

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

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

Rulemaking 19-11-009
(Filed November 7, 2019)

**REPLY COMMENTS ON PROPOSED DECISION ADOPTING
LOCAL CAPACITY AND FLEXIBLE CAPACITY OBLIGATIONS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits its reply comments on the proposed *Decision Adopting Local Capacity Obligations for 2022-2024, Flexible Capacity Obligations for 2022, and Refinements to the Resource Adequacy Program* (Proposed Decision). The CAISO appreciates this opportunity to respond to party comments and looks forward to working with the Commission to improve the resource adequacy program and prepare for evolving grid conditions.

II. Discussion

A. The Commission Should Adopt Firm Transmission Requirements for 2022 Resource Adequacy Imports.

In its opening comments, the Department of Market Monitoring (DMM) agreed with the Proposed Decision's finding to defer consideration of CAISO's firm transmission proposal for resource adequacy imports. DMM suggested parties consider the firm transmission requirement in CAISO stakeholder initiatives addressing import capability reservations and wheeling through transmission requirements.¹ The DMM further noted the ability of other balancing authority areas (BAAs) to recall the energy backing resource adequacy imports warrants further

¹ *Opening Comments of the Department of Market Monitoring of the California Independent System Operator Corporation on the Proposed Decision on Resource Adequacy Track 3B.1 and Track 4*, R.19-11-009, pp. 5-6, June 10, 2021.

discussion.² The CAISO discussed both of these topics throughout the proceeding, and DMM's points should not preclude the Commission from adopting CAISO's proposal.

DMM's recommendation to discuss resource adequacy import delivery requirements in an upcoming CAISO initiative exploring policies for wheel-through transactions is unnecessary and confuses the issues. The requirements the CAISO imposes on wheel-through transactions are separate and independent from the requirements the CAISO proposes the Commission adopt to ensure deliverable resource adequacy imports during stressed system conditions. Regardless of the requirements imposed on wheeling through transactions, it is critical that resource adequacy imports are deliverable and dependable. The CAISO's proposed transmission requirements for resource adequacy imports proposed are prudent and reasonable measures, consistent with industry practice, and necessary to ensure reliable supply to serve load and meet grid reliability.

The CAISO's proposed attestation requirement addresses the DMM's concerns regarding the host BAA's ability to recall the import. The CAISO's proposal does not permit load serving entities to show resource adequacy imports committed to other uses, including obligations within the host BAA that would make them subject recall by that host balancing authority. The CAISO's proposed attestation requirement for resource adequacy imports requires that "[t]he portion of the capacity from the resource(s) supporting the proposed RA Import is surplus to the obligations of the resource(s) to serve load or meet other commitments in the Host Balancing Authority Area."³ Thus, a load serving entity cannot show a resource adequacy import on a supply plan if the capacity is committed to providing balancing reserves or other services that might allow the host BAA to recall the capacity and/or energy. Under these circumstances, load serving entity could not meet the attestation requirement and, thus, it could not show the import on resource adequacy plans as meeting its resource adequacy obligations. Furthermore, as explained extensively in prior filings, the practice across western BAAs is to not interrupt deliveries of energy under firm power contracts during an energy emergency given the impact

² *Opening Comments of the Department of Market Monitoring of the California Independent System Operator Corporation on the Proposed Decision on Resource Adequacy Track 3B.1 and Track 4*, R.19-11-009, pp. 5-6, June 10, 2021.

³ *Track 3B.1 Proposals of the California Independent System Operator Corporation*, R.19-11-009, p. 8, January 28, 2021.

such actions have on neighboring BAAs and the reputational harm it creates.⁴ Thus, in an energy emergency, if the resource adequacy import (to the CAISO) is under a firm power contract, the host BAA would interrupt or curtail its load in lieu of interrupting the firm power export sourced from its balancing area to avoid reputational harm or exacerbate reliability. The CAISO proposal, along with current practice across the west, adequately addresses the risk of the host BAA recalling resource adequacy imports.

B. The Commission Should Provide an Expedited Procedural Venue to Consider Incremental Resource Adequacy Import Rule Changes Before Summer 2022.

