



ORA

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California Public Utilities Commission
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THE OFFICE OF RATEPAYER ADVOCATES' COMMENTS ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO) 2017-2018 TRANSMISSION PLANNING PROCESS (TPP) PRESENTATION AND MEETING ON FEBRUARY 8, 2018, AND THE 2017-2018 DRAFT TRANSMISSION PLAN

February 22, 2018

The Office of Ratepayer Advocates (ORA) is the state's independent consumer advocate with a mandate to obtain the lowest possible rates for utility services, consistent with reliable and safe service levels, and the state's environmental goals.

ORA submits the following comments on the CAISO's Draft 2017-2018 Transmission Plan and related Assessment Methodology updates and reliability assessments as well as the Participating Transmission Owners' (PTO) reliability solutions presented at the 2017-2018 TPP stakeholder meeting on February 8, 2018.

1. ORA Recommends Revisions to the Transmission Economic Assessment Methodology (TEAM) Documentation

A. Revisions to the Local Capacity Requirement Benefit Analysis

The TEAM is used to determine the benefits of proposed economic and policy transmission projects. This methodology considers a project's ability to reduce the Local Capacity Requirement (LCR) for a given project area. Specifically, the analysis determines whether or not a proposed project can improve the importing capacity into a LCR area. TEAM also determines if proposed projects can have additional local capacity benefits such as decreasing transmission losses and increasing generator deliverability into local areas.¹

As part of the LCR studies for proposed transmission projects, ORA requests that the CAISO consider alternatives to reducing the LCR through preferred resources such as demand response in its LCR benefits analysis. This information would assist with determining the LCR benefits for a given project as compared to alternatives.² ORA also requests that the TEAM document include an illustration of the LCR benefits evaluated. Such an illustration should include the assumptions made in the valuation of LCR reduction benefit, such as the price for the local capacity and the share of overall capacity savings allocated to the LCR benefit.³

¹ Transmission Economic Assessment Methodology, November 2, 2017, CAISO, (TEAM November 2, 2017), p. 2.

² TEAM November 2, 2017, 2.5.4 LCR Benefit, p. 22. "This assessment requires LCR studies for scenarios with and without the transmission upgrades in order to compare the LCR costs."

³ The 2017-2018 CAISO Draft Transmission Plan, February 1, 2018, p. 253. Uses the Capacity Procurement Mechanism (CPM) soft offer cap price of \$6.31/kilowatt-month to value the local capacity. Furthermore, the Draft Plan recognized that the local capacity in a given area could also provide other

B. Inclusion of Sub-regional Benefits from Transmission Projects

As stated in ORA's November 30, 2016 comments on the TEAM update, the CAISO should consider the benefits that new transmission projects might generate in the project's sub-region. The economic activity associated with new transmission projects is not incidental; it directly benefits related local businesses and contributes to the economy of a sub-region. Accurately attributing these benefits is critical to comply with Federal Energy Regulatory Commission (FERC) Order No. 1000, which requires that project cost allocations be commensurate with benefits. For this reason, ORA continues to support estimating the sub-regional benefits from new transmission projects such as job and tax base increases among the TEAM benefits assessed for project cost allocations.

Going forward, the CAISO should include estimates of job and tax base increases as variables in the TEAM analysis to account for all economic benefits resulting from new economic transmission projects. After a project is completed, these job and tax base estimates can be confirmed, and the project benefits can be recalculated for cost allocation purposes. It is common practice to include job and tax base increases as part of the overall project benefit analysis for large public projects such as highways, airports, and port terminals.⁴

2. ORA Recommends Consistency Between Local Capacity Technical Criteria and Transmission Planning Standards

The proposed Moorpark-Pardee 230 kilovolt (kV) No. 4 Circuit project in Southern California Edison Company's (SCE) service territory raises concerns regarding consistency between the existing criteria and standards that trigger transmission investments. As explained during the CAISO's February 8, 2018 presentation, the Moorpark-Pardee project is necessary to replace the retirement of once through cooling (OTC) generation in the SCE area. The retirement of this OTC generation in the Moorpark-Pardee area results in a reliability deficiency based upon the Local Capacity Technical Study Criteria⁵ for the area.⁶ Yet, as the Bay Area Municipal Transmission group (BAMx) has pointed out, the critical contingency associated with the retirement of the slated OTC generation exceeds the performance requirements contained in the North America Electric Reliability Corporation (NERC), the Western Electricity

benefits such as flexible generation, and therefore allocated only half the benefit of the local capacity price to the transmission project.

⁴ ORA's Comments on the CAISO's Economic Planning TEAM overview and review updated documentation presentation, November 30, 2016, pp. 1-2. To estimate the economic impact of transmission projects, the National Renewable Energy Laboratory (NREL) has also developed jobs and economic development impact (JEDI) models, which estimate the economic impacts of constructing and operating power generation and transmission lines at the local and state levels. The NREL JEDI web site is (<http://www.nrel.gov/analysis/jedi>).

⁵ CAISO Tariff Section 40.3.1.1.

⁶ 2017-2018 Transmission Planning Process Stakeholder Meeting February 8, 2018, CAISO, Southern Area – Reliability Assessment Draft 2017-2018 Transmission Plan and the transmission project approval recommendations Presentation, February 8, 2018, CAISO, slide 3.

Coordination Council (WECC) and the CAISO transmission planning standards.⁷ As a result of the difference between these two sets of criteria, areas that need local generation are being planned to a higher standard than other areas of the system. The reasonableness of such a difference was not adequately addressed in the CAISO's response to stakeholder comments.⁸ Due to critical timelines, ORA does not object to the proposed Moorpark area transmission upgrade. However, with more OTC generation expected to retire, ORA recommends that the CAISO consider a stakeholder discussion on the LCR criteria to determine if either these criteria or the CAISO Planning Standard should be amended so they are more aligned with each other.

