

**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

**CALIFORNIA WIND ENERGY ASSOCIATION
COMMENTS ON PROPOSED DECISION ADOPTING
2021 PREFERRED SYSTEM PLAN**

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*On behalf of the California Wind
Energy Association*

January 14, 2022

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I. INTRODUCTION AND SUMMARY

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the direction provided on December 22, 2021, by Chief Administrative Law Judge (“ALJ”) Simon in transmitting the Proposed Decision of ALJ Fitch Adopting 2021 Preferred System Plan (“Proposed Decision” or “PD”), the California Wind Energy Association (“CalWEA”) submits these opening comments on the Proposed Decision.

In summary, while CalWEA supports adoption of the 38 MMT portfolio as the 2030 Proposed System Plan (“PSP”) and the 2032 38 MMT PSP portfolio for the CAISO’s 2022-2023 Transmission Planning Process, we want to be clear that the adoption of this plan and the PD generally would be wholly insufficient to realize the wind resources contained in the plan. Put plainly: neither the California land-based wind nor the offshore wind contained in the PSP is likely to be fully achieved, if achieved at all, under this Proposed Decision. The final decision must communicate that there will be a market for these resources that will justify the expenditure of substantial development capital. Specifically:

- Regarding the 3,553 MW of additional CAISO-interconnected wind on land that is included in the PSP by 2025, the Commission should add clarity and teeth to its expectation that these resources will be procured by LSEs. The final decision should make clear that the expected “resource attributes” include energy deliveries during evening net peak hours from planned renewable energy generation (i.e., not from

storage discharge). In addition, because there is clear evidence that load-serving entities (“LSEs”) cannot be relied upon to deliver resources that offer important system benefits, and because the individual resource plans of LSEs are essentially non-binding, this decision must be followed up with a procurement directive to ensure that the resources (or at least resource attributes) reflected in the PSP will be realized.

- Regarding the offshore wind included in the PSP beginning in 2026, the Commission should include in the final decision a clear indication that these resources will be procured through a collective mechanism, with costs shared among all LSEs. Later this year, offshore wind firms will compete in a federal lease auction whose winning bids are expected to cost upward of \$100 million each. Firms that are currently pursuing regulatory approval for projects in state waters must invest substantial sums to complete the permitting and development process. Potential investors will need much greater market certainty than is provided in the PD to justify these risky and costly investments, let alone to support the port and other infrastructure development that will be required if California is to develop an offshore wind industry that supports the development of a California supply chain and delivers on the expectation that thousands of jobs will accompany the development of offshore wind.
- More generally, CalWEA is concerned that the PD’s proposed structural change to the Commission’s Integrated Resource Planning (“IRP”) process – to forego its own system-optimal Reference System Plan in favor of future PSPs based on LSEs’ individual plans – will not meet the Commission’s statutorily required planning task to identify “a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner.” The PD seems to have put the cart before the horse and forgotten its obligation to first develop an optimal portfolio and identify renewable integration needs, and then require LSE plans to conform to the Commission’s plan. The final Decision should preserve the Commission’s development of an optimal resource portfolio.
- Finally, the Commission should recognize, and direct staff to pursue, several options to ensure that transmission access will be available when needed for offshore wind

developers at the Central Coast, rather than relying on the uncertain prospect that PG&E's Diablo Canyon transmission rights will be become available for that purpose. Near-term Commission action guaranteeing offtake of offshore wind is also important for securing any transmission that becomes available.

II. ARGUMENTS

A. The Commission Should Adopt the 38 MMT Portfolios, But Request that CAISO Consider Deliverability Methodology Reform

CalWEA strongly supports the PD's proposed adoption of the 38 MMT Portfolio as the Preferred System Plan for 2030.¹ Planning to achieve this greenhouse gas ("GHG") target for the electric sector in 2030 is necessary given the long lead-time required to realize any transmission upgrades necessary to achieve this target and future SB 100 goals, as well as to support private investment in the needed resources.

