

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation pursuant to Senate Bill 380 to determine the feasibility of minimizing or eliminating the use of the Aliso Canyon natural gas storage facility located in the County of Los Angeles while still maintaining energy and electric reliability for the region.

Investigation 17-02-002
(Filed February 9, 2017)

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON ADMINISTRATIVE LAW JUDGE'S RULING ENTERING INTO
THE RECORD ALISO CANYON INVESTIGATION 17-02-002, PHASE 3 REPORT
REQUESTING COMMENTS**

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Dated: February 16, 2022

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits these comments pursuant to the January 19, 2022 *Administrative Law Judge's Ruling Entering into the Record Aliso Canyon Investigation 17-02-002, Phase 3 Report, Requesting Comments* (Ruling). FTI Consulting, Inc. and Gas Supply Consulting, Inc. submitted the Aliso Canyon Investigation (I.)17-02-002 Phase 3 Report (Report) on December 31, 2021. The CAISO submits limited comments on key issues identified in the Report.

II. Discussion

The CAISO reiterates earlier statements regarding the need for further exploration of local impacts from a transmission perspective and also questions the Report's assumptions regarding the CAISO's system and the ability to increase the interface limits. The CAISO does not intend these comments as a comprehensive review of the analysis in the Report and, thus, any lack of comment should not be interpreted as agreement with the methodology or results. Additionally, the CAISO reserves the right to comment on other issues on reply.

A. The Report Fails to Include Necessary Assessment of Local Reliability in the Los Angeles Basin

As the CAISO has indicated in multiple prior venues,¹ reliability impacts due to the closure of the Aliso Canyon Storage Facility (Aliso Canyon) must focus on the Los Angeles (LA) Basin local capacity area, and to some extent the San Diego-Imperial Valley local capacity area, rather than the CAISO system, because these are load pockets with limited transmission transfer capability. The LA Basin would be directly² affected by the loss of in-basin generation either due to a reduction of capacity in, or a complete closure of Aliso Canyon. In other words, potential reliability shortfalls would primarily manifest themselves in the LA Basin. As such, any solutions to the shortfall should primarily be in the LA Basin or increase the transfer capability into it.³ In Phase 2 of this proceeding, the CAISO provided LA Basin-specific⁴ power flow studies conducted by CAISO engineering staff to inform Commission modeling on electric sector reliability needs.⁵ It does not appear these critical inputs were utilized in this Phase 3 Report, particularly considering the contracting of the two phases.⁶ The CAISO firmly believes that a local capacity area-focused transmission assessment is needed to assess appropriately the reliability impact of Aliso Canyon closure or reduction.

¹ *See, for example*, Comments of the California Independent System Operator Corporation on the November 3, 2021 Workshop (November 10, 2021), oral comments made at the Status Conference held on December 3, 2021, and multiple ex parte meetings noticed in this docket.

² The San Diego-Imperial Valley local capacity area would potentially be affected by the loss of generation in the LA Basin due to its interconnected electrical network with the LA Basin. Thus, the LA Basin and the San Diego-Imperial Valley local capacity areas are generally studied together to identify potential reliability impacts to these two areas.

³ The Report touches on the issue of resource adequacy (RA) in the context of assessing the RA benefits of various portfolios, equating the concept of RA to “system RA” (pg. 112). However, this highlights a fundamental misunderstanding in the Report’s analysis as it leaves out any discussion of the more relevant “local RA” framework, which ensures the reliability within these known transmission constrained pockets.

⁴ In addition to the LA Basin-specific generation requirements, the CAISO also provided the CPUC staff with generation requirements in the San Diego-Imperial Valley local capacity area.

⁵ *See* Staff of the California Public Utilities Commission, Aliso Canyon I.17-02-002 Phase 2: Modeling Report (Jan. 26, 2021). To determine which electric generation curtailment to simulate, staff used power flow modeling results gathered from the CAISO and Los Angeles Department of Water and Power (LADWP) to constrain electric generators needed to fulfill NERC Minimum Reliability Standards.

