

**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)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
COMMENTS**

I. Introduction

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits these comments on the *Proposed Track 1 Decision Adopting Local and Flexible Capacity Obligations for 2017, and Further Refining the Resource Adequacy Program* (Proposed Decision). In general, the CAISO supports the Proposed Decision as a reasonable means of ensuring resource adequacy for 2017.

II. Discussion

The CAISO’s comments focus on the following issues raised in the Proposed Decision: (1) the process recommendations for future CAISO local capacity requirement (LCR) and flexible capacity requirement (FCR) studies; (2) the disposition and recommendations regarding the 20-minute response requirement for resources counting toward local resource adequacy needs; and (3) the request that the CAISO provide analysis of potential changes to the local resource adequacy program requirements for the Los Angeles Basin (LA Basin) and San Diego sub-area based on future operations of the Aliso Canyon natural gas storage facility.

A. The LCR and FCR Study Processes

The Proposed Decision requests that the CAISO adhere to the following guidelines in future LCR and FCR study processes:

- All draft studies should be posted to the CAISO website when they are released,
- Posted drafts should remain publically accessible for the duration of the process,
- All comments on draft studies should be posted to the CAISO website soon after they are received,

- If necessary due to confidentiality concerns, commenting stakeholders should be encouraged to submit public and confidential versions of their comments,
- Draft and final studies should describe and address the impact of any data that was not available to the CAISO to perform the study,
- Work papers supporting the final studies should be shared with Energy Division staff as necessary to implement the RA program,
- The final studies should include a response to comments,
- The final studies should be filed and served in the then-current RA proceeding by April 15 of each year, unless otherwise scheduled by the ALJ or scoping memo, and
- The final LCR study should include an explanation of the role of DR, including busbar level data provided by the utilities.¹

The CAISO is and has been committed to an open and transparent stakeholder process for its LCR and FCR studies. These recommendations represent common sense best practices that, in most cases, the CAISO already strives for in its LCR and FCR study processes. To the extent these practices have not already been adopted, the CAISO will seek to incorporate these recommendations into its study processes as appropriate on a going forward basis. The CAISO notes that in some extenuating circumstances, deviations from these best practices may be warranted. In such situations, the CAISO will inform stakeholders regarding the purpose for any such deviation.

B. 20-Minute Response Time for Local Resource Adequacy Credit

1. General Findings

The CAISO agrees with the finding that the “local [resource adequacy] program should provide adequate and appropriate resources to the CAISO to meet its uncontested obligation to reposition the system within 30 minutes of a contingency.”² The Proposed Decision also accurately points out that the “proposed requirement that local resources must either be able to respond within 20 minutes or have ‘sufficient’ energy for pre-contingency dispatch is a logical interpretation of the ‘when and where needed’ tenet of our [resource adequacy] program.”³ With these fundamental principles as a starting point, the CAISO agrees with the Proposed Decision’s

¹ Proposed Decision, p. 16.

² Proposed Decision, p. 64, Conclusion of Law No. 7.

³ Proposed Decision, p. 60, Finding of Fact No. 8.

approach to implement this new policy in a non-discriminatory manner and following a CAISO stakeholder process and a joint CAISO-Energy Division workshop.

Consistent with the CAISO's May 13, 2016 decision regarding the implementation of proposed revision request 854, the Proposed Decision requests that the CAISO work collaboratively with parties and Energy Division Staff to develop clear rules and practices around pre-contingency dispatch of demand response resources to count for local resource adequacy credit. The CAISO has already begun this process and will collaborate with Energy Division Staff and stakeholders to address implementation related to pre-contingency dispatch for demand response resources.

2. Stakeholder Process Recommendations

The Proposed Decision provides several recommendations regarding issues to be considered in the CAISO stakeholder process. Those recommendations are reproduced below, with the CAISO's comments on each:

Proposed Decision Recommendation 1: Clearly defining what "sufficient energy" for pre-contingency dispatch means, including:

- Quantifying how many hours of pre-contingency dispatch should reasonably be required in each local area,
- Quantifying the number of pre-contingency dispatch events that should reasonably be required in each local area, and
- Possibly defining either or both of these requirements (hours, events) by year, season and month.

CAISO Comments: The CAISO agrees that clearly defining sufficient energy necessary for a resource to qualify as a local resource based on pre-contingency dispatch is a critical element of this stakeholder process. The CAISO began studying the necessary pre-contingency dispatch requirements earlier this year and will continue to work with load-serving entities and stakeholders in the upcoming stakeholder process. Determining pre-contingency dispatch requirements on a seasonal or monthly basis may not be feasible or practical, but can be discussed in more detail during the stakeholder process.

Proposed Decision Recommendation 2: Identifying a method to ensure that resources are not overly dispatched pre-contingency without good cause,

- For example, considering whether it is appropriate to develop a new operating procedure for intra-day pre-contingency dispatch of demand response resources.

CAISO Comments: The CAISO notes that its day-ahead and real-time energy markets are designed to optimize resources to reliably serve demand with the least cost energy. Resources are dispatched pre-contingency to ensure that the CAISO can reliably serve load while meeting applicable standards and operating requirements. The stakeholder process will focus on providing resources the opportunity to accurately reflect their costs in order to appropriately manage their participation in the CAISO’s markets while providing necessary resource adequacy.

Proposed Decision Recommendation 3: Clarifying operating procedures for post-contingency notification, ensuring equal treatment for all resources.

CAISO Comments: The CAISO agrees with this recommendation.

Proposed Decision Recommendation 4: Identifying a method to calculate the portion of a slower responding DR program that can reliably respond within the required period, and therefore be counted for Local RA.⁴

CAISO Comments: Assigning partial resource adequacy credit for partially fast responding resources is a complex issue that will require significant study and policy development before such bifurcated resources⁵ can be counted toward resource adequacy requirements. As outlined in the CAISO’s April, 8, 2016 comments in this proceeding, it is unclear what the policy implications would be for single resources that qualify as local capacity for the fast portion of their capacity and system capacity for the remaining slow portion of their capacity. This type of resource unbundling has not been contemplated to date and will require extensive vetting. The CAISO may examine how to prioritize and address this issue in a future stakeholder process.

C. LA Basin and San Diego Sub-Area Requirements

The Proposed Decision requests the CAISO to provide an analysis of “potential, responsive changes to the Local RA program in the 2018 LCR Study, if Aliso Canyon operations continue to be constrained.”⁶ The CAISO agrees that the local capacity requirements for the LA

⁴ Proposed Decision, p. 39.

⁵ A “bifurcated” resource here is a resource that would qualify as local RA capacity for the portion of its fast responding capability and system capacity for its remaining slow responding capability.

⁶ Proposed Decision, p. 11.

Basin and San Diego sub-area should be closely monitored in light of the ongoing uncertainty surrounding the continued operation of the Aliso Canyon natural gas storage facility. The CAISO will continue to analyze the potential consequences as part of its long-term LCR studies to be conducted in the 2016-2017 transmission planning process. The CAISO invites the Commission's Energy Division staff and interested stakeholders to provide additional input in that process. This additional analysis will inform the 2018 LCR study.

III. Conclusion

The CAISO appreciates this opportunity to provide comments on the Proposed Decision and looks forward to cooperating with the Commission going forward.

Respectfully submitted,

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