



July 1, 2021

Joint Statement from the CPUC President Marybel Batjer, CEC Chair David Hochschild, and California ISO CEO Elliot Mainzer on decision to procure additional energy resources for summer

California Public Utilities Commission (CPUC) President [Marybel Batjer](#), California Energy Commission (CEC) Chair [David Hochschild](#), and California Independent System Operator (ISO) CEO [Elliot Mainzer](#) released the following joint statement regarding the California ISO's action to secure additional energy resources to ensure electricity reliability this summer.

Summer has barely begun and we have already had repeated extreme heat events creating dangerous conditions and shattering records across the country. Climate change is here and with increasing intensity that presents a host of new challenges we must collectively meet head-on.

As a result of these unprecedented climate change-driven heat events, which are occurring throughout the West in combination with drought conditions that reduce hydroelectric capacity, California is using all available tools to increase electricity reliability this summer. The CPUC, the CEC and the ISO have all taken significant steps in recent months to better prepare our electric grid for this new climate reality and that work is ongoing.

As part of this effort, the ISO has decided to exercise its authority to procure additional capacity again this year. The ISO's action is supported by a request by the CPUC and CEC and is taken out of an abundance of caution to ensure electric reliability and preserve the public health and safety of all Californians.

The ISO has used this authority before, most recently during last summer's regional heat waves. It is an important part of our tool kit and an essential backstop to ensure a balance of demand and supply on California's electric grid.

As these early heat events telegraph, the grid will be more strained than anticipated this summer due to record-breaking climate change impacts across the West and elsewhere. The ISO's decision to seek additional capacity is another necessary step we can take to be adequately prepared.

Letter follows



June 29, 2021

Elliot Mainzer
Chief Executive Officer and President
California Independent System Operator
250 Outcropping Way
Folsom, CA 95630

Dear Mr. Mainzer:

The California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) jointly write this letter to respectfully request the California Independent System Operator (CAISO) to use its tariff-based authority to procure additional resources for the months of July and August 2021 and, if conditions do not improve, for the month of September. As discussed further below, the CPUC and CEC submit this request due to significant changes in circumstances leading up to the months of July and August 2021.

After the heat storms in August 2020, Governor Gavin Newsom requested the CPUC, CEC and CAISO conduct a Root Cause Analysis to determine the causes of the rotating outages on August 14th and 15th and to take necessary action to ensure more reliability in the future. The three entities completed a Preliminary Root Cause Analysis on October 6, 2020, which contained several recommendations.

Among the actions taken to implement the recommendations of the Root Cause Analysis, the CPUC initiated a rulemaking to ensure reliable electric service if an extreme weather event occurs in 2021.¹ The proceeding sought to identify and execute all actions within the CPUC's statutory authority to ensure reliable electric service if such events occur in summer 2021 and to prevent service interruptions similar to the August 2020 rotating outages.²

The proceeding resulted in two decisions authorizing incremental procurement. On February 11, 2021, the CPUC adopted Decision (D.)21-02-028, which directed California's three large investor-owned utilities³ (IOUs) to contract for additional capacity to serve peak and net peak demand in the summer of 2021. D.21-02-028 directed sourcing of incremental capacity from: (1) existing power plants through efficiency upgrades; (2) revised power purchase agreements; (3) contracts for generation at risk of retirement; (4) incremental energy storage capacity; and (5) firm forward imported energy. D.21-02-028 did not specify a megawatt (MW) procurement target. The CEC has expeditiously reviewed and approved incremental capacity at jurisdictional gas plants to support this procurement.

¹ California Public Utilities Commission, 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 (R.) 20-11-003, November, 19, 2020.

² See: <http://www.caiso.com/Documents/Final-Root-Cause-Analysis-Mid-August-2020-Extreme-Heat-Wave.pdf>

³ Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company.

