

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

Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

Rulemaking 20-05-003
(Filed May 7, 2020)

**REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING
COMMENTS ON PROPOSED PREFERRED SYSTEM PLAN OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits its reply to comments on the *Administrative Law Judge's Ruling Seeking Comments on Proposed Preferred System Plan* (Ruling).

II. Discussion

The Commission should ensure the Preferred System Plan is adopted in a timely manner to transmit the base case portfolio to the CAISO for analysis in the transmission plan. The CAISO provides responses to specific opening comments as detailed below.

A. The Commission Should Not Reduce Resources in the 38 MMT Core Portfolio

Southern California Edison (SCE) advocates for removing 3,500 to 5,500 MW of energy storage resources from the 38 MMT Core Portfolio for the post mid-term reliability timeframe between 2026 and 2030.¹ The CAISO's analysis shows the 38 MMT Core Portfolio provides only about 500 MW of qualifying capacity in excess of the level necessary to meet the 0.1 loss of load expectation (LOLE) in 2026.² Moreover, the 2020 Integrated Energy Policy Report (IEPR) demand forecast is over 1,000 MW higher than the 2019 vintage for the same timeframe,³ and

¹ Opening Comments of Southern California Edison, p. 5.

² Opening Comments of CAISO, p. 2.

³ Opening Comments of CESA, p. 9.

the forthcoming 2021 vintage will incorporate the impacts of fuel substitution.⁴ Given this upward uncertainty in demand and the small 2026 margin in the CAISO’s analysis, the Commission should not remove any resources from the 38 MMT Core Portfolio if it is selected as the Preferred System Plan.

B. The CAISO Requires Actionable IRP Plans to Authorize Transmission Projects and Plan for Grid Reliability Needs

San Diego Gas and Electric (SDG&E)⁵ and Alliance for Retail Energy Markets (AReM)⁶ argue the Commission should not mandate procurement, institute a penalty structure for failure to procure resources, or impose backstop requirements because the integrated resource plan (IRP) is merely a “planning” exercise. The CAISO fundamentally disagrees. As described at length in prior comments, the CAISO relies on the IRP portfolios to assess the need for transmission and grid reliability needs in the transmission planning process. The CAISO Board of Governors then approves new transmission solutions for cost allocation.⁷ The Commission should ensure actual resource procurement aligns with IRP portfolios to the maximum extent possible to avoid misalignment between resource procurement and transmission infrastructure buildout. Failure to accomplish this alignment will likely require additional CAISO remedial action to meet grid reliability.

C. The Commission Should Accelerate Procurement to the Extent Necessary to Meet Reliability Needs at the Net Demand Peak.

LS Power⁸ and Shell Energy⁹ advocate that the Commission encourage but not mandate accelerated procurement. The CAISO continues to support accelerated procurement as necessary to meet net demand peak needs and a 17.5% planning reserve margin. As noted in opening comments, system resource adequacy shortfalls would have been 3,017 MW and 2,862 MW deficient in August and September, respectively, if there had been a net peak demand

⁴ California Energy Commission, Demand Analysis Working Group Meeting: AB 3232 and Fuel Substitution, June 23, 2021.

⁵ Opening Comments of SDG&E, p. 6.

⁶ Opening Comments of AReM, p. 10.

⁷ Comments of the California Independent System Operator Corporation on Preliminary Scoping Memo, R.20-05-003, June 15, 2020, pp. 4-9.

⁸ Opening Comments of LS Power, p. 6.

⁹ Opening Comments of Shell Energy, p. 6.

requirement.¹⁰

D. The Commission Should Align the Integrated Resource Plan and Resource Adequacy Proceedings.

Diamond Generating Corporation¹¹ recommends the Commission take immediate action to ensure the retention of existing resources for reliability as reliance on CAISO's backstop capacity is a short term solution. The CAISO agrees the reliability-must-run (RMR) designation should be a last resort to maintain necessary resources. The CAISO currently has over 400 MW of generation designated as RMR capacity to ensure system and/or local reliability.¹² Despite these RMR designations, September 2021 resource adequacy filings were approximately 400 MW deficient for the entire CAISO footprint under the current resource adequacy program rules.¹³ This indicates there are additional resources available for procurement that have not been secured as resource adequacy capacity.

