

**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
REPLY COMMENTS ON WORKSHOP REPORT AND PROPOSALS**

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Date: March 11, 2020

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits reply comments on the Track 1 proposals pursuant to the January 22, 2020 Assigned Commissioner’s Scoping Memo and Ruling (Scoping Memo). The CAISO replies to opening comments filed by the following parties: Bonneville Power Administration (Bonneville), California Community Choice Association (CalCCA), Calpine Corporation (Calpine), the Department of Market Monitoring of the CAISO (DMM), Morgan Stanley Capital Group Inc. (MSCG), Pacific Gas & Electric Company (PG&E), Powerex Corp. (Powerex), San Diego Gas & Electric Company (SDG&E), Shell Energy North America (US), L.P. (Shell), and Southern California Edison Company (SCE).

II. Discussion

In Track 1 of this proceeding, the CAISO proposed a set of rules targeted at ensuring that California has access to reliable import capacity. As previously noted, the two essential elements of the CAISO’s proposal are (1) a source specific information requirement at the time of the resource adequacy showings, together with requirements for appropriate attestation or other supporting documentation to validate that shown capacity is backed by real, physical resources in excess of the supplier’s or balancing authority area’s existing capacity commitments; and (2) an extension of the CAISO’s Must Offer Obligations to the Real-Time Market for resource adequacy imports included in resource adequacy showings. The CAISO also recommended that the Commission adopt firm transmission requirement for resource adequacy imports. In these

comments, the CAISO addresses concerns raised by parties regarding the CAISO's proposal. The CAISO does not see any need to modify its original proposal in light of these comments.

A. Forward Source Specification, Attestation, and Documentation

Several parties support the CAISO's proposed source specification at the time of resource adequacy showings and provide additional support of the dependability of such requirements.¹ However, some parties maintain that the Commission should continue to allow non-source-specific energy contracts to count as resource adequacy-eligible resources.² Parties that oppose the source-specification requirement assert that (1) the requirement will not achieve its stated reliability benefits, (2) the Commission or the CAISO cannot implement the requirement, or (3) the requirement will increase capacity costs. Contrary to such assertions, source specification is the only proposal that adequately addresses concerns with speculative supply and double counting, and the Commission can act immediately to implement some of the most important aspects of the requirement. To the extent the source specification increases capacity costs, it simply reflects the cost of eliminating speculative supply, which although cheaper than resource adequacy imports backed by physical supply, provides no real capacity benefit and is problematic for reasons that have been well-documented. The CAISO discusses each of these issues in detail below.

1. Source Specification and Attestation Requirements Address Speculative Supply and Double Counting Concerns.

The DMM questions the efficacy of a source specification requirement on the basis that it may "not prevent imports from being backed by spot market purchases originating outside the specified source's BAA."³ Specifically, DMM argues that a "scheduling coordinator could

¹ Calpine Corporation, *Comments of Calpine Corporation on Track 1 Import Resource Adequacy Proposals*, March 6, 2020, pp. 2-3; Powerex, *Comments of Powerex Corp. on Track 1 Import Resource Adequacy Proposals*, March 6, 2020, p. 1; Middle River Power, *Middle River Power, LLC Opening Comments on Track 1 Proposals*, March 6, 2020, p. 13.

² SDG&E, *San Diego Gas & Electric Company (U 902 E) Comments on Track 1 (Import Issues) Proposals & Workshop*, March 6, 2020, p. 2 (SDG&E Comments); MSCG, *Comments of Morgan Stanley Capital Group Inc. on Track 1 Proposals submitted in R.19-11-009*, p. 2-3 (MSCG Comments); Shell, *Opening Comments of Shell Energy North America (US), L.P. on Track One Proposals*, March 6, 2020, p. 3. (Shell Comments); SCE, *Southern California Edison Company's (U 388-E) Comments on Track 1 Proposals*, March 6, 2020, p. 7.

