

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

Order Instituting Rulemaking to Develop  
an Electricity Integrated Resource  
Planning Framework and to Coordinate  
and Refine Long-Term Procurement  
Planning Requirements.

Rulemaking 16-02-007  
(Filed February 11, 2016)

**OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT  
SYSTEM OPERATOR CORPORATION**

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Pursuant to Rule 14.6 of the Commission's Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) hereby provides its opening comments on the *Revised Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023* (Revised Proposed Decision), issued in this proceeding on October 21, 2019.

**I. Introduction**

The CAISO appreciates the immediate and impactful efforts to address the reliability shortfall by directing incremental resource procurement and providing a way to transition off the use of once through cooling (OTC) resources. The CAISO agrees with the general direction outlined in the Revised Proposed Decision, but recommends that the Commission:

- Count resource adequacy-backed imports based on historical levels and, at minimum, allow resource-specific imports to count towards incremental procurement; and
- Develop an annual assessment to determine the efficacy of new procurement to address operational needs and support early release of OTC resources with extended compliance deadlines.

**II. Discussion**

**A. The CAISO Generally Agrees with the Procurement Direction  
Outlined in the Revised Proposed Decision.**

The Revised Proposed Decision strikes a better overall balance between increased

procurement to support reliability and a more reasoned schedule for OTC compliance extension. The CAISO supports several important elements in the Revised Proposed Decision. In particular, the CAISO supports the following changes included in the Revised Proposed Decision:

- Increasing incremental procurement from 2,500 MW by 2023 to 4,000 MW by 2023.<sup>1</sup> Although the CAISO agrees with the general direction of the incremental procurement, it does not fully address the operational needs documented by the CAISO.<sup>2</sup>
- Specifying the units, MW capacity, and timing for the OTC extensions that the Commission expects will be needed.<sup>3</sup> This level of detail—including the proposed schedule for OTC compliance and the plan to procure incremental resources to replace the OTC resources—will provide the necessary justification for OTC compliance extensions to be requested from the State Water Resource Control Board (Water Board);
- Directing system-wide incremental procurement and cost allocation;<sup>4</sup>
- Outlining the Commission’s enforcement authority in the event load serving entities fail to comply with procuring their incremental procurement requirements;
- Recognizing the need for an OTC compliance date extension for the Moss Landing Power Plant to maintain the baseline;<sup>5</sup>
- Directing load serving entities to procure OTC units through the Commission’s resource adequacy process<sup>6</sup> and acknowledging that the CAISO’s reliability must-run (RMR) process is a backstop procurement mechanism that is untested to meet system needs;
- Waiving the provisions of Decision (D.) 12-04-046 to eliminate barriers to OTC procurement;<sup>7</sup>
- Clarifying the baseline resource assumptions and committing to provide parties with a publicly available list of all resources included in the baseline

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<sup>1</sup> Revised Proposed Decision, p. 33.

<sup>2</sup> Specifically, the CAISO’s operational analysis shows a need for 4,700 MW by 2022 but the Revised Proposed Decision would only require incremental procurement of 3,200 MW by 2022.

<sup>3</sup> Revised Proposed Decision, p. 22.

<sup>4</sup> Revised Proposed Decision, p. 38.

<sup>5</sup> Revised Proposed Decision, p. 55.

<sup>6</sup> Revised Proposed Decision, p. 22.

<sup>7</sup> Revised Proposed Decision, p. 23.

by December 1, 2019;<sup>8</sup>

- Collecting progress reports from load serving entities on incremental procurement activities by May 1 of each year as part of their annual IRP filings; and
- Addressing hybrid resource counting and resource adequacy imports in the resource adequacy proceeding. The CAISO urges the Commission to address both of these issues as soon as possible.

**B. The Commission Should Count Resource Adequacy-Backed Imports Based on Historical Levels and Incremental Resource-Specific Imports Should Count Towards Incremental Procurement.**

The CAISO remains concerned that the Revised Proposed Decision’s “import baseline, for purposes of the incremental procurement required” is set at the maximum import capability (MIC).<sup>9</sup> In the CAISO’s operational need calculation, resource adequacy-backed imports based on recent historical showings were only 5,340 MW, or about half the September MIC. This assumption was based on recent historical load-serving entity showings, which is in line with the Commission’s own analysis from the June 20, 2019 Ruling and referred to in the Revised Proposed Decision.<sup>10</sup> By assuming resource adequacy imports up to the entire MIC, the Revised Proposed Decision is not reflecting historical reality.

The CAISO is separately concerned that not counting imports as incremental capacity could disincentivize load serving entities from pursuing resource adequacy import contracts. Given the short compliance time between now and 2023, this would put more pressure on securing new builds and the associated processes for procurement, studying, siting, and construction. On the other hand, imports rely on existing physical resources and importers can deliver capacity and energy relatively quickly.

To most effectively meet system needs while addressing the Commission’s concerns regarding the delivery of imports, the CAISO urges the Commission to allow, at

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<sup>8</sup> Revised Proposed Decision, p. 32.

<sup>9</sup> Revised Proposed Decision, p. 31.

<sup>10</sup> Revised Proposed Decision, p. 7, “The June 20, 2019 ruling also noted that the stack analysis shows that based on current knowledge, by 2021 the system could end up relying on all available resources, including nearly all of the available MIC, which is roughly double the historical usage of imports for system reliability purposes.”

minimum, incremental resource-specific imports to count towards the incremental procurement requirement. This would allow the load serving entities to show, and the Commission to verify,<sup>11</sup> that the import is truly incremental to a point in time baseline. For example, the Commission can use the 2019 resource adequacy year as the benchmark to determine which resource-specific imports are duplicates or incremental to that benchmark year. The CAISO looks forward to working with Commission Energy Division staff to develop the benchmark.

The Revised Proposed Decision also notes a concern over the lack of a multi-year MIC process. The CAISO commits to begin a process to develop multi-year MIC allocation. In the meantime, allowing single year import procurement will allow for some flexibility to transition to new builds that require additional time to develop and construct.

**C. The Commission Should Develop an Annual Assessment to Determine the Efficacy of New Procurement to Support Early Release of OTC Resources with Extended Compliance Deadlines.**

In previous comments, the CAISO recommended that the Commission develop an annual assessment to determine the efficacy of new procurement to address the reliability and operational needs and to support early release of OTC resources. The CAISO repeats that request and more specifically urges the Commission to report out, at minimum in aggregate at the system level, the progress of procurement based on the required May 1 load serving entity filings into the IRP proceeding. This progress report should be compared against the baseline and the procurement targets to reassess the need for OTC extension. Critically, the annual assessment should consider operational needs such as serving load during the post-peak hours. The Commission should continue to work towards procuring sufficient incremental resources to address those needs as well as the need for capacity that will be created when Diablo Canyon retires. Lastly, the annual assessment should be integrated into the main IRP cycle to be considered in the Reference and Preferred System Plans.

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<sup>11</sup> The Commission can consider the use of attestations for validation.

### III. Conclusion

The CAISO appreciates this opportunity to submit comments and looks forward to continuing to work with the Commission to maintain reliability and meet the state's policy goals.

Respectfully submitted,

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