

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

Order Instituting Rulemaking to
Continue Electric Integrated Resource
Planning and Related Procurement
Processes.

Rulemaking 20-05-003
(Filed May 7, 2020)

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON THE ADMINISTRATIVE LAW JUDGE'S SEPTEMBER 8, 2022
RULING SEEKING COMMENTS ON STAFF PAPER ON PROCUREMENT
PROGRAM AND POTENTIAL NEAR-TERM ACTIONS TO ENCOURAGE
ADDITIONAL PROCUREMENT**

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I. Introduction

The California Independent System Operator Corporation (CAISO) provides its reply comments on the *Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement* (Ruling), issued on September 8, 2022. The CAISO's reply comments focus on establishing procurement requirements for existing and incremental resource needs in the new integrated resource planning (IRP) procurement program. The CAISO also responds to comments regarding local resource needs, reliability modeling, and the CAISO's backstop mechanisms and deliverability study methodologies.

II. Discussion

A. The Commission Should Consider Both Existing and Incremental Resource Needs in the IRP Procurement Program.

The CAISO continues to support a holistic procurement approach where the IRP proceeding is the sole forum for considering Commission footprint-wide planning, procurement requirements, need allocation, compliance, and enforcement of system, flexible, and local capacity requirements. This requires consolidating several critical functions from the resource adequacy proceeding into a new IRP procurement program.

Some parties support limiting IRP procurement to only a subset of total resource needs. For example, the California Community Choice Association (CalCCA) proposes to shift all new

and existing “clean” resource procurement into the IRP proceeding while the resource adequacy program is responsible for the remaining resource need.¹ CalCCA’s proposal supports such bifurcation because “[r]equiring LSEs [load serving entities] to procure the total effective need as opposed to just the clean portion of the need would duplicate the existing RA [resource adequacy] program and expose LSEs to multiple compliance obligations for the same reliability need.”² Similarly, Southern California Edison Company (SCE) supports limiting IRP procurement to incremental resources but “acknowledges, however, that if the IRP reliability procurement program focuses on new resources, there is a risk that existing resources will retire despite contributing to the reliability needs of the system... and put the system at further risk of maintaining reliability.”³ SCE suggests the Commission consider options to address this concern, such as a multi-year resource adequacy program, in a subsequent phase of the IRP procurement track.⁴ Pacific Gas and Electric Company (PG&E) proposes a multi-year resource adequacy program as an interim bridge to IRP procurement of new and existing resources.⁵

Although the CAISO does not oppose multi-year forward procurement under the resource adequacy program *per se*, failing to consider existing and incremental procurement under a single IRP procurement program would be a significant lost opportunity to optimize and streamline procurement. As detailed in CAISO’s opening comments, a holistic approach will allow the IRP program to more effectively and efficiently: (1) procure incremental (including large and/or long lead-time) resources well ahead of the need; (2) ensure existing resources are retained or replaced, as necessary; (3) co-optimize transmission planning with procurement, including considering the trade-offs between generation and transmission expansion, especially in local capacity areas; and (4) enable better coordination with the transmission planning process to align resource procurement volumes and locations with transmission capability and facilitate long lead-time transmission expansion.

¹ CalCCA Opening Comments, p. 28.

² CalCCA Opening Comments, p. 28.

³ SCE Opening Comments, pp. 29-30.

⁴ SCE Opening Comments, p. 30.

⁵ PG&E Opening Comments, pp. 4-5.

B. The Commission Should Consider Both Existing and Incremental Local Capacity Area Resource Needs in the IRP Procurement Program.

Regarding local capacity areas, several parties support including local reliability needs assessments in an IRP procurement program.⁶ Parties also recommend co-optimizing transmission and generation solutions in local areas and further coordination with the CAISO.⁷ The CAISO continues to support close coordination of the CAISO's transmission planning process and the IRP proceeding. Close coordination will enable IRP planning and procurement processes to utilize and align with CAISO's local capacity technical methodologies and studies.

Some parties suggest excluding existing resource needs from local reliability needs assessments in IRP procurement. Parties suggest limiting local consideration to incremental needs or limiting the IRP program's focus to incremental needs, with the resource adequacy program focused on existing resource procurement.⁸ Isolating local area needs (or incremental local area needs) without full consideration of total system needs is a lost opportunity and will create more inefficiencies between the IRP and resource adequacy programs. For example, large and impactful issues such as thermal retirement scenarios or potential closure of the Aliso Canyon Gas Storage facility (or reducing its capacity) may directly affect local capacity areas, but these issues will also have considerable impacts to overall *system* reliability and flexibility. In addition, procurement options especially when evaluating trade-offs between generation and transmission solutions, may include large, long lead-time projects that will have an outsized impact vis-à-vis the specific local capacity area of study. Narrowly considering local capacity area needs divorced from the system could render potential options cost-prohibitive or less desirable because it ignores broader system-wide benefits or "strands" such benefits in other proceedings such as the resource adequacy program. The Commission could take a phased approach to considering local area needs by "piloting" a few candidate local capacity areas; however, the Commission should strive to ultimately include local area needs in an IRP procurement program that considers both existing and incremental resource needs.

⁶ SCE Opening Comments, p. 35; SDG&E Opening Comments, p. 33; CalAdvocates Opening Comments, p. 21; NRDC/UCS Opening Comments, p. 15; CESA Opening Comments, p. 14; LSA Opening Comments, p. 9; CEJA/SC Opening Comments, p. 5.

⁷ SCE Opening Comments, p. 35; CalAdvocates Opening Comments, pp. 21-28; CalCCA Opening Comments, p. 46-48; SEIA Opening Comments, p. 13.

