**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 (Filed on May 7, 2020)

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION ORDERING SUPPLEMENTAL MID-TERM RELIABILITY PROCUREMENT (2026-2027) AND TRANSMITTING ELECTRIC RESOURCE PORTFOLIOS TO CALIFORNIA INDEPENDENT SYSTEM OPERATOR FOR 2023-2024 TRANSMISSION PLANNING PROCESS

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC"), the California Energy Storage Alliance ("CESA") hereby submits these comments on the *Proposed Decision Ordering Supplemental Mid-Term Reliability Procurement (2026-2027) and Transmitting Electric Resource Portfolios to California Independent System Operator For 2023-2024 Transmission Planning Process* ("Proposed Decision" or "PD"), issued by Administrative Law Judge ("ALJ") Julie Fitch on January 13, 2023.

I. <u>INTRODUCTION</u>.

The PD would direct procurement of 4,000 megawatts ("MW") of net qualifying capacity ("NQC") to supplement the 11,500 MW of mid-term reliability ("MTR") procurement ordered in Decision ("D.") 21-06-035, and recommend resource portfolios that will be transmitted to the California Independent System Operator ("CAISO") for their study of the 2023-2024 Transmission Planning Process ("TPP"). CESA supports the Commission's continued pursuit to preserve the reliability of the electric grid, ensure just and reasonable rates, and have procurement efforts fall in line with California's greenhouse gas ("GHG") emission reduction goals. We understand that this is a complex task; thus, as we wait for the Commission to finalize the design of a programmatic approach to procurement in the form of the Reliable and Clean Energy Procurement Program, order-by-order procurement should be thoughtfully executed to provide stakeholders ample time and incentives to procure the resources needed. In this context, CESA's comments can be summarized as follows:

- The Commission is prudent in ordering 4 MW of incremental procurement given recent trends and risk factors.
- The Commission's determination to delay long lead-time ("LLT") resource requirements from 2026 to 2028 is reasonable, but it should also include the possibility to meet procurement needs by 2030 if good-faith efforts are demonstrated.
- The Commission should modify its "swap" process so that an equal amount of procurement obligation will then be added to the load-serving entities' ("LSEs") 2026, not 2025, requirements.
- The Commission's request for CAISO to continue the necessary studies to inform and enable opportunities for the development of incremental transmission capacity to support LLT resources is reasonable.
- The Commission's determination to have CAISO evaluate the Offshore Wind Sensitivity ("OSW") is not aligned with risk-minimization, cost-effectiveness, or federal policy.
- The Commission's clarification regarding energy-only renewables seeking to satisfy the requirements associated with the replacement of Diablo Canyon Nuclear

Power Plant ("DCPP") is welcome and should be considered by the Commission in other relevant venues.

- The Commission should address MTR eligibility for utility-owned storage ("UOS") projects procured and approved pursuant to D.21-12-015 to this proceeding.

II. <u>THE COMMISSION IS PRUDENT IN ORDERING 4,000 MW OF INCREMENTAL PROCUREMENT GIVEN RECENT TRENDS AND RISK FACTORS</u>.

CESA agrees with the Commission's characterization of the current capacity-constrained market and how it has changed since the previous procurement decision, D.21-06-035. The shift towards electrification in all sectors, changing consumption patterns, and a growing population have led to significant updates to demand forecasts.[1] Given that, as noted in the PD, the system is much closer to a supply and demand balance than is comfortable for reliability purposes,[2] CESA finds it prudent for the Commission to order 4,000 MW of NQC as supplemental procurement to address the updated demand forecast from the California Energy Commission ("CEC") and other recent trends. This procurement order comes at an opportune time with the retirement of the DCPP expected in the near future.

CESA is also supportive of this procurement directive as a hedge against the uncertainties associated with climate change and the increased frequency and magnitude of extreme weather events. Not only did California see extreme heatwaves test the grid's reliability in the last two summers, but the recent floodings caused by outlier atmospheric rivers in December 2022 and January 2023 is another reminder of the many ways climate change will present more frequent,

[1] PD at 6-7.
[2] PD at 24.

diverse, and complex risks in the years to come. Combined with the risk of delays associated with supply chain constraints and due to current macro-economic conditions, supplemental procurement can serve as a reasonable risk mitigation strategy against these uncertainties and better ensure electric grid reliability in the medium term.