CalWEA also strongly supports the proposed 2032 38 MMT PSP portfolio as the recommended reliability base case and the policy-driven base case for the California Independent System Operator ("CAISO") to use in its 2022-2023 Transmission Planning Process ("TPP"). In conjunction with the TPP, however, we strongly encourage the Commission to direct its staff to work with the CAISO to explore the potential to use existing transmission assets far more efficiently, which would enable greater – and very timely – transmission availability in most areas where the grid is strong, including at the Central Coast.² More efficient use of the grid could accommodate the full potential of the Morro Bay offshore wind resource area as well as other resources on land in the area. As CalWEA explained in our comments on the August 2021 PSP Ruling, reforming the CAISO's deliverability assessment methodology is consistent with planned structural reforms to the Commission's Resource Adequacy program and would deliver substantial ratepayer benefits because additional deliverability capacity would immediately become available without any transmission upgrades.³

In addition, as discussed below, the adoption of these plans alone is wholly insufficient to realize the wind resources contained in the plan.

¹ PD at p. 2 and Table 5.

² This sentiment should be added in section 7.2.2.2 at p. 143 of the decision.

³ CalWEA Comments on Proposed Preferred System Plan (September 27, 2021) at pp. 22-23 and Appendix 2.

B. Stronger Direction is Needed to Provide the Necessary Foundation to Achieve the PD’s Wind Energy Goals, Both Onshore and Offshore

Neither the CAISO-interconnected (“California”) land-based wind nor the offshore wind contained in the proposed PSP is likely to be fully achieved under this Proposed Decision. To provide the strong direction that is required, the decision should be modified to clearly communicate that the Commission will take action to ensure that there will be a market for these resources to justify the expenditure of substantial development capital. We discuss California onshore and offshore resources in turn.

1. California Onshore Wind

The proposed PSP includes 3,553 MW of new California wind on land by 2025.⁴ Encouragingly, the PD states that “[a]ny resources associated with the PSP, or resource attributes thereof, will be expected to be developed by the LSEs. Their procurement will need to match their emissions and reliability responsibilities associated with the PSP by 2030 and in the interim years.”⁵ This statement, however, lacks sufficient clarity and teeth. First, the final decision should make clear that “resource attributes” include energy production during evening net peak hours from planned renewable energy generation (i.e., not from storage discharge; evening peak generation increases resource diversity and reduces the overall amount of storage needed). Second, because individual LSE IRPs are essentially non-binding (no non-compliance penalty framework has been established), this decision must be followed up with a procurement directive to ensure that the resources (or at least resource attributes) reflected in the PSP will be realized.

As CalWEA discussed in its comments on the Ruling, the Commission should not rely on LSEs to voluntarily procure resources that are not necessarily least-cost on a strict, direct-price basis, but that offer valuable system benefits as part of the overall portfolio, even if these resources appear in individual IRPs.⁶ As evidence of this, the Ruling noted that the aggregated portfolios were less diverse than what the Commission’s mid-term reliability (“MTR”) decision required (that decision mandated procurement of higher-cost geothermal and long-duration storage resources).⁷ Further, the Commission’s 2021 annual RPS report to the legislature

⁴ PD at Table 2.

⁵ PD at p. 95.

⁶ CalWEA Comments on Proposed Preferred System Plan (September 27, 2021) at p. 8.

⁷ Ruling at p. 8.

documented that resources that produce in the evening net peak (i.e., wind, biomass and geothermal) constituted only 13 percent of new capacity with 2021-2024 on-line dates contracted by all LSEs,⁸ while the draft PSP contemplates that double that – 26 percent – of added procurements should be from these diverse resources by 2025 to meet reliability and cost goals.⁹ This wide gap between procurement reality and planning goals indicates that firmer policy direction is needed. Indeed, the RPS report notes that “it is imperative [that the RPS] remain aligned with the other CPUC proceedings to optimize procurement planning.”¹⁰

CalWEA’s membership includes most developers focused on California and CAISO-interconnected projects. We are aware of only a few such wind projects currently in development that total a fraction of the 3,553 MW by 2025 envisioned in the proposed PSP. Permitting projects outside of California’s established wind resource areas (which are essentially built-out) is proving to be very expensive and politically difficult. Two large wind projects totaling 371 MW have been rejected by Northern California counties recently,¹¹ representing a substantial loss of investment capital. Encouraging further development of wind projects in the State will be difficult absent a strong market backed by clear public policy.

