

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

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

Rulemaking 21-10-002
(October 7, 2021)

**REPLY COMMENTS ON ORDER INSTITUTING RULEMAKING OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I. Introduction

The California Independent System Operator Corporation (CAISO) submits reply comments on the October 7, 2021 Order Instituting Rulemaking (OIR) continuing the Commission's oversight of the Resource Adequacy program.

II. Discussion

A. The Commission Should Expedite Critical Central Procurement Entity (CPE) Issues and Issue a Proposed Decision by February 2022.

The Commission should adopt Pacific Gas and Electric Company's (PG&E's) proposed schedule to bifurcate the central procurement entity (CPE) discussion into expedited and a less time-sensitive sub-tracks.¹ The CAISO supports including clarifications regarding self-shown resources in the expedited sub-track. The CAISO's capacity procurement mechanism (CPM) process will allocate costs of any individual local capacity deficiencies to the entity with the assigned local obligation. Under the Commission's existing decision, the CPE would receive the entire CPM cost allocation because load serving entities (LSEs) will no longer be assigned a local obligation, and thus will assume the backstop risk if LSEs fail to show resources to the CAISO consistent with their representations to the CPE. The Commission should consider whether this is appropriate and, if necessary, modify the order to transfer the local obligation to individual LSEs who agree to self-show resources to the CAISO, if the Commission thinks those entities should carry the backstop risk rather than the CPE.

¹ PG&E Opening Comments, p. 3.

The CAISO supports PG&E's proposed expedited sub-track schedule targeting a proposed decision in February 2022 and a decision in March 2022.² The Commission must provide affirmative guidance on implementation details by February 2022 to provide the CAISO sufficient time to make the necessary Federal Energy Regulatory Commission (FERC) filings, business process changes, and software enhancements in time for a 2023 resource adequacy compliance year.

B. The Commission Should Not Prejudge the California Energy Commission's Working Group Process for Demand Response Qualifying Capacity Counting.

In D.21-06-029 the Commission requested the California Energy Commission (CEC) launch a stakeholder working group to develop recommendations for a comprehensive and consistent measurement and verification strategy, including a new qualifying capacity (QC) counting methodology, for demand response resources. Pursuant to that decision, the Commission requested the CEC to submit recommendations no later than March 18, 2022, at which time the Commission will consider the recommendations for implementation in the 2023 resource adequacy compliance year.³

Commenters point out that the March 18 deadline is very close to the April 1, 2022 deadline for submitting final demand response load impact evaluation results for developing QC values for the 2023 resource adequacy compliance year.⁴ Some commenters therefore conclude the Commission cannot adopt changes in the planned June 2022 decision. As a result, these commenters recommend any demand response QC changes should be deferred to the 2024 resource adequacy compliance year.⁵

The Commission should not undermine the effectiveness of the CEC process by prejudging its outcome. Discussions are underway to allow for an optional reliability-informed QC methodology that would also allow investor-owned utility demand response resources to be shown to the CAISO on supply plans for implementation in the 2023 resource adequacy

² PG&E Opening Comments, p. 11.

³ D.21-06-029, pp. 35-36.

⁴ CLECA Opening Comments, pp. 2-3; SCE Opening Comments, pp. 5-6; SDGE Opening Comments, p. 2.

⁵ California Efficiency + Demand Management Council, OhmConnect, Inc., Olivine, Inc., and Oracle (DR Coalition) Opening Comments, p. 4; and CLECA Opening Comments, p. 3.

compliance year. As the CAISO noted in prior comments,⁶ a reliability-informed QC methodology that recognizes the resource as a variable output resource and assesses the resource's interactive effects with other similarly-situated resources is critical to properly valuing demand response resources. It is also a prerequisite for the CAISO to file for a waiver of the resource adequacy availability incentive mechanism (RAAIM) at the Federal Energy Regulatory Commission (FERC).

Although the timeline is not ideal, it is possible to incorporate interim Commission direction on demand response QC values for the 2023 resource adequacy compliance year. For example, earlier this year President Batjer issued an Assigned Commissioner's Ruling to allow the CAISO to submit refreshed effective load carrying capability (ELCC) study results on July 1, 2021 to finalize QC values for the 2022 resource adequacy compliance year.⁷

Lastly, some commenters argue that because the Reform Track will also consider demand response QC values or a new resource adequacy program design, any changes should be deferred to that process or conform to the contemplated design.⁸ The CAISO disagrees and urges the Commission not to undermine the CEC process, delay the adoption of reliability-based QC values for demand response, or request the CEC to conform to a resource adequacy program design that is still underdeveloped.

C. The Commission Should Evaluate the Current Import Rules and Compatibility with Other Jurisdictions.

The CAISO supports the Public Advocates Office at the California Public Utilities Commission's (Cal Advocates) request to evaluate the currently-implemented resource adequacy import rules.⁹ The Commission should monitor the import performance and compliance with contractual requirements to ensure non-resource specific imports are reliable.

The Commission should also consider whether the current resource adequacy import rules align with other rules in the rest of the west. The Western Resource Adequacy Program

⁶ See for example: CAISO, Track 3B.1 Proposals of the California Independent System Operator Corporation, Proposal 2: Effective Load Carrying Capability Methodology for Variable-Output Demand Response, R.19-11-009, January 28, 2021.

⁷ Assigned Commissioner's Ruling on Submission of Refreshed Effective Load Carrying Capability Study Results, R.19-11-009, June 3, 2021, p. 2.

⁸ CLECA Opening Comments, pp. 3-4; DR Coalition Opening Comments, p. 5; and SCE Opening Comments, p. 6.

⁹ Cal Advocates Opening Comments, pp. 5-6.

(WRAP), hosted by the Northwest Power Pool (NWPP), is currently developing counting and transmission rules for imports. The Commission should monitor the WRAP process and examine whether the adopted rules are effective.¹⁰ The Commission should also consider the potential to align its resource adequacy import rules with those adopted by the WRAP, as there are potential reliability and cost benefits California entities could experience with a fungible import product across the western interconnection.

D. The Commission Should Conduct Specific Aliso Canyon-Related Analyses in Investigation (I.) 17-02-002.

The California Energy Storage Alliance (CESA) requests the Commission coordinate with the CAISO to analyze a Local Capacity Technical Study sensitivity case modeling the eventual closure of the Aliso Canyon natural gas storage facility.¹¹ The CAISO encourages interested parties to follow developments in the Aliso Canyon investigation, Docket No. (I.)17-02-002, for discussion on CAISO local capacity analyses with regard to Aliso Canyon.¹²

¹⁰ <https://www.nwpp.org/about/workgroups/12>

¹¹ CESA Opening Comments, pp. 4-5.

¹² CAISO, Comments on November 3, 2021 Phase 3 Workshop #3, I.17-02-002, November 10, 2021.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments and looks forward to working with the Commission and parties in the resource adequacy proceeding.

Respectfully submitted

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Dated: November 10, 2021