³ DMM, *Comments on Track 1 Proposals of the Department of Market Monitoring of the California Independent System Operator Corporation*, March 6, 2020, p. 4. (DMM Comments).

source an import from outside the source's BAA, 'sink' in the specified [resource adequacy] source's BAA, and tag the final leg as an import into CAISO. Multiple path legs may span multiple BAAs with the last leg of the import sourcing from the specified source's BAA."⁴ However, if DMM's concern is warranted, it supports more restrictive resource specification requirements, well beyond the reasonable requirements the CAISO suggested. To address DMM's concern, the Commission would need to adopt source specification requirements that only permit resource adequacy imports from aggregated resources (such as linked hydro systems), with every source identified at the time of showings, and/or resource-specific imports. In contrast, the CAISO suggested BAA level source specification to provide greater flexibility and to avoid unnecessarily reducing the pool of import supply.

Separately, Shell, MSCG and SDG&E argue that source-specification at the time of resource adequacy showings is not necessary because allowing resource adequacy imports to source energy from multiple resources provides greater reliability and liquidity.⁵ The CAISO's proposal allows suppliers to pool multiple resources to provide resource adequacy capacity. However, the CAISO proposal ensures that such pooled resources are backed by real, physical capacity that is dedicated to serving CAISO demand. Allowing pooled resources without any source-specification fails to address the speculative supply and double counting issues and allows California load-serving entities to continue to rely on spot-market energy transactions to meet capacity needs. Reliance on such spot-market transactions has proven to be ineffective based on DMM's concern that resource adequacy imports may be bidding high to avoid dispatch because they cannot deliver.⁶ In contrast, source-specification may reduce short-term liquidity for resource adequacy imports, but it would do so because it will eliminate speculative supply and require load-serving entities to procure a superior capacity product.

Certain parties suggest that strike prices, or self-scheduling requirements can substitute for the CAISO's proposed measures targeted on ensuring the CAISO can rely on resource adequacy imports. The CAISO disagrees that such measures would be as dependable. Proponents of these approaches correctly assume that if a resource were subject to a strike price,

⁴ *Id.*

⁵ Shell Comments p. 3; MSCG Comments pp. 2-3; SDG&E Comments p. 2.

⁶ DMM, *Comments on Proposed Decision Clarifying Resource Adequacy Import Rules of the Department of Market Monitoring of the California Independent System Operator Corporation*, R.17-09-020, September 26, 2019, pp. 5-9. See also <http://www.caiso.com/Documents/ImportResourceAdequacySpecialReport-Sept102018.pdf>.

when the energy price reaches that strike price and their supply offers are awarded, the supplier would be exposed to significant financial penalty if they then cannot provide the underlying energy. The CAISO disagrees, however, that this resolves the underlying problem of speculative supply because the supplier may just incur the penalty, and there would still be no delivery. The CAISO agrees with Middle River Power that such arrangements may increase the financial risk of not securing the capacity they need to meet their resource adequacy obligations, but it does not guarantee that supply will be secured in advance and delivered to the CAISO, which is the key principle underlying any resource adequacy program.⁷ The CAISO is very concerned these arrangements would put CAISO reliability at risk, especially if they constitute the bulk of available resource adequacy imports.

On a related issue, both Shell and MSCG recommend allowing for resource substitution in the operational window for resource adequacy imports. Resource substitution, as proposed by Shell and MSCG, is not consistent with ensuring that real, physical capacity is committed to serving California need. Though proponents provided few details regarding how this resource substitution would work, it appears these proposals would allow non-source specific energy deliveries to substitute for source-specific capacity. Unless the substitute capacity has exactly the same quality (*e.g.*, is source specific) as the capacity being substituted, this would greatly undermine the source-specification by allowing a supplier to attest to a source-specific resource adequacy import product at the time of the showing and then later allowing the supplier to substitute spot-market energy for the capacity resource in the operating window that is not resource-specific and not deliverable. As noted above, the CAISO proposal allows for unit-specific resource pooling at the time of resource adequacy showings. Under that framework, importers can aggregate multiple resources to ensure there is available substitution capacity, while still ensuring that all resources are backed by real, physical capacity.

