

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

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years

Rulemaking 14-10-010
(Filed October 16, 2014)

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

I. Introduction

Pursuant to the September 13, 2016 Assigned Commissioner and Administrative Law Judge’s Phase 3 Scoping Memo and Ruling (Scoping Memo), the California Independent System Operator Corporation (CAISO) files these comments regarding the Track 3 resource adequacy (RA) issues. The Scoping Memo identifies four broad topics that will be covered in this track of the RA proceeding: 2018 RA requirements; Durable Flexible Capacity Requirements Program; Multi-year RA; and Effective Load Carrying Capacity (ELCC). These comments primarily relate to the flexible study plan, though the CAISO also provides brief comments on the multi-year RA issue.

II. Discussion

A. Durable Flexible Capacity Requirements Program

The CAISO agrees with the Scoping Memo that it is necessary to continue assessing the definition of flexible capacity requirements. With increasing renewable penetration, the daily net-load ramps have become larger than originally expected and extremely steep during some intervals, thereby requiring faster resources. The CAISO also remains concerned about high minimum generation levels (Pmin) of resources providing both system and flexible capacity, which exacerbates oversupply conditions and could jeopardize state environmental policy goals. In light of this, the CAISO is examining the need for other operational characteristics that are not included in the current definition of flexible capacity.

The CAISO, as part of its Flexible Resource Adequacy Criteria and Must-Offer Obligation – Phase 2 stakeholder initiative, is currently reviewing prior flexible capacity showings to assess the types of resources load serving entities are procuring and showing as flexible capacity under the current RA program. The CAISO is also reviewing the need for faster ramping resources (*i.e.*, steep one-hour net load ramps) and the potential challenge of the “PMin burden.” The aim of this assessment is to determine how effective the current flexible capacity product has been at signaling and satisfying the need for ramping capability from the fleet. Ultimately the assessment seeks to uncover necessary operational characteristics for durable flexible capacity.

The CAISO expects to release a draft analysis during the fourth quarter of 2016, with continuing efforts and refinements in 2017 based on further analysis and stakeholder feedback. The CAISO must assess system needs and the efficacy of the flexible capacity product through its stakeholder initiative process to ensure all affected market participants and interested parties, including those that are not jurisdictional to the Commission, have an opportunity to participate and provide their input.

The CAISO believes the guiding questions in the Scoping Memo should acknowledge the multidimensional nature of flexible capacity needs and focus on how to ensure that load-serving entities procure the right amount of capacity, in the right places, with the right attributes to meet the operational needs of the system.

B. Multi-Year RA

The CAISO strongly supports the Commission taking action to address multi-year resource adequacy needs. In the Joint Reliability Plan proceeding, the CAISO supported deferring multi-year RA until a durable flexible capacity product had been defined. However, over the past year, a number of market participants have expressed concerns about revenue insufficiency in the CAISO markets and the need for costly major maintenance on their facilities in an environment that lacks a longer-term contractual commitment structure. Further, the CAISO has received numerous inquiries from existing resources that are flexible, local, or both about potential risk of retirement capacity procurement mechanism designations. The interest in this issue points to the need to timely vet and institute a multi-year RA paradigm, particularly for local capacity. A well designed multi-year RA program will allow resource owners to make reasonable and informed investment, retirement, major maintenance, or plant upgrade decisions.

Stable revenue streams that extend three to five years into the future are critical to ensure that the resources that retire today are not the resources needed to maintain reliability tomorrow. The Commission should develop a process to ensure that any resource retirement occurs in an orderly and economic fashion and does not impair the long-term reliability of the system or jeopardize the state's environmental policies.

III. Conclusion

The CAISO looks forward to participating in this proceeding to address these issues.

Respectfully submitted,

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