

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

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 20-11-003
(Filed November 19, 2020)

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION ON PROPOSED DECISION**

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The California Independent System Operator Corporation (CAISO) submits comments on the Proposed Decision (PD) pursuant to the Commission’s Rules of Practice and Procedure 14.6(a)(1) and 14.6(a)(8) and Administrative Law Judge Stevens’ directives issued with the PD.

I. Introduction

The CAISO appreciates the Commission’s quick and decisive action to secure additional resources for summer 2021. The CAISO provides the following reply comments on the appropriateness of its analysis, increasing the planning reserve margin, incremental procurement to address needs from May through October, showing incremental procurement as resource adequacy capacity, emergency load response program availability and compensation, and appropriate use of the base interruptible program resource adequacy resources.

II. Discussion

A. The CAISO’s Stack Analysis is Appropriate and Provides Valuable Insight

The CAISO disagrees with parties claiming the CAISO stack analysis is overly simplistic or insufficient to support incremental procurement for summer 2021.¹ Other analyses such as a loss of load expectation (LOLE) analysis are significantly more complex and contain many more input assumptions, which can increase uncertainty. In contrast, the CAISO stack analysis is transparent and provides the individual components of the planning reserve margin (PRM). Using a stack analysis is appropriate to assess system resource adequacy requirements and reserve margin sufficiency because the resource adequacy program essentially utilizes a resource stacking methodology to ensure reliability. Determining compliance with the monthly and

¹ See R.20-11-003 (March 15, 2021): California Community Choice Association (CalCCA) Opening Comments on Proposed Decision, p. 4; California Environmental Justice Alliance, Union of Concerned Scientists, and Sierra Club (Justice Parties) Opening Comments on Proposed Decision, p. 5.

annual system resource adequacy sufficiency occurs through a straightforward comparison of the resource adequacy obligation (*i.e.*, the demand forecast plus planning reserve margin) with the shown resource adequacy resource net qualifying capacity “stack.” The resource adequacy program does not utilize LOLE or reliability-based modeling to set resource adequacy requirements.

Furthermore, using a stack analysis in this context has precedent. The Commission previously presented a stack analysis to initiate a procurement track, and load serving entities procured resources based on that and similar stack analyses submitted by parties.² The CAISO stack analysis also adds value by focusing on a critical hour of need after sunset that the resource adequacy program does not directly address.

B. Increasing the Planning Reserve Margin is Necessary Until Long-Term Changes are Implemented

Several parties expressed concern about the duration of the planning reserve margin (PRM) increase.³ The CAISO proposed the PRM increase as an interim measure. The CAISO agrees with the PD that it is important this increased requirement be “in place unless and until superseded by updated resource planning and reliability contracting policies in the [integrated resource plan] IRP and [resource adequacy] RA proceedings, respectively.”⁴ In the meantime, the interim PRM increase is critical to address reliability consistent with the factors identified in the Final Root Cause Analysis, particularly during the net demand period.⁵ If the Commission does not direct additional procurement to meet the net demand peak, it will be explicitly planning for its load serving entities only to procure resource adequacy resources to meet an implied PRM

² Assigned Commissioner and Administrative Law Judge’s Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues, R.16-02-007, June 20, 2019, p. 12. For party comments, *see* for example Southern California Edison (SCE) Opening Comments, July 22, 2019 and CAISO Reply Comments August 12, 2019. *See* Decision 19-11-016 Finding of Fact #3 authorizing additional procurement for 2021-2023: “Commission staff analysis of the supply stack of current system resource adequacy resources available to serve load in 2021 suggests that supplies are tight and that reliance on imports will be increased beyond historical levels, creating uncertainty in system capacity supply.”

³ *See* R.20-11-003 (March 15, 2021): San Diego Gas & Electric (SDG&E) Comments on Proposed Decision, p. 10; CalCCA Comments on Proposed Decision, p. 4; City of Redondo Beach Comments on Proposed Decision, p. 2; Solar Energy Industries Association, Large-Scale Solar Association, & Vote Solar (Joint Solar Parties) Comments on Proposed Decision, p. 8.

⁴ Proposed Decision, p. 38.

⁵ Final Root Cause Analysis, section 4.2

of 3-14% at hour ending 8 p.m. from June through October.⁶ At the low end, this does not even meet the CAISO's (and WECC's) 6% operating reserve requirement. Therefore, the Commission is justified in authorizing additional procurement for 2021 to meet an effective 17.5% PRM. The Commission likewise should increase the PRM for 2022 and apply it to both the peak and the net demand period.

C. Incremental Procurement is Necessary for May Through October

The CAISO disagrees with Pacific Gas & Electric's (PG&E) interpretation of CAISO data as showing incremental procurement is only necessary from June through September, rather than May through October.⁷ The grid is susceptible to high loads in May through October. The two Flex Alerts in October 2020⁸ and the increasing risk of outages from wildfires, especially during the fall, clearly indicate grid conditions remain stressed through October. The CAISO provided testimony in 2018 with 23 years of weather-driven historical demand data showing May and June have some of the greatest demand volatility observed.⁹ Moreover, May and October are more sensitive to high loads because many resources traditionally take maintenance outages during these months.