2. The Commission Can Implement Source Specification Requirements for the 2021 Resource Adequacy Year.

DMM, PG&E, and SCE raise concerns regarding the implementation of a source specification requirement. DMM specifically states that requiring resource adequacy imports to “specify a source and to have a real-time must offer obligation could be a significant interim

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enhancement to current [resource adequacy] rules” but that “it is unlikely that the details of such a proposal could be developed in time to be implemented for the 2021 RA compliance year.” Based on this, DMM recommends that other interim proposals should be considered for the 2021 compliance year.⁸

Contrary to DMM’s assertion, the Commission can adopt a source specification immediately as part of its decision in this proceeding. The CAISO noted in its proposal that the Commission could require its jurisdictional load-serving entities to obtain source specification in any new resource adequacy import contract. The CAISO would seek to complement this requirement with a similar requirement on suppliers, but such supplier requirement need not be in place for the Commission to adopt its own rules to ensure that resource adequacy imports contracted for by its jurisdictional load-serving entities provide real, physical capacity.

PG&E and SCE voice similar implementation concerns. PG&E notes that requiring an attestation from the market supplier is unreasonable due the Commission’s lack of jurisdiction over suppliers and external balancing authorities. Although the CAISO agrees that the Commission does not have jurisdiction over suppliers or balancing authorities, the Commission can exercise its jurisdiction by requiring its jurisdictional load-serving entities to sign resource adequacy contracts with source specification requirements.

PG&E notes that market suppliers cannot ensure that the balancing authority comports with the information set forth in the attestation. SCE asserts that any attestation or documentation requirement would be a significant burden that would have a detrimental effect on the liquidity of resource adequacy import market. Resource adequacy import suppliers countered these concerns. For example, Bonneville specifically noted that it agreed “with the CAISO proposal to require attestation for resource specificity” and stated its willingness to provide such attestation. Bonneville further noted that the attestation should include “that the supply source is surplus and not relied on by other balancing authorities or load-serving entities.”⁹ The CAISO noted in its proposal that attestation requirements should be tailored to the entity making the attestation. Suppliers can attest that they control a specific resource or set of resources. Suppliers can also attest that its capacity from specific resources has not been sold to

⁸ DMM Comments p.8

⁹ Bonneville, *Comments of the Bonneville Power Administration on Track 1 Proposals*, March 6, 2020, p. 5. (Bonneville Comments).

other entities. If source specification is at the balancing authority area level, the Commission may require different documentation, such as accounting details showing that there are sufficient resources to serve native load and resource adequacy imports.

B. Transmission Requirements

DMM and PG&E question the efficacy of the CAISO's proposal to require resource adequacy imports to secure firm transmission in the planning timeframe.¹⁰ DMM appears to suggest that the quality of transmission in the West is inferior to the arrangements parties have made elsewhere to support capacity markets or other resource adequacy constructs. DMM states that "non-recallability provisions for import capacity may also be necessary to ensure import RA is dedicated to the CAISO and cannot be curtailed by other BAAs, particularly when other BAAs also face supply shortages." DMM further states that "[c]oordination with other BAAs to define curtailment rules for RA imports will be important to ensure that import capacity procured by CAISO LSEs is dedicated to CAISO and cannot be recalled to serve the source BAA's native load when the source BAA cannot find other internal or external power to meet its native load."¹¹

The CAISO agrees it is essential that resource adequacy imports resources are backed by high quality transmission service that ensures the imports are treated on par with the host BAA's native load. Although DMM does not detail in its comments on the Track 1 proposals what exactly it means by "non-recallable provisions," in its comments submitted to the CAISO in the CAISO's Resource Adequacy Enhancements stakeholder initiative, the DMM reiterated its recommendation that the CAISO and the Commission consider changes in its rules to require resource adequacy imports to be backed by specific resources and extending the must-offer obligation of resource adequacy imports beyond the day-ahead market into the real-time market.¹² The CAISO's proposal is consistent with DMM's recommendations, and the CAISO does not dispute the need for such measures to ensure delivery of resource adequacy imports when California actually needs that capacity. However, DMM erroneously appears to suggest that in addition to the resource specification and must offer obligations, other ISO/RTOs also

¹⁰ DMM Comments pp. 5-6; PG&E, *Comments of Pacific Gas and Electric Company (U 39 E) on Track 1 Proposals*, March 6, 2020, pp. 2-3.

