

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

Order Instituting Rulemaking to Establish
Policies, Processes, and Rules to Ensure
Reliable Electric Service in California in
the Event of an Extreme Weather Event in
2021.

Rulemaking 20-11-003
(Filed November 19, 2020)

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON
PROPOSED DECISION**

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The California Independent System Operator Corporation (CAISO) submits comments on the Proposed Decision (PD) pursuant to the Commission’s Rules of Practice and Procedure 14.6(a)(1) and 14.6(a)(8) and Administrative Law Judge Stevens’ directives issued with the PD.

I. Introduction

The CAISO generally supports the PD and appreciates the Commission’s fast and decisive action to secure additional resources to meet summer 2021 needs. Notwithstanding its general support, the CAISO recommends the Commission modify the PD as follows:

- Direct any incremental reliability demand response procurement to occur under the Emergency Load Reduction Program (ELRP);
- Increase mandatory incremental investor-owned utility procurement from 1,000 MW to 1,500 MW;
- Explicitly require incremental procurement to be effective during the net demand peak period;
- Encourage any incremental import resources to have firm transmission service to the CAISO border and minimum availability requirements.

The CAISO also recommends the Commission establish a 17.5% planning reserve margin (PRM) for the 2022 resource adequacy year, consistent with the CAISO’s proposals in the Commission’s resource adequacy proceeding.

II. Discussion

A. The Commission Should Adopt the Proposed Flex Alert Funding.

The CAISO strongly supports the proposed funding of the Flex Alert paid media campaign. The Flex Alert program is an important tool to solicit consumer conservation during critical need days. Long-term support and funding will sustain a trusted brand and consumer tool

that is essential to overall grid reliability. The expedited timeline will ensure the campaign is underway for summer 2021.

B. The Commission Should Adopt the Proposed Changes for Critical Peak Pricing.

The CAISO supports the proposed modifications to the Critical Pricing Program (CPP). Changing the Pacific Gas & Electric Company and San Diego Gas & Electric Company CPP event windows to 4 p.m. through 9 p.m. This period corresponds to the net demand peak period and aligns with Southern California Electric Company's (SCE's) existing period.¹ Similarly, the CAISO supports the PD's proposals to increase the number of event calls from 12 to 15 and to include weekends and holidays in SCE's program.² As the PD states, SCE reached its maximum number of event calls on August 19, 2020.³ Further, during the events of summer 2020, rotating outages occurred on a Saturday in August, and the highest forecasted and actual load during the Labor Day weekend was on a Sunday.⁴

C. The Commission Should Adopt the Proposed ELRP.

The CAISO appreciates the Commission developing the ELRP pilot as an out-of-market program incremental to the resource adequacy program. The program will help attract additional energy or load curtailment during stressed system conditions. The ELRP is innovative, timely, and compatible with CAISO's existing Alert, Warning, and Emergencies (AWE) process and the Energy Emergency Alerts paradigm the CAISO will transition to in 2022. The CAISO addresses three aspects of the ELRP proposal: establishing a new baseline, coordination with CAISO operations, and testing and evaluation.

The PD proposes increasing the same-day-adjustment baseline to 80% for Group B participants, which include dual participating resources in the CAISO market.⁵ The CAISO is also contemplating potential baseline adjustment increase(s) during stressed grid conditions. The CAISO aims to coordinate with the Commission to the maximum extent possible, and encourages the Commission to have its jurisdictional demand response providers and investor owned utilities work collaboratively with the CAISO to explore baseline options during stressed

¹ Proposed Decision, Attachment 1: Rulemaking 20-11-003 Guidance, p. 2.

² Proposed Decision, Attachment 1: Rulemaking 20-11-003 Guidance, p. 2.

³ Proposed Decision, p. 14.

⁴ Final Root Cause Analysis, *Table 5.1: Day-Ahead Peak Forecast vs. Actual Peak During Heat Event (Updated)*, p. 66.

⁵ Proposed Decision, Attachment 1: Rulemaking 20-11-003 Guidance, p. 12.

system conditions. For example, the CAISO might consider allowing temporary increases in adjustment factors during ELRP events.

For operational reasons, the CAISO seeks to work with the Commission and the investor owned utilities (IOUs) to better understand ELRP enrollment to anticipate any large and sudden load drops during an ELRP event, especially for Group A. For example, the IOUs currently provide a daily spreadsheet to the CAISO regarding the status and expected load reduction (in MW) of various load-modifying programs that could be or have been called that day. The Commission should require the IOUs to coordinate with the CAISO using this or a similar notification process. Furthermore, to facilitate forecasting, the Commission should provide data regarding actual program response to the CAISO and California Energy Commission.

The CAISO agrees with the PD's direction to establish ELRP as a pilot from 2021 through 2025, with years 2023 through 2025 subject to review and revision.⁶ The review should be coordinated with the CAISO and California Energy Commission to assess forecasting impacts and should include an evaluation of actual program response. Lastly, the CAISO agrees with allowing IOUs to conduct test events and requiring ELRP participants to participate in the test events.⁷

D. Any Incremental Reliability Demand Response Resources Should Be Procured Under the ELRP.

The PD would temporarily increase the demand response reliability cap adopted in D.10-06-034 from 2% to 3%. This means reliability demand response resources (RDRRs) could potentially meet 3% of load serving entity resource adequacy requirements. The CAISO recommends the Commission direct any incremental RDRR procurement occur under the ELRP and not under the resource adequacy program. Under the ELRP framework, any incremental RDRR procurement would not displace procurement of other resource adequacy resources. This approach ensures that incremental RDRR provides reliability benefits while limiting the resource adequacy program's reliance on resources that are use-limited and dispatchable only in emergencies.⁸ Instead, the Commission should direct any incremental RDRR procurement occur

⁶ Proposed Decision, p. 16.

