

**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)

**COMMENTS OF WESTERN GRID DEVELOPMENT LLC  
ON PROPOSED DECISION ON ELECTRIC RESOURCE PORTFOLIOS  
TO INFORM INTEGRATED RESOURCE PLANS  
AND TRANSMISSION PLANNING**

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*On behalf of  
Western Grid Development LLC*

March 12, 2020

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Western Grid Development LLC (Western Grid)<sup>1</sup> hereby submits comments on Administrative Law Judge Julie Fitch’s February 21, 2020 Proposed Decision (“Proposed Decision”) with respect to electric resource portfolios that will inform integrated resource plans and transmission planning. Western Grid offers the following comments for the Commission’s consideration.

The Commission should amend the Proposed Decision to provide guidance to the California Independent System Operator (“CAISO”) that it is essential to include in its Transmission Plan alternatives that allow gas plants to close in Southern California—in the interest of meeting SB

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<sup>1</sup> Western Grid has proposed the Pacific Transmission Expansion Project (“PTE” or “PTEP”) that is a 2,000 MW controllable HVDC subsea transmission cable that the CAISO has found will allow **existing supply available to the Diablo Canyon 500 kV switchyard or new sources of offshore wind** to be delivered to the West LA Basin and reduce local capacity requirements in the West LA Basin thereby allowing 1,993 MWs of gas plant generating capacity to close. PTE is described in Section 4.8.2 of the CAISO’s draft Transmission Report issued January 31, 2020 (“Draft Report”).

[http://www.aiso.com/Documents/Draft\\_2019-2020TransmissionPlan-January312020.pdf](http://www.aiso.com/Documents/Draft_2019-2020TransmissionPlan-January312020.pdf)

100's requirements including both carbon reduction and benefits for disadvantaged communities. Absent this clarification, the portfolios adopted in the Proposed Decision will have the unintended effect of undervaluing transmission projects that can allow for the responsible phasing out of gas plants , thereby diminishing the likelihood of meeting the clean energy and zero-carbon resource mandate in Senate Bill 100 ("The One Hundred Percent Clean Energy Act of 2018").<sup>2</sup> This result was observed in the 2019-2020 Transmission Planning process where the CAISO analyzed such transmission projects under its test for "economic" projects stating in its Draft Report (as it did last year) that:

*Further, there are no applicable federal or state policies at this time that necessitate planning for reduced local capacity levels beyond state policies for generation relying on coastal waters for once-through-cooling, and those needs have been addressed in previous transmission plans.*<sup>3</sup>

As a result, the CAISO conducted its local capacity studies "under the economic analysis framework, as there is currently not a basis for identifying solutions on a reliability basis or policy basis."<sup>4</sup>

The Proposed Decision would adopt a Reference System Plan ("RSP") for 2030 that would include virtually all the existing gas-fired generation. When applying its economic analysis, the inclusion of these gas plants in the RSP will cause the CAISO to continue to place a very low value on the ability of a transmission project to reduce LCR needs currently provided by gas-fired capacity. *The combination of the inclusion of the existing gas plants in the RSP and the absence of any indication from the Commission that the CAISO should plan for transmission alternatives to existing gas-fired capacity has caused the CAISO to make a "conservative" assumption on the value of the ability of a transmission project to reduce LCR.* As a result, CAISO studies continue to show that the gas plants are necessary and, therefore, there is little, if any, benefit to a

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<sup>2</sup> An act to amend Sections 399.11, 399.15, and 399.30 of, and to add Section 454.53 to the Public Utilities Code, relating to energy (September 10, 2018).

<sup>3</sup> Section 4.3.4 of Draft Report, *Supra* at note 1.

<sup>4</sup> *Id.*

transmission project that would reduce the need for the gas plants and allow them to close. Recognizing that this is a result that is at odds with the SB 100 goal of phasing out gas plants, the CAISO has clearly indicated a need for more direction from the Commission before it will move away from using conservative assumptions in its transmission planning process (“TPP”).