¹¹ DMM Comments p. 3-4.

¹² DMM, *Comments on Resource Adequacy Enhancements Revised Straw Proposal*, July 24, 2019, available at: <http://www.caiso.com/InitiativeDocuments/DMMComments-ResourceAdequacyEnhancements-RevisedStrawProposal.pdf>

require import resource adequacy capacity be served by transmission service that is of a higher quality than *firm* transmission service provided by most transmission providers in the country.¹³ They do not require a higher quality transmission service. Further, there is no need to require higher quality transmission service or further assurances from the host balancing authority areas than is already provided under existing long-term firm-point-to-point service. Firm transmission service provides the types of assurances DMM seeks and the Commission should require.

Firm transmission service is available in the West as required by Federal Energy Regulatory Commission's (FERC's) open access requirements.¹⁴ Under the pro-forma Open Access Transmission Tariff (OATT), firm transmission service has the same curtailment priorities as the BAA's native load. Section 13.6 of FERC's pro forma OATT states that "If

¹³ As also reflected in DMM's comments to the CAISO in its RA stakeholder proceeding (*see* fn 12), the following reflects the requirements imposed in other resource adequacy constructs by the other ISOs and RTOs:

- ISO-NE requires that in support of new import capacity resources, the customer must submit "documentation for system-backed import capacity that the import capacity will be supported by the Control Area and that the energy associated with that system-backed import capacity will be afforded the same curtailment priority as that Control Area's native load;" ISO New England, Transmission, Markets and Services Tariff, Section 13.1.3.5.1. https://www.iso-ne.com/static-assets/documents/regulatory/tariff/sect_3/mr1_sec_13_14.pdf
- MISO requires "demonstrating that there is firm transmission service from the External Resource to the border interface CPNode of the Transmission Provider Region and either that firm Transmission Service has been obtained to deliver capacity on the Transmission System from the border to a Load within an LRZ or demonstrating deliverability...;" MISO Tariff, Module E, Sheet 69A.3.1.c, <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=2ahUKEwjWqvu84ZH0AhVToZ4KHdscD9wQFjABegQIBhAB&url=https%3A%2F%2Fcdn.misoenergy.org%2FModule%2520E-1108026.pdf&usq=AOvVaw3lbYIyEY2CmOBauOg-tIIW>.
- NYISO requires that in order to participate as external installed capacity suppliers, external resources must demonstrate that "if they demonstrate that the External Control Area will afford the NYCA Load the same curtailment priority that they afford their own Control Area Native Load Customers;" NYISO MST - Market Administration and Control Area Services Tariff (MST), Section 5.12.2.1, <https://nyisoviewer.etariff.biz/ViewerDocLibrary/MasterTariffs/9FullTariffNYISOMST.pdf>.
- PJM requires different requirements depending on how the external resource participates in the capacity market that can be either as rigorous as a pseudo-tie arrangement or as is required in most other areas, that the resource have firm transmission service to the PJM border. PJM Manual 18: PJM Capacity Market, Section 4.2.2, <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=2ahUKEwjIt9n44pHoAhVETz4KHYNWDBQQFjAAegQIAhAB&url=https%3A%2F%2Fwww.pjm.com%2F~%2Fmedia%2Fdocuments%2Fmanuals%2Fm18.ashx&usq=AOvVaw2CvqOgCj0UgrSFGijrTP9B>.