On March 25, 2021, the CPUC adopted D.21-03-056, which funded a state-wide Flex Alert program, and directed the IOUs to collectively procure at least 1,000 MW of incremental resources able to provide energy during the peak and net peak hours. This incremental procurement was meant to reflect an “effective” increase of the planning reserve margin (PRM) from 15% to 17.5%. The decision also authorized the IOUs to increase their collective procurement above the minimum authorized quantity, up to a total of 1,500 MW, which would result in an effective PRM of 19%. The Decision stated that the period of need included May through October and the IOUs “should endeavor to meet and exceed their respective minimum MW targets in July, August, and September” for 2021 and 2022.⁴ Both resource adequacy and non-resource adequacy capacity may qualify to meet the incremental resource requirements.

While CPUC, CEC, and CAISO have all taken actions to improve reliability in response to the Governor’s directives and the recommendations of the Root Cause Analysis, conditions have dramatically changed in the past month. The list below identifies the significant changes in the underlying assumptions of the resource adequacy program that the CPUC and the CEC have observed:

1. **Drought conditions have worsened** – Drought conditions have reduced hydro capacity by approximately 1000 MW.
2. **Thermal resources have declined** – Due to unforeseen circumstances, at least 300 MW of thermal capacity will not be available this summer.
3. **High heat events in California and the rest of the west have begun earlier than usual and have exceeded historic temperature levels** – The first high-heat events have already occurred in the west resulting in record temperatures in many parts of the west. During the week of June 14th, both California and the southwestern states had a heat wave that caused the CAISO to issue the first Flex Alert and its first Grid Warning of the season on June 17th and 18th.⁵ On June 17th, Governor Newsom signed an emergency proclamation to free up additional energy capacity and calling for individuals and businesses to “flex their power” by reducing energy use in the evenings.⁶ During the period from June 26th through 29th, the Pacific Northwest experienced record-breaking temperatures. Collectively, these heat events in California and throughout the west began earlier in the year than expected and will most likely impact the ability of California to import more energy beyond the resource adequacy obligations.
4. **Incremental resource delays** – The resource adequacy program had relied on incremental resources coming online for the summer months. The CPUC recently received notice that several will be delayed by one to several months, and in some cases will push online dates past the summer window.
5. **Current development of demand-side resources remains uncertain** – Development of demand-side resources ordered in the CPUC’s March decision, D.21-03-056, are uncertain. While the CPUC and CEC are working to ensure full enrollment in new programs, it appears that savings from the program will be less than targeted in the decision.

⁴ D.21-03-056, p. 44.

⁵ See: <http://www.caiso.com/informed/Pages/Notifications/AWENoticeLog.aspx>

⁶ See: <https://www.gov.ca.gov/2021/06/17/amid-extreme-heat-wave-stressing-energy-grids-across-western-u-s-governor-newsom-acts-to-increase-energy-capacity/>

6. **Resources used to meet gross peak are not adequately supporting net peak in extreme conditions** – California's resource adequacy program has historically focused on procuring enough resources to meet gross load peak requirements and these long-standing policies have resulted in sufficient resources to meet peak demand. More recent decisions have begun to focus on the need to meet peaks at multiple hours of the day and new resource build-outs are focused on meeting both peak and net peak demands. However, because of the conditions discussed above, including the fact that much of these resources will not be online to support reliability in 2021, there is a need for additional procurement to support net peak.
7. **The resource adequacy compliance processes limit time available to demonstrate alternative resources** – Resource adequacy resources must be submitted to the CAISO 45 days before the operating month. This does not provide sufficient time for a load serving entity to modify resource adequacy showings for July and August 2021 to address the changed conditions noted above.

The aforementioned events have resulted in a material difference from what the CPUC assumed for the resource adequacy program in establishing requirements for summer 2021 and caused a material change in system conditions. While the CPUC, CEC and CAISO are collectively working on a number of strategies to address reliability concerns under extreme conditions, these changed circumstances require every tool that is available to the state to be deployed to ensure reliability this summer. Accordingly, the CPUC and CEC jointly request the CAISO to use its tariff-based authority to procure additional resources.⁷ We specifically ask that the CAISO procure capacity pursuant to its tariff authority for July and August 2021. We also request the CAISO to consider procurement for the September 2021 resource adequacy compliance month if conditions do not improve.

Sincerely,



Marybel Batjer
President, California Public Utilities Commission



David Hochschild
Chair, California Energy Commission

cc: Governor Gavin Newsom

⁷ See CAISO Tariff Section 43A.