

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

Order Instituting Rulemaking to Oversee  
the Resource Adequacy Program, Consider  
Program Reforms and Refinements, and  
Establish Forward Resource Adequacy  
Procurement Obligations.

Rulemaking 21-10-002  
(Filed October 7, 2021)

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION ON RESOURCE ADEQUACY PHASE 3  
WORKSHOP AND PROPOSALS**

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**I. Introduction**

Pursuant to the September 2, 2022 *Assigned Commissioner’s Amended Scoping Memo and Ruling* (Ruling), and the February 13, 2023 *E-mail Ruling Granting Western Power Trading Forum’s Request for Extension to File Comments on Phase 3 Proposals*, the California Independent System Operator Corporation (CAISO) submits comments on Resource Adequacy Implementation Phase 3 Workshop and all Party Proposals (Phase 3 Proposals). Before commenting on party proposals, the CAISO provides observations about the California Public Utilities Commission’s (Commission) resource adequacy program.

The CAISO appreciates the extensive work the Commission has undertaken in recent years to advance new resource procurement in California. Through the Integrated Resource Planning (IRP) proceeding, the Commission has ordered procurement of 18,800 MW of new net qualifying capacity (NQC) to come online between 2021 and 2028 to help ensure system reliability and meet state greenhouse gas (GHG) reduction targets.<sup>1</sup> The CAISO recognizes the Commission’s efforts to ensure reliability are not limited to the resource adequacy proceeding. The Commission should continue its efforts to advance new resource development in the IRP proceeding by taking the additional step of coordinating its efforts to plan for system needs in the

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<sup>1</sup> See Commission Decision (D.) 19-11-016; D.21-06-035; *Proposed Decision Revision 1 Re: 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*, Commission Rulemaking (R.) 20-05-003, February 21, 2023.

IRP to meet at least a 1 in 10 loss of load expectation (LOLE) with procurement requirements established in the resource adequacy program.

The CAISO remains concerned that planning reserve margins (PRMs) adopted in the resource adequacy proceeding are inadequate. Also, the CAISO is concerned about the disconnect between the resource requirements identified in the IRP and the procurement requirements parties are considering in the resource adequacy program. In the IRP proceeding, the 2021 Preferred System Plan and the resource portfolios developed for the CAISO's 2023-2024 Transmission Planning Process (TPP) in the February 28, 2023 Decision were tested to meet a 1 in 10 LOLE reliability target. The Commission also developed the 2021 Preferred System Plan using a 22.5 percent PRM.<sup>2</sup> However, in the resource adequacy program, the Commission has retained low PRM levels that do not meet reliability targets. Since 2021, the Commission has somewhat ameliorated the impact of retaining these low PRM levels by resorting to use of an "effective" PRM above the official PRM as an interim approach. An effective PRM instructs investor-owned utilities (IOUs) to procure additional resources to meet net peak demand in summer months beyond binding resource adequacy requirements. An effective PRM also allows non-resource adequacy capacity, including emergency-triggered resources and dynamic rate pilot projects not visible to the CAISO, to count towards procurement targets above the actual PRM.<sup>3</sup> However, this capacity is not treated like resource adequacy capacity and is not subject to certain resource adequacy rules designed to promote reliability. The CAISO and other parties have since advocated that the Commission discontinue using an effective PRM and set the actual PRM to a level that meets a 1 in 10 LOLE target based on an LOLE study.<sup>4</sup> An effective PRM in the resource adequacy program currently remains in effect through summer 2023.<sup>5</sup> Energy Division has endeavored to develop an LOLE study to inform updates to the PRM in the resource adequacy program for over a year.<sup>6</sup> However, the

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<sup>2</sup> Commission, *Decision Adopting 2021 Preferred System Plan (D.22-02-004)*, February 10, 2022.

<sup>3</sup> Commission, *Phase 2 Decision Directing PG&E, SCE and SDG&E To Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023*, December 2, 2021, p. 21.

<sup>4</sup> CAISO Phase 2 Proposal, January 21, 2022, p. 4; Vistra Implementation Track Phase 3 Proposals, p. 11; WPTF Implementation Track Phase 3 Proposals, p. 3.

<sup>5</sup> R.20-11-003, "Phase 2 Decision Directing PG&E, SCE and SDG&E To Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023," December 2, 2021, p. 15.