¹⁴ Order No. 888, *Promoting Wholesale Competition Through Open Access Nondiscriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, [Regs. Preambles 1991-1996] F.E.R.C. STATS.& REGS. 7 31,036 (1996), 61 Fed. Reg. 21,540 (1996) (to be codified at 18 C.F.R. pts. 35, 385) [hereinafter Order No. 888], *order on reh'g*, Order No. 888-A, F.E.R.C. STATS. & REGS. 7 31,048 (1997), *order on reh'g*, Order No. 888-B, 81 F.E.R.C. 7 61,248, 62 Fed. Reg. 64,688 (1997), *order on reh'g*, Order No. 888-C, 82 F.E.R.C. 7 61,046 (1998), *aff'd in relevant part sub No.*, *Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff'd sub nom.*, *New York v. FERC*, 535 U.S. 1 (2002). For additional resources: <https://www.ferc.gov/industries/electric/indus-act/oatt-reform.asp>.

multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, the Transmission Provider will curtail service to Network Customers and Transmission Customers taking Firm Point-To-Point Transmission Service on a basis comparable to the curtailment of service to the Transmission Provider's Native Load Customers.” These provisions exist in the tariffs of transmission providers in the West, including non-FERC-jurisdictional entities. For example, although Bonneville is not a FERC-jurisdictional entity, section 13.6 of its tariff also specifies

In the event that a Curtailment on the Transmission Provider’s Transmission System, or a portion thereof, is required to maintain reliable operation of such system and the system directly and indirectly interconnected with Transmission Provider’s Transmission System, Curtailments will be made on a non-discriminatory basis to the transaction(s) that effectively relieve the constraint. The Transmission Provider may elect to implement such Curtailments pursuant to the Procedures Addressing Parallel Flows specified in Attachment J. If multiple transactions require Curtailment, to the extent practicable and consistent with Good Utility Practice, the Transmission Provider will curtail service to Network Customers and Transmission Customers taking Firm Point-To-Point Transmission Service on a basis comparable to the curtailment of service to the Transmission Provider’s Native Load Customers. All Curtailments will be made on a non-discriminatory basis, however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Transmission Service. Long-Term Firm Point-To-Point Service subject to conditions described in Section 15.4 shall be curtailed with secondary service in cases where the conditions apply, but otherwise will be curtailed on a pro rata basis with other Firm Transmission Service. When the Transmission Provider determines that an electrical emergency exists on its Transmission System and implements emergency procedures to Curtail Firm Transmission Service, the Transmission Customer shall make the required reductions upon request of the Transmission Provider. However, the Transmission Provider reserves the right to Curtail, in whole or in part, any Firm Transmission Service provided under the Tariff when, in the Transmission Provider’s sole discretion, an emergency or other unforeseen condition impairs or degrades the reliability of its Transmission System. The Transmission Provider will notify all affected Transmission Customers in a timely manner of any scheduled Curtailments.

(Emphasis added.)

No party explains or provides evidence as to why firm transmission service is insufficient to ensure transmission providers in the West would treat resource adequacy imports like they treat their own native load. The CAISO recognizes that there are other types of transmission service that may offer similar degrees of confidence, such as conditional firm service, which is in most instances equivalent to firm transmission service, except that the transmission provider may curtail service prior to curtailing other firm transmission service for a specified number of hours

per year or during certain system conditions.¹⁵ In addition, the CAISO recognizes that there may be different degrees of firmness for firm point-to-point service based on the length for which the service is procured. For example, under the Pro Forma OATT, although short-term firm transmission rights owners have the right of first refusal, long-term firm transmission service rights would have a higher reservation priority if available transfer capability is insufficient to satisfy all requests and reservations. However, all long-term term point-to-point transmission service has an equal reservation priority with native load customers.¹⁶

