

**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)

**OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON THE PROPOSED DECISION ADOPTING LOCAL
CAPACITY OBLIGATIONS FOR 2024-2026, FLEXIBLE CAPACITY OBLIGATIONS
FOR 2024, AND PROGRAM REFINEMENTS**

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Marissa Nava
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-963-0521
Fax: 916-608-7222
Email: mnav@caiso.com

Dated: June 14, 2023

Table of Contents

I.	Introduction.....	1
II.	Discussion.....	2
A.	The Commission Should Not Adopt the PRM for 2025 at This Time.	2
1.	It is Premature to Adopt the PRM for 2025 at this Time.....	2
2.	The Commission Should Expand the Scope of the Workshop Later this Year to Consider Updates to the PRM for 2025.....	3
B.	The Commission Should Set the PRM in the Resource Adequacy Program to Meet a 1 in 10 Reliability Target and Discontinue Use of Effective PRMs.....	3
C.	The Commission Should Establish a Regular Process for Parties to Review and Provide Comments on Setting the PRM in the Resource Adequacy Program	5
D.	The Commission Should Clarify How it Will Select a Single Annual PRM, Commit to Stress Testing the PRM, and Re-Evaluate a Single Annual PRM Approach.	5
1.	The Commission Should Clarify How it Will Select a Single Annual PRM.	5
2.	The Commission Should Commit to Stress Test PRM Levels and Re-Evaluate a Single Annual PRM Approach.	6
E.	The CAISO Supports the Commission Clarifying that RDRR Resources Should be Enabled and Available for Economic Dispatch at a CAISO EEA Watch.	6
F.	The Commission Should Prioritize Development of a Programmatic Procurement Framework in the Integrated Resource Plan (IRP) Proceeding.	8
G.	The Commission Should Not Adopt a Requirement that a CAISO Import Resource ID Include an LSE ID.	10
H.	Available Transmission Capacity is Not a Substitute for Maximum Import Capability in CAISO Processes.....	11

I.	The Commission Should Adopt the 2024-2026 Local Capacity Requirements, 2024 Flexible Capacity Requirements, and Update Resource Adequacy Measurement Hours to Align with the CAISO’s 2024 Availability Assessment Hours.	11
J.	The Commission Should Discontinue Transmission Loss Factors (TLF) and Planning Reserve Margin Adders for Demand Response Resources.	12
K.	The CAISO Supports the Proposed Decision’s Modification to Demand Response Availability Requirements.	12
L.	The CAISO Supports Additional Workshops to Further Develop the California Energy Commission’s (CEC) Demand Response Qualifying Capacity Proposal.	13
M.	The Commission Should Adopt Additional Reporting to Increase the Transparency of Central Procurement Entity (CPE) Procurement.	13
N.	The CAISO Supports Further Evaluation of Applying Ambient De-rates to Qualifying Capacity Values and Further Development of a UCAP Mechanism.	14
O.	The Commission Should Not Adopt a Must-Flow Requirement for Non-Resource Specific Resource Adequacy Imports.	14
III.	Conclusion	15

**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)

**OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON THE PROPOSED DECISION ADOPTING LOCAL
CAPACITY OBLIGATIONS FOR 2024-2026, FLEXIBLE CAPACITY OBLIGATIONS
FOR 2024, AND PROGRAM REFINEMENTS**

I. Introduction

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits comments on the May 25, 2023 *Proposed Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024, and Program Refinements* (PD). The CAISO’s comments focus on the planning reserve margin (PRM) for 2025 and the general process for setting the PRM under the resource adequacy program. The Commission should not adopt the PRM for 2025 at this time and, instead, it should defer this part of the PD until after parties have had an opportunity to review the results of the PRM calibration process under the Slice of Day framework. Also, the Commission should not require CAISO import resource IDs to include the name of the load serving entity (LSE) counterparty contracted for resource adequacy. It currently is not feasible for the CAISO to implement this requirement, and a simpler approach can effectively resolve the issue the Commission seeks to address. The CAISO supports the Commission’s clarification that reliability demand response resources (RDRR) should be available for economic dispatch upon a day-of Energy Emergency Alert (EEA) Watch in the CAISO Balancing Area (BA) or if an EEA Watch called in advance persists the day-of. The CAISO also supports many other parts of the PD including adopting local capacity requirements (LCR) for 2024-2026 and flexible capacity requirements (FCR) for 2024, discontinuing transmission loss factor (TLF) and PRM adders for

demand response resources, and increasing the transparency of Central Procurement Entity (CPE) procurement.

