

**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 2016 and 2017 Compliance Years.

Rulemaking 14-10-010  
(Filed October 16, 2014)

**PREHEARING CONFERENCE STATEMENT OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to the Administrative Law Judge's Ruling Setting Prehearing Conference (Ruling), the California Independent System Operator Corporation (CAISO), hereby files this Prehearing Conference Statement.

**I. Introduction**

The Ruling encourages parties to address the following issues:

1. The schedule and process to develop the record for the June 2016 resource adequacy (RA) decision.
2. The subject matter of any proposal(s) that a party may seek to make for the RA compliance year 2017.
3. A scope and schedule for developing a permanent flexible capacity program and any other issues that should be addressed in this proceeding, at this time.

The CAISO addresses each of these items in this Prehearing Conference Statement.

The CAISO believes that the schedule and process used in previous RA proceedings is adequate to develop a record for the expected June 2016 RA decision, with the clarification that the development of a permanent flexible capacity program should be addressed in a separate track outside of the normal schedule, as discussed in more detail below. The CAISO also submits that the Commission should (1) adopt a one-year extension of the current flexible capacity program in current RA cycle; and (2) address the response time requirements for local capacity

RA resources in order to better align those requirements with the CAISO's Local Capacity Technical Study.<sup>1</sup>

## **II. Matters to Be Addressed for the 2017 RA Compliance Year**

### *A. One-Year Extension of the Current Flexible Capacity Program*

The current flexible RA capacity mechanism expires prior to the 2018 compliance year. The CAISO believes that the Commission should adopt a one-year extension of the current flexible RA capacity program to allow time to develop a permanent flexible capacity mechanism. Extending the current flexible RA capacity program is necessary to ensure that there is no gap in Commission's flexible RA requirements and the CAISO can meet its reliability needs that require the availability of flexible capacity without having to rely on backstop procurement.

### *B. Response Time Requirements for Local RA Resources*

In Decision 15-06-063, the Commission ruled that the issue of whether to adopt a 20-minute local dispatch requirement for demand response programs in order to count toward local RA values should be re-evaluated in Phase 3 of this proceeding.<sup>2</sup> Since that Decision, the CAISO has sought to clarify its tariff requirements for counting Local Capacity Area Resources pursuant to the Local Capacity Technical Study.<sup>3</sup> CAISO Tariff Section 40.3 specifically identifies that the CAISO will conduct an annual Local Capacity Technical Study to determine the amount of Local Capacity Area Resources needed to meet identified contingencies. The CAISO applies methods for resolving contingencies consistent with NERC Reliability Standards and the CAISO Reliability Criteria. The tariff specifies a maximum manual adjustment time of

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<sup>1</sup> Terms capitalized but not otherwise defined herein are defined in the CAISO tariff.

<sup>2</sup> D. 15-06-063, p. 35.

<sup>3</sup> See CAISO Tariff Section 40.3.1 and the proposed revision request (PRR) to the CAISO Business Practice Manual for Reliability Requirements at <http://bpmcm.aiso.com/Pages/ViewPRR.aspx?PRRID=854&IsDlg=0>.

30 minutes after the first contingency to prepare the system for the next contingency.<sup>4</sup> The CAISO recently issued a proposed revision request (PRR) to its Business Practice Manual to clarify the CAISO's Local Capacity Technical Study analysis. This PRR seeks to clarify already existing CAISO processes to determine Local Capacity Area Resources pursuant to tariff section 40.3. In the PRR, the CAISO clarifies that to qualify as a Local Capacity Area Resource a resource must either be able to respond to CAISO dispatch instructions within 20 minutes or have sufficient energy available for frequent dispatch on a pre-contingency basis to ensure the operator can meet minimum online commitment constraints or reposition the system within 30 minutes after the first contingency occurs.

At this time, the Commission's local RA rules are not entirely consistent with the CAISO's tariff requirements for identifying Local Capacity Area Resources necessary to meet local contingencies because the Commission's local RA rules do not consider whether resources will enable the CAISO to meet its requirement to reposition the system within 30 minutes. The Commission should re-evaluate its local RA rules in this proceeding in order to better align the Commission and CAISO local requirements.

### **III. Developing a Permanent Flexible Capacity Program**

The CAISO believes it is important that the Commission work to develop a permanent flexible capacity program in this proceeding in order to timely provide a successor to the current temporary program. Based on the significant time and resources that will be required to develop a permanent flexible capacity program, this process should occur outside of the annual RA cycle. Therefore, the Commission should consider adopting an extended track specifically to address development of a permanent flexible capacity mechanism. The Commission should design this

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<sup>4</sup> CAISO Tariff Section 40.3.1.1(1).

extended track to provide the Commission and parties adequate time to submit proposals and hold public workshops. The CAISO believes that this extended track should aim to produce a proposed decision by early in fourth quarter of 2016 with a final decision by the end of 2016.

#### **IV. Conclusion**

The CAISO looks forward to discussing these issues in more detail at the December 7, 2015 Prehearing Conference.

Respectfully submitted,

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