

**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)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
COMMENTS ON SCOPING MEMO AND RULING OF ASSIGNED
COMMISSIONER AND ADMINISTRATIVE LAW JUDGE**

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna A. McKenna
Assistant General Counsel
Jordan Pinjuv
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom California 95630
Tel.: (916) 351-4429
jpjuv@caiso.com

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I. Introduction

The Commission issued its Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Scoping Memo) on January 18, 2018. The Scoping Memo separates this proceeding into three separate tracks and establishes a timeline and scope of issues for each. The California Independent System Operator Corporation (CAISO) generally agrees with the scope of issues to be addressed in this proceeding, but recommends that the Commission modify the scope and schedule for Tracks 1 and 2 allow for a comprehensive review of foundational resource adequacy issues. In addition, the CAISO provides an update regarding the status of the Local Capacity Requirements (LCR) and Flexible Capacity Requirements (FCR) studies, both of which have been impacted by the California Energy Commission’s (CEC) recent announcement of a five-week delay in adopting the 2019 demand forecast.

II. Discussion

A. Scope Issues

The Scoping Memo divides this proceeding into three separate tracks. Track 1 addresses system, local, and flexible requirements for 2019, as well as time-sensitive refinements to the resource adequacy program.¹ Track 2 “encompasses more complex

¹ Proposed Decision, p. 5.

and slightly less time-sensitive modifications and refinements” to the resource adequacy program.² Track 3 will primarily consider 2020 program year requirements for system, local, and flexible resource adequacy.³ The CAISO generally agrees with the described scope of the three tracks, but submits that some issues currently designated as Track 1 issues should be re-scoped within Track 2 to allow for a comprehensive review because they are broad, more complex, and address more foundational resource adequacy issues.

In particular, the CAISO submits that Scoping Memo Track 1 Issue 4.b, “reforms necessary to maintain reliability while reducing potentially costly backstop procurement,” will be more properly addressed in Track 2 of this proceeding because the scope of such reforms are complex and closely tied to Track 2 issues regarding local capacity requirements. The Scoping Memo notes that this issue may be addressed by “staff and party proposals and may include a multi-year procurement framework for local [resource adequacy] as well as other proposals to address out-of-market procurement and increase transparency.”⁴ The Scoping Memo acknowledges that considering these matters and adopting specific program rules in Track 1 would likely be overly ambitious. The CAISO agrees that this issue should be prioritized during this proceeding, but final resolution is unlikely within the limited timeframe allotted for Track 1 because the issues are complex. The CAISO recommends that this issue be addressed within the scope of Track 2 along with any other local resource adequacy proposals considered pursuant to Track 2 Issues identified in sections 2.a through 2.e of the Scoping Memo.

As discussed in more detail below, the CAISO recommends that the Track 2 schedule should simultaneously be extended to make the most efficient use of available time.

B. Schedule Issues

1. The Track 2 Schedule Should Be Extended.

Track 2 encompasses many foundational issues regarding the future of the resource adequacy program, but the schedule provides less than seven months—from

² Scoping Memo, p. 7-8.

³ Scoping Memo, p. 8-9.

⁴ Scoping Memo, p. 6-7.

June 6, 2018 until the end of 2018—to propose solutions, vet proposals at a single workshop, have evidentiary hearings and briefing, and allow the assigned Commissioner to draft a Proposed Decision.⁵ This is insufficient time to comprehensively address the scoped issues that are challenging and important to establishing a robust and well-functioning resource adequacy program going forward. The CAISO recommends that the Commissioner extend this schedule to allow time for additional workshops and full vetting of proposals introduced during Track 2.

The CAISO provides the following specific modifications to the Track 2 schedule:

- *Track 2 should begin concurrently with Track 1.* Parties should begin developing proposals to address Track 2 issues as soon as possible and file those proposals in early 2018, rather than waiting until June 6, 2018 to file proposals. This will allow parties adequate opportunity to identify the scope of any proposed changes early in this proceeding.
- *Track 2 should have multiple opportunities for workshops.* Currently, the proposed schedule provides for only one workshop on Track 2 issues, while also providing opportunities for testimony, evidentiary hearings and briefing. The CAISO recommends that the assigned Commissioner provide for multiple workshops during Track 2. The CAISO also questions the need for and value of evidentiary hearings and briefs in this proceeding. The primary issues in this proceeding will be matters of policy rather than matters of fact. As a result, evidentiary hearings and formal testimony are unlikely to provide probative value, but they will impose unnecessary resource, cost, and time burdens on the parties to the proceeding.
- *Track 2 can be extended into mid-2019.* The proposed schedule concludes Track 2 by the end of 2018, but this date appears somewhat arbitrary. Given the proposed schedule, any modifications to the resource adequacy program that are adopted in Track 2 will not be effective until the 2020 resource adequacy year, at the earliest. As a result, Track 2 could readily be extended

⁵ Scoping Memo, p. 13.

until mid-2019 without delaying implementation of any changes adopted in the proceeding. The CAISO recommends that Track 2 be extended so that a proposed decision is released by May 2019. Extending the timeline will allow more time for fundamental issues to be vetted and resolved, while still allowing any modifications to be implemented for the 2020 resource adequacy year.