Therefore, the Commission should clarify that SB 100 creates a clear state public policy requiring all reasonable efforts to achieve a zero-carbon portfolio including the phasing out of gas-fired generation. The Commission should also clarify and request that the CAISO, in its TPP, study an additional public policy sensitivity scenario to identify transmission projects that will allow gas plants to close while providing other renewable integration and LCR reduction benefits. The Commission should also request the CAISO, in selecting a public policy transmission alternative, to consider whether the transmission project can provide sufficient grid support and operating flexibility. The Commission should also make clear to the CAISO that any need for additional system capacity will be adequately dealt with through Procurement Proceedings during the long lead-time for transmission projects that generally require 7-10 years or more (seven years in the case of PTEP) for permitting and construction. Recognizing that reductions in LCRs and the closure of gas plants by 2045 will be challenging, the Commission should ask the CAISO to give priority to the reduction of LCRs in the disadvantaged neighborhoods of LA.

Moreover, it is important for the Commission to clarify in its decision on the RSP that while gas plants may be included in the RSP until alternatives are identified, the CAISO should initiate studies that determine which gas plants are not needed if transmission alternatives could facilitate their closure. Without this direction, the inclusion of gas plants in the RSP will create a never-ending need for the gas plants even where the CAISO has expressly found that a transmission project like PTEP can allow almost 2,000 MWs of gas plants in the West LA basin to close in 2027. Indeed, the Commission should make clear that any such transmission project addresses a compelling state public policy requirement and should be reflected in the transmission planning process. Thus, considering the long list of public policy benefits identified by the legislature in

SB 100, it is clearly not appropriate for the CAISO to value LCR reduction benefits “conservatively within its TPP.”<sup>5</sup>

**THE COMMISSION SHOULD PROVIDE GUIDANCE TO THE CAISO THAT CAISO MUST EVALUATE TRANSMISSION SOLUTIONS THAT COULD FACILITATE THE SHUT DOWN OF GAS PLANTS**

Section 1 of Senate Bill 100 establishes a clear State policy to achieve a zero-carbon resource portfolio that will serve **all** retail sales of electricity in California by December 31, 2045. Section 2 of SB 100 amends Section 399.11(b) of the Public Utilities Code<sup>6</sup> and articulates a number of unique benefits this policy is designed to achieve, including but not limited to, displacing fossil fuel consumption within the state, reducing air pollution, reducing emissions of greenhouse gases associated with electric generation, and contributing to the safe and reliable operation of the electrical grid. Section 399.11 also specifies that “new and modified electric transmission facilities may be necessary to facilitate the state achieving its renewables portfolio standard targets.” And, Section 399.11 finds that SB 100 “is necessary to improve California’s air quality and public health, **particularly in disadvantaged communities...**”

Judge Fitch’s Proposed Decision<sup>7</sup> adopts resource portfolios that will form the basis for the CAISO’s transmission planning. Unfortunately, because the portfolios retain virtually all the existing gas plants through the 10-year planning period ending in 2030, the recommended portfolio results in transmission planning that is not consistent with either the letter or spirit of SB 100. As stated above, despite SB 100, the CAISO does not recognize any State or Federal policy that warrants recommending transmission investments needed to allow the gas plants to close.<sup>8</sup> Thus, in the absence of state or federal public policy requirements and direction, the CAISO studies transmission projects that can reduce LCRs and allow gas plants to close using its “economic”

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<sup>5</sup> See Section 2, of SB 100 amending Section 3.99.11 (b) of the Public Utility Code (September 10, 2018).

<sup>6</sup> *Id.* (emphasis added)

<sup>7</sup> See Recommended Decision at 3.

<sup>8</sup> *Supra* at note 3.

criteria.<sup>9</sup> Then, in applying the economic analysis, the CAISO Draft Report<sup>10</sup> clearly states, as it did last year, that it assigns a *conservative* (i.e., very low) value to the benefits a transmission project can provide in reducing LCR's and, thereby, reducing the need to keep the gas plants open in the West LA Basin. In this regard, the CAISO stated that:<sup>11</sup>

The [PTE] project provides other benefits for which the CAISO is valuing with conservative assumptions *currently*, due to uncertainty regarding future reliance on gas-fired generation for system and flexible needs.