<sup>6</sup> Commission Energy Division, *Energy Division Study for Proceeding R.21-10-002: Loss of Load Expectation and Effective Load Carrying Capability Study Results for 2024*, February 18, 2022.

Commission’s Energy Division now proposes to extend the effective PRM approach for 2024 and 2025.<sup>7</sup>

Although the CAISO understands concerns about project delays and procurement challenges in achieving a PRM based on reliability targets, the solution to supply issues should not be a resource adequacy program that fails to meet those reliability targets. Procurement requirements and LOLE studies should reflect actual needs, and the Commission must address supply shortfalls directly rather than indirectly through “effective” PRMs, setting resource adequacy procurement requirements below levels necessary to meet reliability targets, or issuing waivers. The Commission must develop a capacity procurement and compliance program that does not set procurement requirements below levels necessary to meet a 1 in 10 reliability target in order to manage procurement issues.

Realistically, if the IRP program plans just to meet a 1 in 10 LOLE, then all resources in IRP portfolios will be necessary to meet reliability at least in peak months like September. In order to manage supply and cost concerns, the Commission should consider developing a process to better align load-serving entity (LSE) procurement with the IRP portfolios, including establishing forward procurement requirements so LSEs can have supply and cost certainty and sufficient time to consider all procurement options including new resources.

Indirect actions to alleviate procurement issues such as establishing effective PRMs or setting procurement requirements below levels necessary to meet reliability are at best only temporary solutions for managing LSE procurement challenges. However, these measures can adversely affect reliability and market dynamics by allowing capacity shortfalls to persist. Setting resource adequacy requirements that persistently fall below levels necessary to meet a 1 in 10 LOLE may allow LSEs to demonstrate compliance, but it does not actually meet reliability objectives. Temporary measures in the resource adequacy program that set procurement requirements below levels necessary to meet reliability targets are not suitable for an effective long-term capacity procurement framework.

Using “effective” PRMs negatively affects the CAISO’s ability to ensure reliability because the CAISO cannot use backstop procurement to cure “effective” PRM deficiencies. Additionally, non-resource adequacy capacity used to meet an “effective” PRM is not subject to CAISO resource adequacy rules, including must offer obligations and the Resource Adequacy

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<sup>7</sup> Energy Division proposals, pp. 4-6.

Availability Incentive Mechanism (RAAIM). Setting resource adequacy requirements below levels necessary to meet a 1 in 10 LOLE also obscures the actual need for resource adequacy capacity, potentially dampening market signals for resource adequacy contracting.

The Commission must address this gap between the Commission’s IRP and resource adequacy programs, and ideally, consolidate existing and incremental procurement under the IRP proceeding, which already develops a procurement plan to meet 1 in 10 reliability and GHG targets.

## **II. Discussion**

### **A. The Commission Should Set the PRM for 2024 to Meet a 1 in 10 Reliability Target and Discontinue Use of an Effective PRM.**

The Commission should set the PRM in the resource adequacy program to meet a 1 in 10 LOLE target as determined by an LOLE study. The CAISO agrees with other parties that the Commission must update the PRM to a level that will ensure the resource adequacy program meets at least a 1 in 10 LOLE.<sup>8</sup> The Commission should ensure the resource adequacy program meets minimum reliability needs. Based on Energy Division’s LOLE study results, retaining a 17 percent PRM in 2024 will not meet a 1 in 10 target.<sup>9</sup>

The Commission should also discontinue using effective PRMs. The CAISO has longstanding concerns with effective PRMs. An effective PRM hampers the CAISO’s ability to ensure reliability because the CAISO cannot use backstop procurement mechanisms to cure for “effective” PRM deficiencies. Additionally, deficiencies in meeting an effective PRM would not necessarily constitute a significant event under the CAISO tariff. Further, non-resource adequacy capacity used to meet an effective PRM is not subject to CAISO resource adequacy rules, including the RAAIM and must offer obligations, limiting the efficacy of resource availability incentives. Without a must offer obligation, non-resource adequacy capacity does not have an obligation to submit offers to the CAISO for use in market operations. Additionally, an effective PRM allows an array of programs and products not visible to the CAISO to count towards procurement targets. Although these programs can help moderate load in stressed

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<sup>8</sup> Vistra Implementation Track Phase 3 Proposals, p. 11; WPTF Implementation Track Phase 3 Proposals, p. 3.

