

**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
(October 7, 2021)

**OPENING COMMENTS ON RESOURCE ADEQUACY
IMPLEMENTATION TRACK PHASE 1 PROPOSALS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Jordan Pinjuv
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-351-4429
Fax: 916-608-7222
Email: jpinjuv@caiso.com

Date: January 4, 2022

Table of Contents

I.	Introduction	1
II.	Discussion	2
	A. Changes to CAISO backstop cost allocation rules should not be determined within a Commission proceeding.	2
	B. The CAISO Proposal will address PG&E’s and SCE’s concerns about a CPE incurring backstop costs arising from a self-showing LSE’s failure to show those resources to the CAISO.	2
	C. This proceeding is not the appropriate venue to consider additional modifications to CAISO backstop cost allocation rules proposed by SCE.....	3
	D. The CAISO supports proposals to modify the CPE timeline which would allow LSEs more time to manage system and flexible resource adequacy positions.	4
III.	Conclusion.....	5

**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
(October 7, 2021)

**OPENING COMMENTS ON RESOURCE ADEQUACY
IMPLEMENTATION TRACK PHASE 1 PROPOSALS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I. Introduction

The California Independent System Operator Corporation (CAISO) submits comments on Implementation Track Phase 1 proposals to modify the Central Procurement Entity (CPE). Decision (D.) 20-06-002 adopted a hybrid central procurement framework, directing CPEs to procure local resources on the behalf of the load serving entities (LSEs) within Pacific Gas and Electric Company (PG&E) and Southern California Edison (SCE) distribution areas beginning resource adequacy year 2023. Implementation Track Phase 1 of this rulemaking considers modifications to the CPE structure.

The CAISO supports proposals that will enhance LSEs' ability to manage resource adequacy positions within the CPE framework. However, changes to CAISO backstop cost allocation rules should not be considered in this proceeding. A Commission proceeding is not the appropriate forum to determine changes to the CAISO tariff. To address concerns raised in party proposals about CPEs incurring backstop costs arising from a self-showing LSE's failure to show its local resource to the CAISO, the CAISO recommends the Commission assign local obligations to LSEs up-front to reflect self-showing commitments and communicate these assignments to the CAISO prior to the final showings deadline. This

recommendation is detailed in CAISO's Implementation Track Phase 1 Proposal (CAISO Proposal).¹

II. Discussion

A. Changes to CAISO backstop cost allocation rules should not be determined within a Commission proceeding.

PG&E and SCE suggest changes to CAISO backstop cost allocation rules to address scenarios where resources self-shown by LSEs to the CPE do not perform (*i.e.* LSEs opting to self-show resources to the CPE ultimately do not show those resources to the CAISO). A Commission proceeding is not the appropriate venue to consider changes to CAISO backstop cost allocation rules, which may require changes to the CAISO tariff. Instead, the Commission should determine how to assign local obligations between self-showing LSEs and the CPE before final showings are due to the CAISO as explained in the CAISO Proposal.²

B. The CAISO Proposal will address PG&E's and SCE's concerns about a CPE incurring backstop costs arising from a self-showing LSE's failure to show those resources to the CAISO.

PG&E proposes that costs associated with CAISO backstop procurement be directly allocated to LSEs that self-show resources to the CPE but ultimately fail to show those resources to the CAISO.³ PG&E proposes the CAISO modify its tariff to allow a local regulatory authority (LRA) to define how local capacity procurement mechanism (CPM) costs should be allocated to jurisdictional LSEs that failed to meet local procurement obligations.⁴ Similarly, Southern California Edison (SCE) proposes that CAISO backstop costs be directly allocated to non-performing LSEs, except if non-performance is due to a planned outage or if self-shown resources are associated with an LSE outside the CPE service area.⁵

CPM costs are CASO-incurred costs, not Commission-incurred costs. Consistent with today's processes, CPM costs should be allocated under clear, unambiguous, and *ex ante*

¹ Phase 1 Proposals of the California Independent System Operator Corporation, R.21-10-002, December 23, 2021.

