

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

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

Rulemaking 19-11-009
(Filed November 7, 2019)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
COMMENTS ON ORDER INSTITUTING RULEMAKING**

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I. Introduction

The California Public Utilities Commission (Commission) issued its Order Instituting Rulemaking (OIR) to oversee the resource adequacy program on November 13, 2019. In addition to setting local and flexible procurement obligations, the OIR identifies both structural changes and refinements to the ongoing resource adequacy program that the Commission plans to address in this cycle. The California Independent System Operator Corporation (CAISO) agrees with proposed scope of issues outlined in the OIR. The OIR correctly identifies the important structural issues that must be addressed in this proceeding. As a result, the CAISO recommends that the Commission focus on the issues identified in the OIR, with limited additions to the scope of the proceeding, thereby allowing the Commission and parties to make material progress toward resolving the fundamental resource adequacy program issues.

II. Discussion

A. Structural Changes to the Resource Adequacy Program

The OIR identifies three areas of structural change to the resource adequacy program that the Commission may consider in this rulemaking proceeding. The CAISO reproduces these three areas of structural change below, and provides comments on each.

- (1) Examination of the broader RA structure to address energy attributes or hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling contracts held by utilities, and**

material increases in energy and capacity prices experienced in California over the past year.

The CAISO strongly agrees that the Commission should examine the broader resource adequacy structure to address energy attributes and hourly capacity requirements. The CAISO's previous filings in Rulemaking (R.)17-09-020 highlighted the need to ensure local capacity area energy needs with increasing amounts of availability-limited resources. Similarly, the CAISO's operational analysis submitted in the integrated resource planning proceeding, Rulemaking (R.)16-02-007, highlighted the need for additional capacity during the evening (post-sunset) hours to meet system operational requirements. At both the system and local level, it is clear that the resource adequacy program must be updated to ensure that capacity to meet the peak hour and energy requirements across all hours are met.

As part of this structural review, the Commission should also address rules for counting resource adequacy imports. The Commission addressed the resource adequacy import rules in Decision (D.)19-10-021, but the CAISO and several other parties have requested rehearing of that decision. While the Commission's decision on rehearing is pending, the CAISO recommends that the Commission reconsider its requirements for resource adequacy imports in a more holistic manner to ensure that load-serving entities can procure reliable resource adequacy imports that are effective at meeting capacity and energy requirements. The CAISO specifically recommends clarifying whether resource-specific imports that are not dynamically scheduled or pseudo-tied into the CAISO can meet system resource adequacy requirements without self-scheduling.

In addition, the CAISO recommends that the Commission's structural review should begin considering how to properly account for forced outages and development of new flexible resource adequacy requirements. The CAISO is currently developing proposals related to these issues within its own Resource Adequacy Enhancements stakeholder initiative. These issues may not require Commission action during the first year of this resource adequacy cycle but the CAISO plans to present any upcoming proposals to the Commission and parties to this proceeding.

- (2) Potential modifications to the maximum cumulative capacity buckets to address increasing reliance on use-limited resources to meet reliability and needs, and consideration of whether the Commission should cap quantities**

of imports and/or use-limited resources (such as demand response) consistent with monthly and/or annual load duration curves.

The CAISO believes that modifications to the maximum cumulative capacity buckets are warranted and that any changes made must be consistent with the structural review of energy and capacity needs outlined in the above.

(3) Consideration of whether there is a benefit in expanding multi-year forward local RA requirements to system and/or flexible resources and how to address market power with multi-year requirements

The CAISO has consistently advocated for multi-year system and flexible resource adequacy requirements to ensure near-term reliability. The Commission's recent identification of capacity shortfalls in its integrated resource planning proceeding demonstrate that multi-year system and flexible resource adequacy procurement requirements are necessary. The CAISO looks forward to addressing this issue again in this proceeding.

B. Refinements to Resource Adequacy Program Elements

In addition to addressing the structural issues identified above, the OIR asks parties to identify and prioritize resource adequacy program refinements. As part of the refinements, the OIR notes that the Commission may address the following:

- (1) Market power mitigation measures, including changes to the current penalty structure and waiver process for system, flexible and local resource adequacy.
- (2) Counting conventions and requirements for hydro resources, hybrid resources, third-party demand response resources (including load impact protocols and contract provisions), and potentially other resources.
- (3) Marginal effective load carrying capability counting conventions for solar, wind and hybrid resources

The CAISO agrees with the refinements identified in the OIR, and recommends that the Commission limit consideration of additional refinements at this time. In particular, the CAISO recommends that the Commission prioritize adopting counting conventions and requirements for storage hybrid resources. Storage hybrid resources will likely play an instrumental role to meet the 3,300 MW of Commission-directed procurement in the integrated resource planning proceeding. The Commission required 50% of that procurement to be online by August 1, 2021.

Although the Commission is proposing to adopt interim counting rules for storage hybrid resources¹, it is important for the Commission to develop permanent counting rules for these resources in this proceeding given the critical role these resources will likely play in meeting the identified capacity shortfalls.

III. Conclusion

The CAISO appreciates this opportunity to provide comments on the scope of this OIR and looks forward to working with the Commission in this proceeding to make important structural changes to the resource adequacy program.

Respectfully submitted,

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¹ The Commission issued a proposed decision in proceeding R.17-09-020 to adopt an interim hybrid resource counting methodology on November 26, 2019. That decision properly contemplates adopting a permanent counting methodology in this proceeding (R.19-11-009).