3. ORA Recommends Refinements to the Deliverability Assessment Methodology

The CAISO will start a stakeholder process to consider revisions to the deliverability assessment methodology in 2018. The CAISO intends to revise its deliverability methodology to both "award full capacity deliverability status for local and system capacity purposes, and to assess the deliverability in transmission and planning studies."⁹ The CAISO is pursuing this revision in response to the shift in the evening peak to later hours and greater levels of renewable generation on the grid. ORA supports considerations of these revisions and recommends that the CAISO refrain from approving any Delivery Network Upgrades in either the TPP or the Generator Interconnection and Deliverability Allocation Procedures (GIDAP) until this issue has been resolved.

4. ORA Supports Putting the Midway-Andrew Project on Hold or Cancelling it

The Midway-Andrew Project is among the six projects that the CAISO recommends putting on hold in the Northern area of the CAISO-controlled grid.¹⁰ As stated in ORA's November 30, 2017 comments on the Midway-Andrew Project, ORA generally supports further analyses of the Midway-Andrew project to determine if it is still necessary. This analysis should consider the existing transmission lines in the project area and their ability to solve reliability issues that may still exist after the retirement of the Diablo Canyon Power Plant. As noted, there are a number of 500 kV lines and 230 kV lines in the Diablo Canyon-Midway-Andrew project area that may be under-utilized or experience lower demand after the retirement of the Diablo Canyon Power Plant.¹¹

ORA recommends that any additional presentations on this project and its analysis include the current cost estimates and Benefit Cost Ratio (BCR) calculations for the project and the proposed alternatives. ORA is making this request because the Midway-Andrew project costs

⁷ BAMx Comments on Moorpark-Pardee 230 kV No. 4 Circuit Project Evaluation Materials from the January 11, 2018 Stakeholder Meeting, January 18, 2018, pp.1-2.

⁸ CAISO Responses to Comments on the 2017-2018 Transmission Planning Process, January 11, 2018, pp.2-4.

⁹ 2017-2018 ISO Draft Transmission Plan, February 1, 2018, CAISO, p. 25.

¹⁰ *2017-2018 Transmission Planning Process Stakeholder Meeting February 8, 2018, Northern Area-Reliability Assessment Draft 2017-2018 Transmission Plan and the transmission project approval recommendations* Presentation, February 8, 2018, CAISO, (2017-2018 Northern Area TPP Presentation) slide 7.

¹¹ 2017-2018 ISO Draft Transmission Plan, February 1, 2018, CAISO, p.158.

have increased since presented in 2012. To illustrate, Pacific Gas and Electric Company's (PG&E) original cost estimate for the Midway-Andrew project from the 2012-2013 TPP was \$120 to \$150 million.¹² The project cost estimate in a 2016 FERC filing and in 2017 PG&E Assembly Bill (AB) 970¹³ reports ranges from \$215 million¹⁴ to \$414 million¹⁵ and up to \$700 million.¹⁶ This broad range of cost estimates makes it difficult to assess the value of removing the existing Special Protection System from the project area and proceeding with the Midway-Andrew project as proposed.

While the Midway-Andrew project is on hold, ORA recommends that PG&E not conduct any engineering design or environmental studies to support this project to avoid accruing any unnecessary costs for a project that may later be cancelled.

5. ORA Recommends Canceling The Gates-Gregg 230 kV Line Project

The Gates-Gregg 230 kV line project is also among the six projects that CAISO recommends be put on hold in the Northern area of the CAISO controlled grid.¹⁷ As stated in ORA's November 30, 2017 comments on the CAISO 2017-2018 TPP, ORA recommends canceling the Gates-Gregg project as soon as possible to avoid incurring any unnecessary carrying costs. The cost of this project has increased significantly since approved in the 2012-2013 TPP from \$145 million¹⁸ to \$200 million in 2017.¹⁹ With this cost increase, the BCR threshold for this project may no longer be met. ORA recommends that future presentations on this project and other projects under evaluation include the BCR calculations to confirm the value of presented projects as updated information becomes available.

If you have any questions on this submittal, please contact Kanya Dorland at Kanya.Dorland@cpuc.ca.gov or (415) 703-1374.

¹² *2012-2013 Transmission Plan*, March 20, 2013, CAISO, p. 94.

¹³ Participating transmission owners (PTOs) provide updates on their projects to the CPUC quarterly in Assembly Bill (AB) 970 Project Status Reports submitted in Investigation (I.)00-011-011, as required by Decision (D.)06-90-003.

¹⁴ *Quarterly AB 970 Project Status Report of Pacific Gas and Electric Company (Public Version)*, filed April 3, 2017 in CPUC I.00-11-001, Appendix A, p. 17 (Estimated cost dropped to \$215 million with no change in scope.).

¹⁵ *Petition for Declaratory Order of Pacific Gas and Electric Company*, filed March 10, 2016 in FERC Docket EL16-47, Exhibit PGE 1, p. 18 (PG&E's witness Brian McDonald presented an estimated cost of \$413,770,544.).

¹⁶ *Quarterly AB 970 Project Status Report of Pacific Gas and Electric Company (Public Version)*, filed January 2, 2017 in I. 00-11-001, Appendix A, p. 13 (Estimated cost is \$600-\$700 million).

¹⁷ 2017-2018 Northern Area TPP Presentation, slide 7.

¹⁸ *2012-2013 Transmission Plan*, March 20, 2013, CAISO, p. 149.

¹⁹ *Quarterly AB970 Project Status Report of Pacific Gas and Electric Company (Public Version) 2017 – Q2*, filed April 3, 2017, in I. 00-11-001, Appendix A. p.16.