Considering the urgency of these procurements, CESA understands the Commission's determination to preserve the same eligibility requirements as those included in D.21-06-0-35. While supplemental near-term procurement orders such as the ones included in the PD are warranted, the cadence in which the Commission has issued them in recent years demonstrates the urgent need for a programmatic procurement approach that results in predictable and well-paced procurement directions. As such, we encourage the Commission to seek to develop a robust programmatic approach so as to avoid the need for further urgent procurement decisions which result in costly and rushed development, to the detriment of ratepayer interests.

Finally, the PD authorized the Commission staff to provide new compliance effective load carrying capability ("ELCC") values for resources before the end of 2023 to meet procurement obligations.[3] In developing these new compliance ELCC values, CESA recommends that the Commission direct Commission staff to seek public and advanced stakeholder input and feedback on the inputs and assumptions prior to finalizing the study results. Following D.21-06-035, the Commission staff published these values without such a process despite CESA seeing issues with certain inputs and assumptions, which have material impacts on procurement incentives and signals for LSEs. For LLT resources as well, such as long-duration energy storage ("LDES"), more granular estimates are needed by duration to refine how LSEs evaluate technologies of different capabilities.

[3] PD at 27.

III. **THE COMMISSION'S POSTPONING OF THE LLT RESOURCE REQUIREMENT FROM 2026 TO 2028 IS REASONABLE, BUT IT SHOULD ALSO INCLUDE THE POSSIBILITY TO MEET LLT PROCUREMENT NEEDS BY 2030 IF GOOD-FAITH EFFORTS ARE DEMONSTRATED.**

CESA strongly supports the postponement of the procurement requirements for LLT resources as established in D.21-06-035, from 2026 to 2028. This extension will allow for the benefits of the Inflation Reduction Act ("IRA") to fully materialize, expanding the set of technologies that LSEs could deploy and potentially lowering costs for ratepayers given the significant tax incentives present in the IRA (*e.g.*, domestic content, labor requirements). In addition, since some LLT resources could prove to be complex and/or expensive to develop, this extension will provide developers with additional time and some more leeway beyond that associated with the potential for delays in the retirement of DCPP. Ultimately, the ability for developers to leverage IRA incentives and longer development times are in the interest of ratepayers, particularly for LLT assets, as less compressed timelines can help mitigate costs overall and provide more time to overcome challenges related to first-of-a-kind commercial deployments.

While CESA strongly supports the postponement discussed above, the Commission should clarify that, if further delays were to materialize beyond this 2028 deadline, good-faith efforts should be taken into consideration. Specifically, CESA supports clarifying that, if the good-faith efforts can be demonstrated, LLT resources should then be allowed to meet procurement requirements through 2030. This modification is aligned with the known need for zero-carbon resources that can provide firm power for a significant number of hours, as noted in the 2021 Senate Bill 100 Joint Agency Report ("2021 SB 100 JAR"), which found that, in order to meet

California's decarbonization goals, at least 4 GW of LDES will be required.[4] [5] Considering the fact that the need for the resources under the LLT umbrella extends beyond 2028 and most likely exceeds the amount directed in D.21-06-035, CESA finds it reasonable for the Commission to allow for this requirement to be met by 2030 if good-faith efforts can be demonstrated. Furthermore, the delayed retirement of DCPP (*i.e.*, 2029-2030) provides further runway for LLT resources to be developed without jeopardizing reliability.

IV. THE COMMISSION SHOULD MODIFY ITS "SWAP" PROCESS SO THAT AN EQUAL AMOUNT OF PROCUREMENT OBLIGATION WILL THEN BE ADDED TO THE LSE'S 2026, NOT 2025, REQUIREMENTS.

In the PD, the Commission adopts a "swap" process that allows an LSE to nominate a project on the D.19-11-016 and/or D.21-06-035 baseline generator list to be considered for removal. As part of the "swap", the Commission notes that an equal amount of procurement obligation (in NQC) will then be added to the LSE's 2025 procurement obligation under the provisions of D.21-06-035.

