

**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 2019 and 2020 Compliance Years

Rulemaking 17-09-020
(Filed September 28, 2017)

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

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I. Introduction

The California Independent System Operator Corporation (CAISO) hereby provides comments in response to the *Joint Motion for Adoption of a Settlement Agreement for a “Residual” Central Procurement Entity Structure for Resource Adequacy* (Joint Motion).¹ The Settling Parties request the Commission adopt the Settlement Agreement attached as Attachment A to the Joint Motion. The Settlement Agreement establishes a residual central buyer structure to resolve issues respecting central procurement of resource adequacy capacity under the multi-year forward procurement structure adopted in the Commission’s *Decision Refining the Resource Adequacy Program*, issued March 4, 2019 (D.19-02-022). Pursuant to Section 12.2 of the Commission’s Rules of Practice and Procedure, the CAISO provides these comments supporting the Settlement Agreement.

II. Discussion

The CAISO appreciates the Settling Parties’ efforts to address resource adequacy central procurement. The settlement discussions provided an opportunity for significant progress toward a central procurement framework that holistically addresses California resource adequacy needs. Though critical elements, including the identity of the central procurement entity, remain unresolved, the Settlement Agreement provides a framework that can increase near-term reliability, reduce the likelihood of CAISO backstop procurement, and maintain load serving entity self-procurement and the existing bilateral capacity market. Importantly, the Settlement

¹ California Community Choice Association, Independent Energy Producers Association, Middle River Power, NRG Energy, Inc., San Diego Gas & Electric Company, Shell Energy North America (US) L.P., and Western Power Trading Forum (Settling Parties) filed the Joint Motion on August 30, 2019.

Agreement asks that the Commission adopt three-year forward procurement requirements for system and flexible capacity, in addition to the multi-year local resource adequacy procurement requirements established in D.19-02-022.

A. The Settlement Agreement Appropriately Adopts Three-Year Forward Procurement Requirements for System and Flexible Resource Adequacy Capacity.

In D.19-02-022, the Commission adopted three-year forward procurement obligations for local resource adequacy. At that time, the Commission declined to adopt similar forward procurement requirements for system and flexible resource adequacy because the procurement issues to that date pertained to local requirements.² However, the Commission agreed that “there may be potential benefits to expanding multi-year requirements to system and flexible [resource adequacy]” and committed to monitoring the need to expand multi-year procurement requirements to system and flexible resource adequacy.³

Recent developments in this proceeding and the Commission’s Integrated Resource Planning (IRP) proceeding demonstrate the need for system and flexible capacity forward procurement requirements. On September 12, 2019, the Commission issued a Proposed Decision highlighting potential system resource adequacy shortages beginning in 2021.⁴ The potential system shortages were not addressed by the current resource adequacy construct because it fails to consider system needs beyond the next year. The Settlement Agreement would provide a significant first step toward ensuring near-term needs by requiring system and flexible resource procurement obligations three-years forward.

The Settlement Agreement provides that system, flexible, and local resource adequacy procurement requirements will be set at the following levels:

² D.19-02-022, pp. 33-34.

³ *Id.*, p. 34.

⁴ *Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023*, issued September 12, 2019, Docket No. R.16-02-007, p. 2.

Percentage of Collective RA Requirements Requirement Procured on a Multi-Year Basis⁵

	Year n-1	Year n-2	Year n-3
System RA	100%	75%	50%
Local RA	100%	100%	75%
Flex RA	100%	75%	50%

The CAISO believes these three-year procurement requirements are a reasonable first step toward ensuring near-term reliability. The CAISO also recommends that the Commission reserve the right to revisit the procurement requirements if higher levels are necessary to maintain resources needed for reliability.

B. The Settlement Agreement Implementation Would Require Changes to CAISO Processes and Tariff Requirements.

The Settlement Agreement would require several CAISO tariff changes or changes to existing CAISO processes to address the Settlement Agreement requirements listed below:

- Updating the Maximum Import Capacity (MIC) calculation and allocation process to provide MIC on a three-year forward basis;
- Providing for a single annual resource adequacy showing requirement for each month of the year, rather than a monthly resource adequacy showing requirement;
- Updating the Net Qualifying Capacity (NQC) and Effective Flexible Capacity (EFC) lists to provide new eligible resources;
- Providing essential reliability resources and effectiveness factors on a three year forward basis.

This list is not exhaustive, and the CAISO would need to open a formal stakeholder process to fully consider the necessary changes. The CAISO is committed to opening the necessary stakeholder process if the Settlement Agreement is approved, but it cannot guarantee the outcome or the timing of that process. Some of the CAISO process modifications will be complex and may be contested by stakeholders. The Settlement Agreement currently anticipates that the central procurement entity will assume responsibility in 2021 for the 2022 resource adequacy compliance year. The CAISO cautions some of necessary process modifications

⁵ Settlement Agreement, Table 1, p. 10.

discussed above may not be implementable in that timeframe.

III. Conclusion

The CAISO appreciates the opportunity to provide these comments and supports the Settlement Agreement as a reasonable step forward in improving the resource adequacy program.

Respectfully submitted,

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