II. Discussion

A. The Commission Should Not Adopt the PRM for 2025 at this Time.

The PD adopts a 17 percent PRM for 2024 and 2025, and retains an “effective” PRM for 2024-2025 of 1,700 to 3,200 MWs.¹

1. It is Premature to Adopt the PRM for 2025 at this Time.

The Commission should not adopt the PRM for 2025 at this time. It is premature to adopt the PRM for 2025 because there is significant uncertainty regarding the results of the PRM calibration process under Slice of Day based on the tools and counting rules adopted in Decision (D.) 23-04-010. Although the Commission in D.23-04-010 adopted a single annual PRM, a tool to translate the results of a loss of load expectation (LOLE) study to a PRM under the Slice of Day framework, and counting rules (including an exceedance methodology for wind and solar counting), the process for calibrating the PRM under the Slice of Day framework has not been tested fully yet.

The PD directs Energy Division to post the results of the draft PRM calibration tool by September 2023 and subsequently hold a workshop and informal comment opportunity on these results. The results of the PRM calibration tool are key to informing the appropriate PRM level for 2025 when Slice of Day goes live. Parties have not had an opportunity to review the results of the PRM calibration tool under Slice of Day. Thus, parties cannot conclude that a 17 percent PRM and recommended “effective” PRM levels are sufficient to meet reliability targets for 2025.

There is no record to demonstrate that a 17 percent PRM and effective PRM of 1,700 to 3,200 MWs are reasonable to ensure resource adequacy requirements meet a 1 in 10 LOLE in 2025. Additionally, Track 2 of this proceeding considered additional implementation issues for Slice of Day including the “[a]ppropriate PRM with single PRM initially for all months and hours informed by a loss of load expectation study, including National Resources Defense Council’s calibration tool.”² This PD directs Energy Division to hold an additional workshop

¹ PD, p. 115 (Ordering Paragraph 7).

² R.21-10-002, Amended Scoping Memo, September 2, 2022, p. 4.

later this year to review the results of the conversion of an LOLE study to the Slice of Day framework. The conversion process should inform the PRM under the Slice of Day framework.

For the foregoing reasons, it is premature to adopt the PRM for 2025 at this time. As such, the Commission should not adopt a PRM for 2025 at this time, and should first allow parties to review and comment on the results of the Slice of Day PRM calibration process. Before adopting a PRM for 2025, the Commission should ensure there is an adequate record to conclude the PRM level selected is sufficient to meet reliability targets.

2. The Commission Should Expand the Scope of the Workshop Later this Year to Consider Updates to the PRM for 2025.

The CAISO appreciates the Commission directing Energy Division to hold an additional workshop later this year to review results of the Slice of Day PRM calibration tool and provide an opportunity for parties to submit informal comments.³ As discussed above, it is premature to adopt the PRM for 2025, and the Commission should first allow parties to review and comment on the results of the PRM calibration tool before setting the PRM for 2025.

The Commission should also (1) expand the scope of the workshop later this year to consider updates to the PRM for 2025 based on the results of the PRM calibration process and (2) allow parties to provide formal comments on these results. Alternatively, the Commission could direct Energy Division to hold separate workshops to determine the PRM for 2025, providing parties an opportunity to discuss the appropriate PRM for 2025 and submit formal comments. In any case, the Commission should allow parties to revisit the PRM for 2025 after Energy Division publishes the results of the PRM calibration tool. Allowing parties to review results and provide feedback on the PRM calibration process and PRM for 2025 will provide transparency into this key part of the resource adequacy framework and will help parties assess the appropriate PRM level for the Slice of Day framework and counting rules.

B. The Commission Should Set the PRM in the Resource Adequacy Program to Meet a 1 in 10 Reliability Target and Discontinue Use of Effective PRMs.

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 remains concerned that PRMs adopted in the resource adequacy proceeding are inadequate to meet reliability targets. The

³ PD, p. 27.

Commission should ensure the resource adequacy program meets minimum reliability needs as well as better align resource adequacy requirements with resource planning in the Integrated Resource Planning (IRP) proceeding.