The CAISO also appreciates that non-firm service may provide the import resource adequacy resource the ability to deliver the power to the ISO grid *under certain circumstances*. However, non-firm service has a lower scheduling priority than firm service, which poses certain challenges. For example, under the Pro-Forma OATT, although non-firm service can be procured ahead of time, it is more susceptible to curtailments “for economic reasons in order to accommodate (1) a request for Firm Transmission Service, (2) a request for Non-Firm Point-To-Point Transmission Service of greater duration, (3) a request for Non-Firm Point-To-Point Transmission Service of equal duration with a higher price, (4) transmission service for Network Customers from non-designated resources, or (5) transmission service for Firm Point-to-Point Transmission Service during conditional curtailment periods...” Because firm transmission service can be scheduled up to twenty minutes before the start of the next scheduling interval (*i.e.*, the operating hour), even if a non-firm transmission rights owner schedules in the day-ahead, the transmission provider can “bump” the non-firm rights holder if the firm rights holder submits their schedule prior to the operating hour or if needed to serve their native load. Although there may be a reasonable degree of probability that a resource with non-firm service can support resource adequacy imports in many instances, the CAISO anticipates these may not materialize when system conditions are strained and external entities are competing for the same transmission. These deficiencies with non-firm rights are the type of “recallable” rights the CAISO agrees would be not suffice to support resource adequacy imports. However, these concerns are not present with firm transmission rights.

¹⁵ See Pro Forma OATT at Section 15.4. Conditional firm service is offered to parties that cannot meet the requirements for firm service, such completing additional transmission upgrades to ensure firm service. In such cases, the transmission customer may agree a less firm service that meets its transmission needs. See <https://www.ferc.gov/industries/electric/indus-act/oatt-reform/pro-forma-OATT.pdf>.

¹⁶ Pro Forma OATT at Section 13.2.

Nevertheless, the CAISO suggested in its Proposal that it would be willing to consider alternative showings that provide reasonable assurances that resources can obtain transmission service that is equivalent to long-term firm transmission service.¹⁷ However, parties to this proceeding have not provided any evidence that such alternative arrangements would offer the same degree of dependability as resource adequacy imports backed by firm transmission service.

DMM expresses concern that imposing firm transmission requirements for resource adequacy imports resources might create competitive advantages for holders of firm transmission service on major paths. Although the CAISO understands the DMM's concern, this issue should not be conflated with the quality of firm transmission service and its degree of dependability. Contrary to DMM's recommendation, the CAISO disagrees that the Commission must first consider the "market" for firm transmission in varying release timeframes before requiring that resource adequacy imports be backed by firm transmission. The CAISO recognizes that it may be more difficult to obtain firm rights as the operating hour approaches, and any capacity "released" by firm rights owners is likely to be available on a non-firm basis. However, as discussed above, this has nothing to do with whether resource adequacy imports backed by firm transmission service have the same priority as native load.

The CAISO understands that if the Commission requires resource adequacy imports be backed by firm transmission, it might restrict the number of eligible parties that can contract for such services based on whom has invested in or otherwise secured such service to date. However, the DMM ignores that simply because there currently may be a limited number of long-term firm transmission rights holders, does not mean it must remain as such. Entities can request and pay for long-term firm transmission service. It is not clear that there is no firm transmission to be bought in the West to support resource adequacy imports. The Commission has not required this in the past and therefore parties have not made such investments. There is a reason why the eastern ISO/RTOs have required that resource adequacy imports be supported like native load in the host balancing authority areas. It sends the signal for parties to procure that service, either from the transmission provider or from the secondary markets. Secondly, if firm transmission is not available, it sends the signal that there may be a need for additional enhancements on existing transmission systems external to the CAISO. Such enhancements may

¹⁷ CAISO, *California Independent System Operator Corporation Comments on Track 1 Workshop Report and Proposals*, March 6, 2020, p. 3.

be necessary if California intends to count resource adequacy imports to meet its requirements. It also sends the strong signal to exiting holders of firm transmission rights and other parties that there may be an opportunity to trade their rights through secondary markets. Firm transmission procured through such secondary markets retains the firmness of the service traded. Although this might affect the cost of obtaining these arrangements, it may be necessary to ensure California load is served by dependable imports. If California seeks to ensure that dependable capacity is available to it, it must take the actions necessary to ensure that result.

