



Stakeholder Comments
2016-2017 TPP Stakeholder Meeting
September 21-22, 2016

Submitted by	Company	Date Submitted
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CESA appreciates the opportunity to comment on the 2016-2017 Transmission Planning Process ("TPP") September preliminary reliability results and special studies.

Preliminary Study Results

In the September 21-22, 2016 stakeholder meetings, the preliminary reliability results revealed that there are no significant changes in the reliability assessment from last year, due to reduced load forecasts overall and because most potential problems of the issues will be addressed by projects that have been already approved by the CAISO, even though there are still peak-shift and ramping issues. Notably, PG&E's bulk system assessment summary included the retirement of Diablo Canyon in 2026 cases, but CESA believes it is premature to assume the replacement resource mix for its generation, which is still being determined at the California Public Utilities Commission ("CPUC").

Overall, CESA is encouraged to see that preferred resources and energy storage solutions were again highlighted as potential mitigation solutions to address several reliability issues. While the consideration of non-wire alternatives is commendable and a step in the right direction, CESA believes that the true test of non-wires alternatives being treated on a level playing field with traditional wires solutions will be when the IOUs or third parties actually propose a non-wires project as the preferred solution. During the 2015-2016 TPP cycle, none of the participating

transmission owners (“PTOs”) proposed energy storage projects as an alternative to new transmission infrastructure. The CAISO did indicate in the Board-approved 2015-2016 Transmission Plan that it would “consider energy storage as part of the overall preferred resource umbrella in transmission planning, in particular opportunities for large scale energy storage to help address flexible capacity needs.”¹

However, CESA hopes that these considerations and discussions of the potential for non-wires alternatives can progress to actual project proposals, to illustrate how such non-wires alternatives will be compared to (and selected over) traditional wires solutions. CESA encourages the CAISO to work with the CPUC, the PTOs, and other state agencies to identify non-wires reliability solutions that can be selected in place of transmission projects.

These discussions should also address cost recovery issues for non-wires reliability alternatives. A transparent methodology that considers specific benefits of non-wires alternatives and allocates costs accordingly is needed to determine whether partial rate recovery and/or market participation are appropriate for non-wires alternatives that may function as both a reliability solution and a market resource. Until these cost recovery issues are resolved, energy storage and other non-wires alternatives will be unfairly evaluated and continue to face barriers to being part of actual project proposals.

Special Studies

The CAISO indicated that the preliminary reliability results used existing 33% Renewable Portfolio Standard (“RPS”) results and existing 2014 Long-Term Procurement Plan (“LTPP”) assumptions and scenarios because there is still no direction on 50% RPS goals and the new 2016 LTPP assumptions and scenarios are not available yet. The CAISO added that it will likely start the TPP process under 50% RPS scenarios starting in the 2017-2018 or 2018-2019 TPP cycles. CESA agrees with the CAISO in that major emphasis should therefore be placed on its six special studies, especially the 50% RPS Special Study, which builds on last year’s study by incorporating interregional coordination and out-of-state resource mapping. CESA’s main concern with this special study concerns the transmission cost assumptions and the assumed benefits of transmission buildout to Californian ratepayers. These assumptions should be vetted by stakeholders to ensure that in-state benefits to ratepayers (including reliability benefits) are appropriately accounted for.

Another key Special Study is the Large-Scale Storage Benefits Special Study. The CAISO conducted a similar study last year of a generic 500-MW pumped-storage resource, and the CAISO said it will use 2016 LTPP assumptions and scenarios in the 2016-2017 planning cycle, including a 50% RPS and Diablo Canyon plant retirement. CESA is encouraged to see the CAISO

¹ 2015-2016 Transmission Plan, p. 11.

recognize that pumped hydro storage (“PHS”) can provide benefits and generate sufficient revenues from the system to cover the revenue requirement. Similarly, CESA also commends the CAISO for considering not just system-level renewables generation impacts, as was done in last year’s iteration of the special study, but to also consider congestion relief, transmission line loss benefits, and other locational impacts. This expanded scope will provide additional information for the cost-recovery discussions CESA mentioned above.. CESA looks forward to the results of this updated special study.

However, the relationship of this study to the Economic Planning Study as described in the Study Plan for this cycle, is not clear. CESA assumes that these will be two separate studies, but the CAISO should clarify its intent for this planning cycle.

Conclusion

We appreciate CAISO’s consideration of CESA’s comments and look forward to ongoing participation in the CAISO’s Transmission Planning Process.