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 its backstop procurement mechanisms to cure for “effective” PRM deficiencies. Additionally, deficiencies in meeting an “effective” PRM would not 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 Resource Adequacy Availability Incentive Mechanism and must offer obligations, thus limiting the efficacy of resource availability incentives. Without a must offer obligation, non-resource adequacy capacity is not obligated 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 system conditions, the CAISO cannot rely on such resources to be available on a consistent basis.

More broadly, the concerns about insufficient capacity to meet resource adequacy requirements that prompted discussion regarding continued use of “effective” PRMs indicate a need to enhance the Commission’s forward capacity procurement framework. 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 a 1 in 10 reliability target. The CAISO is concerned about the disconnect between the resource requirements identified in the IRP and the procurement requirements in the resource adequacy program. In order to manage supply and cost concerns more effectively, the Commission should develop a process that better aligns 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 temporary methods for attempting to manage LSE procurement challenges. However, these measures can adversely affect reliability and market dynamics by allowing capacity shortfalls to persist.

Setting resource adequacy requirements below levels necessary to meet a 1 in 10 LOLE may allow LSEs to demonstrate compliance, but this 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. The Commission must address this growing gap between the resource adequacy and IRP programs.

C. The Commission Should Establish a Regular Annual Process for Parties to Review and Provide Comments on Setting the PRM in the Resource Adequacy Program.

The Commission should establish a regular annual process for parties to review inputs to the Energy Division's LOLE study, review results of the LOLE study and calibration tool and recommended PRM levels, and submit comments for each of these processes. Although the PD directs Energy Division to hold an additional workshop and provide an informal comment opportunity to review and comment on the results of the PRM calibration tool later this year, the Commission does not adopt an ongoing process for parties to review Energy Division's LOLE study and calibration results going forward. The Commission should establish a transparent, open, ongoing process for parties to provide input on the process for setting the PRM in the resource adequacy program.

D. The Commission Should Clarify How it Will Select a Single Annual PRM, Commit to Stress Testing the PRM, and Re-Evaluate a Single Annual PRM Approach.

1. The Commission Should Clarify How it Will Select a Single Annual PRM.

In comments in Phase 2 of the resource adequacy proceeding, the CAISO and other parties noted a lack of clarity on the process for selecting and vetting the PRM under Slice of Day.⁴ In Phase 2, the Commission adopted a single annual PRM across the year and across all hours under Slice of Day as well as the tool to translate the results of an LOLE study to Slice of Day counting.⁵

⁴ Opening Comments on Phase 2 Proposed Decision of CAISO (pp. 2-3), Western Power Trading Forum (pp. 2-4), Middle River Power (pp. 2-3), March 23, 2023.

⁵ CPUC, D.23-04-010.

Although the PD will allow parties to review the results of the PRM calibration tool under Slice of Day, the *process* for how the Commission will select a single annual PRM going forward remains unclear, as does the process for how the Commission will test the PRM level to ensure the resource adequacy program meets reliability targets. The Commission should add detail on these processes to the scope of Energy Division workshops later this year or hold additional workshops to establish these processes.

2. The Commission Should Commit to Stress Test PRM Levels and Re-Evaluate a Single Annual PRM Approach.

The CAISO and others parties have expressed concerns about whether a single annual PRM was sufficient to ensure reliability across the year.⁶ Energy Division staff analysis showed that a single annual PRM based on the peak month introduces additional reliability risk in other months, and it found that other approaches might better ensure resource adequacy requirements meet a 1 in 10 LOLE target.⁷

The Commission should commit to additional testing of a single annual PRM approach. The Commission should test whether the expected portfolio shown under the selected PRM level would meet a 1 in 10 LOLE and analyze whether the actual portfolios procured meet a 1 in 10 LOLE (including the set of resources shown in the test year) given the counting rules and the annual PRM values. The Commission should also commit to re-evaluating the single PRM approach and other alternative approaches previously discussed in this proceeding later this year.

At a minimum, the Commission should direct Energy Division to hold additional discussion on these issues and allow for party comment on these issues in workshops later this year.

E. The CAISO Supports the Commission Clarifying that RDRR Resources Should be Enabled and Available for Economic Dispatch at a CAISO EEA Watch.

The PD states:

⁶ Opening Comments on Phase 2 Proposed Decision of CAISO (pp. 3-4), Natural Resources Defense Council (pp.1-2), Center for Energy Efficiency and Renewable Technologies (p. 3), Middle River Power (p. 3), March 23, 2023.