D. Load Serving Entities Should Show Incremental Procurement as Resource Adequacy Capacity

The CAISO supports SDG&E's request to increase the PRM to 17.5% for all Commission-jurisdictional load serving entities.¹⁰ In the alternative, the CAISO supports SDG&E's proposal to require the investor-owned utilities to "show all additionally-procured [cost allocation mechanism] CAM capacity (a minimum of 1000 MWs) in addition to the capacity shown" to meet the 15% PRM in their resource adequacy and applicable supply plans.¹¹ As explained in CAISO's opening comments, requiring load serving entities (or investor owned utilities) to show the incremental capacity as resource adequacy capacity make such capacity

⁶ CAISO Reply Legal and Policy Brief, Table 1, p. 2. The PRM at 8 p.m. is implied because the PRM is not actually applied to that later hour under the current resource adequacy program.

⁷ PG&E Opening Comments, p. 4

⁸ See: <http://www.caiso.com/Documents/AWE-Grid-History-Report-1998-Present.pdf>

⁹ See: http://www.caiso.com/Documents/Jul10_2018_RAProceedingTrack2Testimony-Chapter4-SystemRADemandForecasts_ProposalNo3_R17-09-020.pdf

¹⁰ SDG&E Opening Comments, p. 12.

¹¹ SDG&E Opening Comments, pp. 12-13.

subject to resource adequacy obligations (*e.g.*, the must offer obligation) and incentive mechanisms.¹²

As described in prior comments, the CAISO has an existing process for load serving entities to release unused maximum import capability (MIC) that can be used to support investor owned utility procurement of imports on behalf of all load serving entities.¹³ The CAISO posts information about bilateral transfers on a public website, including the name of the transferring parties, MW, branch group, dates, and price. Since investor owned utilities are procuring on behalf of all load serving entities, non-investor owned utilities should release unused MIC as soon as possible and before resource adequacy plans and supply plans are due. This will allow the investor owned utilities to use available MIC to ensure incremental import procurement can be shown as resource adequacy capacity.

E. Emergency Load Reduction Program Data Availability and Compensation

Regarding the emergency load reduction program (ELRP), the CAISO agrees with PG&E and SCE it is important the IOUs have sufficient information to verify demand response provider activity, and it will work with them to ensure continued access to the CAISO's demand response registration system).¹⁴ The CAISO encourages the investor-owned utilities to work directly with the demand response providers and the Commission for any additional data needs.

The CAISO disagrees with the Joint Solar Parties' assertion that because the ELRP is triggered by "market conditions determined by the CAISO" its design as an out-of-market program is compromised."¹⁵ The PD appropriately designs the ELRP to be compatible with, and to use, the CAISO's existing Alert, Warning, and Emergencies (AWE) process.¹⁶ The CAISO reiterates its support for the ELRP as an out-of-market pilot program incremental to the resource adequacy program.

Despite being an out-of-market program, both market performance and ELRP baselines should align with CAISO awarded and settled performance measurements. As stated in the CAISO's opening comments on the PD, the CAISO aims to coordinate with the Commission to

¹² CAISO Opening Comments, p. 5.

¹³ CAISO, Legal and Policy Reply Brief of the California Independent System Operator Corporation, February 12, 2021, p. 4.

¹⁴ Opening Comments, PG&E p. 9, SCE p. 7

¹⁵ Joint Solar Parties' Opening Comments, p. 5.

¹⁶ Which will transition to the Energy Emergency Alerts paradigm in 2022.

the maximum extent possible, particularly on the design options for baselines during stressed system conditions.¹⁷

F. Base Interruptible Program Resource Adequacy Resources Must Only Participate in CAISO-Called Events.

The California Large Energy Consumer Association (CLECA) and the DR Coalition (California Efficiency + Demand Management Council, Google, Leapfrog Power, NRG Energy, Inc., OhmConnect, Inc., Oracle, Tesla, & Willdan) argue the Commission should modify the PD to allow base interruptible program (BIP) resources dual-enrolled in ELRP to participate in ELRP events that do not coincide with BIP events.¹⁸ The CAISO opposes this modification because it would negatively affect reliability. Load serving entities contract with BIP resources as resource adequacy capacity to meet the CAISO's operational needs. Thus, they must hold BIP resources in reserve for CAISO dispatch.¹⁹ If the Commission modifies the PD to allow BIP resources to participate in ELRP events that do not coincide with BIP dispatches, the BIP resources responding to an ELRP-only event potentially would be unable to respond to a subsequent CAISO dispatch. Furthermore, responses to ELRP-only events would impact and reduce the accuracy of the baselines that the CAISO uses to evaluate BIP performance in the CAISO market. The Commission should retain the current PD language, which limits BIP resource participation to ELRP events that coincide with CAISO BIP dispatch, and limits compensation to the incremental load reduction.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments.

Respectfully submitted

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¹⁷ CAISO Opening Comments, p. 2.

¹⁸ CLECA Opening Comments, p. 4; DR Coalition Opening Comments, p. 11.

¹⁹ BIP participates as reliability demand response resources (RDRR) in the CAISO market.

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