

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

Order Instituting Rulemaking to Modernize
the Electric Grid for a High Distributed
energy Resources Future

Rulemaking 21-06-017
(Filed June 24, 2021)

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON PRELIMINARY SCOPE AND SCHEDULE**

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Pursuant to the California Public Utilities Commission's (Commission) June 24, 2021 *Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future* (OIR), the California Independent System Operator Corporation (CAISO) submits comments on the proposed preliminary scope and schedule.

I. Discussion

The OIR includes a preliminary scope that divides the proceeding into three tracks. Track 1 covers Distribution System Operator Roles and Responsibilities (DSO). Track 2 covers Distribution Planning, Data Portals, Community Engagement, and DER Integration (DRP). Track 3 covers Smart Inverter Operationalization, Grid Modernization, and General Rate Cases (Smart Inverter and GRCs). The OIR posed four specific questions and invited stakeholders to comment on the appropriateness of the list of preliminary scoping issues set forth, anticipated activities in this proceeding, and the preliminary determination. The CAISO provides comments on each topic below.

A. Questions Posed in the OIR

***Question 1:** How should the proceeding schedule and tracks be managed? Should the tracks be reorganized, and if so, how? Comments may include whether to amend the issues presented in the OIR and how to prioritize the issues to be resolved; how to procedurally address these issues; and a proposed schedule for resolving the issues that may extend beyond 36 months. Please also address to what extent the tracks should be run in parallel or sequentially, taking into consideration stakeholder capacity to participate in multiple tracks at once.*

The CAISO generally agrees with the proceeding schedule and the organization of the tracks with exceptions noted below in subsection B. The CAISO agrees the proposed schedule

may extend beyond 36 months as some new issues, such as the definition and role of a distribution system operator, have not been discussed broadly with parties and may require more time. The CAISO agrees the Commission should conduct the three tracks in parallel. The CAISO strongly urges the Commission to develop working definitions of DERs and other key terms before commencing track activities, as contemplated in Question 2 in the section “General Questions Relevant to All Tracks”.¹ For example, the Federal Energy Regulatory Commission (FERC) recently standardized its definition of DER for all ISO/RTOs to “any resource located on the distribution system, any subsystem thereof, or behind a customer meter,” and the CAISO has proposed a tariff amendment to do the same.² Consistent definitions among regulators avoids confusion and jurisdictional issues.

Question 2: *Should the Commission address Track 1 (DSO) issues with a consultant-led process that includes a white paper followed by workshops and culminates in a third-party consultant report of recommendations? If not, how should Track 1 issues be addressed?*

The CAISO supports a consultant-led process to help foster robust discussion among the parties. The DSO concept is new and can be complex and technical. For example, the CAISO and IOUs, with support from Gridworks, have spent considerable time and effort mapping out the basic coordination and communication needs among the CAISO operating the transmission system and the IOUs operating the distribution systems under a high-DER grid, while maintaining reliable operation of the respective systems.³ These are critical attributes to DSO formation, and the Commission should include them in the scope, as discussed below in subsection B.

Question 4: *Should the Commission address Track 3 (smart inverter operationalization, grid modernization, and GRC alignment) issues in two separate work streams: 1) a smart inverter working group and working group report followed by a staff proposal and workshop,*

¹ Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future, R.21-06-17, July 2, 2021, p. 16.

² *California Independent System Operator Corp.*, Tariff Amendment to Comply with Order No. 2222 at 7, Docket No. ER21-2455 (July 19, 2021).

³ Gridworks, Coordination of Transmission and Distribution Operations in a High Distributed Energy Resource Electric Grid, 2017. Available at: https://gridworks.org/wp-content/uploads/2017/01/Gridworks_CoordinationTransmission.pdf

and 2) a staff-led proposal and workshop on grid modernization and GRC alignment? If not, how should Track 3 issues be addressed?

