

**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)

**OPENING COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING
SEEKING COMMENT ON STAFF PAPER ON PROCUREMENT PROCESS
AND POTENTIAL NEAR-TERM ACTIONS TO ENCOURAGE ADDITIONAL
PROCUREMENT OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION**

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits comments on the Administrative Law Judge’s Ruling Seeking Comments on Staff Paper (Ruling). The CAISO submits comments on Section 2: Potential Near-Term Options to Encourage Procurement and responds to the questions in Section 2.1.

II. Discussion

Section 2 of the Ruling describes an issue where baseline resources that “are important for reliability and were already being counted on to deliver” have not yet come online.¹ Decision (D.) 19-11-016 established a baseline against which resources would be considered incremental and thus eligible to count towards the 3,300 MW authorized procurement requirement.² Similarly, D.21-06-035 relied on a baseline to authorize an incremental 11,500 MW of procurement. First, the Ruling requests load serving entities (LSEs) to identify the resources and their capacity amounts that were listed in the D.19-11-016 baseline, but are not yet online.³ Second, the Ruling proposes to allow LSEs to count “an amount of net qualifying capacity commensurate with the capacity of baseline

¹ Ruling, p. 11.

² Ruling, p. 10.

³ Ruling, p. 11.

resources that have not yet come online” to be added to either all or individual LSE obligations in 2025.⁴ Lastly, the Ruling proposes to consider all new resources with online dates after January 1, 2020 as “incremental,” and Commission staff would no longer maintain a baseline list.

The CAISO agrees with the Ruling that understanding the scope of the problem is critical. The CAISO urges LSEs to identify resources and their capacity amounts as soon as possible for both baselines that were used in D.19-11-016 and D.21-06-035.

The CAISO appreciates the Ruling’s desire to motivate LSEs to bring online delayed baseline resources by allowing any resource to count towards existing procurement obligations in D.19-11-016 and D.21-06-035. However, as further explained in response to Question 2, the Ruling’s proposal may leave a shortfall in total capacity. The Commission should not use an arbitrary cutoff date like January 1, 2020. Instead, to overcome decreases in effective load carrying capability (ELCC) values, the Commission should require LSEs to procure additional resources to replace the delayed baseline resources in an effective capacity amount commensurate with the delayed resource’s original net qualifying capacity value. The Commission should require LSEs to procure these baseline replacement resources as soon as possible (by 2024 at the latest) to address the gap between the procurement orders and the 2021 Preferred System Plan, rapidly increasing load growth, and extreme weather and load conditions.

Finally, it is unclear whether the use of baselines can be eliminated. In the future the Commission should, at a minimum, (1) provide a list of planned resources assumed in any Integrated Resource Plan (IRP) resource authorization and (2) track each resource’s progress because those resources are necessary for a reliable portfolio. The list should reference the IRP or other Commission proceeding procurement order from which the procurement authorization arose. Based on this list, the Commission should, in the future, authorize additional procurement commensurate with any delayed resource’s effective capacity. Also, in response to any unexpected retirements, the Commission should immediately authorize additional procurement commensurate with the retired or retiring resources’ effective capacity.

⁴ Ruling, pp. 11-12.

A. Questions for Parties

The CAISO provides responses to Questions 1 and 2 from the Ruling. The questions have been reproduced below for clarity.

Question 1: For LSEs: Identify resources and their capacity amounts that were listed in the D.19-11-016 baseline but that are not yet online.

The CAISO understands that two different baselines were used for D.19-11-016 and D.21-06-035. The Commission should require LSEs to provide the same information for D.21-06-035 to track any delayed baseline resources used to support that decision.

Question 2: Describe why you support or oppose the proposal described in Section 2 above to modify the approach to “baseline” for purposes of procurement in compliance with D.19-11-016 and D.21-06-035 requirements to be based on actual online date for new resources. If you prefer a different change to D.19-11-016 and/or D.21-06-035 baseline requirements, describe it in detail.

The CAISO appreciates the Ruling’s desire to motivate LSEs to bring online delayed baseline resources by allowing any resource with an online date after January 1, 2020 to count towards existing procurement obligations in D.19-11-016 and D.21-06-035. However, the Ruling’s proposal regarding baseline reframing may leave a shortfall in total capacity and does not achieve the Ruling’s goal to “maintain the same level of reliability expected by the Commission when D.21-06-035 was issued.”⁵ The Commission should not use an arbitrary cutoff date like January 1, 2020. Instead, to overcome decreases in ELCC values, the Commission should require LSEs to procure additional resources to replace the delayed baseline resources in an effective capacity amount commensurate with the delayed resource’s original net qualifying capacity value. An effective capacity amount is more accurate because it is unclear whether a “net

⁵ Ruling, p. 12.

qualifying capacity commensurate with the capacity of baseline resources that have not yet come online”⁶ would actually be lower than the original megawatt capacity if the ELCC value of the resource has decreased over time.

The Ruling also proposes replacement capacity for delayed baseline resources by increasing LSE obligations in 2025. This timeframe does not address the pressing capacity need that exists between now and then. The Commission should require LSEs to procure replacement resources as soon as possible (by 2024 at the latest) to address the gap between procurement orders and the 2021 Preferred System Plan, rapidly increasing load growth, and extreme weather and load conditions as described below. First, the combined procurement for D.19-11-016 and D.21-06-035 are included in the 2021 Preferred System Plan, but they do not exceed it.⁷ Therefore, more procurement is needed to reach the total system needs that the Commission adopted in the 2021 Preferred System Plan. Erosion of the baseline reduces the overall reliability of the Commission-adopted portfolio. Moreover, the 2021 Preferred System Plan retained all natural gas-fired resources through 2045 to meet operability and reliability requirements within the model.⁸ It is unknown whether older resources can physically remain in operation or provide the same level of service until 2045.