In this proceeding, the CAISO submitted a proposal to ensure load serving entities procure resource adequacy imports that are reliable and dependable given imports are a critical component of the CAISO supply mix. Under current rules, resource adequacy imports are not required to have certain characteristics that make them more reliable and dependable during stressed system conditions. If the Commission does not adopt the CAISO's proposal in full, it should provide a procedural forum in this proceeding to address any issues that may arise this summer expeditiously and consider implementing potential rule changes for summer 2022. The CAISO will continue to evaluate and monitor resource adequacy performance, in particular import performance, this summer and will provide feedback to inform incremental import rule changes going forward. It is essential the Commission establish a procedural venue to review summer 2021 resource adequacy import performance in this decision. Otherwise, there will not be a sufficient opportunity to learn from 2021 and timely adopt any necessary rule changes before load serving entity procurement for summer 2022.

C. The Utility Reform Network's Comments Mischaracterize the CAISO's Proposed Import Availability Requirements.

In opening comments, The Utility Reform Network (TURN) stated that the CAISO did not substantiate its imports proposal to increase the must offer obligation (MOO) from 16 hours/day, 7 days/week to a more stringent 24 hours/day, 7 days/week.⁵ This statement mischaracterizes the CAISO's proposal. To clarify, the CAISO revised its resource adequacy

⁴ *California Independent System Operator Corporation Reply Comments on Track 3B.1 Proposals*, R.19-11-009, pp. 7-8, March 26, 2021.

⁵ *Opening Comments of The Utility Reform Network on the Proposed Decision on Resource Adequacy Track 3B.1 and Track 4*, R.19-11-009, pp. 2-3, June 10, 2021.

import proposal *to decrease* the requirements from 24x7 to a minimum 16 hours/day (from 0600 to 2200 hours), 7 days/week availability requirement for resource adequacy imports.⁶

D. The Commission Should Require All Investor-Owned Utility Demand Response to Use Effective Load Carrying Capability Values For Both Year-Ahead and Month-Ahead Supply Plan Showings.

In response to President Batjer's Assigned Commissioner's Ruling on *Submission of Refreshed Effective Load Carrying Capability Study Results* (Ruling)⁷, Southern California Edison (SCE) recommends that for resource adequacy year 2022, the Commission require use of effective load carrying capability (ELCC) derived qualifying capacity (QC) values for investor-owned utilities' (IOUs') demand response programs in month-ahead resource adequacy showings, but allow continued use of current load impact protocol (LIP) derived QC values for annual showings.⁸ SCE is concerned there may be insufficient time to cure deficiencies between the Ruling's final determination in September and the year-ahead filings in October.⁹

The Commission only requires load serving entities to show 90% of their resource adequacy system requirements in their year-ahead filings; therefore, IOUs have sufficient time to cure the remaining resource adequacy capacity in time for their month-ahead filings. Furthermore, per the Ruling, the CAISO's commitment to submit appropriate filings at FERC to waive applicability of the resource adequacy availability incentive mechanism (RAAIM) for demand response resources only applies to ELCC-derived QC values. The Commission should not limit the use of ELCC values to the month-ahead filing but rather apply these values to all IOU demand response programs for 2022 and ensure load serving entities show these resources on supply plans.

⁶ *California Independent System Operator Corporation Opening Comments on Track 3B.1 Proposals*, R.19-11-009, pp. 8-11, March 12, 2021.

⁷ California Public Utilities Commission, *Assigned Commissioner's Ruling on Submission of Refreshed Effective Load Carrying Capability Study Results*, R.19-11-009, June 3, 2021.

⁸ *Opening Comments of Southern California Edison on the Proposed Decision on Resource Adequacy Track 3B.1 and Track 4*, R.19-11-009, pp. 5-6, June 10, 2021.

⁹ *Opening Comments of Southern California Edison on the Proposed Decision on Resource Adequacy Track 3B.1 and Track 4*, R.19-11-009, p. 6, June 10, 2021.

III. Conclusion

The CAISO looks forward to working with the Commission, Energy Division staff, and parties to work toward further improvements to the resource adequacy program.

Respectfully submitted

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