2. California Offshore Wind

The PSP includes 120 MW of offshore wind resources by 2026, 195 MW by 2028, and 1.7 GW by 2032. As CalWEA explained at considerable length in comments on the Ruling,¹² it would be imprudent for the Commission to assume that these resources will materialize unless the Commission requires LSEs to collectively deliver these resources and develops the mechanisms to do so. To briefly recap, the value of offshore wind (like other non-solar/storage

⁸ CPUC, “California Renewables Portfolio Standard Annual Report” (November 2021). Figure compiled by CalWEA based on data in Tables 13-16. (In addition, Table 11 shows that the large investor-owned utilities were required to sign 26 MW of BioMAT contracts in 2019 and 2020.) Similarly, in recently announcing the new-build clean energy resources that California CCAs have procured over the last decade, the California Community Choice Association (“CalCCA”) reported figures showing that less than 15 percent of the new generation capacity procured is non-solar resources. See CalCCA, “[California CCAs Secure Almost 10,000 Megawatts in Long-Term Contracts with New-Build Clean Energy Resources](#)” (November 3, 2021).

⁹ Note 4 *supra*.

¹⁰ Note 8 *supra* (CPUC RPS Annual Report) at p. 64.

¹¹ These projects are the 216 MW Fountain Wind project in Shasta County (permit denied in October 2021) and the 155 MW Humboldt Wind Energy Project in Humboldt County (permit denied in December 2019).

¹² Note 6 *supra* at pp. 7-13.

resources) derives from the system and strategic benefits that will accrue to all LSEs and the public generally. These resources will require higher PPA prices than the solar and battery resources that dominate the PSP and the current market, and this will be particularly true for the early projects that set the stage for the larger build-out. The Commission should not expect the LSEs that volunteered to include these resources in their plans will necessarily be able to deliver on their aspirations when other LSEs are not held to the same requirements. We noted that LSEs appear to be averse to investing in new resources generally and that the Commission recognized the necessity of forcing the procurement of geothermal resources and long-duration storage in its MTR order.

And yet the PD provides only the vaguest of assurances that the major capital investments required to support offshore development will be recouped. Later this year, offshore wind firms will compete in a federal lease auction whose winning bids are expected to cost upward of \$100 million each. Firms that are currently pursuing regulatory approval for projects in state waters must invest substantial sums to complete the permitting and development process. To potential investors, the PD offers only its “encouragement” to LSEs to diversify their portfolios¹³ and holds out the hazy, one-sentence prospect of “explor[ing] additional procurement action or special program rules...in parallel” to developing the programmatic process on procurement that is outlined.¹⁴ This is far too weak a foundation upon which to expect the market to support the required investments in wind energy development, let alone to support the port and other infrastructure development that will be required to support an offshore wind industry that supports California’s workforce and economy.¹⁵

The drafters of the PD may envision that the programmatic phase could produce a procurement directive supporting these resources, but there is no clear indication of that – or whether the Commission intends to establish the necessary procurement responsibility any time

¹³ PD at p. 151. At p. 141, the PD states, “We will further evaluate procurement of offshore wind capacity in the future, but strongly encourage all LSEs to pursue viable opportunities for projects, as they become available during the MTR timeframe and beyond.” “Strong encouragement” is simply not enough to cause a few small CCAs (those who included offshore wind in their IRPs) to shoulder the initial development of offshore wind.

¹⁴ *Id.* at p. 153.

¹⁵ Note 6 *supra* at pp. 11-13.

soon. The PD seems to envision only that the *new process* will be completed by mid-2023¹⁶ and assumes that the Commission has “a bit of time to develop the programmatic requirements.”¹⁷ But, as noted above, offshore wind companies must place bids in federal lease auctions in late 2022 and invest in expensive state-waters siting processes in the same timeframe. It is therefore very concerning that there is nothing in the discussion or the general schedule indicating that a decision will be made about collective responsibility for the procurement of the offshore wind included in the PSP.¹⁸

To remedy this problem, the final decision should declare that it will assure that the offshore wind contained in the PSP will be procured, and that the means for that assurance will be considered and adopted immediately following the decision in a track parallel to the track that will develop other programmatic requirements.¹⁹