The CAISO went on to explain that:

The uncertainty regarding the extent to which gas-fired generation will be needed to meet those system and flexible capacity requirements necessitated *taking a conservative approach in this planning cycle in assigning a value to upgrades potentially reducing local gas-fired generation capacity requirements*. The CAISO accordingly placed values on benefits associated with reducing local gas-fired generation capacity requirements *primarily on the difference between the relevant local area capacity price and system capacity prices*.<sup>12</sup> **This conservative assumption was a key difference** between the economic benefits calculated in this study, and the economic assessments stakeholders provided in support of their projects. *The ISO recognizes that the capacity value of many of these projects will need to be revised when actionable direction on the need for gas-fired generation for system and flexible needs is available*.<sup>13</sup>

In section, 4.3.4 of its January 31, 2020 Draft 2019-2020 Transmission Report the CAISO (like last year) made it even more clear that is waiting for further guidance from the Commission in the Commission's Integrated Resource Proceeding ("IRP"):

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<sup>9</sup> *Id.*

<sup>10</sup> *Supra* at note 1.

<sup>11</sup> *Id.* At 341

<sup>12</sup> Another issue with this approach is that the CAISO should have focused only on the prices of contracts with gas plants in the local area which as we discuss below are much higher than the cost of non-gas capacity.

<sup>13</sup> *Id.* at 342 (emphasis added).

**While future IRP efforts are expected to provide more guidance and direction regarding expectations for the gas-fired generation fleet at a policy level, without that broader system perspective available at this time,** the ISO has taken a conservative approach in assessing the value of a local capacity reduction benefit when considering a transmission reinforcement or other alternatives that could reduce the need for existing gas-fired generation providing local capacity.

Thus, ironically, the inclusion of the gas plants in the Commission's resource portfolio to address short term needs is causing the CAISO to assume that a transmission project like PTE that reduces LCR requirements in the West LA Basin by 1993 MWs—therefore allowing 1993 MWs of gas plants to close in LA-- is not entitled to much value because the gas plants are “assumed” to be in-service in the Commission's RSP. Obviously, this perverse result thwarts the SB 100 zero-carbon mandate that includes phasing out gas fired generation. Indeed, if the CAISO continues to place a low value on replacing the gas plants and rejects long-lead time transmission projects that not only allow the gas plants to close but are less expensive and provide more support for the grid, it will unnecessarily prolong the need to keep the gas plants open---the exact opposite result called for by SB 100.

Therefore, in ruling on the Proposed Decision, the Commission must clarify its intent with respect to the CAISO's planning for transmission to implement the RSP. SB 100 creates a clear State public policy requiring all reasonable efforts to achieve a zero-carbon portfolio and the closure of gas fired generation. Thus, the Commission should clarify that the CAISO, in its TPP, study an additional public policy sensitivity scenario to identify transmission projects that will allow gas plants to close while providing other renewable integration and LCR reduction benefits. And, the Commission should also request the CAISO, in selecting a public policy transmission alternative, to consider whether the transmission project alternative can provide enough grid support and operating flexibility.

As stated above, the Commission must inform the CAISO that while gas plants may be included in the RSP until alternatives are identified, the CAISO should initiate studies that determine which gas plants are not needed if transmission alternatives could permit their closure. without this direction, the inclusion of gas plants in the RSP will create a never-ending need for the gas plants

even where the CAISO has expressly found that a transmission project like PTEP can allow almost 2,000 MWs of gas plants in West LA to close in 2027. Indeed, the Commission should make clear that any such transmission project addresses a compelling State public policy requirement and its realistic value should be reflected in the transmission planning process.

It is worth noting that, in its February 21, 2020 comments<sup>14</sup> on the CAISO's January 31, 2020 Draft Transmission Plan Report, Western Grid pointed out that with respect to the "flexibility" of gas fired plants, the PTEP converters with their grid forming attributes, can respond much faster than the synchronous generators used on gas fired units. The faster response applies both in reaction time and impact for AC voltage control and frequency stabilization while providing effective short circuit capacity and system damping requirements. In addition, PTEP can also deliver system flexibility to the locally constrained area.

To the extent that additional *system* capacity is a concern, certainly an additional 1,993 MW's of system capacity can be acquired by the 2027 projected in-service date of the PTEP (7 years from now). And, to the extent offshore wind (as opposed to existing capacity) is delivered to the LA Basin over a project like PTEP, any capacity value awarded to the offshore wind could replace the system capacity previously provided by gas plants. Otherwise, if a transmission alternative to gas plants is valued conservatively because of the perceived on-going need for additional system capacity, this perverse approach would simply ensure that the gas plants never close despite State policy to the contrary. .