⁷ Energy Division, Slice of Day – Load Forecast Process Update and Loss of Load Studies Translation for RA Proceeding Update, October 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

Under CAISO's current operating procedures, RDRR is characterized as an emergency-triggered resource, and as such can only be enabled into the market during EEA 1. When RDRR is dispatched according to conditions in the real-time market, CAISO therefore must escalate its grid emergency status to EEA 2 pursuant to its interpretation of NERC protocols. To provide consistency between the Commission's established principles for RDRR and CAISO's dispatch practices, the Commission clarifies that RDRR, as an RA resource, should be enabled and available for economic dispatch upon the declaration of a day-of EEA Watch (or when a day-ahead EEA Watch persists in the day-of). We note that this is consistent with part of Energy Division's proposal to move the trigger to a day-of EEA Watch as a condition of RA-eligibility, which is supported by CAISO.⁸

The CAISO strongly supports the Commission's clarification that RDRR should be enabled and available for economic dispatch upon the declaration of an EEA Watch (day-of or if a day-ahead EEA Watch persists the day-of). This clarification will allow the CAISO to enable RDRR for economic dispatch sooner, helping to avoid or mitigate grid emergencies. This clarification will also allow RDRR bids to count towards the CAISO BA's Western Energy Imbalance Market Resource Sufficiency Evaluation. The CAISO agrees with the Commission that, as resource adequacy resources, RDRR should be available to help mitigate or avoid grid emergencies. Resource adequacy resources available for CAISO dispatch outside of only emergency conditions provide greater value as resource adequacy resources than those the CAISO can call upon only when an emergency occurs. By releasing RDRR into the market for economic dispatch in advance of emergency conditions, the CAISO will have increased flexibility to dispatch resource adequacy capacity to help prevent worsening system conditions. Additionally, RDRR enablement will better align with program triggers used by voluntary load reduction programs in the state such as the Commission's Emergency Load Reduction Program and the California Energy Commission's (CEC) Demand Side Grid Support program.

The CAISO recognizes that this change can result in dispatching RDRR with greater frequency than what has transpired historically. The CAISO reiterates that it will continue to respect the use limitations of demand response resources, and scheduling coordinators of RDRR would still be able to submit outages if use limitations are reached and reflect fatigue breaks. Further, the Commission's clarification would allow the CAISO to enable RDRR for economic dispatch in hours the CAISO BA is in an EEA Watch. This means the CAISO could release

⁸ PD, p. 93.

RDRR bids into the real-time market upon a day-of EEA Watch or if a day-ahead EEA Watch persists the day-of, and RDRR would be subject to economic evaluation in the EEA Watch window. In the CAISO real-time market, RDRR resources are subject to a bid floor of 95% of the CAISO energy bid cap, and therefore, they are economically dispatched by the CAISO market only if prices were at or very close to this cap, limiting the instances in which RDRR are dispatched. Further, last year, the CAISO implemented rules to scale RDRR bids up in proportion to the CAISO energy bid cap if conditions warrant increasing the CAISO bid cap to \$2,000/MWh.⁹ Thus, RDRR, if enabled into the market, will remain at or near the top of the economic bid stack in the CAISO real-time market. The Commission’s clarification strikes the right balance between making RDRR as resource adequacy resources more accessible while still respecting the use limitations of these resources.

Upon adoption of the PD, the CAISO will take necessary steps to operationalize the process outlined in the PD this summer. The CAISO will coordinate closely with Energy Division and utilities on this implementation.

F. The Commission Should Prioritize Development of a Programmatic Procurement Framework in the IRP Proceeding.

The PD states, “The Commission declines to consider a programmatic approach here and expects to engage with stakeholders in the IRP, [resource adequacy], and Renewables Portfolio Standard (RPS) proceedings on this topic in the future.”¹⁰ The CAISO supports the PD’s decision not to adopt multi-year resource adequacy requirements at this time given ongoing discussion on broader changes to the Commission’s procurement framework in the IRP proceeding. However, the Commission should prioritize development of a programmatic procurement approach with a longer procurement horizon in the IRP proceeding. The Commission should also consider consolidating functions of resource adequacy procurement into the IRP procurement framework. As CAISO has noted before, the Commission should expedite evaluating the consolidation of existing and incremental procurement under a single IRP

⁹ CAISO, Reliability demand response resources bidding enhancements – Track 1 Draft final proposal, January 26, 2022: <http://www.aiso.com/InitiativeDocuments/DraftFinalProposal-ReliabilityDemandResponseResourceBiddingEnhancements-Track%201.pdf>

¹⁰ PD, p. 27.

procurement program to optimize resource procurement and consider tradeoffs between generation and transmission.¹¹

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 IRP modeling already optimizes over a multi-year time horizon. Assigning new and existing resource procurement under the IRP program will also address the growing gap and disconnect between the IRP and resource adequacy program, where the resource adequacy program has understated the procurement requirements necessary to meet reliability targets in order to address supply availability issues.