The 2021 Preferred System Plan relied on the mid-case managed demand forecast from the California Energy Commission’s (CEC’s) 2020 Integrated Energy Policy Report (IEPR), paired with high electric vehicle electricity demand.⁹ Table 1, below, compares only the underlying mid-case managed IEPR forecasts from the 2020 and 2021 vintages from 2022 through 2025 for the CAISO footprint. The comparison reflects the relative increase in demand from one vintage to another.

⁶ Ruling, p. 11.

⁷ D.22-02-004, p. 83.

⁸ D.22-02-004, p. 101.

⁹ D.22-02-004, p. 109.

Table 1: Comparison of 2020 and 2021 IEPR California Energy Demand Managed Forecast - Mid Demand Case 1-in-2 Coincident Peak Demand from 2022-2025 (MW)

		2022	2023	2024	2025
[A]	2020 Vintage	45,448	45,826	46,452	46,758
[B]	2021 Vintage	46,319	46,727	47,325	47,749
[C]	[B] minus [A]	871	901	873	991

Sources:

[A] California Energy Commission, 2020 Integrated Energy Policy Report, Form 1.5b: STATEWIDE, California Energy Demand 2020-2030 Managed Forecast - Mid Demand / Mid AAEE Case, 1-in-2 Net Electricity Peak Demand by Agency and Balancing Authority (MW), Total California ISO Coincident Peak from 2022-2025.

[B] California Energy Commission, 2021 Integrated Energy Policy Report, Form 1.5b: STATEWIDE, California Energy Demand 2021-2035 Managed Forecast - Mid Demand / Mid AAEE Case, 1-in-2 Net Electricity Peak Demand by Agency and Balancing Authority (MW), Total California ISO Coincident Peak from 2022-2025.

As row [C] clearly demonstrates, the load forecast for 2025 is 991 MW higher in the 2021 vintage compared to the 2020 vintage. Although the 2022 IEPR forecast is not yet available, the forthcoming forecast may reflect additional increases because the CEC’s process will incorporate the most recent observed loads from summer 2022. Of note, on September 6, 2022, the CAISO footprint experienced its all-time instantaneous peak of 52,061 MW, surpassing the previous peak record by almost 1,800 MW.¹⁰ In September, the CAISO footprint and many other parts of the West were beset with multiple extreme heat days. Heat events like this generally lead to higher loads, driven by increased air conditioning demand. The Ruling recognizes this, citing the “[i]ncreasing frequency of extreme weather conditions, including heat leading to increased electricity demand and drought leading to decreased availability of hydroelectric generating capacity.”¹¹ The CAISO also notes that extreme heat generally taxes all resources, especially older units, putting them at increased risk for outages. Further, smoke from wildfires and other environmental factors can decrease renewable

¹⁰ See: <https://www.caiso.com/documents/californiaisopeakloadhistory.pdf>

¹¹ Ruling, p. 7.

output. Given increasing load forecasts and weather-related risks facing the existing resource fleet, the Commission should order replacement capacity for delayed baseline resources to come online no later than 2024.

Regarding the Ruling's final request to eliminate the baseline, the CAISO understands this proposal is limited to eliminating a procurement baseline, not eliminating modeling baselines. Modeling baselines for both RESOLVE and SERVIM are critical and should not be eliminated. These baselines are needed to ensure parties understand what has been modeled as "existing" builds as opposed to "incremental" builds. The baseline resources are also critical for parties like the CAISO to align and validate its models and include such information as appropriate in various analyses.

In terms of procurement, it is unclear whether the use of baselines can be eliminated. If any resource with an online date after January 1, 2020 can count towards any open procurement order in the IRP proceeding, to calculate the amount of replacement capacity needed, the Commission will still need a list to track both planned resources that are delayed or fail to come online and resources that unexpectedly retire. In the future the Commission should, at a minimum, (1) provide a list of planned resources assumed in any IRP resource authorization and (2) track each resource's progress. The list should reference the IRP or other Commission proceeding procurement order from which the procurement authorization arose. Based on this list, the Commission should, in the future, authorize additional procurement commensurate with the delayed resources' effective capacity. Also, in response to any unexpected retirements, the Commission should immediately authorize additional procurement commensurate with the retired or retiring resources' effective capacity.

III. Conclusion

The CAISO appreciates the opportunity to provide comments. The Commission should require LSEs to identify the resources and their capacity amounts listed in both the D.19-11-016 and D.21-06-035 baselines that are delayed. The Ruling proposal should be modified to remove an arbitrary cutoff date like January 1, 2020. Instead, the Commission should require LSEs to procure additional resources to replace the delayed baseline resources in an effective capacity amount commensurate with the delayed resource's original net qualifying capacity value. This procurement should occur as soon

as possible (by 2024 at the latest). This is necessary to overcome decreases in ELCC values and address the gap between the procurement orders and the 2021 Preferred System Plan, rapidly increasing load growth, and extreme weather and load conditions. Further, in the future the Commission should, at a minimum, (1) provide a list of planned resources assumed in any IRP resource authorization and (2) track each resource's progress because those resources are necessary for a reliable portfolio. Based on this list, the Commission should, in the future, authorize additional procurement commensurate with any delayed resource's effective capacity. Also, in response to any unexpected retirements, the Commission should immediately authorize additional procurement commensurate with the retired or retiring resources' effective capacity.

Respectfully submitted

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