

In addition to the general solicitation for input on the information presented and discussed at the November 17, 2020 stakeholder workshop for Phase 3 of the Aliso OII, the Project Team specifically requests feedback and on the fourteen items listed below. The **bold** font denotes items of highest significance and priority.

The Commission's procedures already include an opportunity for workshop participants to submit written comments, which become part of the record of the proceeding. Stakeholders can include discussion of these topics in the body of the comments they file, or they can add text to this sheet and attach it to their submission.

Commenters should feel free to include as many or as few of the questions in their comments as they choose. There is no requirement or expectation that every commenter answer every question.

Thank you in advance for your assistance.

1. Is our approach to modifying the Phase 2/IRP datasets reasonable?

CESA offers no comment at this time.

2. Is our exclusion of upgrades to SCG's Northern Zone from our base assumptions reasonable?

Given the uncertainty regarding the regulatory approval of the modernization of SoCalGas' Northern Zone, CESA agrees with the Project Team's decision to exclude these modifications from the base assumptions. Thus, while these modernization efforts could significantly increase the ability of the Northern Zone to receive gas from the interstate system, it is currently impossible to determine whether this effort will be executed.

During the November 17th Workshop, the Project Team noted that this exclusion does not entail a prohibition to consider these upgrades among the potential solutions contemplated. CESA understands this statement as it relates to the "investment packages" discussed later on by the Project Team. On this subject, CESA disagrees with the Project Team, as the identification of potential solutions should not be done by prescribing them as "investment packages", but by performing some form of capacity expansion modeling able to select feasible, clean, and cost-effective resources. As such, CESA recommends the Project Team exclude these upgrades from the base assumptions and does not include them in predetermined "investment packages".

3. Is our selection of 2027 and 2035 as the years to analyze reasonable? If not, is there a preferred option?

Considering the planning horizon defined in the Scoping Memo, CESA understands the Project Team's decision to select 2027 and 2035 as the years of analysis.

4. Is our exclusion of impacts in 2027 and 2035 attributable to potential changes to Resource Adequacy rules reasonable?

Currently, the Resource Adequacy (RA) framework is in constant flux due to reliability shortfalls identified in 2019 and 2020, as well as major events such as the August heat-storm of August 2020. Due to the wide array of proposals being considered by both the California Public Utilities Commission (CPUC) and the California Independent System Operator (CAISO), CESA understands the Project Team's decision to simplify its already complex analysis. Nevertheless, not all the potential changes to the RA structure are equally uncertain.

The CAISO has been working within its RA Enhancements stakeholder initiative to incorporate the unforced capacity (UCAP) of RA-providing resources into the RA counting methodology. This proposal would substantially decrease the reliability contributions of resources across the board. To this day, the ISO has not shared asset-specific UCAP values; however, it has shown

resource class-level data which could be extrapolated for a sensitivity case.¹ CESA considers the inclusion of this reform is needed as it would shed light on the expected shortfall once Aliso has been retired. As such, CESA considers the exclusion of these effects partially reasonable, and encourages the Project Team to at least consider running a sensitivity scenario that includes the application of the UCAP methodology.

5. Are the “key uncertainties” described in the materials associated with the workshop reasonable?

CESA offers no comment at this time.

6. Is the composition of the four investment options that are specified reasonable? If not, is there an option that is preferred for further analysis?

CESA does not support the “investment package” methodology proposed by the Project Team. By specifying a series of investment options, this methodology effectively prescribes the potential solutions regardless of the benefits that could be realized by using a capacity expansion model that could identify cost-effective, clean, and feasible assets to cover the expected shortfall.

CESA understands the complexity of optimizing two highly intricate and interconnected systems: the gas and electric sectors. As such, CESA is receptive to the fact that, potentially, applying the “investment package” methodology is the only plausible way to complete this analysis in a timely manner. If this is the case, CESA recommends the Project Team focuses on option 4 (Queue Pro-Rata) and, to a lesser degree, option 3 (DR/Storage Mix).

CESA considers this approach is reasonable as these options are the ones that most closely fulfill the criteria set by the Project Team to select investment portfolios. Given the level of penetration storage assets have on the resource queues for San Diego Gas & Electric (SDG&E) and Southern California Edison (SCE), portfolios that include a significant proportion of storage assets are both reflective of commercial realities (Criteria 1) and highly plausible (Criteria 3). Moreover, and in contrast to Options 1 (Gas Transmission) and 2 (Demand-side Gas), options 3 and 4 clearly conform to the Commission’s goals to consider demand response (DR), renewable integration goals, and the usage of low-carbon generation. As a result, CESA recommends the Project Team focuses on options 3 and 4.

7. Please identify any of the specific assumptions or inputs discussed during the workshop or provided in the supporting materials that are unreasonable or that should be replaced with a preferred alternative.

CESA offers no comment at this time.

¹ See CAISO, “Presentation – Resource Adequacy Enhancements – September 15 and 17 Working Group”, p. 56-64. Available at <http://www.aiso.com/InitiativeDocuments/Presentation-ResourceAdequacyEnhancements-Sep15-17WorkingGroup.pdf>

8. Is our approach to allocating the modeled gas shortfall based on unit heat rates reasonable? If not, is there a preferred approach?

CESA offers no comment at this time.

9. Is our approach to define the fifth investment option after modeling and analyzing the first four reasonable?

As stated previously, CESA does not support the proposed “invest package” methodology but understands this approach may be necessary given the complexities of the modeling needed to co-optimize both gas and electricity systems. If this methodological path is taken, CESA supports utilizing the results from the initial four investments options to construct a fifth option once stakeholders have had the opportunity to provide feedback on its formulation.

10. How should we value reductions in carbon emissions in Workstream 2?

CESA considers that the Project Team should value the carbon emission reductions based on the greenhouse gas (GHG) shadow price derived in the CPUC’s Integrated Resource Planning (IRP) proceeding. These values effectively capture the dollar cost associated with emitting carbon given the State’s energy and environmental goals, offering a vetted and useful proxy for this exercise.

11. Aside from reductions in the cost of delivered energy, what benefits should we capture in the Workstream 2 analysis of the investment options?

CESA recommends the Project Team additionally considers congestion reduction as a benefit within the Workstream 2 benefits analysis. As more resources interconnect in a distributed fashion across the State, the availability of resources capable to moderate their output and respond to grid conditions becomes increasingly valuable. Despite the fact that only a subset of the specified “investment packages” include resources capable of effectively reducing congestion, the Project Team should not ignore this benefit as it is quantifiable and integral to the future of the electric grid.

CESA also recommends other characteristics are considered in a qualitative manner when determining the benefits of the “investment packages”. Namely, CESA recommends including higher utilization of renewable assets, reduction in local emissions (particularly in disadvantaged communities as defined by the CalEnviroScreen), and displacement of fossil fuel usage.

12. Aside from the capital and financing costs to build new infrastructure, what costs should we capture in our Workstream 2 analysis of the investment options?

CESA offers no comment at this time.

13. If the data provided at the CPUC website are insufficient, please indicate which datasets should be added.

CESA offers no comment at this time.

14. Should another workshop be held between now and the one currently scheduled for May 2021? If so, when and to discuss what topics?

CESA offers no comment at this time.

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