

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

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Forward
Resource Adequacy Procurement Obligations

Rulemaking 19-11-009
(Filed November 7, 2019)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
COMMENTS ON TRACK 3.B2 PROPOSALS**

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits comments in response to proposals submitted by Southern California Edison Company (SCE) and California Community Choice Association (CalCCA), Pacific Gas & Electric Company (PG&E), Energy Division staff, and the Western Power Trading Forum (WPTF). The Energy Division, PG&E, and joint SCE/CalCCA proposals would fundamentally restructure the current resource adequacy program. Additional workshops are required to assess whether the Commission should adopt any of these proposals. Furthermore, if the Commission decides to pursue one of these proposals, there will need to be significant additional discussion regarding the details and implementation processes associated with these proposals. The Commission should not implement any of these proposals before 2023 given their significant or complex changes.

II. Discussion

A. Proposals to Restructure the Resource Adequacy Program

The CAISO, Energy Division staff, PG&E, and SCE/CalCCA present proposals that would fundamentally restructure the resource adequacy program to align with changing system needs. These proposals each have unique merits and features that require further evaluation. The Commission and parties should continue to assess these proposals through workshops, followed by an opportunity for comment. The CAISO agrees with SCE/CalCCA that the initial phase for assessing structural reform in Track 3B.2 should focus on the feasibility of each proposal, leaving detailed implementation issues for workshops following the May 2021

proposed decision.¹ That proposed decision should address the direction the Commission intends to move regarding larger structural changes, thereby allowing the parties to focus on implementation issues in a subsequent phase of this proceeding, or a new proceeding. To the extent the Commission adopts a framework that would require significant changes to CAISO rules and processes, the CAISO cautions that those changes must be considered in the implementation timeline.

The CAISO briefly comments on the Energy Division staff, PG&E, and SCE/CalCCA proposals in the subsections below. These comments are not exhaustive and the CAISO looks forward to assessing the proposals in more detail in future workshops.

1. Energy Division Proposal

The CAISO generally supports resource adequacy proposals that incorporate “energy adequacy” into the resource adequacy construct. Accounting for the capacity and energy that energy-limited resources, such as demand response and four-hour storage, can provide would improve reliability by recognizing their limitations and actual contribution to system reliability. The CAISO has several concerns and questions regarding whether certain aspects of Energy Division’s proposal are feasible. For example, the proposal suggests setting a bid cap at the higher of \$300/MWh or resource’s default energy bid. However, the CAISO cannot monitor bid caps under resource adequacy contracts entered into by CPUC-jurisdictional LSEs. Also, the CAISO only imposes the use of default energy bids under specific circumstances such as bid insertion when resource adequacy resources do not bid as required and when a resource is mitigated. Market participants will also be subject to the CAISO’s Federal Energy Regulatory Commission (FERC) approved tariff and market rules.

In addition, the Commission and parties should review the Energy Division proposal to assess, at a minimum, the following issues:

- (1) how it interacts with the local resource adequacy requirements;
- (2) how it would consider and address load forecast uncertainties and varying system forced outage rates;

¹ SCE/CalCCA Joint Proposal, p. 2.

- (3) whether and how it would comport with the CAISO's FERC approved tariff and rules;
- (4) how it would affect the amount of planning reserve margin and the purpose of the planning reserve margin under this construct;
- (5) how it would affect energy-limited resources and resource qualifying capacity and valuation principles generally;
- (6) whether this construct can exist independently from other local regulatory authority resource adequacy constructs or whether it must be adopted as a general resource adequacy framework for the entire CAISO balancing authority area;
- (7) how to set resource offer obligations and address the use of energy-limited resources that may be fully consumed before the month-end; and
- (8) how this proposal would change or impact the role of the central procurement entity.

Energy Division should address these details more fully at follow-on workshops.

2. PG&E “Slice of Day” Proposal

PG&E's “Slice of Day” proposal presents several unique questions that should be addressed in more detail at workshops. First, PG&E's proposal would create multiple distinct resource adequacy requirements (PG&E's example provided three intra-day requirements), which could present significant implementation challenges for the CAISO's and Commission's resource adequacy compliance system and processes. It would require a significant redesign of current validation systems. The Commission should weigh any such administrative burden against potential benefits.

Second, PG&E's proposal raises questions about, but does not articulate how current resource adequacy contracts should be modified to support, the proposal. For example, load serving entities may need to execute partial day contracts to meet each “slice's” resource adequacy requirement. The potential implications of PG&E's proposal require additional stakeholder discussion.

Finally, PG&E's proposal suggests applying the must offer obligation only to resources that are on the supply plan for the particular intraday “slice.” This raises potential operational challenges because system and local needs may not be well aligned in all instances. System needs are not discrete but continuous throughout the day from interval to interval.

3. *SCE/CalCCA Joint Proposal*

SCE/CalCCA's joint proposal has several positive aspects including (1) establishing energy sufficiency requirements, (2) recognizing the need for requirements based on net load, and (3) aligning with the CAISO's unforced capacity (UCAP) proposal. The CAISO previously identified some unique challenges associated with SCE/CalCCA's initial proposal, which SCE/CalCCA highlighted in their revised proposal. The CAISO agrees with the need to review these challenges and potential solutions during future workshops.

The updated SCE/CalCCA joint proposal notes that one outstanding issue is how to set an appropriate planning reserve margin under this proposal given load uncertainties, wind/solar forecasts and forced outage rates. The CAISO agrees that this is a fundamental issue, and emphasizes that the proposal should incorporate a sufficient planning reserve margin at the net demand peak to ensure reliability. In addition, the CAISO recommends that the SCE/CalCCA joint proposal incorporate a must offer obligation for both the gross and net peak demand periods for all RA resources and wind and solar resources used to transform the gross load curves to the net load curves.

SCE/CalCCA also propose additional quantitative analysis to consider temporal aspects of load and generation and to set the appropriate planning reserve margin. The CAISO's existing and planned studies assessing monthly resource adequacy loss of load expectations can inform this effort. The CAISO looks forward to collaborating with parties to determine what, if any, additional studies should be conducted to provide further information.

B. WPTF Multi-Year Resource Adequacy Requirements

The CAISO directionally supports WPTF's proposal for a multi-year system resource adequacy requirement. WPTF also suggests adopting multi-year flexible resource adequacy requirements. However, the Commission should first implement multi-year system requirements before considering and adopting any multi-year flexible capacity requirements. The CAISO must first review and modify the existing flexible capacity resource adequacy requirements before the Commission adopts multi-year forward flexible resource adequacy requirements. Allowing the CAISO to review and refine the flexibility requirements before implementing multi-year procurement requirements will avoid locking in contracts that do not meet updated system flexibility needs.

III. Conclusion

The CAISO recommends the Commission schedule additional workshops to address outstanding issues presented by the proposals to restructure the resource adequacy program. In addition to reviewing the proposal put forth by Energy Division, PG&E and SCE/CalCCA, these workshops should consider how any structural resource adequacy reform can work in concert with the CAISO's UCAP proposal. The CAISO looks forward to discussing these issues in more detail as this proceeding progresses.

Respectfully submitted,

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