⁶ As outlined in the Assigned Commissioner’s Amended Phase 2 and Phase 3 Scoping Memo and Ruling, issued July 9, 2021.

B. The Report Relies on Incorrect Assumptions about the Feasibility of Actions the CAISO Could Take

The CAISO is extremely concerned with the Report's reliance on assumptions about the CAISO system and its ability to relax the interface limits, or Maximum Import Capability (MIC) at each intertie. These assumptions do not appropriately reflect the process for increasing the MIC; or in the case of an Aliso Canyon closure or reduction in capacity, the impact doing so would have for reliability.

Under Portfolios 4a and 4b, the Report assumes an increase in the CAISO interface limit between 1,000 MW and 2,875 MW.⁷ The study indicates these are "what if" changes, stating it is "not feasible or meaningful to identify specific transmission additions."⁸ The CAISO disagrees. MIC increases are based on analysis of specific additional transmission upgrades and other study criteria. MIC is not simply an administrative limit that can be arbitrarily adjusted.⁹ Relaxing the MIC beyond 11,600 MW requires further study by the CAISO, such action cannot be generically assumed. Contrary to the statement in the Report, it is explicitly meaningful and feasible to identify specific transmission additions. Indeed, the CAISO studies the location and characteristics of new transmission in its transmission planning studies.

In any event, a discussion on MIC is a red herring to the local capacity concerns which the CAISO has continually described and discussed above. Without further study it is doubtful whether any increase in transmission capability, alone, into the CAISO footprint would alleviate reliability issues within the LA Basin. Furthermore, there is limited connectivity between the CAISO and Los Angeles Department of Water & Power (LADWP) systems. It is therefore unlikely that increasing the transfer capability from Arizona to LADWP, as proposed in the Report's Portfolio 4b, would fully address LA Basin or CAISO needs.¹⁰ Indeed, the Report acknowledges that the inputs for Portfolio 4b "are for illustrative purposes and not intended to assert that this combination (or an alternative one) is technically feasible."¹¹

⁷ FTI Consulting, Inc. and Gas Supply Consulting, Inc., Aliso Canyon Investigation (I) 17-02-002 Phase 3 Report (Dec. 3, 2021) at pg. 60 (Report).

⁸ *Id.* at pg. 59.

⁹ The CAISO's Tariff defines Maximum Import Capability as "A quantity in MW determined by the CAISO for each Intertie into the CAISO Balancing Authority Area to be deliverable to the CAISO Balancing Authority Area based on CAISO study criteria." These study criteria, which specify a direct link to the CAISO's Transmission Planning Process, can be found in the Business Practice Manual for Reliability Requirements.

¹⁰ Report at pg. 60.

¹¹ *Id.*

C. The Report Should Include an Adequate Assessment of Summer Peak Needs and Battery Storage Resource Charging

Electricity usage traditionally peaks in the summer when overall gas usage is lower. However, it is unclear whether gas-fired resources in the LA Basin that are dependent on Aliso Canyon will continue to operate if the facility is closed or its capacity is significantly reduced. Therefore a summer peak transmission assessment focused on the LA Basin would provide better insight into electric reliability needs should gas-fired resources retire.

Furthermore, battery storage resources are rapidly growing on the CAISO system, and they may be able to address the loss of or reduction in Aliso Canyon. However, reduced generation within and constrained transfer capability into the LA Basin may limit battery charging. As noted in prior comments, the CAISO's local capacity technical studies consider charging needs for battery storage resources and this analysis should be incorporated into an assessment of reliability needs and potential solutions, including a summer peak assessment.¹²

III. Conclusion

The CAISO appreciates the opportunity to provide comments on this Report.

Respectfully submitted

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¹² See for example, CAISO, 2022 Local Capacity Technical Study: Final Report and Study Results (April 30, 2021), at pg. 28.