C. The Commission Must Develop a Diverse, Balanced and Optimal Portfolio to Meet its Statutory Obligation

More generally, CalWEA is very concerned that the PD’s proposed structural change to the IRP process – to forego the development of its own system-optimal Reference System Plan in favor of future PSPs based on the aggregation of the individual plans “reflecting [LSEs’] individual procurement preferences”²⁰ – will not meet the Commission’s statutorily required planning task. That task is to “(i)dentify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner.”²¹ Only then does the statute indicate that electrical corporations are required to develop individual plans that “satisfy the portfolio needs identified by the

¹⁶ E.g., on p. 4, the PD states, “this decision commits to *development* of a programmatic structure for IRP procurement in our next two-year cycle, to ensure that LSEs optimize their procurement choices to achieve our three goals of reliability, GHG reductions, and least-cost procurement.” (Emphasis added.) Absent is a commitment to *use* that structure in the next IRP cycle.

¹⁷ PD at p. 152.

¹⁸ PD at p. 152 and Table 8.

¹⁹ In its comments on the PSP Ruling, CalWEA discussed the need to develop both “front-stop” and backstop procurement mechanisms, and recognized the uncertainties associated with offshore wind development that should be considered in offshore wind procurement planning. See Note 6 *supra* at p. 18 and CalWEA’s Reply Comments on the PSP (October 11, 2021) at p. 7.

²⁰ PD at p. 69.

²¹ P.U. Code Sec. 454.51(a).

commission”²²; likewise, CCAs are required to submit proposals “for satisfying their portion of the renewable integration need identified” in the Commission’s plan.²³ The PD seems to have put the cart before the horse and forgotten the Commission’s obligation to *first* develop an optimal portfolio and identify renewable integration needs, and *then* require LSE plans to conform to the Commission’s plan.

It is unwise to assume that the aggregation of individual IRPs will result in an optimal plan, as discussed in subsection II.B.1 above. In addition, As the PD notes, in preparing the PSP, “Commission staff spent considerable time and effort iterating with individual LSEs through multiple re-submission requests ... involv[ing] extensive consultation ... to correct and clarify existing and planned contract information provided by the LSEs” and “the plans varied widely in quality.”²⁴ In addition, as the PD noted, the aggregated 38 MMT plans failed to meet reliability or GHG targets and collectively produced a less-diverse portfolio than was required in the MTR.²⁵ The PD would find that 21 of the 51 LSE plans (those LSEs that plan to serve future load) are deficient and not approved.²⁶

It is not at all clear from the PD that there is any intention to use the proposed new “programmatic phase” to remedy sub-optimal results from an aggregation of individual IRPs.²⁷ Moreover, the Commission has yet to consider the benefits of a more-diverse portfolio for its own sake – e.g., the risk-reduction benefits of resource diversity *per se* have not been fully considered or factored into the Proposed PSP; thus, PSP represents the *minimum* amount of resource diversity that may be warranted.²⁸ Indeed, without developing its own yardstick, there will be no “optimal” portfolio against which to compare the aggregated individual IRPs. There

²² P.U. Code Sec. 454.51(b).

²³ P.U. Code Sec. 454.51(d).

²⁴ PD at p. 12.

²⁵ PD at pp. 77 and 79.

²⁶ PD at Table 1.

²⁷ E.g., the list of issues on pp. 150-151 does not include concepts like “diverse and balanced” and “optimal” portfolio that are included in the IRP statute.

²⁸ As CalWEA demonstrated in the IRP analysis we conducted in the Net Energy Metering proceeding (see Note 6 *supra* at Appendix), trading some solar for more diverse resources substantially reduces the need for total required resources, including storage, which would substantially reduce total material inputs and reduce supply chain risks associated with batteries. Further, the PD notes (p. 131) that replacing gas plants with zero-emission resources has “not been tested operationally in a system of this scale anywhere.”

are no assurances, therefore, that the individual IRPs aggregated in the next IRP cycle will reflect the resources added in 2032 pursuant to the CPUC’s RESOLVE modeling, including 1,708 MW of offshore wind.²⁹ This uncertainty will substantially raise the risk that investors in California offshore wind projects will face, which will translate into a higher cost of capital, fewer market participants, or both.

