

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

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements, and Establish Annual  
Local and Flexible Procurement Obligations  
for the 2019 and 2020 Compliance Years

Rulemaking 17-09-020  
(Filed September 28, 2017)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
REPLY COMMENTS ON PROPOSED DECISION**

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## **Table of Contents**

I. Introduction.....	1
II. Discussion.....	1
A. The Commission Should Minimize Reliance on CAISO Backstop Procurement. ....	1
B. The Proposed Decision Properly Directs CPEs to Consider Local Effectiveness as an Evaluation Criterion. ....	2
C. The Commission and Energy Division Staff Should Commit to Working with the CAISO to Smoothly Integrated Future Showing and Validation Processes with Current CAISO Systems. ....	3
III. Conclusion.....	4

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**I. Introduction**

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the California System Operator Corporation (CAISO) hereby provides reply comments on the *Proposed Decision on Central Procurement of the Resource Adequacy Program* (Proposed Decision). In these reply comments the CAISO responds to opening comments filed by the Independent Energy Producers Association (IEP), Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE).

**II. Discussion**

In response to opening comments, the CAISO recommends that the Commission: (1) minimize central procurement entities' (CPEs) incentives to rely on the CAISO backstop capacity procurement mechanisms, (2) maintain the directive for CPEs to consider CAISO local effectiveness factors to guide local procurement, (3) work closely with the CAISO to smoothly integrate future CPE and/or Commission-jurisdictional load-serving entity (LSE) showing and validation processes with current CAISO systems.

**A. The Commission Should Minimize Reliance on CAISO Backstop Procurement.**

The CAISO agrees with parties asserting the Commission should limit the CPEs' reliance on CAISO's backstop procurement mechanisms as required under Public

Utilities Code 380(h)(7). IEP notes that “allowing the CPE to defer to the CAISO distorts the fact that the CAISO’s processes are backstop mechanisms.” IEP further states that the CAISO’s capacity procurement mechanism (CPM) is “not intended as a primary market mechanism; it was designed to be used only rarely, as a backstop to the market.”<sup>1</sup> The CAISO agrees, and recommends that the Commission expressly order that the CPEs should not rely on the CAISO backstop mechanisms to front-run the Commission’s procurement processes. If necessary, the CAISO stands ready to reassess its CPM soft offer cap if there is evidence of leaning.

**B. The Proposed Decision Properly Directs CPEs to Consider Local Effectiveness as an Evaluation Criterion.**

The Proposed Decision directs CPEs to include “[l]ocal effectiveness factors, as published in the California Independent System Operator’s Local Capacity Requirement Technical Studies” as a criterion to guide the selection of Local resources procured by the CPE.<sup>2</sup> SDG&E recommends that the Commission eliminate local effectiveness factors as a criterion based on prior CAISO comments on the Settlement Agreement. Those prior comments merely explained the CAISO’s support for “a simple arithmetic *counting methodology* to meet local resource adequacy procurement requirements” under the Settlement Agreement’s residual central procurement framework.<sup>3</sup> In contrast, the Proposed Decision properly directs CPEs to consider local effectiveness in the procurement process, not as an accounting mechanism to determine whether local capacity requirements have been met.

CPE procurement should be guided by the local effectiveness factors included in the CAISO’s annual Local Capacity Technical Study and supporting documentation. The CAISO provides single effectiveness factors to aid procurement within smaller local areas and sub-areas with few and limited number of constraints. For more complex local areas and sub-areas with multiple constraints observed in real-time, the CPE should consider the effectiveness factors provided under CAISO operating procedure 2210Z.<sup>4</sup> The CAISO will continue to test all resources procured by all LSEs (including the CPE)

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<sup>1</sup> IEP Opening Comments, filed on April 15, 2020, p. 6.

<sup>2</sup> Proposed Decision, Ordering Paragraph 9.b.

<sup>3</sup> CAISO Reply Comments, filed in R.17-09-020 on October 15, 2019, pp. 5-6. (emphasis added).

<sup>4</sup> <http://www.caiso.com/Documents/2210Z.pdf>

at the end of the RA process for compliance with all reliability criteria through power flow simulations.

The CAISO understands that the CPE will only procure local resources intended to meet Commission-jurisdictional LSEs' local capacity requirements allocation. However, the CAISO notes that the majority of non-Commission jurisdictional LSEs make showings with utility owned resources rather than third party contracts. The CAISO catalogs these resources in the local resource sheet with a "MUNI" tag. The CAISO expects that the CPEs can use this information to procure the resources within their respective TAC areas that are required to meet all local area and sub-area constraints to the greatest extent possible.

**C. The Commission and Energy Division Staff Should Commit to Working with the CAISO to Smoothly Integrated Future Showing and Validation Processes with Current CAISO Systems.**

In opening comments, the CAISO noted the need for coordination to "implement the hybrid central procurement framework in a manner consistent with the existing CAISO tariff." The CAISO further noted that a process similar to the Commission's existing Cost Allocation Methodology (CAM) could be used to allocate CPE-procured resources to Commission-jurisdictional LSEs while ensuring proper validation and avoiding unnecessary complexity. In opening comments, PG&E and SCE (Joint Utilities) noted their support for using CAM to allocate central procurement costs.<sup>5</sup> The CAISO has no objection to using the CAM for the Commission's cost allocation purposes.

The CAISO expects there will be implementation challenges using the existing CAM credits to interface with CAISO systems and validate resource adequacy showings. Nonetheless, the CAISO will work with the Commission, Energy Division staff and the CPEs to address any implementation issues. These implementation details do not require modifications to the Proposed Decision, and the CAISO does not expect they will cause delay to the timelines set forth in the Proposed Decision.

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<sup>5</sup> Joint Utilities Opening Comments, filed on April 15, 2020, p. 9.

### III. Conclusion

The CAISO appreciates this opportunity to provide reply comments on the Proposed Decision and looks forward to working with the Commission to continue to refine and improve the resource adequacy program.

Respectfully submitted,

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