<sup>9</sup> Energy Division Staff, “Loss of Load Expectation and Slice of Day Tool Analysis for 2024,” January 20, 2023, p. 8.

system conditions, the CAISO cannot rely on such resources to be available on a consistent basis.

Energy Division proposes to retain a 17 percent PRM in 2024 and 2025 and retain an effective PRM at a level to be determined. The Commission should not set the PRM at a lower level than required to meet minimum reliability targets. Additionally, it is unclear what level the effective PRM will be and what months the effective PRM will apply. The effective PRM for 2023 uses the same approach adopted in D.21-03-056 and only applies to summer months.<sup>10</sup> If an effective PRM only applies to summer months going forward and the PRM is set below the level required to support a 1 in 10 LOLE, then the CAISO has increased concerns that reliability risks will surface to non-summer months, and the resource adequacy program will not produce a reliable portfolio.

More broadly, the concerns about insufficient capacity to meet resource adequacy requirements that prompted discussion about continued use of effective PRMs shows a need to enhance the Commission's forward capacity procurement framework. As discussed above, the Commission should address supply and procurement issues directly rather than continuing to use effective PRMs or setting resource adequacy procurement requirements below levels necessary to meet reliability. The Commission must address the gap between IRP and resource adequacy programs, and ideally, consolidate existing and incremental procurement under the IRP proceeding, which already develops a procurement plan to meet 1 in 10 reliability and GHG targets. The Commission must prioritize development of an enhanced forward procurement framework that sets PRM at a level to meet at least a 1 in 10 LOLE.

**B. The CAISO Cannot Conclude that the 18 to 20 Percent PRM Recommended in Energy Division's LOLE Study is Sufficient to Meet a 1 in 10 LOLE in 2024.**

The Commission should update the PRM in the resource adequacy program based on an updated LOLE analysis. However, the CAISO cannot conclude from Energy Division's LOLE study that an 18-20 percent PRM is sufficient to meet a 0.1 LOLE across the year. The CAISO's understanding based on Energy Division's LOLE study and workshop discussion is that Energy Division recommends an 18-20 percent PRM because it is in between the PRM needs from the California Energy Commission (CEC) and SERVM demand forecasts in summer months.

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<sup>10</sup> D.21-12-015, "Phase 2 Decision Directing PG&E, SCE and SDG&E To Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023," December 2, 2021, p. 15.

Based on the information provided by Energy Division, the CAISO cannot conclude that an 18-20 percent PRM will ensure reliability to a 1 in 10 LOLE target. Energy Division should conduct additional stress testing, like testing it conducted in the Slice of Day workshops last fall, to demonstrate that the recommended 18-20 percent PRM levels will meet a 1 in 10 target.<sup>11</sup> Energy Division should also provide data behind its analyses for stakeholders to review. For example, Energy Division should provide the data used to calculate the PRM, including the underlying portfolio used in the model and the corresponding NQC values.

If an LOLE study to set PRM will be a regular part of the resource adequacy process going forward, Energy Division should also add more transparency to its study process and provide opportunities for stakeholder feedback, similar the Modeling Advisory Group (MAG) in the IRP proceeding. The Commission should establish a process for stakeholders to have the opportunity to provide feedback on Energy Division's analysis, which could be valuable to allow Energy Division to update its modeling assumptions.

**C. Although Multi-year Resource Adequacy is an Enhancement to the Status Quo, the Commission Should Evaluate Consolidating Existing and Incremental Procurement Under an IRP Procurement Program.**

Although the CAISO does not oppose multi-year forward procurement under the resource adequacy program proposed by the Alliance for Retail Energy Markets (AReM)<sup>12</sup> *per se*, the Commission should expedite the evaluation of consolidation of existing and incremental procurement under a single IRP procurement program to optimize resource procurement and consider tradeoffs between generation and transmission.

