

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

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**REPLY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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Date: April 15, 2019

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I. Introduction

The California System Operator Corporation (CAISO) hereby provides reply comments on the *Proposed Decision Adopting Preferred System Portfolio and Plan for 2017-2019 Integrated Resource Plan Cycle* (Proposed Decision), issued in this proceeding on March 18, 2019. The Proposed Decision represents the culmination of the initial cycle of the integrated resource planning (IRP) process; and adopts a Preferred System Portfolio (PSP) based on the Reference System Portfolio (RSP) adopted in D.18-02-018, as updated with adjustments, to reflect the 2017 Integrated Energy Policy Report (IEPR) assumptions and the CAISO's most recent transmission cost and availability information from the 2018-19 Transmission Planning Process.

II. Discussion

The CAISO's comments (1) address the need for continued modeling refinements to the PSP, particularly with respect to gas-fired generation retirements, prior to initiating procurement in the 2019-2020 IRP cycle and (2) respond to claims regarding the accuracy of the CAISO transmission cost and availability information incorporated into the PSP.

A. The Commission Should Refine PSP Modeling Prior to Initiating Procurement.

Several parties agree with Commission's decision to adopt the PSP, but recommend removing the 40-year retirement assumption for existing natural gas-fired resources.¹ The

¹ See Southern California Edison Company, *Comments of Southern California Edison Company (U 338-E) on Proposed Decision Adopting Preferred System Portfolio and Plan for 2017 – 2018 Integrated Resource Plan Cycle*, April 8, 2019, pp. 5-6, and NRG Energy, Inc., *Opening Comments on Administrative Law Judge's Proposed*

CAISO agrees that additional work is necessary to develop more refined natural gas retirement assumptions and that the Commission should not initiate procurement based on the current PSP. Instead, the Commission should work to develop economic retirement scenarios for gas-fired resources in the 2019-2020 IRP cycle—as it has planned to do.² These economic gas-fired retirement and retention scenarios should be used to inform any Commission-directed procurement issued in the IRP process.

Notwithstanding the need to refine gas-fired retirement and retention scenarios prior to procurement, the Commission should not remove the 40-year retirement assumption from PSP because it will provide more detailed information regarding system and local reliability. Specifically, because the PSP will be used as the base case in the CAISO’s 2019-20 Transmission Planning Process, the 40-year retirement assumption will allow the CAISO to preliminarily identify reliability issues associated with potential gas-fired unit retirements. The Commission can use the CAISO’s transmission planning reliability results to inform its retirement and retention studies. Removing the 40-year retirement assumption would offer little new information.

B. The PSP Properly Incorporates CAISO Transmission Cost and Availability Limitations.

As noted above, the Proposed Decision adopts the RSP with adjustments based on CAISO transmission cost and availability information. Gridliance takes issue with these adjustments, specifically the transmission planning analysis showing limited existing transmission capability out of the Southern Nevada renewable energy zone.³ Gridliance asserts that this “nested” transmission constraint is un-vetted because Energy Division staff incorporated it into the PSP based on the CAISO’s January 18, 2019 data.

Contrary to Gridliance’s assertion, the CAISO notes that the nested transmission constraint was identified well prior to January 18, 2019, and in particular, was provided to the Commission staff with other data in April 2017. In the transmission planning process and in

Decision Adopting Preferred System Portfolio and Plan for 2017 – 2018 Integrated Resource Plan Cycle, April 8, 2019, p. 3.

² See February 11, 2019 Commission Ruling, Attachment B: *Consideration of Existing Thermal Generation in CPUC IRP*.

³ See Gridliance West LLC, *Comments of Gridliance West LLC on Proposed Decision on Adopting Preferred System Portfolio for 2017 – 2018 Integrated Resource Planning Cycle*, April 8, 2019, p. 3.

response to comments from Gridliance, the CAISO explained that it had identified the nested constraint in the previous IRP cycle, but that the Commission's RESOLVE modeling failed to recognize the constraint.⁴ The CAISO confirmed and reiterated the nested transmission constraint in its 2018-19 transmission planning process analysis, but the information had been provided to the Commission and stakeholders well before January 2019.

The CAISO agrees that additional transparency and opportunities for stakeholder vetting on transmission capabilities would be helpful and will work with Commission staff in that regard.

III. Conclusion

The CAISO appreciates this opportunity to provide reply comments and looks forward to working with the Commission to work toward meeting the state's energy policy goals while maintaining reliability.

Respectfully submitted,

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⁴ See CAISO response to stakeholder comments, p. 19, <http://www.caiso.com/Documents/ISOResponses-Comments-2018-2019TransmissionPlanningProcess-Feb14-2019.pdf>.