The CAISO agrees that the Commission should separate Track 3, into the two work streams as described in the OIR. The smart inverter working group will likely require specific technical expertise, whereas grid modernization and GRC alignment will require greater ratemaking expertise. The CAISO also supports the current quasi-legislative determination, and the flexibility that it may change for the GRC discussion later. Additionally, the CAISO respectfully requests the Commission clarify that the scope of grid modernization is limited to the distribution system.⁴

B. Appropriateness of Preliminary Scoping Issues

For Track 1 (DSO), the CAISO suggests the Commission include in the scope the roles and responsibilities of the DSO and its interaction with both the transmission and distribution domains. As a starting point, the entity in charge of reliability planning for each domain would also oversee its operation. For example, the CAISO manages the reliability of the transmission system while the distribution utility operators manage the reliability of the distribution system. Overall, maintaining reliability should be a significant discussion item within the scope.

For Track 2 (DRP), the scope appropriately references the relationship to the California Energy Commission (CEC) and the CAISO, namely, the demand forecast developed by the CEC through the Integrated Energy Policy Report (IEPR).⁵ The single forecast set developed in IEPR is also used in the integrated resource plan (IRP) and the resource adequacy proceedings. Outside of the Commission, the CAISO also uses this forecast set in its transmission planning process, including the local and flexible capacity studies. Lastly, the forecast can support Senate Bill (SB) 100 analyses. Therefore, it is important to ensure that IOU DER planning at the distribution level (including behind-the-meter) is well coordinated with the CEC through the IEPR demand forecast so it can flow to other processes. Importantly, high DER development also may come through load flexibility management and rate development.⁶ The Commission should ensure there is express reference to the IEPR demand forecast in the OIR, as well as

⁴ D.18-03-023 largely bases its definition of Grid Modernization in the distribution system. *See* Decision on Track 3 Policy Issues, Sub-Track 2 (Grid Modernization), R.14-08-013, March 22, 2018, pp. 5-8.

⁵ Question 4h, Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future, R.21-06-017, July 2, 2021, p. 20.

⁶ Appendix A, Draft CPUC DER Action Plan 2.0, July 23, 2021.

reference to the resource adequacy proceeding and any future load flexibility management and rates proceedings.

The CAISO supports dividing Track 3 (Smart Inverter and GRC) into two work streams.

Lastly, the CAISO urges the Commission to align the scope more closely with the DER Action Plan.⁷ The Commission should update the scoping memo so the three tracks (DSO, DRP, and Smart Inverter and GRC) each recognize the four DER Action Plan tracks (Rates and Load Flexibility, Distribution Infrastructure, Market Integration, and Customer Programs). For example, under Track 1, the OIR scope includes grid architecture. However, each DER pathway can result in a differing grid architecture. DER pathways or load management approaches available to DERs today broadly include rates, load modifying programs, and supply side pathways (*i.e.*, CAISO market integration for DERs). Although the supply side pathway creates a more complex grid architecture to maintain reliability at the distribution and transmission level—requiring more tools for visibility and control for the utility and CAISO—DER pathways such as dynamic rates do not require the same type of grid architecture, but they may require new investments in billing infrastructure and communication tools. Depending on the pathway selected, the subsequent activities in the DER Action Plan may change.

C. Anticipated Activities

The CAISO strongly supports coordination with the CEC on data gathering and analytics activities as contemplated in the OIR. It is critical for the CEC to obtain the necessary data to analyze the impacts of DERs on reliability, especially load modifying resources. The Commission also should ensure that beyond gathering data, the CEC can propose additional equipment or requirements such as metering capability to obtain necessary data to feed back into the IEPR demand forecast. An accurate load forecast is the foundation to understanding and ensuring reliable distribution, transmission, and resource planning.

D. Preliminary Determination of the Proceeding

The CAISO strongly supports the preliminary determination of this proceeding as quasi-legislative. The CAISO notes that the proceeding scope as proposed is currently a policy discussion and that individual tracks can have their determinations changed to rate-setting if and when needed.

⁷ Draft CPUC DER Action Plan 2.0, July 23, 2021.

II. Conclusion

The CAISO appreciates the opportunity to comment on the OIR looks forward to collaborating with parties and the Commission to resolve these substantive items.

Respectfully submitted

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