While CESA supports the Commission's decision on the baseline issue, we encourage the Commission to consider modifying its "swap" proposal to allow for the equal amount of procurement obligations to be added to the LSE's 2026, not 2025, procurement obligation. This modification is reasonable and is aligned with ratepayer interests as it will allow LSEs to timely issue and complete solicitations, as expressed by Pacific Gas & Electric ("PG&E") in response to the Ruling. Moreover, as noted in the comments above, modifying the timeline to allow for this "swapped" capacity to be procured by 2026 will allow for additional time to secure components

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[4] CEC *et al.,* "SB 100 Joint Agency Report: Charting a path to a 100% Clean energy Future", 2021, at 75.

[5] Importantly, the 4 GW result is due to the deployment limit assumed for LDES within the model used. This limit is due to the fact that LDES was modeled by proxy using pumped hydro storage (PHS). This means that, if the model were to be modified to have more than 4 GW of LDES available, it would have selected it as well given the load and policy needs.

and develop the project, thus minimizing the likelihood of high costs driven primarily by urgency. Again, given the current macro-economic environment, implementation of IRA, and extension of DCPP, CESA believes that it is reasonable to accommodate less compressed competitive solicitation and project development timelines that minimize costs while maintaining reliability.

V. THE COMMISSION'S REQUEST FOR CAISO TO CONTINUE THE NECESSARY STUDIES TO INFORM AND ENABLE OPPORTUNITIES FOR THE DEVELOPMENT OF INCREMENTAL TRANSMISSION CAPACITY TO SUPPORT LLT RESOURCES IS REASONABLE.

CESA supports the Commission requesting CAISO to continue the necessary studies to inform and enable opportunities for the development of incremental transmission capacity to support LLT resources. CESA also supports the Commission's proposal for CAISO to align its busbar mapping to resources in the interconnection queue that have been assigned transmission plan deliverability, as well as using the busbar mapping to prioritize the deployment of future incremental capacity in locally constrained or otherwise underserved communities. In general, CESA notes that the proposed 2023-24 TPP portfolios are similar to the 2022-23 sensitivity portfolio. The similarity between the proposed 2023-24 TPP portfolios and those communicated for the 2022-23 cycle should provide additional justification for CAISO to approve significant "least regrets" upgrades in the 2023-cycle.

VI. THE COMMISSION'S DETERMINATION TO HAVE CAISO EVALUATE THE OFFSHORE WIND SENSITIVITY IS NOT ALIGNED WITH RISK-MINIMIZATION, COST-EFFECTIVENESS, OR FEDERAL POLICY.

In the *Administrative Law Judge's Ruling Seeking Comments on Electricity Resource Portfolios for 2023-2024 Transmission Planning Process* ("TPP Ruling"), the Commission described two proposed sensitivity portfolios for the 2023-2024 TPP cycle: an Offshore Wind Sensitivity Portfolio ("Sensitivity 1") and a Limited Offshore and Out-of-State ("OOS") Wind

Sensitivity Portfolio ("Sensitivity 2"). As stated in our comments and replies to the TPP Ruling, CESA is concerned with the Commission focusing on Sensitivity 1 because of the uncertainties of developing regional transmission and the technical complexities and cost uncertainties of offshore wind. Sensitivity 2 has been criticized by some parties for being too similar to the Base Case; nevertheless, from CESA's perspective, this is essential for risk-minimization and the development of a no-regrets transmission development policy. As such, analyzing Sensitivity 2 would help identify "least-regrets" projects that are necessary across a variety of future scenarios – an approach that is consistent with best practices in modeling. Moreover, it would provide insights into overlapping transmission needs between Sensitivity 2 and the Base Case, allowing transmission development to be aligned with a "least-regrets" principle.

Today, it is reasonable to expect currently unforeseen challenges may arise as California starts to develop the necessary infrastructure to adopt offshore wind at considerable scale for the first time. In addition, the lack of consistent regional planning across the Western Interconnection only exacerbates these concerns and raises others with regards to OOS wind. In this context, CESA recommends prioritizing analyzes and identification of least-regrets investments based on Sensitivity 2. Sensitivity 2 is also more aligned with cost-effectiveness principles, particularly considering the expected impact of the IRA on the costs associated with a wide array of energy resources. While CESA understands that the Commission's staff was not able to incorporate IRA impacts in this TPP cycle due to time constraints, it is undeniable that this landmark piece of legislation will have a material impact on the costs of renewable generators and energy storage assets, not only wind resources. As such, increased investment in all types of preferred resources is likely given IRA incentives, making a composition akin to Sensitivity 2 increasingly likely in the coming years. Thus, we urge the Commission to consider directing the CAISO to further analyze Sensitivity 2.