As detailed in CAISO's comments in the IRP and resource adequacy proceedings, 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.¹² The Commission should consolidate near-term and long-term planning and procurement needs under the IRP proceeding using a single LOLE analysis updated annually in time for near-term contracting for existing and new resources. IRP already models existing and new resources several years out, and it is better suited to make tradeoffs between generation and transmission. The CAISO sees significant efficiencies in moving existing and new procurement under the IRP framework.

¹¹ R.21-10-002, CAISO Comments on Resource Adequacy Phase 3 Workshop and Proposals, February 24, 2023, pp. 6-7.

¹² R.20-05-003, CAISO Opening Comments on ALJ Ruling on Staff Paper, December 12, 2022; R.21-10-002, CAISO Comments on Resource Adequacy Phase 3 Workshop and Proposals, February 24, 2023, p. 7.

G. The Commission Should Not Require CAISO Import Resource IDs to Include an LSE ID.

The PD states, “[N]on-resource specific out-of-state [resource adequacy] resources shall have a CAISO resource ID that includes the LSE ID for each LSE’s share of the [resource adequacy] associated with the resource when the resource is scheduled or bid into CAISO’s market.”¹³ The Commission should not adopt this requirement because it is currently infeasible for the CAISO to implement the requirement in the CAISO’s Master file registration process (the process for registering resources participating in the CAISO market) and such a change warrants significant additional discussion. First, import resource IDs only include the Scheduling Coordinator (SC) ID, which is the entity that registers the import resource for participation in the CAISO markets. There is no association between resource IDs and LSE IDs in CAISO’s Master file registration processes. The CAISO only tracks LSE associations with resource adequacy resources in CAISO’s resource adequacy systems, and the Master file registration process does not consider these associations. Additionally, the CAISO generates import resource IDs for all import resources, not just those contracted with CPUC-jurisdictional LSEs for resource adequacy. CAISO systems must remain workable for any type of import resource registration.

Second, import resource adequacy IDs may represent capacity contracted with several different LSEs, and potentially, additional non-resource adequacy capacity. Therefore, there may be several LSE IDs associated with a single import resource ID and potentially non-resource adequacy capacity associated with that same resource ID. It is unclear how these resource IDs can be associated with a single LSE. Changing resource ID naming conventions to reflect LSE IDs requires significant additional discussion.

The Commission should not require CAISO import resource IDs to include an LSE ID. Such changes warrant significant additional discussion with the CAISO regarding feasibility and impacts to other import resource registrations. The CAISO offers an alternative solution to help address Energy Division’s concerns: the Commission should direct Energy Division to work with the CAISO to identify additional data the CAISO could provide to the Commission to help Energy Division manage the resource ID to LSE mapping issues.

The Commission should revise page 55 of the PD as follows:

¹³ PD, p. 55.

~~The Commission finds that PG&E and DMM’s recommendation for a CAISO resource ID that includes the LSE ID to be reasonable and a less onerous approach to addressing Energy Division’s concern. Accordingly, non-resource specific out-of-state RA resources shall have a CAISO resource ID that includes the LSE ID for each LSE’s share of the RA associated with the resource when the resource is scheduled or bid into CAISO’s market. Energy Division should work with the CAISO to identify additional data necessary for Energy Division to effectively map import resource adequacy resource IDs to LSE RA counterparties.~~

In Attachment A, the CAISO includes Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs to give effect to these changes.

H. Available Transmission Capacity (ATC) and Resource Adequacy Imports

The PD states that “if a Commission-jurisdictional LSE procures ATC or acquires ATC through the resale process at either COB/Malin or NOB, the LSE is permitted to pair the ATC with RA imports to meet its RA requirements.”¹⁴ In order for an import to count as resource adequacy at the CAISO, an import must still be paired with Maximum Import Capability (MIC). The CAISO’s proposed ATC process in its Transmission Service and Market Scheduling Priorities (TSMSP) Phase 2 initiative does not replace the current process or requirement for LSEs in the CAISO BA to obtain MIC. In any case, the CAISO has committed to monitoring impacts of the TSMSP Phase 2 proposal to the CAISO system, and it will seek to enhance the design if it observes any adverse impacts on flows or system reliability.¹⁵

I. The Commission Should Adopt the 2024-2026 Local Capacity Requirements, 2024 Flexible Capacity Requirements, and Update Resource Adequacy Measurement Hours to Align with the CAISO’s 2024 Availability Assessment Hours (AAHs).