The CAISO urges the Commission to evaluate developing a holistic planning and procurement framework in the IRP proceeding that looks at new and existing resources over a 10-year horizon. The IRP program is better suited than the resource adequacy program to conduct the reliability modeling for both the IRP and resource adequacy proceedings. IRP has been conducting LOLE analyses for several years, and it already optimizes over a multi-year time horizon. Assigning new and existing resource procurement under the IRP program will also

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<sup>11</sup> Presented by Energy Division staff at RA Reform workshop on 10/6/2022: [https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/resource-adequacy-compliance-materials/resource-adequacy-history/10-6-2022-wrap-up/workshop-10\\_energy-division\\_221006.pdf](https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/resource-adequacy-compliance-materials/resource-adequacy-history/10-6-2022-wrap-up/workshop-10_energy-division_221006.pdf)

<sup>12</sup> AReM Implementation Track Phase 3 Proposals.



address the growing gap and disconnect between the IRP and resource adequacy program, where the resource adequacy program continues to understate the procurement requirements necessary to meet reliability targets in order to address supply issues.

As detailed in CAISO's opening comments in the IRP proceeding, a holistic approach to planning and procurement will allow the IRP program to more effectively and efficiently: (1) procure incremental (including large and/or long lead-time) resources well ahead of the need; (2) ensure existing resources are retained or replaced, as necessary; (3) co-optimize transmission planning with procurement, including considering the trade-offs between generation and transmission expansion, especially in local capacity areas; and (4) enable better coordination with the transmission planning process to align resource procurement volumes and locations with transmission capability and facilitate long lead-time transmission expansion.<sup>13</sup> Near-term and long-term planning and procurement needs should be consolidated under the IRP proceeding using a single LOLP analysis updated annually in time for near-term contracting for existing and new resources

AReM also proposes that the multi-year resource adequacy program use counting conventions under the resource adequacy framework, and the LOLE study in the IRP proceeding would inform the PRM.<sup>14</sup> AReM does not explain why the resource adequacy program's 24-hour slice framework will be better suited for multi-year procurement than existing LOLE modeling and counting conventions in the IRP proceeding. IRP already models existing and new resources several years out, and it is better suited to make tradeoffs between generation and transmission. Although multi-year resource adequacy is an enhancement to the status quo, the CAISO sees significant efficiencies in moving existing and new procurement under the IRP framework.

**D. The Commission Should Adopt Energy Division's Proposal to Eliminate the Remaining PRM Adder and the Transmission Loss Factor Adder Applied to Demand Response.**

The CAISO strongly supports Energy Division's proposal to eliminate the remaining PRM adder and the transmission loss factor adder applied to demand response resources. Demand response adders continue to over-estimate the actual amount of available load reduction

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<sup>13</sup> R.20-05-003, CAISO Opening Comments on ALJ Ruling on Staff Paper, December 12, 2022.

<sup>14</sup> AReM Implementation Track Phase 3 Proposals, p. 6.

to the CAISO on stressed system days.<sup>15</sup> The Commission should adopt Energy Division’s proposal to address the gap between actual demand response capability in the operating timeframe and credited demand response values. This proposal will help mitigate potential capacity shortfalls, especially on days where the CAISO must rely on all resource adequacy capacity to meet operational needs.

Regarding PRM adders, the CAISO agrees with Energy Division that the PRM adder “assumes a permanent load reduction, while no actual reduction occurs in the procurement of planning reserves.”<sup>16</sup> The CAISO procures operating reserves each day for the demand served by supply side demand response resources, and the presence of demand response does not reduce these requirements. Therefore, the Commission should not reinstate the demand response adder associated with operating reserves. Further, there is no evidence that supply side demand response reduces load forecast error or forced outages of other resources. The Commission should thus remove the remaining portion of the demand response PRM adder.<sup>17</sup>

The CAISO ultimately agrees with Energy Division’s proposal and conclusions, but offers a clarification to Energy Division’s proposal. The Energy Division proposal states, “[C]AISO’s practice of excluding DR from its load forecast results in procuring additional operating reserves negates the DR adder altogether.”<sup>18</sup> The CAISO agrees with Energy Division that demand response resources do not reduce the need for operating reserves.<sup>19</sup> However, the CAISO clarifies that it *does not* exclude the load under supply side demand response from the demand it serves each day and procures operating reserves for, which is why the Commission should not apply an adder for avoided operating reserves to demand response. Demand response does not reduce or avoid the amount of operating reserves that CAISO must procure each day.

