

**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
(Filed October 7, 2021)

**REPLY COMMENTS ON IMPLEMENTATION TRACK PHASE 3 PROPOSALS
BY THE DEPARTMENT OF MARKET MONITORING OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION**

The Department of Market Monitoring (DMM) of the California Independent System Operator Corporation (CAISO) submits these reply comments to parties' February 24, 2023 comments on Implementation Track Phase 3 proposals.

I. Demand Response Transmission Loss Factor Adder

In initial comments on Phase 3 proposals, some stakeholders have cited the California Energy Commission's (CEC) Qualifying Capacity of Supply Side Demand Response Working Group Final Report in support of maintaining the transmission loss factor (TLF) adder.¹ In this 2023 CEC report, the CEC suggests it is reasonable to maintain the TLF adder based solely on the fact that some stakeholders support continued use of this adder.² However, the CEC report explicitly states that until a study of avoided transmission losses from demand response is completed, "CEC staff does not opine on whether to maintain the TLF, or at what value, in the interim".³

¹ See February 24, 2023 comments in R21-10-002 of California Energy Storage Alliance, California Efficiency + Demand Management Council, CPower, and OhmConnect, Inc.

² Qualifying Capacity of Supply Side Demand Response Working Group Final Report: [California Energy Commission : Docket Log](#), January 23, 2023, p. 46.

³ Ibid. p. 50.

The CPUC's June 24, 2021 decision explicitly requested the CEC working group consider whether it is appropriate to retain the TLF adder beyond 2022.⁴ The 2023 CEC report does not indicate that any study of the potential avoided transmission losses from demand response has been initiated, and simply states that a new study of avoided transmission losses from demand response is warranted.⁵ Until such a study is completed and provides analysis supporting the appropriateness of the TLF adder, DMM believes the adder should be removed.

II. Pairing ATC with RA Imports to Meet RA Requirements

DMM's initial comments stated that Energy Division's proposal to allow ATC procured by LSEs to count as a replacement for MIC in meeting RA requirements seems reasonable.⁶ This view was based on assertions made by the ISO in its Transmission Service and Market Scheduling Priorities (TSMSP) final proposal that the CAISO transmission system could support (1) RA imports utilizing MIC and (2) wheels utilizing the ATC as proposed in that initiative.⁷

The ISO's initial comments in this proceeding clarify that the CAISO transmission system may not be relied upon to support RA imports utilizing both MIC and ATC procured by LSEs.⁸ This clarification suggests that allowing ATC to meet RA requirements for imports could exacerbate the reliability risks of the ISO's Transmission

⁴ CPUC Decision 21-06-029: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K603/389603561.PDF>, p. 43

⁵ Qualifying Capacity of Supply Side Demand Response Working Group Final Report: [California Energy Commission : Docket Log](#), p. 46

⁶ *Comments on Phase 3 of the Implementation Track*, Department of Market Monitoring, R21-10-002, February 24, 2023, p. 10: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M502/K756/502756539.PDF>

⁷ *Transmission service and market scheduling priorities-phase 2 Final Proposal*, CAISO, January 18, 2023, pp. 33-36: <http://www.caiso.com/InitiativeDocuments/FinalProposal-TransmissionService-MarketSchedulingPrioritiesPhase2.pdf>

⁸ *Comments of the California Independent System Operator Corporation on Resource Adequacy Phase 3 Workshops and Proposals*, R21-10-002, February 24, 2023, pp. 13-14: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M502/K757/502757250.PDF>

Services and Market Scheduling Priorities (TSMSP) proposal, and therefore changes DMM's view on Energy Division's proposal. In light of this clarification, DMM would recommend against adopting the proposal.

In the ISO's TSMSP initiative, DMM recommended that the ISO study the simultaneous deliverability of (1) import RA using MIC and (2) wheels using any ATC that the ISO may release for firm wheels.⁹ DMM noted that this would be needed to ensure that the ISO only released CAISO transmission that may not be needed to meet CAISO area native load. The ISO has not yet performed such engineering studies, but has provided some historical analysis of Path 15 and Path 26 flows during recent heat waves to alleviate concerns about how its TSMSP proposal may release transmission that may be needed to support native load in the CAISO balancing area.¹⁰ This historical analysis suggested that under recent market conditions and volume of wheeling schedules there was not a practical concern over the transmission system being able to simultaneously support imports utilizing MIC and wheels utilizing the proposed ATC during tight system conditions.

DMM understands that wheels going through and out of the CAISO BA during super peak hours may use some different transmission than imports traveling to native load within the CAISO. However, many wheels traverse the state over crucial corridors between the north and south. In addition, a significant portion of CAISO total transfer capacity is with BAs within California. Thus imports and wheels share many critical transmission elements inside the CAISO balancing area. The TSMSP proposal states that the ATC design will "[e]nsure the ISO maintains sufficient transmission capacity to meet native load needs reliably".¹¹ This implies that imports displacing some wheels on

⁹ *Comments on Transmission Services and Market Scheduling Priorities – Phase 2 Straw Proposal*, Department of Market Monitoring, September 16, 2022, pp. 1-2:
<http://www.aiso.com/Documents/DMM-Comments-Transmission-Services-Market-Scheduling-Priorities-Phase2-Straw-Proposal-Sep-16-2022.pdf>

¹⁰ CAISO's TSMSP Final Proposal, pp. 33-36.

¹¹ CAISO's TSMSP Final Proposal, p. 15.

the interties would not jeopardize reliability, and that ATC may be a reasonable substitute for MIC.

The ISO's initial comments in this proceeding explicitly clarify that resource adequacy imports utilizing ATC plus MIC would not be simultaneously deliverable, since "ATC ... is not simultaneously deliverable."¹² Therefore, allowing import RA to utilize both MIC and ATC to count towards RA requirements could result in the CAISO balancing area counting on import RA that may not be deliverable in tight conditions. This clarification suggests the Energy Division's proposal is problematic from a reliability perspective. However, this clarification also highlights the need for the ISO to carefully consider internal transmission needs of CAISO native load as it implements its TSMSP proposal for making ATC available for firm wheels.

III. Conclusion

DMM appreciates the opportunity to provide reply comments on Implementation Track Phase 3 proposals.

Respectfully submitted

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Dated: March 3, 2023

¹² CAISO's February 24, 2023 comments, p. 13.