The PD adopts the local capacity requirements the CAISO included in its Final 2024 LCR Report.¹⁶ The PD also adopts the flexible capacity needs identified in the CAISO’s Final

¹⁴ PD, p. 58.

¹⁵ CAISO, TSMSP Phase 2 Final Proposal, January 18, 2023: <http://www.caiso.com/InitiativeDocuments/FinalProposal-TransmissionService-MarketSchedulingPrioritiesPhase2.pdf>

¹⁶ PD, p. 9 (“The Commission finds the recommended LCR values for 2024–2026 to be reasonable. Accordingly, CAISO’s recommended 2024–2026 LCR values set forth in the table above are adopted.”).

2024 FCR Report.¹⁷ Additionally, the PD revises the Commission’s resource adequacy measurement hours to align with the CAISO’s revised resource adequacy AAHs.¹⁸ Finally, the PD revises the maximum cumulative capacity (MCC) bucket structure to align with the revised AAHs and resource adequacy measurement hours.¹⁹ The CAISO strongly supports these aspects of the PD and appreciates the Commission’s recognition of the analysis the CAISO conducted to support these measures.

J. The Commission Should Discontinue TLF and PRM Adders for Demand Response Resources.

The PD states, “[T]he TLF and PRM adders will be removed for DR resources beginning with the 2024 RA compliance year and will also be removed for the 2024 [Slice of Day] test year. We note that the [distribution loss factor (DLF)] adder will be retained to apply to DR resources.”²⁰ The CAISO supports the PD’s decision to remove TLF and PRM adders starting with the 2024 resource adequacy compliance year and retain the DLF applied to demand response resources. The CAISO agrees with the PD that “the record suggests that removal of the adders is likely to enhance reliability, particularly during stressed conditions, by removing the risk that the TLF and PRM adders over-estimate the amount of capacity available to the CAISO on high system stress days.”²¹

K. The CAISO Supports the PD’s Modification to Demand Response Availability Requirements.

The PD states:

DR resources: (1) must be available a minimum of three days per week with a minimum of four hours per day, and (2) must additionally be available during all days during which a CAISO Flex Alert is called, up through the last day for which the CAISO has issued a Grid Warning or EEA notification, or the Governor’s Office has issued an emergency notice (the resource must be available for the

¹⁷ PD, p. 13 (“Despite the brief review period available for the Final FCR Report, the Commission reviewed the FCR figures and finds that the figures appear reasonable. Accordingly, CAISO’s recommended values set forth in the table above are adopted.”).

¹⁸ *Id.* (“In addition, the Commission finds CAISO’s revised AAHs for May to be reasonable and adopts the same revised hours for the RA measurement hours.”).

¹⁹ PD, p. 14 (“Accordingly, the DR MCC bucket and MCC buckets 1, 2, and 3 are modified to reflect the newly adopted measurement hours”).

²⁰ PD, p. 98.

²¹ PD, p. 98.

duration of an Alert, Warning, or Notice that is issued prior and up to the 10 a.m. day-ahead market bid deadline).²²

The CAISO supports the PD's modifications to availability requirements for demand response resources contracted with jurisdictional LSEs to cover days when CAISO has issued Flex Alerts, Grid Warnings, or EEAs, or a Governor's Office emergency notice is in effect. The CAISO agrees that the proposed modifications in the PD will help ensure demand response resources are available to help meet grid needs for prolonged weather events such as those experienced in recent years.

L. The CAISO Supports Additional Workshops to Further Develop the CEC's Demand Response Qualifying Capacity Proposal.

The PD does not adopt a new qualifying capacity (QC) methodology for demand response resources, maintains Load Impact Protocols (LIPs) at this time, and authorizes Energy Division to lead a working group with CEC staff to develop a joint proposal in the resource adequacy proceeding for an incentive-based supply-side demand response QC methodology in December 2024.²³

The CAISO supports further development of the CEC's proposal as an alternative to status quo LIPs. The CAISO has longstanding concerns that the current LIP methodology overstates demand response capacity actually available to the CAISO on high load days, and it is open to considering a new demand response QC methodology that will more accurately account for demand response availability especially on critical high load days. The CAISO has supported the general concept of the CEC's proposed QC methodology, and it supports the PDs direction to refine certain elements of the CEC proposal further in a working group convened later this year.

