

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

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations

Rulemaking 21-10-002
(Filed December 12, 2022)

**DEPARTMENT OF MARKET MONITORING REPLY COMMENTS ON THE WORKSHOP
REPORT ON FINAL PROPOSALS FROM REFORM TRACK PHASE 2 WORKSTREAMS
1 – 3 SUBMITTED BY PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

I. Summary

The Department of Market Monitoring (DMM) of the California Independent System Operator Corporation (CAISO) appreciates the opportunity to provide comments on the topics presented in the Track 3B.2 resource adequacy workshops on a Slice-of-Day framework.

DMM supports the efforts by the Commission to implement a restructured resource adequacy program in line with the principles stated in R.21-10-002. DMM summarizes its comments below:

- DMM supports a resource accounting framework based on appropriately conservative exceedance values as the best option for ensuring grid reliability during a range of stressed grid conditions.
- Adopting an appropriately conservative resource accounting approach should allow use of a lower planning reserve margin (PRM).

- DMM believes the combination of an appropriately conservative resource accounting framework with a lower PRM represents the most efficient and equitable approach for ensuring the state’s resource adequacy program is durable and adaptable to the changes to the electric grid and resource mix that will occur as California transitions to meeting 60% of its retail electricity from renewable generation by 2030.

II. Discussion

A. DMM supports a resource accounting framework incorporating an appropriately conservative exceedance value.

California’s resource adequacy program needs to ensure that reliability needs are met during a range of stressed grid conditions with a high level of intermittent renewable energy, energy storage, and other potentially use limited resources. DMM believes the type of resource accounting methodology proposed by Middle River Power (MRP) with a conservative exceedance value represents the best option to achieve these objectives. This approach selects the exceedance level that accounts for all hours and produces nearly no over counting against the benchmark. This approach helps to (1) protect against lost grid reliability during stressed conditions, and (2) protect against insufficient charging energy as the system increasingly relies on non-generation resources (NRGs).

In the long term, a conservative resource accounting methodology is necessary to ensure sufficient charging capacity as the system becomes more reliant on VERs and their excess production to charge NGRs. In extreme conditions, over accounting will lead to underproduction that would jeopardize the RA valuation of the NGRs in the ‘charging sufficiency verification’ test. The high correlation between the resource capacity of NGRs and VER production creates additional risk to the RA fleet. The MRP proposal accounts for resource

contributions over all hours allowing for charging sufficiency in off-peak hours for peak-demand needs.

DMM supports updating the resource accounting exceedance values on a regular basis, and encourages the Commission to incorporate resource valuation taking into account the correlation between VERs and NGRs in the methodology.

B. DMM supports the lower planning reserve margin (PRM) as a result of conservative resource accounting to ensure resource equity and efficiency.

A conservative resource accounting methodology inherently lowers the needed PRM, and introduces greater resource capacity efficiency and equity. The lower PRM allows for the flexibility of the 24-hour slice-of-day methodology to better reflect resource generation shapes, providing a more equitable resource accounting. The combination of an appropriately conservative resource accounting framework with a lower PRM represents facilitate more efficient and equitable procurement of resources by load serving entities, and avoids potential over-procurement as a result of an inflated PRM.

With this approach, the PRM will reflect the availability of different technology types on the days in which RA resources are needed to meet load during stressed conditions. The PRM will be calibrated to meet LOLE, and should be done on a monthly basis, with the resulting RA fleet better reflecting the resource generation patterns. This flexibility will respect the availability of resources and provide for longer-term durability in the slice-of-day framework. In the long-term, efficiency will be maximized though a lower PRM as the increasing deployment of NRGs will be able to meet the needs of load while not over procuring as a result of an inflated PRM.

III. Conclusion

DMM appreciates the opportunity to reply to the Report.

Respectfully submitted,

By: /s/ Ben Dawson

Eric Hildebrandt, Ph.D.

Executive Director, Market Monitoring

Ryan Kurlinski

Manager, Market Monitoring

Ben Dawson

Market Monitor

Patrick Prendergast

Senior Market Monitor

Department of Market Monitoring

California Independent System Operator
Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916-608-7150

rkurlinski@caiso.com

bdawson@caiso.com

Independent Market Monitor for the
California Independent System Operator

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