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<sup>15</sup> DMM, *Report on demand response issues and performance*, February 25, 2021, p. 9.:  
<http://www.caiso.com/Documents/ReportonDemandResponseIssuesandPerformance-Feb252021.pdf>

DMM, *Report on demand response issues and performance*, January 12, 2022, p. 9.:  
<http://www.caiso.com/Documents/Demand-Response-Issues-Performance-Report-Jan-12-2022.pdf>

DMM, *Report on demand response issues and performance*, February 14, 2023, p.10.:  
<http://www.caiso.com/Documents/Demand-Response-Issues-and-Performance-2022-Report-Feb14-2023.pdf>

<sup>16</sup> Energy Division Proposals, p. 20.

<sup>17</sup> CAISO, *Comments on CEC Draft Working Group Report*, pp. 1-3.  
<http://www.caiso.com/Documents/Dec20-2022-Comments-QualifyingCapacity-SupplySideDemandResponse-WorkingGroupDraftReport-21-DR-01.pdf>

<sup>18</sup> Energy Division Proposals, p. 19.

<sup>19</sup> Energy Division Proposals, p. 19.

**E. The CAISO Supports Energy Division’s Direction that Resource Adequacy Resources Should be Useful to Meet Grid Needs Outside of Emergency Conditions.**

The CAISO supports the Energy Division’s direction that resource adequacy resources should be available to meet grid needs outside of a grid emergency in order to mitigate the progression of emergency conditions. Resource adequacy resources available for CAISO dispatch outside of only emergency conditions provide greater value as resource adequacy resources than those that can be called upon only when an emergency occurs.

Energy Division proposes that, “[t]he IOUs be given discretion regarding when to dispatch RDRR to avoid the need for EEA Watch, but be required to dispatch it under all EEA conditions, including a day-of EEA Watch notice. For example, if an EEA Watch is called at 2 pm for emergency conditions that are expected to occur at 5 pm, the IOUs would be required to dispatch the RDRR for the upcoming emergency period, such as occurred this past September.”<sup>20</sup> The CAISO agrees that in order to qualify as resource adequacy, reliability demand response resources (RDRR) should be available for dispatch at least upon a declaration of an EEA Watch by the CAISO. Under this approach, RDRR can be available for economic dispatch in real-time alongside other economic supply resources. Energy Division’s proposal also aligns with availability of emergency load reduction programs (ELRP) that can request voluntary load reduction in advance of the real-time market.

The CAISO supports Energy Division’s direction that in order for RDRR to count as resource adequacy capacity, it should be available for dispatch before the CAISO actually is in an emergency condition. The CAISO recognizes that this change can result in dispatch of these resources with greater frequency than what has transpired historically. However, the CAISO would continue to respect demand response resource use limitations. The CAISO has always recognized RDRRs as use-limited with the ability to submit outage cards if a resource reaches its use limitations. By triggering RDRR in advance of emergency conditions, the CAISO will have increased flexibility to dispatch resource adequacy capacity to help prevent worsening system conditions.

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<sup>20</sup> Energy Division Proposals, p. 17.

Although the CAISO supports the direction of Energy Division’s proposal, the CAISO corrects a statement from Energy Division’s proposal. Energy Division states, “As a result, [RDRR] are infrequently dispatched and are only called when, or after, purchases are made at the interties or emergency assistance is obtained from other balancing authorities.”<sup>21</sup> The CAISO clarifies that it can dispatch RDRR before seeking emergency assistance from other balancing areas. In 2018, the CAISO made a tariff clarification that removed a condition that allowed RDRR to be eligible for dispatch only immediately prior to canvassing other balancing authorities.<sup>22</sup>

**F. The Commission Should Adopt Energy Division’s Proposal Regarding the Timeline for Providing Reliability Must-Run Credits to LSEs.**

The CAISO supports Energy Division’s Proposal 3B that allows Energy Division to, “[p]rovide Q1 CAM and RMR credits to LSEs no later than five business days after CAISO provides the CPUC jurisdictional RMR credits to Energy Division.”<sup>23</sup> The CAISO does not finalize its reliability must-run (RMR) processes until October each year and thus cannot provide Energy Division with local regulatory authority (LRA) credits until then.

The CAISO supports the Energy Division proposal to modify the direction from D.14-06-050 in order to allow time for the CAISO to complete its RMR processes and for Energy Division to provide first quarter RMR credits to its jurisdictional LSEs.