VII. THE COMMISSION'S CLARIFICATION REGARDING ENERGY-ONLY RENEWABLES SEEKING TO SATISFY THE REQUIREMENTS ASSOCIATED WITH THE REPLACEMENT OF DCPP IS WELCOME AND SHOULD BE CONSIDERED BY THE COMMISSION IN OTHER RELEVANT VENUES.

In the PD, the Commission clarifies a matter related to paired resources under D.21-06-035. In order to comply with the category of resources required by D.21-06-035 to replace capacity from the Diablo Canyon Power Plant, an LSE may procure energy and battery resources separately, but both resources must be contracted by the same LSE to be used for compliance. The PD clarifies that energy-only renewables may also be used to satisfy the Diablo Canyon capacity replacement requirements, but only if accompanied by an engineering assessment that the energy delivered will be sufficient to charge the batteries so that they may discharge to meet the resource requirements in D.21-06-035. CESA welcomes this clarification, nevertheless we note that the Commission may have inadvertently erred in its description in Ordering Paragraph ("OP") 6, which currently reads "Energy-energy renewables may also be used to satisfy the Diablo Canyon capacity replacement requirements […]"[6] rather than "Energy-***only*** renewables […]".[7]

CESA urges the Commission to consider this reasoning and its implications regarding resource and transmission planning in other venues; namely, the Resource Adequacy ("RA") proceeding where the issue of if and how to allow for energy-only renewable components of paired resources to contribute to the charging sufficiency of the storage assets they are paired with. The Commission's recognition of the same logic employed in this PD could provide significant

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[6] PD at 71.

[7] Emphasis added.

alignment among processes, including transmission planning, as well as ease regulatory risks and concerns that parties have held throughout the RA Reform process.

VIII. THE COMMISSION SHOULD ADDRESS MID-TERM RELIABILITY ELIGIBILITY FOR UTILITY-OWNED STORAGE PROJECTS PROCURED AND APPROVED PURSUANT TO D.21-12-015 TO THIS PROCEEDING.

Considering the PD addresses MTR counting and eligibility issues for baseline resources under the proposed "swap" process as well as for the new 4,000 MW NQC of supplemental procurement, CESA also requests that the Commission address all MTR eligibility questions related to emergency procurement made pursuant to D.21-12-015. This request is being made in response to Advice 4928-E submitted by Southern California Edison Company ("SCE") to count their 112.5-MW Etiwanda Separator UOS Project for 96.3 MW for MTR compliance based on 2023 ELCC values. To do so, SCE requested Commission approval to modify the cost recovery mechanisms so that the costs are recovered from applicable customers. Given the timing of the advice letter just before the holidays,[8] CESA was not able to respond at the time, but regardless, we believe MTR eligibility questions to be a matter for the IRP proceeding to address, not through an advice letter process.

As Resolution E-5183 stated, "[s]ince all customers in SCE's service territory will be charged for the UOS for the life of the projects, they are not eligible to count towards IRP MTR requirements."[9] The advice letter filing attempts to get around this by modifying the cost recovery mechanism, but whether such changes can occur should be a matter of the IRP proceeding since it will impact the procurement obligations of other LSEs, raises questions of fairness, and requires review and consistency with Resolution E-5183, among other reasons. Consistent with the PD at

[8] In seeking to find SCE's advice letter on their SharePoint database, we were unable to find and access this advice letter filing as either pending, approved, rejected, or withdrawn.

[9] Resolution E-5183 at 23-24.

hand, the Commission determines that cost allocation mechanism ("CAM") resources should not be allowed to participate in the proposed swap or waiver process since the costs and benefits of these resources are shared among all LSE customers in the utility's territory.[10] In similar ways, SCE would be proposing the UOS project be applied solely to its own future procurement obligation. As such, at minimum, the Commission should direct SCE to address this matter in the IRP proceeding.

IX. <u>CONCLUSION</u>.

CESA appreciates the opportunity to submit these comments to the PD and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

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[10] PD at 18.