

**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)

**NOTICE OF EX PARTE COMMUNICATION BY
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Articles 8.3(c) and 8.4(a) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) hereby files this notice of oral *ex parte* communication in the above captioned proceeding.

On February 28, 2020, David S. Zlotlow, CAISO Senior Counsel, served on a panel discussion titled “Resource Adequacy: What It Is and Why You Should Care,” as part of the Energy Bar Association’s Western Chapter Annual Meeting, held at the Palace Hotel in San Francisco. This specific panel discussion took place from 10:45 AM to noon. A copy of Mr. Zlotlow’s presentation slides are attached. Slide no. 6 notes that at present, qualifying capacity for *non-dispatchable* hydroelectric resources is set based on evaluations of historical performance. During the discussion related to that slide, Mr. Zlotlow noted that changes in expected hydrological conditions might justify broader changes in the qualifying capacity methodology for *dispatchable* hydroelectric resources. That topic is within the scope of this proceeding and was addressed in the CAISO’s Track 2 proposals submitted in this proceeding on February 21, 2020.

The CAISO understands that Anand Durvasula, Legal and Policy Advisor to Commissioner Liane M. Randolph, was in the audience for this presentation. It is possible that other “decisionmakers” within the meaning of Rule 8.1(a) also were in the audience. The CAISO accordingly files this notice.

Respectfully submitted

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February 4, 2020

ATTACHMENT

Overview of California's Resource Adequacy Program
2020 EBA Western Chapter Annual Meeting
February 28, 2020



Overview of California's Resource Adequacy Program

David S. Zlotlow
Senior Counsel

2020 EBA WESTERN CHAPTER ANNUAL MEETING

February 28, 2020

Addressing the Title of the Panel – *Resource Adequacy: What It Is and Why You Should Care*

- What is it?
 - California program for load serving entities (LSEs) to meet system, local, & flexible capacity requirements
 - LSEs procure capacity through bilateral capacity contracts or ownership
- Goal is to ensure that:
 - ISO markets have sufficient capacity in right places & times to serve load in ISO balancing authority area
- Why you should care?
 - Promotes reliability
 - Major cost for LSEs
 - Major revenue stream for generators
 - Interesting jurisdictional issues for lawyers

Four Questions for Resource Adequacy:

How is this Capacity Program Different from all Other Capacity Programs?

1. How do system, local, & flexible capacity requirements get established?
2. How do the capacity counting rules work?
3. How do LSEs demonstrate compliance?
4. How do generators meet their capacity obligations?

#1 – Setting Load Serving Entity Capacity Procurement Requirements

- Must differentiate among three types of capacity:
 - (1) System; (2) Local; & (3) Flexible
- Setting all three starts with individual LSE monthly forecasts from California Energy Commission
- System Requirements
 - Local regulatory authorities (LRAs) set reserve margin for their jurisdictional LSEs
 - CPUC sets it at 15%
 - ISO tariff defaults to 15%
 - Apply reserve margin to monthly load forecast – requirement varies by month

Setting Procurement Requirements, *con't*

- Local Requirements
 - ISO conducts local capacity technical study process
 - How much capacity to meet needs in constrained areas?
 - ISO allocates local requirements to LSEs pro rata by load
 - Fixed annual requirement – does not vary by month
- Flexible Requirements
 - ISO conducts flexible capacity needs assessment process
 - What is largest monthly forecasted three-hour ramp?
 - ISO allocates each LRA its share of flexible capacity needs
 - Each LRA allocates to its jurisdictional LSEs
 - Flexible requirements vary by month

#2 – Capacity Counting Rules

- LRAs set Qualifying Capacity (QC) values
 - In general
 - QC for thermal resources is pmax/nameplate
 - QC for wind/solar/non-dispatchable hydro based on historical performance
 - Other general rules
 - LRAs conflicting values → defaults to higher value
 - No LRA sets QC → use ISO tariff default rules

Capacity Counting Rules, *con't*

- ISO sets Net Qualifying Capacity (NQC)
 - Studies to see how much QC is deliverable to grid
 - Result is the NQC value – quantity of system or local RA for which resource counts
 - Resource counts as local capacity if physically sits within local capacity requirement area
- ISO sets Effective Flexible Capacity (EFC) from NQC
 - EFC is quantity of flexible RA resource can provide
 - ISO tariff has formula based on resource's NQC, start time, and ramp rate

#3 – How do LSEs Demonstrate Compliance

- LSEs and generators submit RA showings in year-ahead and month-ahead timeframe
- Showings submitted to ISO and LRAs
- ISO validates submissions and provides cure opportunities for deficiencies
- LRA can impose penalties for deficiencies
- ISO can backstop for deficiencies (*i.e.*, CPM authority)
 - Costs of procurement allocated to deficient LSEs

#4 – What does a Resource Providing RA Capacity Need to Do?

- Bidding requirements
 - *System and local capacity* – Self-schedule or economically bid into market 24/7
 - *Flexible capacity* – Economically bid into market during assessment hours
- Assessing Performance through Resource Adequacy Availability Incentive Mechanism (RAAIM)
 - Non-availability charges and availability incentive payments based on performance

RA Capacity Obligations, *con't*

- Special outage issues for RA capacity
- Maintenance outage can create substitution obligation
 - Would outage take ISO below RA requirements?
 - Based on priority of outage submission
 - Risk cancellation without providing substitute capacity
- Forced outages also can provide substitute capacity
 - Providing substitute capacity mitigates RAAIM exposure