To the extent that the CAISO has not sufficiently made its need for Commission guidance clear, the CAISO just recently filed comments in the Joint Agency SB 100 process and highlighted the need for additional transfer capacity into local capacity areas (including disadvantaged

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<sup>14</sup> <http://www.caiso.com/Documents/WesternGridComments-2019-2020TransmissionPlanningProcess-Feb072020Meeting.pdf>

neighborhoods) stating that **“policy makers need to decide when resources will be retired and/or new resources needed so that transmission solutions can be timely.”**<sup>15</sup>

The additional clarity needed by the CAISO as described above can be easily provided in the Commission’s ruling on Judge Fitch’s Proposed Decision. By initiating studies now, the Commission will be better informed as to the transmission alternatives that will most certainly reduce the LCR need currently met by gas-fired resources. For example, if a project such as the PTEP were to be recommended and go into service by 2027, nearly 2000 MW of LCR capacity in the LA Basin would no longer be needed. . . The solution is clear, and the time for it is now. . . To reach a zero-carbon portfolio by 2045, transmission will be needed and transmission involves long lead times as the CAISO has indicated. As the CAISOs has made very clear, the CAISO needs direction as to whether it should plan transmission that can reduce the need for gas plants if CAISO is going to be able to plan for such alternatives in a timely way. To be clear, no one should be concerned that the guidance requested herein will cause all gas plants to close anytime soon. However, a good faith effort to at least begin to plan for their phasing out is a good starting point and would provide a positive signal to several disadvantaged neighborhoods.

Importantly, a transmission project like PTEP whose cost is justified by reducing the need for gas plants in the LA Basin also provides the added benefit of allowing offshore wind to reach the LA Basin. In addition, as a subsea cable that will connect to LA from the west, PTEP can mitigate the risk of service interruptions on other parts of the transmission grid that affect LA due to wild fires—a benefit that is not easily calculated but clearly of immense value. Finally, in its February 21, 2020 comments to the CAISO on its Draft Report, Western Grid provided an analysis of the prices being paid to gas plants in LA for local capacity that demonstrates that those contract prices greatly exceed the cost of PTEP.<sup>16</sup>

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<sup>15</sup> Energy Commission Docket 19-SB-100, “Planning for reliability and resource adequacy under SB100-California ISO Presentation.” (February 25, 22020)

<sup>16</sup> *Supra* at note7.

**THE COMMISSION SHOULD SEEK GREATER PORTFOLIO DIVERSITY BY PURSUING ALL CLEAN ENERGY ALTERNATIVES, PARTICULARLY IN-STATE RESOURCES LIKE OSW.**

OSW can be an important part of the clean energy portfolio. And, PTEP could also provide a path for OSW to be delivered into the LA area. The Proposed Decision, however, does not include OSW as part of the effort to achieve its SB 100 goals. It would adopt an RSP for 2030 that is over-reliant on two technologies: solar resources for nearly half of *total* generation capacity; and extremely large increases in battery storage. While the RSP includes 973 MW of long-duration storage and a total of 3,443 MW of wind energy capacity, it is still lacking any reasonable level of diversity.

While the PTEP project can, as the CAISO has found, move existing capacity to the West LA basin and is, therefore, not dependent on OSW, Western Grid strongly supports the State's clean energy goals that are aggressive. The Commission's planning must be equally aggressive and err on the side of "least regrets". The Commission has been a leader in the move to clean energy, and that same vision is required to a greater extent now considering SB 100. Following California's initial lead to 100% zero-carbon resources, New York, New Jersey and the New England states are now moving quickly to substantially increase their renewable energy targets which include large quantities of OSW. Awards for significant amounts of OSW capacity have been issued by Massachusetts, New York, Connecticut, Rhode Island, New Jersey and Maryland, and additional solicitations are expected. For example, New York has announced an overall offshore wind program for 9,000 MWs of OSW capacity and in 2019 the state awarded contracts for 1,700 MWs. Similarly, New Jersey has announced a 7,500 MWs OSW program and this year issued its first award to an 1,100 MW project. The table below summarizes the OSW targets and completed solicitations in the northeastern states:

