

**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 2016 and 2017 Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**RESPONSE OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 11.1 of the Commission’s Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO), hereby files a response to Motion of the Independent Energy Producers Association (IEP) to Amend the Phase 2 Scoping Memo and Ruling (Motion). The CAISO generally supports IEP’s request to amend the scoping memo to include addressing the need for a multi-year resource adequacy (RA) obligation in this proceeding.

On December 23, 2015, Assigned Commissioner Michel Florio and Administrative Law Judge Kevin Dudney issued their Phase 2 Scoping Memo and Ruling (Scoping Memo) in this proceeding. The Phase 2 Scoping Memo and Ruling did not provide for consideration of a multi-year RA requirement. In the Motion, IEP requests that the Commission amend the Scoping Memo to incorporate consideration of a multi-year RA obligation. Specifically, IEP requests that the Scoping Memo be modified to:

- Rule that consideration of a multi-year RA obligation is within the scope of Phase 2 of this proceeding;
- Include in Track 1 of Phase 2 consideration of the policy issue of whether a multi-year RA obligation is appropriate and, if so, for what duration;

- Include consideration of a multi-year RA reporting obligation in Track 1 of Phase 2;
- Include consideration of a multi-year RA procurement obligation in Track 2 of Phase 2; and
- Revise the schedule as necessary to reflect these modifications.¹

The CAISO continues to view a multi-year RA framework as an important and effective tool to: (1) address the “risk-of-retirement” problem; (2) create investment opportunities for preferred resources; and (3) incent resource owners to make needed performance enhancements to existing resources. The CAISO expressed its continuing support for a multi-year RA framework in the Joint Reliability Plan proceeding (R.14-02-001), but also indicated that consideration of multi-year RA requirements should be deferred until after development of a more durable flexible capacity definition.² The CAISO continues to believe that development of the flexible capacity mechanism should precede instituting specific multi-year RA *procurement* requirements, but there is merit in addressing certain fundamental multi-year RA issues in this proceeding such as whether multi-year RA obligations are needed³ and the benefits of multi-year RA *reporting* requirements.

The CAISO specifically supports amending the scope of this proceeding to consider (1) whether a multi-year RA obligation is appropriate and (2) whether to impose a multi-year reporting requirement. These issues can be addressed concurrently with the development of the durable flexible capacity mechanism because neither will require new capacity procurement obligations. The multi-year RA reporting tool will allow the Commission and the parties to

¹ Motion, p. 6.

² CAISO Reply Comments, R.14-02-001 (filed November 14, 2014).

³ The CAISO does not support determining specific multi-year RA procurement obligations as part of the scope of the current proceeding.

better understand the need for multi-year RA procurement requirements and inform the development of a multi-year procurement obligation in a future proceeding.

Respectfully submitted,

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