⁷ Proposed Decision, p. 24.

⁸ *Comments of the California Independent System Operator Corporation on Order Instituting Rulemaking Emergency Reliability*, November 30, 2020.

under the ELRP, which provides additional “insurance” above and beyond the resource adequacy fleet.

In addition, the Commission should adopt CAISO’s proposal in the Resource Adequacy Proceeding Tracks 3B.1 and 4 to remove the PRM and transmission loss adder from demand response capacity values, including RDRR capacity values.⁹ Removing these adders will more accurately represent the true capacity contribution from demand response resources and, in so doing, create additional headroom under the 2% cap to allow RDRR resources to be procured under the existing cap.

E. The Commission Should Increase Mandatory Incremental Procurement and Explicitly Require Incremental Procurement Be Effective During the Net Demand Peak Period.

The CAISO strongly supports the incremental procurement the PD authorizes. The CAISO appreciates that the Commission’s procurement appropriately tries to reach an “effective” 17.5% PRM for the Commission-jurisdictional load for both the peak and net demand peak period. To achieve this effective PRM, however, the Commission should first clarify all incremental resources procured under the PD must be effective during the net demand peak to address the loss of generation after sunset. Although this is likely the PD’s intent, it does not state this expressly. Second, the Commission should modify the PD to make the 500 MW of optional procurement required procurement, thereby increasing the minimum procurement requirement from 1,000 MW to 1,500 MW.¹⁰

F. The Commission Should Encourage Any Incremental Import Resources to Have Minimum Transmission Service and Availability.

Consistent with the CAISO’s proposal in Track 3B.1 of the resource adequacy proceeding,¹¹ the Commission should encourage the IOUs to procure firm transmission to the CAISO border for any non-resource specific imports. In addition, the CAISO believes the IOUs should ensure at a minimum any imports are available for a minimum of 16 hours per day, seven days a week (16x7) from 7 a.m. to 10 p.m.¹² Alternatively, the Commission can order a

⁹ See R.19.11-009, CAISO comments on proposals in Track 3B.1 and Track 4, R.19-11-009, March 12, 2021. Note that distribution line losses are already accounted for.

¹⁰ Proposed Decision, pp. 39-40.

¹¹ See R.19.11-009, CAISO comments on proposals in Track 3B.1 (<http://www.caiso.com/Documents/Mar12-2021-Comments-Track-3B1-Proposals-ResourceAdequacy-R19-11-009.pdf>).

¹² *Id.*.

minimum procurement amount be based on a 16x7 availability with firm transmission so Energy division staff can assess the bids and performance of these imports.

G. The Commission Should Increase the Planning Reserve Margin for the 2022 Resource Adequacy Year.

The Commission should formally adopt a 17.5% PRM for the 2022 resource adequacy year for both the peak and net demand peak period as an interim measure before making more substantive changes to the resource adequacy program for 2023.¹³ Because the PD does not increase the PRM, the additional capacity the PD authorizes will not be recognized as resource adequacy capacity in the CAISO markets. This creates three major concerns with (1) the potential for resource substitution; (2) the application of CAISO resource adequacy market rules; and (3) backstop impact.

Regarding the first concern, incremental procurement may simply replace existing capacity or be held in reserve as substitution capacity in case of an outage. This undermines the intent of procuring additional capacity.

Second, without increasing the PRM, CAISO systems would not recognize incremental resources procured under this PD as resource adequacy capacity, and the resources would not be subject to CAISO resource adequacy market rules, *e.g.*, the must offer obligation; bid insertion; resource adequacy availability incentive mechanism; substitution rules; and export scheduling priorities for resource adequacy resources. These rules are essential to ensure resources are available for the market to optimize when needed to serve CAISO load. Without the CAISO resource adequacy requirements, the incremental capacity's system reliability benefit may be greatly diminished.

Third, the CAISO can only use backstop capacity up to the PRM, which remains at 15%, for a monthly deficiency.¹⁴ The CAISO's authority under the capacity procurement mechanism (CPM) allows the CAISO to procure backstop capacity prior to the operating month. This is much more effective than waiting until real-time emergencies occur to procure backstop capacity because there is an increased risk needed capacity will be unavailable. Because the CAISO can only engage in backstop procurement after load serving entities submit their monthly resource adequacy plans and have an opportunity to cure any deficiencies, the CAISO would not be

¹³ *Id.*

¹⁴ CAISO tariff section 4.3.2.

competing with the IOUs for incremental procurement as the PD states.¹⁵ The CAISO also notes if it exceptionally dispatches this non-resource adequacy capacity in real-time, it will trigger a CPM offer.¹⁶ This could result in a double-payment to the resource, once through the bilateral resource adequacy contract and again through a CPM capacity payment. It is inappropriate for ratepayers to pay twice for any incremental capacity procured under the PD. Treating the procured capacity as resource adequacy capacity eliminates this double payment concern because resource adequacy capacity is ineligible for a CPM designation.

III. Conclusion

The CAISO appreciates the Commission's quick and decisive action to secure additional resources for summer 2021.

Respectfully submitted

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¹⁵ Proposed Decision, p. 41.

¹⁶ CAISO tariff section 43A.2.5.