⁸ SCE Opening Comments, p. 15; NRDC/UCS Opening Comments, p. 7, CESA Opening Comments, p. 7; CalAdvocates Opening Comments, pp. 22-24.

C. The Commission Should Use a Loss-of-Load Probability Analysis for Testing Reliability and a Consistent Counting Methodology to Establish Procurement Needs.

The CAISO agrees with the numerous parties that support using a loss-of-load probability (LOLP) analysis based on production cost modeling to determine the reliability of the aggregated portfolio and identify procurement needs.⁹ Such an analysis would uncover energy and capacity needs and determine whether emissions targets can be met across 8,760 hours of each year studied. Once reliability and procurement needs are identified, the CAISO supports using marginal and average effective load carrying capability (ELCC) methodologies to count resource compliance for incremental needs and total portfolio needs, respectively.¹⁰

Several parties seem to conflate reliability assessments with resource counting methodologies. For example, SCE opposes using ELCC-based counting in favor of a 24-hour slice resource counting approach under discussion in the resource adequacy proceeding because the 24-hour slice approach “provides a more complete accounting of hourly resource contributions to reliability.”¹¹ One of SCE’s fundamental concerns is a potential disconnect between the portfolio studied in the LOLP analysis versus actual procurement. As SCE explains, the “ELCC values for different resource types are highly dependent on the underlying load and resource mix. Accordingly, the pre-calculated ELCC values used in the IRP process, which are based on a fixed and assumed resource mix that differs from the modeled system portfolio, do not accurately represent selected resources’ hourly expected reliability contribution.”¹² SCE’s concerns are valid, but they would also apply to the 24-hour slice approach. Wind and solar exceedance values, and the appropriate compliance benchmark under discussion in the hourly slice approach, interact with the planning reserve margin (PRM), and both the exceedance values and the PRM are dependent upon the underlying portfolio. As the CAISO noted in comments in the resource adequacy proceeding, lower exceedance levels will require higher PRM levels to meet reliability targets. Further, establishing the PRM is complicated and may be adjusted to

⁹ SDG&E Opening Comments, p. 20; CalCCA Opening Comments, p. 27; WPTF Opening Comments, p. 8; NRDC/UCS Opening Comments, p. 7; CESA Opening Comments, p. 7; SEIA Opening Comments, p. 6; LSA Opening Comments, p. 6; MRP Opening Comments, p. 8; GPI Opening Comments, p. 7.

¹⁰ CAISO Opening Comments, pp. 17-18.

¹¹ SCE Opening Comments, p. 14.

¹² SCE Opening Comments, p. 13.

consider other factors, dampening the direct relationship between PRM and exceedance values.¹³ Under either the ELCC or hourly slice approach, a fundamental issue is whether procurement will significantly deviate from the analyzed portfolio, from which the resource counting methodology (either ELCC or hourly slice) is derived. In other words, it is important for the Commission to ensure there is significant alignment between the portfolio studied and procurement to ensure reliability and achievement of greenhouse gas targets, regardless of the counting methodology ultimately selected.

D. The Commission Should Not Rely on CAISO Backstop Mechanisms to Address Reliability Needs.

SCE raises the important issue of retaining existing resources that provide reliability services as the system transitions to clean energy. SCE proposes the Commission “consider the best method for the planning track to determine what existing resources need to remain in the system and allow that determination to guide what, if any, changes are needed to regulatory requirements to ensure those existing resources are available to the system. These determinations should be made in coordination with the CAISO... [and p]otential options include... use of existing CAISO mechanisms (e.g., Reliability Must-Run).” The Commission should not rely on CAISO backstop mechanisms such as the Reliability Must-Run designations to address *planned for* reliability needs. The Commission should proactively seek to retain needed resources, including ensuring the resources are appropriately compensated.

Similarly, parties propose to waive or reduce penalties if a load serving entity (LSE) or a central procurement entity (CPE) fails to procure due to reasons beyond its control.¹⁴ The CAISO cautions against establishing a framework that would allow the CPE to decline procurement based on price and force the CAISO to fill in the gap.¹⁵ The IRP program, which has a forward-looking planning track, should establish the necessary procurement well before the need arises and not rely on CAISO backstop measures.

¹³ CAISO Comments on the Resource Adequacy Reform Workshop Report, R.21-10-002, December 1, 2022, p. 8, available at: http://www.caiso.com/Documents/Dec1-2022-Comments_ResourceAdequacyReformWorkshopReport_ResourceAdequacyProgram_R21-10-002.pdf.

¹⁴ CalCCA Opening Comments, p. 32; SCE Opening Comments, pp. 5-7.

¹⁵ CPUC, Decision on Central Procurement of the Resource Adequacy Program, D.20-06-002, June 11, 2020.

E. Parties Should Direct Questions on Deliverability to the Appropriate CAISO Stakeholder Processes.

New Leaf Energy “questions the Staff Paper’s presumption that current study methods should continue in the future and... recommends that the Commission and the CAISO convene a joint workshop to advance the local deliverability conversation.”¹⁶ Parties should direct questions on the CAISO’s deliverability study and methodologies to appropriate CAISO stakeholder processes. For example, the CAISO recently published an update on generator deliverability challenges and invited stakeholder feedback.¹⁷

III. Conclusion

The CAISO appreciates the opportunity to submit reply comments and looks forward to working with Energy Division staff and parties to enhance the IRP procurement framework.

Respectfully submitted

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¹⁶ New Leaf Energy Opening Comments, pp. 2-3.

¹⁷ See CAISO stakeholder initiative webpage at:

<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Generator-deliverability-challenges>.