**G. The Commission Should Adopt Energy Division’s Proposal for Central Procurement Entities to Provide Additional Transparency into Their Procurement Activities.**

Energy Division proposes that for Central Procurement Entities (CPEs), “additional data is included in the mid-August compliance filings to allow LSEs to better manage their upfront system RA procurement and to assess the potential for backstop procurement.”<sup>24</sup> The CAISO supports Energy Division’s proposal that CPEs provide additional transparency into their

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<sup>21</sup> Energy Division proposals, p. 17.

<sup>22</sup> CAISO, *Dispatch Operating Target – Tariff Clarification*, April 11, 2019, <http://www.caiso.com/Documents/Apr11-2019-TariffAmendment-RDRRDispatchClarification-ER19-1561.pdf>,

<sup>23</sup> Energy Division proposals, p. 27.

<sup>24</sup> Energy Division proposals, pp. 32-33.

procurement. This will help CPUC jurisdictional LSEs assess their system and flexible resource adequacy positions.

Last year, LSEs faced challenges regarding uncertainty of CPE procurement, and the CAISO recommended that additional data and transparency on CPE procurement would help LSEs better understand CPE positions. The CAISO noted that, “By providing parties additional transparency, the Commission could help alleviate concerns and speculation regarding potential local capacity shortfalls and potential CAISO backstop procurement.”<sup>25</sup> The Commission should adopt Energy Division’s proposal requiring CPEs to provide additional information in mid-August compliance filings.

#### **H. The Commission Should Reject Vistra’s Local Resource Adequacy Proposals.**

The Commission should reject Vistra’s local resource adequacy proposals. First, Vistra should direct comments and suggestions on local resource adequacy requirements to the CAISO’s stakeholder process, which is the appropriate venue as establishing local requirements falls under the CAISO tariff. The CAISO provides several clarifications regarding Vistra’s proposals and underlying assumptions. Vistra proposes that, “the Commission adopt multi-year local capacity requirements (“LCRs”) beginning 2024 RA Year that (1) limit local reliability requirements reductions in areas with resources deficiencies for to the binding RA year and allow CPE to cure deficiency in forward years and (2) require local reliability requirements for both capacity and energy.”

##### **1. Vistra Local Resource Adequacy Proposal 1**

Vistra proposes that 1) “Binding year 2024 LCR requirements should be reduced to recognize that binding year requirements will be met by existing or under construction resources only,” and 2) “2025 and 2026 LCR requirements should not be reduced for resource deficiency and the multi-year local RA requirements should be met by new resources if there is a resource deficiency at the time of the study.”<sup>26</sup>

Vistra’s proposal is misguided. First, the CAISO already includes “new and expected resources” expected to be in-service by June 1 of the study year in local capacity studies. The

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<sup>25</sup> CAISO, *Comments on California Community Choice Association’s Emergency Petition for Modification*, October 11, 2022, pp. 3-4. <http://www.aiso.com/Documents/Oct11-2022-Response-CaliforniaCommunityChoiceAssociations-Petition-Modification-ResourceAdequacy-R21-10-002.pdf>

<sup>26</sup> Vistra proposals, p. 8.

CAISO identifies a “deficiency” in a local area or sub-area only if there is insufficient capacity beyond existing and new resources to meet local needs.

Second, Vistra does not consider that transmission projects, some of which are already approved in the CAISO’s TPP, can reduce local area needs. Vistra provides an example from the CAISO’s 2023 Local Capacity Technical Study of the Tesla-Bellota sub-area that has about a 410 MW “deficiency”.<sup>27</sup> Vistra proposes the Commission require new resources meet this local need. However, in this case, the TPP already approved a transmission solution (though not in service yet) reducing the local need in the Tesla-Bellota sub-area.<sup>28</sup>

Further, Vistra does not consider the interaction between generation and transmission in local areas. Often transmission solutions, not new resources, resolve local “deficiencies.” For example, in order for a resource count towards local area requirements, it must be deliverable to the aggregate of load. Adding 410 MW to a small local 115 kV system would create deliverability issues and potentially require transmission upgrades to connect new generation. In this case, the same transmission will lower the local capacity requirement, potentially obviating the need for new generation.

