

**California Independent System Operator Corporation
Informal Comments Regarding the 2020 Multi-Year Implementation,
Resource Adequacy (RA) Templates and Guides Workshop**

August 9, 2019

The California Independent System Operator Corporation (CAISO) appreciates the opportunity to submit comments following the July 26th workshop held by Energy Division staff. The CAISO is concerned about Energy Division allowing seller's choice contracts to meet a load serving entity's (LSE's) local capacity obligation, and the potential double counting of resources this introduces, as the CAISO describes in more detail below.

1) Seller's choice contracts

During the workshop, Energy Division staff confirmed that seller's choice contracts will be acceptable for inclusion in an LSE's resource adequacy showing to meet its local capacity obligations for years two and three. The intent of the multi-year forward local resource adequacy requirements is to retain local resources that are needed for reliability without the need for CAISO backstop procurement. However, the CAISO is concerned that seller's choice contracts do not guarantee that there will be a contract with a physical resource in the second and third years of the resource adequacy cycle. A seller's choice contract could be procured from a marketer who may or may not have contracted with a physical resource at the time of the showing for years two and three. Therefore, it is unclear how seller's choice contracts would provide the necessary revenue stream to retain necessary reliability resources. If seller's choice contracts do not provide revenue to essential resources, then these resources may be at risk of retirement and result in backstop procurement by the CAISO. The resource adequacy program is designed to encourage LSE procurement of needed resources and to avoid CAISO backstop

procurement. Allowing seller's choice contracts to count toward LSEs' local capacity obligations is not prudent and does not support the Commission's resource adequacy goals.

In many respects, this issue is similar to the recent concerns the CAISO and Energy Division expressed regarding import resource adequacy contracts that are not tied to a specific resource. It provides suppliers an opportunity to potentially provide speculative capacity supply. At the same time, this may come at the expense of essential resources not having sufficient revenues to make needed long-term maintenance. Further, without a resource being specified in the contract, it is impossible to evaluate whether the same resources are being counted by more than one LSE. The use of unspecified resources for any year of the local obligation is not consistent with the spirit and intent of the requirement and runs the risk of multiple counting of the same resource as well as potentially failing to provide sufficient revenues to maintain necessary reliability resources. For these reasons, the CAISO asks that Energy Division staff require resource specificity in showings for all three years of the local resource adequacy requirement.

2) Potential double counting of resources for years two and three

Today, the possible double counting of a resource is addressed by the process of submissions of supply plans and resource adequacy showings. The CAISO has no plans to require LSEs to submit supply plans for years two and three. Instead, the CAISO understands that Energy Division staff will evaluate showings and identify multiple claims to the same resource in excess of that resource's capacity. Energy Division should clarify how this process will work. For example, it should clarify whether and how it intends to inform LSEs that a single resource has been shown by multiple LSEs in excess of its capacity. Energy Division should also describe and explain whether there will be any cure period for LSEs to cure

discrepancies and how long will the LSE have to implement such a cure. And, if no cure period is adopted, Energy Division should explain the consequences to the LSEs that may have not met their showing obligation when the capacity claimed is reduced to account for the multiple claims.