² *Id.*

³ New Phase 1 Proposals of Pacific Gas and Electric Company, PG&E, pp. 6-7. (PG&E proposal)

⁴ PG&E comments on Central Procurement Entity Implementation – issue paper and straw proposal, December 6, 2021

⁵ Phase 1 Proposals of Southern California Edison Company, December 13, 2021, pp. 3-5. (SCE Proposal)

CAISO cost allocation tariff rules, not after-the-fact Commission cost allocation determinations. To address PG&E's and SCE's concerns about CPEs bearing costs from CPM designations arising from a self-showing LSE's failure to show its local resources to the CAISO, the CAISO recommends the Commission reassign local capacity obligations associated with self-shown resources upfront, and communicate these assignments to the CAISO prior to the final showings deadlines. This recommended approach provides certainty and is consistent with the current approach whereby the local capacity obligations of all Commission-jurisdictional LSEs are determined up-front and are known prior to the applicable resource adequacy showing deadline. The CAISO's proposed process will ensure that CPM costs are properly allocated to deficient LSEs who have an obligation to show capacity to the CAISO. CPM costs must be allocated based on clear, ex ante resource adequacy obligations and cost allocation rules to ensure transparency, provide certainty, follow basic cost allocation principles, and avoid any uncertainty or filed-rate/retroactive ratemaking concerns that may arise from ex post cost allocation determinations. The CAISO's proposal is consistent with existing CPM processes and avoids implementation and administrative complexities. The CAISO recommends the Commission adopt its proposal to address PG&E's and SCE's concerns.

C. This proceeding is not the appropriate venue to consider additional modifications to CAISO backstop cost allocation rules proposed by SCE.

SCE proposes additional modifications to CAISO backstop cost allocation rules when LSEs self-show resources.⁶ SCE proposes the CAISO allocate backstop costs to non-performing LSEs, *except* if non-performance is due to a planned outage or if self-shown resources are associated with an LSE outside the CPE service area.

As explained above, this proceeding is not the appropriate forum to determine changes to CAISO backstop cost allocation, including consideration of planned outages in cost allocation rules.

SCE proposes that self-showing LSEs outside the CPE service area be exempt from potential backstop costs associated with non-performance. To address SCE's concern that a self-showing LSE outside the CPE service area could be allocated local backstop costs, the

⁶ SCE Proposal, pp. 3-4.

CAISO recommends the Commission determine, in *advance* of final showings to the CAISO, how to assign local obligations to reflect self-showing commitments between the CPE and self-showing LSEs outside the CPE service area. This process would allow local obligations to flow through to CAISO processes and settlements. In this process, the Commission should also ensure that local obligations are *fully* re-assigned among entities (*i.e.* re-allocated local obligations must add up to the original local obligation provided by the CAISO to the Commission on behalf of all Commission jurisdictional LSEs).

D. The CAISO supports proposals to modify the CPE timeline to allow LSEs more time to manage system and flexible resource adequacy positions.

Energy Division proposes requiring LSEs that voluntarily commit local resources to make local resource adequacy showings to the Commission by late July as opposed to late September.⁷ PG&E proposes CPEs make local resource adequacy showings due to the Commission by mid-August instead of late September.⁸ These changes would allow additional time for LSEs to consider CPE procurement in their system and flexible portfolio planning in advance of the October 31 showings deadline.

The CAISO supports PG&E's and Energy Division's proposals to revise the CPE timeline adopted in Decision (D.) 20-06-002, which would provide LSEs additional time to manage their year-ahead system and flexible resource adequacy positions. The CAISO also supports PG&E's suggestion to modify language in (D.) 20-06-002 to reflect that early showings (before October 31) would only apply to showings to the Commission.⁹ The CAISO's showing process does not include requirements for early showings.

CalCCA also suggests the Commission consider waving system and flexible resource adequacy penalties if a CPE does not meet its procurement obligation in the June timeframe and LSE shortfalls were the result of uncertainty created by a CPE's local procurement.¹⁰ Though the Commission may allow for waivers under such conditions, parties should be aware that LSEs may still incur CAISO backstop costs if the CAISO identifies a resource adequacy deficiency.

⁷ Energy Division Proposals for Proceeding R.21-10-002 Implementation Track Phase 1, December 13, 2021, p. 4.

⁸ PG&E Proposal, p. 6.

⁹ *Id.*

¹⁰ California Community Choice Association's Phase 1 Proposals, p. 14.

III. Conclusion

The CAISO appreciates the opportunity to provide comments on parties' Implementation Track Phase 1 proposals.

Respectfully submitted

By: /s/ Jordan Pinjuv

Roger Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Jordan Pinjuv

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916-351-4429

Fax: 916-608-7222

Email: jpjuv@caiso.com

Attorneys for the California Independent
System Operator Corporation

Dated: January 4, 2022