

**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)

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

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Date: January 2, 2020

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I. INTRODUCTION

The California Independent System Operator Corporation (CAISO) hereby provides reply comments on the *Proposed Decision Granting Motion Regarding Qualifying Capacity Value of Hybrid Resources with Modifications* (Proposed Decision), issued in this proceeding on November 26, 2019.

II. DISCUSSION

The CAISO continues to support the hybrid resource Qualifying Capacity (QC) counting approach outlined in the Proposed Decision. Specifically, the CAISO supports adopting the Proposed Decision’s interim QC counting methodology for hybrid resources that are operationally limited due to investment tax credit (ITC) charging limitations. However, the CAISO recommends that the Commission modify the Proposed Decision to clarify that the interim methodology is only applicable to resources that are limited due to ITC charging limitations and to remove generalized references to “operational restrictions.”

A. The Commission Should Clarify that the Interim QC Counting Methodology Applies Only to Hybrid Resources with ITC-Related Charging Restrictions.

The Proposed Decision adopts an interim QC counting methodology only for hybrid resources with “operational restrictions.” The CAISO and several other parties

noted that the Proposed Decision does not adequately define “operational restrictions,” though it implies that ITC-related charging restrictions are “operational restrictions.” The CAISO notes that use of the term “operational restrictions” to refer to ITC-related charging restrictions is vague and ambiguous, especially because the CAISO uses similar terminology to refer to physical and infrastructure-related operating restrictions. Opening comments provided by other parties highlight the potential for confusion created by the term “operational restrictions” to reference ITC-related charging restrictions. As a result, and in order to avoid confusion with existing terminology, the CAISO recommends that the Commission modify the Proposed Decision to (1) remove references to “operational restrictions” and (2) explicitly state that the interim QC methodology applies only to hybrid resources with ITC-related charging restrictions.

B. The Proposed Hybrid Resource QC Counting Methodology Is Appropriate as an Interim Solution Until the Commission and the CAISO Develop a Permanent Methodology.

Several parties recommend that the Commission modify the Proposed Decision to align with the CAISO’s Hybrid Resources Straw proposal, which suggested adopting a default QC methodology for hybrid resources using an additive approach.¹ The CAISO cautions the Commission against such a modification at this time. The CAISO’s proposal is a work in progress and is subject to revision. The Proposed Decision’s more conservative approach is an appropriate interim solution to properly account for ITC-related charging restrictions. The CAISO and the Commission can implement a permanent and coordinated solution after fully considering the reliability benefits of hybrid resources in their respective stakeholder processes. The CAISO notes that its Hybrid Resource initiative is on track to release a draft final proposal by May of 2020, approximately the same timeframe as the Commission will release its annual Proposed Decision in the new resource adequacy proceeding (Rulemaking 19-11-009). The Commission and the CAISO should work to ensure those respective work products

¹ See, for example, AWEA-California and LSA, R.17-09-020, *Comments of the American Wind Energy Association of California and the Large-Scale Solar Association on the Proposed Decision Granting Motion Regarding Qualifying Capacity Value of Hybrid Resources with Modifications*, December 20, 2019, p. 4.

include coordinated and permanent QC counting methodologies for hybrid resources.

III. CONCLUSION

The CAISO appreciates the opportunity to provide reply comments on the Proposed Decision.

Respectfully submitted,

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