M. The Commission Should Adopt Additional Reporting to Increase the Transparency of CPE Procurement.

The CAISO supports the PD's direction that CPEs provide additional data on their procurement in mid-August compliance filings and September Annual Compliance Reports (ACRs). Last year, LSEs faced challenges regarding uncertainty of CPE procurement, and the CAISO recommended that additional data and transparency regarding CPE procurement would

²² PD, p. 103.

²³ PD, pp. 77-78.

help LSEs better understand CPE positions. The CAISO noted, “By providing parties additional transparency, the Commission could help alleviate concerns and speculation regarding potential local capacity shortfalls and potential CAISO backstop procurement.”²⁴ This additional reporting will help CPUC-jurisdictional LSEs assess their system and flexible resource adequacy positions in advance of annual showings. The Commission should require CPEs to provide additional information in mid-August compliance filings and September ACRs.

N. The CAISO Supports Further Evaluation of Applying Ambient De-rates to Qualifying Capacity Values and Further Development of an Unforced Capacity Evaluation (UCAP) Mechanism.

The CAISO agrees with the PD’s determination not to adopt Energy Division’s ambient de-rates proposal at this time, and the CAISO agrees with other parties that resource counting in LOLE studies should be consistent with resource counting for resource adequacy compliance purposes. The CAISO continues to support applying ambient de-rates to resource counting for both LOLE studies and resource adequacy compliance, and the CAISO supports further consideration of a full UCAP approach to resource counting.

The PD states, “In addition, the Commission encourages Energy Division to collaborate with CAISO on alternatives to using outage management system data to develop a UCAP mechanism.”²⁵ The CAISO will continue to work with Energy Division to develop a UCAP framework, including alternatives to using the CAISO’s Outage Management System data.

O. The Commission Should Not Adopt a Must-Flow Requirement for Non-Resource Specific Resource Adequacy Imports.

The CAISO supports the PD’s decision not to adopt a “must-flow” or self-schedule requirement for non-resource specific resource adequacy imports, which would remove the current ability of non-resource-specific import resource adequacy to bid a price between zero and -\$150/MWh. The CAISO agrees with the PD’s determination that there is insufficient record to replace current resource adequacy import rules and adopt a “must-flow” or self-schedule requirement for resource adequacy imports. Additionally, a self-schedule requirement during AAHs could

²⁴ 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#search=Response%20California%20Community%20Choice%20Associations>

²⁵ PD, p. 30.

adversely affect market efficiency and make it difficult for the CAISO to manage potential over-supply conditions.

III. Conclusion

The CAISO appreciates the opportunity to provide comments on the PD, and requests adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the PD as provided in Attachment A.

Respectfully submitted

By: /s/ Marissa Nava

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Marissa Nava

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916-963-0521

Fax: 916-608-7222

Email: mnav@caiso.com

Dated: June 14, 2023

ATTACHMENT A

PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

FINDINGS OF FACT

9. ~~Requiring RA imports to have a CAISO resource ID that includes the LSE ID~~ Identifying additional data necessary for Energy Division to map import resource adequacy resource IDs to LSE RA counterparties is a less onerous approach to identifying which LSE's RA imports are not meeting the import requirements established in D.20-06-028.

CONCLUSIONS OF LAW

10. ~~Non-resource specific out-of-state RA imports should be required to have a CAISO resource ID that includes an LSE ID for each LSE's share of the RA associated with the resource.~~

New Conclusion:

It is reasonable and prudent for Energy Division to work with the CAISO to identify data necessary to map resource IDs to LSE RA counterparties.

ORDERING PARAGRAPHS

15. ~~A non-resource specific out-of-state Resource Adequacy (RA) resource will have a California Independent System Operator (CAISO) resource ID that includes the load-serving entity (LSE) ID for each LSE's share of the RA associated with the resource when the resource is scheduled or bid into CAISO's market.~~

New Order:

Energy Division shall work with the CAISO to identify additional data necessary for Energy Division to map import resource adequacy resource IDs to LSE RA counterparties.