The Commission should align the IRP and resource adequacy proceedings to ensure IRP-authorized resources are available for contracting under the resource adequacy program. The Commission can create such alignment by ensuring the two proceedings use the same planning assumptions and requiring load serving entities to show all IRP-authorized procurement as resource adequacy capacity.

E. The Commission Should Provide a Generation Retirement Assessment in Order to Study a Potential Aliso Canyon Closure Scenario.

SCE recommends the CAISO analyze the implications of Aliso Canyon's closure on local capacity needs through its local capacity technical study.¹⁴ This request is out of scope in this proceeding, as requests for local capacity study should be directed to the CAISO's study process. Notwithstanding this procedural concern, the CAISO cautions that studying Aliso Canyon closure without direction regarding natural gas power plant retirements (*i.e.*, which natural gas plants cease operation due to lack of a fuel supply) in this IRP proceeding would not necessarily lead to a different outcome in the CAISO's local capacity technical study as the

¹⁰ Opening Comments of CAISO, p. 6.

¹¹ Opening Comments of Diamond Generating Corporation, pp. 9-10.

¹² Opening Comments of CAISO, p. 5.

¹³ Opening Comments of CAISO, p. 5.

¹⁴ Opening Comments of SCE, p. 27.

generation portfolio will be the same.¹⁵

Finally, analyzing Aliso Canyon closure impacts on the LA Basin in isolation will not lead to exploration of potential transmission and non-transmission solutions to increase transfer capability between the LA Basin and the system or in-basin generation.

F. The Commission Should Continue Considering Storage as Market-Based Resources.

California Energy Storage Alliance (CESA)¹⁶ and Pacific Gas and Electric (PG&E)¹⁷ recommend the CAISO revisit its Storage as a Transmission Assets (SATA) stakeholder initiative to identify storage projects that can be used as transmission alternatives. The CAISO clarifies the purpose of the SATA initiative was to explore the ability for storage resources to be included in transmission rate base while participating in the energy market. The purpose of the SATA initiative did not include reviewing whether a storage resource could operate as a transmission asset.

The CAISO further notes the Federal Energy Regulatory Commission's (FERC) recent order on the Midcontinent Independent System Operator, Inc. (MISO) tariff proposal differentiates between storage assets as transmission-only assets (SATOAs) and storage resources participating in the wholesale markets.¹⁸ The FERC order explains that "a storage facility will not qualify as a SATOA unless it is needed to resolve a discrete, non-routine transmission need (such as N-2 or stability issues) that only can be addressed by an asset under MISO's functional control, and not by a resource operating in MISO's markets."¹⁹ Based on this order, the preferred procurement avenue for storage resources is as a market-based resource that can serve as local capacity.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments and urges the

¹⁵ As noted in opening comments, the CAISO is analyzing a highly simplified retirement scenario in the SB 100 Implementation Starting Point study. This analysis is not a detailed local capacity study and is meant to be illustrative.

¹⁶ Opening Comments of CESA, p. 15.

¹⁷ Opening Comments of PG&E, pp. 16-17.

¹⁸ Federal Energy Regulatory Commission, Order Accepting Tariff Revisions Subject to Condition, Docket No. ER20-588-000, August, 10, 2020.

¹⁹ Federal Energy Regulatory Commission, Order Accepting Tariff Revisions Subject to Condition, Docket No. ER20-588-000, August, 10, 2020, Clause 53, p. 25.

Commission to adopt a Preferred System Plan in a timely manner to foster coordination with the CAISO's transmission planning process.

Respectfully submitted

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