To preserve the Commission’s development of an optimal resource portfolio, such a portfolio could serve as the PSP to guide the TPP, and the aggregated LSE plans could inform the Procurement Track where any problems and gaps in LSEs’ plans could be remedied.

D. The Commission Should Explore More Options for Transmission to Facilitate Offshore Wind and Other Resources

CalWEA appreciates that the Proposed Decision “make[s] clear [the Commission’s] policy interest in ensuring that at least a portion of the central coast transmission capacity can be utilized for offshore wind development.”³⁰ But having recognized that PG&E’s existing transmission deliverability rights at Diablo Canyon are governed exclusively by FERC, the PD’s focus on this very uncertain option is too narrow.³¹ The Commission should recognize, and direct staff to pursue, the several other options that CalWEA previously raised, which went unmentioned in the PD, to assure offshore wind developers that transmission access will become available in the necessary timeframe:

- As noted in section II.A, above, the most efficient and timely option would be for the CAISO to reform its deliverability assessment methodology in conjunction with the Commission’s planned structural reforms to its Resource Adequacy program. Along with the California Energy Storage Association, CalWEA has submitted this proposal into the CAISO’s Policy Initiative Catalog.³² The

²⁹ PD at p. 86.

³⁰ PD at p. 142.

³¹ The PD points to the CAISO’s Interconnection Process Enhancements (“IPE”) process as the venue for considering “ways that the state could acquire and exercise authority within the CAISO’s interconnection process,” but this year’s IPE process is already well underway and it remains unclear how this or any other CAISO process could get around the fact that PG&E’s deliverability rights “remain fully and exclusively vested with the generator for a period of three years after a generator ceases generation.” PD at p. 142.

³² See https://www.calwea.org/sites/default/files/public_filings/CalWEA-CESA%20Policy%20Initiatives%20Catalog%20Submission%20Form.pdf.

Commission should support this proposal, which would make more efficient use of existing transmission assets, deliver substantial ratepayer benefits, and immediately create additional transmission deliverability for offshore wind development as well as for other resources in the area.

- The Commission should request that the CAISO seek to purchase the necessary Transmission Planning Deliverability (“TPD”) capacity for at least 1.7 GW of offshore wind (the capacity included in the PSP) from PG&E and its retiring nuclear plant. The payment offered by CAISO (to be recovered in the Transmission Access Charge) would be based on the avoided cost of building new transmission, and the proceeds would benefit PG&E ratepayers.
- The Commission should request that CAISO study a subsea upgrade between the Los Angeles Basin (“LA”) and Central California that would deliver multiple benefits in addition to providing additional capacity for Central Coast offshore wind should the other options not come to fruition, including facilitating the retirement of gas plants in disadvantaged communities.³³ This study would also inform the PD’s proposed analysis of whether procurement should be ordered in the LA Basin to reduce dependency on the Aliso Canyon gas storage facility.³⁴ Greater transmission capacity will likely relieve battery-charging constraints that will enable local batteries to be part of the solution for gas-plant retirements and/or reduced reliance on Aliso Canyon.³⁵

Lastly, CalWEA underscores that near-term Commission action to provide offtake of offshore wind will be important for securing any available deliverable transmission rights, because CAISO assigns such rights on a priority basis and gives developers holding PPAs the highest priority.³⁶

³³ Note 6 *supra* at responses to Questions 20 and 21.

³⁴ PD at p. 161-162.

³⁵ For further discussion on this point, see CalWEA’s Reply Comments on Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes and Comments on Ruling Seeking Comments on Proposed Proceeding Schedule, at Section III (July 6, 2020).

³⁶ Note 6 *supra* at pp. 21-22.

III. CONCLUSION

Wherefore, for the foregoing reasons, the Commission should revise the Proposed Decision to ensure that the California onshore and offshore wind resources contained in the Preferred System Plan will be realized, that transmission access will be available when needed, and that individual LSE plans will be guided by an optimal and diverse resource portfolio, consistent with the Commission's statutory requirements.

Respectfully submitted,

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On behalf of the California Wind Energy Association

January 14, 2022

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of “California Wind Energy Association Comments on Proposed Decision Adopting 2021 Preferred System Plan” 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 January 14, 2022, at Berkeley, California.

/s/ Nancy Rader _____
Nancy Rader
Executive Director
California Wind Energy Association