

## **CALIFORNIA ISO STAFF STATEMENT ON WITHDRAWING PRR 1280**

Since the Executive Appeals Committee (Committee) of the California Independent System Operator Corporation (ISO) issued its December 9, 2020, decision holding PRR 1280 in abeyance, ISO staff has engaged in significant outreach with local regulatory authorities (LRAs) that historically have granted their jurisdictional load serving entities (LSEs) with credits toward meeting their Resource Adequacy (RA) obligations. ISO staff appreciates the open-minded collaboration we saw in our outreach with LRAs for the last eight months, and, as detailed in the [July 19, 2021, statement](#), ISO staff believes there was significant progress in identifying reasonable paths forward for the affected LRAs.

After reviewing other parties' comments submitted on July 19, it was clear to ISO staff that PRR 1280 remained a point of contention with many stakeholders. ISO staff will continue its efforts with affected stakeholders to work through concerns raised by pursuing PRR 1280, but it has concluded the best path forward at this time is to withdraw PRR 1280. ISO staff will consider at a later date whether it needs to pursue the changes proposed through PRR 1280 through a new PRR or some other mechanism.

### **Next Steps**

The ISO's receipt of LRA-provided RA credits implicates three aspects of the ISO's administration of the RA program.

1. Issuing notices of RA deficiency to LSEs and LRAs.
2. Issuing capacity procurement mechanism (CPM) designations to non-RA Capacity to address RA deficiencies.
3. Allocating costs of CPM designations issued to address RA showing deficiencies.

The tariff compliance concerns the ISO highlighted throughout the PRR 1280 process (particularly in its [appeal brief posted in November 2020](#)) will guide how the ISO accounts for LRA-provided credits going forward in each of these three areas.

#### *1. Deficiency Notices*

Under tariff section 40.7(a), the ISO must notify LSEs and their LRA if the LSE's RA plan fails to show sufficient "RA Capacity" to meet its RA requirements. The ISO tariff defines the term "RA Capacity" as the "supply capacity of a Resource Adequacy Resource listed on a Resource Adequacy Plan and a Supply Plan." The tariff defines the term "Resource Adequacy Resource" as a "resource that is designated in a Supply Plan to provide Resource Adequacy Capacity."

For an LRA-provided RA credit to be "RA Capacity" and for the resource supporting that credit to be a "Resource Adequacy Resource," the credit must relate solely to allocating to multiple LSEs the capacity of a resource shown on a supply plan

and LSE RA plan. Where the credits net to zero, the practice of crediting does not create additional capacity not represented on a supply plan, and each MW of credit would reflect the “supply capacity of a Resource Adequacy Resource listed on a Resource Adequacy Plan and a Supply Plan.” LRA-provided RA credits that do not relate to a resource on an RA plan do not meet the definition of “RA Capacity,” nor do the resources that support the credits meet the definition of “Resource Adequacy Resource.”

The result is that under existing tariff requirements, the ISO will generate the deficiency notices called for under section 40.7 without considering LRA-provided RA credits other than credits used to allocate capacity from a resource on a RA supply plan. In generating deficiency notices, the ISO also will continue to consider credits relating to CPM designations and reliability must-run (RMR) generation. The CAISO tariff addresses RA credits for CPM and RMR, which LRAs do not provide and were never at issue under PRR 1280.

## *2. Issuing CPM Designations for RA Deficiencies*

Under tariff section 43A, the ISO may issue CPM designations to non-RA Capacity. The CAISO compensates capacity receiving a CPM designation for taking on RA-like obligations during its designation term. The ISO has the authority, but not the obligation, to issue CPM designations under several circumstances, including for RA deficiencies that remain after expiration of tariff-provided cure periods.<sup>1</sup>

Given the ISO’s discretion in issuing CPM designations, the ISO may consider LRA-provided RA credits in determining whether to issue a CPM designation. For example, if the ISO identifies a 100 MW deficiency in system RA capacity at the end of the cure period, it may nevertheless choose not to issue CPM designations to address that particular deficiency if there are 1,000 MW of LRA-provided RA credits for that month and the ISO concludes the resources behind those credits provide comparable reliability benefits to what the missing 100 MW of RA capacity would provide.

## *3. Allocating Costs of CPMs Issued for RA Showing Deficiencies*

Section 43A regularly uses the defined terms “RA Capacity” and “Resource Adequacy Resource” in describing the deficiencies, and section 43A.8 specifies that the ISO allocates the costs of these deficiency-based CPM designations pro rata based on LSEs’ deficiencies. The consequence is that when the ISO exercises its discretion to issue a CPM based on RA deficiencies, the only LRA-provided credits it will consider in pro-rating the CPM costs are those that are “RA Capacity,” *i.e.*, credits that solely allocate the capacity from a resource on a RA supply plan. The ISO also will consider CPM and RMR credits in allocating CPM costs.

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<sup>1</sup> One CPM category – exceptional dispatch – is not totally discretionary for the ISO, but that CPM category is not relevant to PRR 1280.