## **2. Vistra Local Resource Adequacy Proposal 2**

Vistra proposes that the Commission “require local reliability requirements for both capacity and energy.”<sup>29</sup> The CAISO currently publishes information for CPEs and other LSEs to determine collective energy needs in local areas and sub-areas. Because local energy requirements are collective requirements, significantly more discussion on this proposal would be necessary to determine how to set individual LRA and LSE requirements and to determine how resources should count towards meeting local energy requirements. Although the CAISO does not oppose Vistra’s suggestion, Vistra’s proposal requires much more detail discussion and, as such, the Commission should not adopt it at this time.

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<sup>27</sup> Vistra proposals, pp. 8-9.

<sup>28</sup> CAISO, *2019-2020 Transmission Plan, Appendix G, : Update to the 2028 Local Capacity Technical Study*, pp. 62-67: <http://www.caiso.com/Documents/AppendixG-BoardApproved2019-2020TransmissionPlan.pdf>

<sup>29</sup> Vistra proposals, p. 9.

## **I. The Commission Should Not Adopt Energy Division’s Available Transfer Capability Proposal.**

Energy Division proposes that, “[i]f CPUC jurisdictional load serving entities are able to procure ATC or acquire it through the resale process, that the CPUC-jurisdictional entities be allowed to pair that ATC with RA imports to meet RA requirements. In the alternate, the Commission could consider removing the [maximum import capability (MIC)] requirement for RA imports, which restricts the RA imports that entities are able to buy at each of the interties, since the MIC does not currently convey deliverability in any case.”<sup>30</sup>

As an initial matter, the CAISO clarifies that MIC and deliverability concepts are subject to the CAISO tariff, and any changes to MIC and its application to resource adequacy must be vetted through the CAISO’s stakeholder processes, approved by the CAISO Board of Governors, and then approved by FERC.

The CAISO also notes that, as described in the CAISO’s Transmission Service Market Scheduling Priorities Phase 2 (TSMSP Phase 2) final proposal,<sup>31</sup> the CAISO will account for native load needs (accounting for historical resource adequacy and non-resource adequacy contacts and native load growth) and will include an include additional margin in the monthly and daily calculations before releasing ATC to parties external to the CAISO to support wheel through transactions.<sup>32</sup> The CAISO’s proposal is designed to ensure that a reasonable amount of transmission capacity is first set aside to meet CAISO native load needs. The CAISO’s proposal also does not preclude LSEs’ ability to show and schedule resource adequacy imports. In the daily horizon, CAISO LSEs will have the opportunity to acquire ATC along with other parties up to seven days prior to flow. CAISO LSEs will also have the opportunity to obtain ATC via resale from other parties.

The CAISO clarifies that ATC, however, is not a substitute for MIC as Energy Division’s proposal suggests. Most importantly, ATC does not represent simultaneous import capability deliverable to the aggregate of CAISO load. The CAISO tariff requires that LSEs pair MIC with imports when shown as resource adequacy to ensure that import resource adequacy will be

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<sup>30</sup> Energy Division proposals, p. 38.

<sup>31</sup> This proposal was approved by the CAISO Board of Governors and the WEIM Governing Body on February 1, 2023.

<sup>32</sup> CAISO, *Transmission Service Market Scheduling Priorities Phase 2 Final Proposal*, January 18, 2023, p. 18.: <http://www.caiso.com/InitiativeDocuments/FinalProposal-TransmissionService-MarketSchedulingPrioritiesPhase2.pdf>

simultaneously deliverable to the aggregate of load along with internal generation. In this sense, MIC represents “deliverability” for imports. ATC, on the other hand, is not simultaneously deliverable and should not be a substitute for MIC.

ATC represents the difference between total transfer capability (TTC) and the intertie capacity reserved to meet CAISO native load needs. TTC amounts to over 45,000 MW for CAISO in aggregate, but that entire amount cannot be simultaneously imported and delivered to the aggregate of CAISO load. As a result, ATC may be used for wheeling power through the CAISO if there is sufficient capacity at the interties to import and export the power to be wheeled. However, ATC should not – and cannot -- displace or augment MIC, which represents what can simultaneously sink in the CAISO for resource adequacy purposes. The Commission should not equate ATC and MIC, and it should not disregard the concept of MIC as Energy Division’s proposal suggests.

### **III. Conclusion**

The CAISO appreciates the opportunity to provide comments on party proposals.

Respectfully submitted

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