State	Announced OSW Program (MW)	Awards to Date (MW)
Maine	12	0
Massachusetts	3,200	1,604
Rhode Island	0	430
Connecticut	2,000	1,104
New York	9,000	1,830
New Jersey	7,500	1,100
Maryland	1,200	370

The increasing demand for OSW has led to drastic reductions in the cost of OSW energy and those cost reductions are projected to continue with the deployment of larger 10-12 MW turbines. *A recent Massachusetts OSW award came in at \$58/MWh over the term of the contract.*<sup>17</sup> OSW is a valuable resource that could make a strong contribution to California if the Commission takes the lead to make that happen. Including a commercially reasonable amount of OSW in the RSP starting in 2027, together with additional annual increments thereafter, is an important way for the Commission to add diversity to the portfolio and encourage the development of an OSW industry in California.

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<sup>17</sup> <https://www.bloomberg.com/news/articles/2020-02-11/shell-edp-set-record-low-price-for-u-s-offshore-wind-power>)

## CONCLUSION

The Commission has led the State and the country in securing the benefits of clean renewable energy and reducing carbon emissions. SB 100 requires the Commission to step forward once again and continue to lead the State in achieving the aggressive clean energy goals mandated by SB 100.

Thank you for the opportunity to offers these comments to assist the Commission in this important effort.

Respectfully submitted

/s/ Martin Walicki

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March 12, 2020

*On behalf of  
Western Grid Development LLC*

## VERIFICATION

I, Martin Walicki am a Vice President of Western Grid Development LLC and I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements made in the foregoing copy of the “Comments of Western Grid Development LLC on Proposed Decision on Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning” are true of my own knowledge except as to the matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 12, 2020, at Washington, DC.

*/s/ Martin Walicki*

Martin Walicki

Vice President

Western Grid Development LLC

## APPENDIX

### RECOMMENDED CHANGES TO PROPOSED DECISION

#### **Proposed Additional Findings of Fact**

- A diverse resource portfolio is necessary to help the state reach its 2030 and 2045 GHG SB 100 requirements in a reliable and least-cost manner. Near-term advancement of all diverse clean energy resources, including offshore wind and associated transmission solutions that enable local gas-plant retirements, is required to achieve SB 100 State Public Policy.
- The CAISO requires further guidance from the Commission to clarify the extent to which the CAISO can plan for transmission solutions that reduce LCR's and thereby allow for the closure of gas fired generation that would be consistent with related needs for system capacity and system flexibility despite the inclusion of the gas plants in the RSP.
- The CAISO needs further guidance with respect to whether the reduction in LCR's that would allow for the closure of gas plants is consistent with the State public policies articulated in and required by SB 100.
- In order to begin the closure of gas fired generation required by SB 100, the inclusion of gas plants in the RSP should not be assumed to create a need for the gas plants.

#### **Proposed Additional Conclusions of Law.**

- The Commission should, in the procurement track of this proceeding, evaluate offshore wind resources and other clean energy resources that would bring additional diversity to the RSP and help to ensure achievement of the SB 100 State public policy requirements.

- The Commission should clarify that SB 100 establishes State public policies that require a need for the CAISO to evaluate as a sensitivity policy study in its 2020-2021 Transmission plan, transmission alternatives that can reduce the need for gas-fired capacity to support LCRs.
- In the procurement track of this proceeding, the Commission should review the transmission alternatives studied by the CAISO in its 2018-19 and 2019-20 Transmission Plans that would eliminate or materially reduce local capacity requirements in the Los Angeles Basin and determine whether the proposed LCR reductions and associated gas plant closures would be consistent with SB State Public Policy goals and, therefore, should be evaluated by the CAISO for inclusion in its 2020-1021 Transmission Plan notwithstanding the inclusion of the gas fired generation in the RSP.
- Notwithstanding the inclusion of the gas plants in the RSP through 2030, the CAISO should plan for SB 1000 public policy transmission solutions that allow for the retirement of gas plants in disadvantaged neighborhoods in the W. LA Basin by 2030.