



December 1, 2020

The Honorable Chris Holden
Chair, Assembly Committee on Utilities and Energy
State Capitol Building
Sacramento, CA 95814

Dear Chair Holden:

In response to your October 16, 2020 letter, we provide here the first monthly report on actions our respective organizations are taking by next summer to avoid a reoccurrence of the rotating power outages of August 14 and 15, 2020.

The actions summarized below are those the California Public Utilities Commission (CPUC), California Energy Commission (CEC) and California Independent System Operator (CAISO) have taken since the publication of the Preliminary Root Cause Analysis in October. In addition to identifying the various factors which contributed to causing the outages, the Preliminary Root Cause Analysis also outlined the immediate actions our organizations are taking to ensure reliable supplies for Summer 2021 and beyond. The broad categories of actions include: 1) updating our resource and reliability planning targets to better account for climate change-induced extreme weather events and a transitioning electricity resource mix during critical hours of grid need; 2) ensuring that the generation and storage projects that are currently under construction in California are completed by their targeted online dates; 3) expediting the regulatory and procurement processes to develop additional resources that can be online by 2021; 4) coordinating additional procurement by non-CPUC jurisdictional entities; and 5) enhancing CAISO market practices to ensure they accurately reflect the actual balance of supply and demand during stressed operating conditions.

To fully implement these actions by Summer 2021 and beyond, our organizations have taken the following important steps over this past month.

Actions to Support Summer 2021 Reliability

- **Issuance of New Expedited Procurement Rulemaking** – The CPUC has opened a new Order Instituting Rulemaking (OIR) to bring new

resources online and additional procurement for Summer 2021. This OIR calls for stakeholder proposals in January 2021, staff proposal(s) in the first quarter of 2021, and the issuance of a proposed decision by no later than April 2021. On November 30, 2020, in response to the scoping questions, the CAISO submitted its proposed program changes to target needed procurement for the critical summer months of 2021 and 2022.

- **Scoping of 2021 Integrated Energy Policy Report (IEPR)** – The CEC held a public discussion at its November 10, 2020 Business Meeting regarding the scope of the 2021 IEPR, including the need for a statewide reliability and resource sufficiency assessment for Summer 2021 and beyond. The CEC is expected to adopt a formal scope for the IEPR no later than January 2021. Preliminary results of the Summer 2021 reliability assessment are expected to be completed by the end of January 2021 with final results to be published later in the year.
- **Hybrid and Co-located Resource Enhancement** – On November 18, 2020, the CAISO Board of Governors approved the second phase of policies to support and enable the use of hybrid and co-located resources, which comprise a significant portion of the new capacity expected to be online by Summer 2021. Some of these policies will be implemented prior to Summer 2021 while others are scheduled for Fall 2021.
- **Proposed Resource Adequacy Obligation Crediting** – The CAISO has expressed concern that the CPUC and some local regulatory authorities are providing credits for certain resources to meet Resource Adequacy requirements in a way that such resources are not subject to the must offer obligation and other Resource Adequacy provisions under the CAISO's tariff, potentially compromising reliability. As a result, the CAISO has proposed changes to its business practice manual stipulating that Resource Adequacy credits should not reduce the aggregate amount of Resource Adequacy capacity shown to the CAISO. Several entities, including the CPUC, have appealed this business practice manual change out of concern that the proposed rule change may prohibit the use of certain resources and further compromise reliability. A public stakeholder call on the matter is scheduled for December 1, 2020. We will update the Committee of the results of this stakeholder discussion and efforts to resolve the issue.
- **Priority of internal and external schedules** – On November 20, 2020, the CAISO commenced stakeholder discussions to consider market rule and practice changes that will ensure reliable and efficient

management of internal and external schedules during tight system conditions.

- **Planned outage rules** – The CAISO, through its Resource Adequacy Enhancements stakeholder process, will address via a policy proposal a redesign of CAISO Resource Adequacy market rules to ensure planned outages do not create unnecessary reliability risk. The CAISO's proposal is targeted for release by the end of the year with a goal of bringing it to its Board of Governors for consideration for approval in the first quarter of 2021.

Actions to Support Mid- and Long-Term Reliability

- **Replacement Resources for Diablo Canyon Retirement** – The CPUC directed all CPUC-jurisdictional Load Serving Entities to submit Integrated Resource Plans that include procurement of their share of replacement power for the retirement of the Diablo Canyon Nuclear Power Plant. The proceeding timeline calls for a ruling in early 2021 that will contain analysis and proposals for any necessary procurement in the 2024-2025 timeframe to replace the Diablo Canyon Nuclear Power Plant and identify the need for any additional power to ensure reliability in response to the submitted plans.
- **Scoping of 2021 Integrated Energy Policy Report (IEPR)** – The discussion of the scope of the 2021 IEPR at the CEC's November 10, 2020 Business Meeting included longer-term issues such as the development of analytical products (updating forecasts to reflect extreme weather, statewide reliability and resource sufficiency assessments beyond Summer 2021) and workshops to support mid- to long-term electric reliability for the state.
- **Resource Adequacy Market Rule Enhancements** – The CAISO has proposed a process for evaluating monthly Resource Adequacy supply plans and triggering backstop procurement if necessary. The proposed process was discussed at the Resource Adequacy Enhancements stakeholder meeting on November 12, 2020 and at the Market Surveillance Committee meeting on November 13, 2020. Both meetings were noticed and open to the public. In addition, the CAISO presented at a CPUC workshop on November 23, 2020 its proposal to revise counting rules for demand response, imports, and use-limited resources to more appropriately count their Resource Adequacy value. The conversation also discussed consideration of *resource-specific* outages rather than a single system-wide outage percentage in the current planning reserve margin. The CAISO seeks to finalize its

proposals and bring them to its Board of Governors for consideration for approval in the first quarter of 2021 for targeted 2022 effectiveness.

As our organizations implement these actions, we are also working towards completing the Final Root Cause Analysis by the end of this calendar year. In recent weeks, the CAISO has received settlement-quality meter data which will allow for evaluating demand response performance and analyze under-scheduling in greater granularity. In addition, the CAISO has been conducting outreach to utility distribution companies to ensure an appropriate and coordinated response during future critical reliability events and grid needs. Our organizations are also assessing the recently published assessment of the outages conducted by the Department of Market Monitoring at the CAISO. The DMM report supports earlier observations from the CPUC, CEC and CAISO that there were no falsely declared outages, or evidence of market manipulation during the August heatwave event.

Thank you for the opportunity to provide this report. If you or committee staff have any questions regarding this report, please do not hesitate to contact any of our respective government affairs representatives: Hazel Miranda (Hazel.Miranda@cpuc.ca.gov), Barry Steinhart (Barry.Steinhart@energy.ca.gov), or Quentin Foster (QFoster@caiso.com).

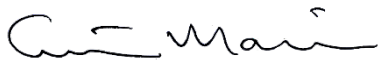
Sincerely,



Marybel Batjer
President, California Public Utilities Commission



David Hochschild
Chair, California Energy Commission



Elliot Mainzer
President & Chief Executive Officer, California Independent System Operator