 1.7 GW of offshore wind in the 2022-2023 TPP base case portfolio by 2032 is an appropriate starting assumption.”<sup>4</sup>

It does not appear that PSP’s selection of 1.7GW of OSW has considered all types of transmission costs associated with offshore wind, including

- The transmission lines necessary to deliver the offshore wind to the onshore transmission network
- The improvements to the onshore network to deliver the offshore wind to load.

The CAISO has already performed a preliminary assessment of the transmission needed for offshore wind as part of the 2021-2022 TPP.<sup>5</sup> The Commission should request CAISO to further refine the components of transmission needed to accomplish the delivery of OffShore wind as described above. So far, the CAISO has not even indicated the expected cost of the few transmission alternatives studied. BAMx believes significantly more study needs to occur before the cost of the offshore wind alternatives can be compared to within control area resources and OOS wind resources. BAMx believes the above studies and cost estimates are needed to help the CPUC and in turn, Load Serving Entities (“LSEs”), to select the economically efficient renewable resources to comply with the State's goals.

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<sup>4</sup> PD, p. 141.

<sup>5</sup> See “Preliminary results for PG&E Area –Offshore Wind,” in the CAISO’s stakeholder meeting presentation on Preliminary Policy and Economic Assessment and Study Updates, 2021-2022 Transmission Planning Process Stakeholder Meeting, November 18, 2021.

**Any Commission Procurement Mandate should Direct LSEs to Include the Cost of Transmission in Their PPAs as Opposed to Having the Transmission Cost Socialized.**

BAMx believes that cost causation principles should be followed in selecting the most economically efficient ways to accomplish the State GHG goals. In following cost causation principles, LSEs voluntarily procuring resources requiring new transmission should pay for this transmission. To the extent the Commission ultimately orders procurement for OOS wind and/or OSW, any such mandate should ensure that all the transmission costs triggered by these OSW/OOS wind projects are incorporated in the power purchase agreement (“PPA”) pricing. Broadly, under this mechanism, LSEs voluntarily procuring resources using transmission would pay for the cost of delivery. One such example is the SunZia Transmission Project, accessing New Mexico wind, which is not seeking CAISO Transmission Access Charge (“TAC”) cost recovery to deliver its product to the CAISO boundary point.<sup>6</sup> In other words, the costs of new transmission outside CAISO are captured in the PPA pricing with LSE off-takers who are procuring New Mexico wind energy and will not be borne by all the CAISO-wide TAC ratepayers. This mechanism will likely lead to fair and equitable outcomes where the costs are allocated in a way that is roughly commensurate with benefits.

As envisioned in the PD, Pacific Gas and Electric Company (“PG&E”) shall conduct a competitive solicitation for the 95-megawatt four-hour storage project at the Kern-Lamont Substation identified in the CAISO 2020-2021 TPP as the Central Procurement Entity (“CPE”) under the process established in Decision 20-06-002.<sup>7</sup> A CPE model could also be an effective vehicle with OSW and OOS wind procurement. A CPE would coordinate the procurement efforts by systematically comparing the different OSW and OOS wind resource candidates, given their overall cost of procurement, including all types of transmission triggered by them.

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<sup>6</sup> See *Southwestern Power Group (SWPG) and Pattern Energy Group Joint Reply Comments* on Administrative Law Judge’s Ruling on Portfolios for the 2021-2022 Transmission Planning Process, November 20, 2020, p.1, Rulemaking 20-05-003.

<sup>7</sup> PD, p.179.

## II. CONCLUSION

BAMx is fully supportive of taking any necessary steps to achieve the State's climate goals. Further, it understands that electric rates will continue to rise to achieve those goals. But it is incumbent on us all to do so in a manner that achieves those goals as cost-effectively as possible. Incorporating cost causation principles in the allocation of costs of any transmission necessary to deliver energy from new renewable resources to load is critical to achieving our climate goals cost-effectively. BAMx appreciates the opportunity to provide responses to the PD for use in the IRP and procurement, as well as to be analyzed by the CAISO in the 2022-2023 TPP - and looks forward to continued participation in the IRP proceeding.

January 14, 2022

Respectfully submitted,

/s/ Lena Perkins

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