

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

Order Instituting Rulemaking to Develop an  
Electricity Integrated Resource Planning  
Framework and to Coordinate and Refine  
Long-Term Procurement Planning  
Requirements.

Rulemaking 16-02-007  
(Filed February 11, 2016)

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM  
OPERATOR CORPORATION**

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**I. Introduction**

The California Independent System Operator Corporation (CAISO) hereby provides reply comments in response to the Ruling of the Assigned Commissioner and Administrative Law Judge Seeking Comment on Policy Issues and Options Related to Reliability (Ruling) issued in the integrated resource planning (IRP) proceeding on November 16, 2018. The CAISO agrees with opening comments that highlighted the need to identify forward requirements and resource attributes to inform both the resource adequacy (RA) and the integrated resource planning (IRP) processes. Many of the CAISO's proposals in its Resource Adequacy Enhancements Initiative and the Commission's resource adequacy proceeding are designed to better identify the forward capacity requirements and specific resource attributes necessary to maintain reliability.

**II. Discussion**

Many parties' opening comments recognize the need for increased coordination between the Commission and the CAISO to meet the state's greenhouse gas reduction goals while simultaneously maintaining electric system reliability.<sup>1</sup> Pacific Gas & Electric Company (PG&E) specifically noted that the "CAISO needs to propose clear forward requirements for reliability needs and should identify the attributes of resources capable of meeting those needs.

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<sup>1</sup> See, for example, opening comments filed by the following parties: Southern California Electric Company (SCE) at p. 24, Pacific Gas & Electric Company (PG&E) at p. 6-16; Union of Concerned Scientists at p. 6; California Community Choice Association at p. 4-5; San Diego Gas & Electric Company (SDG&E) at p. 6.

The Commission’s RA program and IRP process should realistically represent these requirements from the CAISO in setting the RA compliance requirements, modeling reliability and flexibility in the IRP, and setting IRP LSE [load serving entity] planning guidelines.”<sup>2</sup> The CAISO’s Track 1 proposals in this proceeding and many of the proposals in the CAISO’s ongoing Resource Adequacy Enhancements Initiative seek to provide information to better inform forward procurement requirements and resource attribute needs.

As the CAISO noted in its opening comments, the primary function of the resource adequacy program is to ensure that sufficient resources are retained to meet short- to mid-term reliability needs. In contrast, the IRP process plans and provides for procurement of new resources to maintain reliability and meet state environmental goals. To address near- to mid-term term reliability needs, the resource adequacy program must ensure that resources with the necessary performance characteristics are maintained until the IRP can identify and authorize appropriate replacements. The CAISO Track 1 resource adequacy proposals are designed to bridge the gap between the existing resource adequacy program and any new IRP-directed procurement. The Commission can take the following actions to proactively address any near- to mid-term reliability gap caused by the disconnect between the resource adequacy procurement and the IRP planning cycles.

**A. Adopt Multi-Year Procurement Requirements for System, Flexible, and Local Resources.**

In 2018, the Commission made considerable progress in adopting multi-year procurement requirements for local capacity. Once implemented, the multi-year local forward procurement requirements will ensure that sufficient local capacity can be retained to meet local area needs while allowing for mid- to long-term replacement with capacity that meets the state’s greenhouse gas goals. The IRP modeling must still be improved to identify local capacity needs, but the multi-year forward resource adequacy procurement requirements will maintain near-term reliability while the Commission implements IRP modeling improvements.

Similar improvements are necessary for system and flexible resource adequacy. A multi-year forward procurement for system and flexible capacity would maintain system reliability and provide the IRP process an opportunity to optimize new procurement. The current one-year

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<sup>2</sup> PG&E Opening Comments, p. 19.

procurement requirement increases the risk that the CAISO will need to exercise its capacity procurement mechanism (CPM) or reliability must-run (RMR) backstop authority to retain resources.

## **B. Consider Availability Limitations in Local Resource Adequacy Procurement**

In 2018, the CAISO proposed that the Commission consider availability limitations in setting local resource adequacy procurement targets. This resource adequacy program improvement is necessary to ensure reliability while significantly increasing the level of availability-limited resources used to meet local capacity requirements. The CAISO defines availability-limited resources to mean those resources that have significant dispatch limitations such as limited duration hours (*e.g.*, per year, season, month, or day) or event calls (*e.g.*, per year, season, month or consecutive days) that would limit the resources' ability to respond to a contingency event within a local capacity area.

Throughout 2018 the CAISO worked with Southern California Edison Company (SCE) to ensure that it properly considered availability limitations in its procurement to meet Moorpark Sub-Area local capacity needs. During this collaboration, the CAISO tested potential preferred resource portfolios to determine whether the prospective resources provided sufficient capacity and energy to meet local capacity needs. Though this collaboration was largely successful, the Commission should explicitly recognize that availability limitations must be considered in local capacity procurement and should develop rules to guide procurement to meet both capacity and energy requirements in each local capacity area.

## **C. Support CAISO Resource Adequacy Enhancement Efforts**

As part of the CAISO's ongoing Resource Adequacy Enhancements Initiative,<sup>3</sup> the CAISO is exploring resource adequacy enhancements to better identify resources that are necessary to maintain system, flexible, and local reliability. Potential enhancements under consideration include: (1) modifying rules for resource adequacy imports, (2) modifying validation of resource adequacy showings to ensure that shown resources meet system and flexible operational requirements, and (3) improving flexible resource adequacy counting rules. These potential enhancement would allow the CAISO to ensure that resources have the resource attributes necessary to meet operational needs. The Commission should actively engage in the

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<sup>3</sup> <http://www.aiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx>

CAISO Resource Adequacy Enhancements Initiative and consider reflecting any necessary changes in the Commission's resource adequacy procurement and IRP planning.

### **III. Conclusion**

The Commission should continue to implement incremental improvements to the resource adequacy program to better identify necessary resource attributes and incorporate those resource attributes into both resource adequacy and IRP forward procurement. The Commission should work closely with the CAISO to further develop a process to identify and set procurement requirements to more closely match operational needs.

Respectfully submitted,

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