2. *Delay in Finalizing the 2019 Demand Forecast Will Impact the LCR and FCR Schedules.*

The CAISO has been working to provide the final FCR and LCR studies to the Commission earlier in the resource adequacy proceeding. The CAISO had planned to compress its LCR study timeline to produce the final study by April 16, 2018, but this schedule was contingent upon receiving the CEC's 2019 Integrated Energy Policy Report (IEPR) Demand Forecast by January 19, 2018. Similarly, the CAISO was on track to finalize the FCR study by May 1, 2018, assuming the Demand Forecast was received timely. The CAISO has recently learned that the IEPR Demand Forecast will not be finalized until February 21, 2018—a five-week delay. The delay in receipt of the final IEPR Demand Forecast does not equate to a day-for-day delay in finalizing the LCR and FCR studies, but some delay is unavoidable because the CAISO will not be able to finalize its base cases until after the IEPR Demand Forecast is received. As a result, the CAISO anticipates that the LCR study will not be finalized until May 15, 2018, at the earliest. The CAISO expects that the FCR study will also be finalized on approximately May 15, 2018. The CAISO also notes that it intends to introduce its 2017 analysis of availability assessment hours during the first opportunity for party proposals on February 16, 2018.

The CAISO also notes that the Scoping Memo's proposed LCR study schedule requests that the CAISO file the draft 2019 LCR report with the Commission and parties file comments on the draft LCR report in this proceeding. The CAISO does not object to filing the draft LCR report with the Commission, but questions the value of providing an additional comment period on the draft report. The CAISO's stakeholder process already provides an opportunity for stakeholders to file comments on the Draft LCR report. Any comments filed within this proceeding would likely be duplicative and could create confusion when the CAISO attempts to address comments in the final LCR report. If the

Commission’s comment period is not synced with the CAISO’s comment period, it could result in additional delay in developing the final LCR report. Rather than providing a new and separate comment period on the draft LCR report, the CAISO recommends that the Commission take official notice of comments filed in the CAISO’s stakeholder process pursuant to Rule 13.10 of the Commission’s Rules of Practice and Procedure.⁶

If the Commission continues to include comments on the draft LCR report within the scope of this proceeding, the CAISO recommends eliminating one of the later rounds of comments on the final LCR report. There are already ample opportunities for parties to comment on the LCR report during the CAISO and Commission resource adequacy processes. Providing another opportunity at the draft stage only makes sense to the extent it expedites the overall process by eliminating the need for a later comment period.

C. Request for Clarification

The CAISO requests that the assigned Commissioner clarify certain issues included with Track 2 and Track 3 of this proceeding. Specifically, the Scoping Memo should detail what is within the scope of Track 2 Issue 2.a, regarding “adjusted or waived” procurement obligations for local capacity in certain local areas.

The assigned Commissioner should also clarify Track 3 issues regarding “refinements to production cost modeling algorithms and further integration of modeling-based concepts into [resource adequacy] program rules.”⁷ It is unclear whether the referenced production cost modeling is to be used to adopt new resource adequacy counting rules, to assess load-serving entity showings, or for some other purpose. Additional clarification would provide valuable guidance to parties developing proposals.

⁶ California Evidence Code Section 452 allows the Commission to take judicial notice of “facts and propositions that are not reasonably subject to dispute and are capable of immediate and accurate determination by resort to sources of reasonably indisputable accuracy.” The CAISO posts of a public copy of all comments submitted. As a result, the Commission could take judicial notice of the fact that comments were filed with the CAISO. Judicial notice would not extend to the truth of the statements contained therein.

⁷ Proposed Decision, p. 8.

III. Conclusion

The CAISO appreciates this opportunity to provide comments on the Scoping Memo and looks forward to working with the Commission in this important resource adequacy proceeding.

Respectfully submitted,

By: /s/ Jordan Pinjuv

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Anna A. McKenna

Assistant General Counsel

Jordan Pinjuv

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

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