Finally, although Energy Division seems to share DMM's concern regarding the exercise of market power by entities that currently own transmission rights, they recommend that resource-specific import resource adequacy be limited to resources that are either dynamically scheduled or pseudo-tied into the CAISO.¹⁸ This recommendation is inconsistent with their stated concern. There currently a limited number of resources available under such arrangements, and the cost of creating such arrangements are significant. The CAISO agrees with Bonneville that Western external resources are not captive to sell to California and there is no indication that the mere opportunity to make such sales will incent the investments needed to convert their resources.¹⁹

SDG&E asserts the Commission should not require resource adequacy imports be supported by firm transmission because it claims similar requirements do not exist for internal supply resources.²⁰ SDG&E is incorrect. Internal resource adequacy is subject to similar standards. SDG&E completely ignores that although internal resources do not have to demonstrate on a daily or hourly basis that they have transmission, an internal resource cannot qualify for resource adequacy if it is not deliverable. The CAISO's interconnection process and deliverability study process ensures that internal resources are supported by the transmission needed to make those resources deliverable to load via its transmission service, which in the CAISO is all firm. Having tested and granted deliverability status to internal resources, internal resources essentially have demonstrated that they have sufficient firm transmission to meet their resource adequacy requirements.

¹⁸ Energy Division Resource Adequacy (RA) Import Proposal for Proceeding R.19-11-009, p. 4.

¹⁹ Bonneville Comments p. 3.

²⁰ SDG&E Comments p. 7.

C. Real Time Must Offer Obligation

The DMM's comments seem to express agreement with the CAISO that, at least in principle, adding a real-time market bidding obligation for resource adequacy imports would be an important improvement to the resource adequacy program. The DMM, however, expresses skepticism that the details of such a proposal could be developed in time to be implemented for the 2021 resource adequacy compliance year and therefore suggests that "other interim proposals that can be implemented for the 2021 [resource adequacy] compliance year should be considered." However, the DMM does not directly state specifically what these other, purportedly more implementable, proposals are. Presumably the DMM is referring to the Energy Division staff's proposal to require import resource adequacy resources to deliver or self-schedule, though DMM specifically notes that it previously supported limiting self-scheduling to the availability assessment hours (AAHs). Energy Division's Track 1 proposal does not explicitly limit must deliver or self-scheduling to only the AAH.²¹

The CAISO agrees that the details of implementing a real-time bidding requirement "need to be carefully developed and considered" but such careful consideration applies equally to the alternative of requiring self-scheduling. In either case, scheduling coordinators representing resource adequacy imports would need to comply with new bidding requirements and—without automated system changes by the CAISO—compliance reviews would be limited to after-the-fact assessments for either of the proposed requirements. Therefore, there is no reason to believe one option is more or less implementable for the 2021 resource adequacy year. More importantly, however, the CAISO has identified significant problems with the proposal to require self-scheduling as it could decrease ramping capability and increase the need for other dispatchable resources.²² That being the case, it is preferable to implement the best rules possible now for the 2021 resource adequacy year, with automated enforcement to follow as the CAISO implementation schedule allows.

²¹ Energy Division Resource Adequacy (RA) Import Proposal for Proceeding R.19-11-009, p. 5 ("Non-resource specific RA imports must be delivered or self-scheduled into the CAISO. The CPUC could consider whether a negative \$150/MWh or \$0/MWh bid requirement is sufficient to meet this requirement, which could potentially avoid delivering import RA when prices are negative and are not needed.")

²² See CAISO comments pp. 2-4: <http://www.caiso.com/Documents/Sep26-2019-Comments-ProposedDecision-RAImportRules-RAProgramProceeding-R17-09-020.pdf>.

III. Conclusion

The CAISO recommends that the Commission update its resource adequacy import rules to adopt the CAISO's proposed source-specification requirement and related attestation or documentation rules.

Respectfully submitted

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