

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

Order Instituting Rulemaking to Oversee)
the Resource Adequacy Program, Consider) Rulemaking 14-10-010
Program Refinements, and Establish Annual) (Filed October 16, 2014)
Local and Flexible Procurement Obligations)
for the 2016 and 2017 Compliance Years.)

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

I. Introduction

The California Independent System Operator Corporation (CAISO) respectfully submits its comments in response to the December 22, 2015 Assigned Commissioner and Administrative Law Judge’s Phase 2 Scoping Memo and Ruling (Scoping Memo). The Scoping Memo requests proposals from parties regarding refinements to the California Public Utilities Commission (Commission) resource adequacy program. The final Track 1 Decision in the 2016 resource adequacy (RA) proceeding (D.15-06-063) discussed, but deferred for future consideration, a recommendation that both the CAISO and Calpine Corporation made in their respective opening comments in January 2015 to refine the 2016 resource adequacy program to ensure local resource adequacy resources are capable of meeting identified contingencies in the CAISO’s Local Capacity Technical Study.¹ The CAISO again recommends that the Commission address this issue and take the opportunity to align its resource adequacy program with the CAISO’s planning standards, which include the CAISO’s local capacity area resource requirements as

¹ The CAISO raised this same issue in 2015 in its opening comments in this proceeding, suggesting refinements to the 2016 RA proceeding. In its comments the CAISO stated:

... [T]he CAISO believes that local resource adequacy capacity requirements for demand response and energy storage resources do require additional refinement. Local capacity requirements are based on the ability of the local capacity area to maintain stability even if two critical elements are lost under an N-1-1 planning criteria. More specifically, local capacity must be able to restore the system to pre-emergency conditions within 30 minutes after the loss of the first critical element (N-1). Given these stringent requirements, which are driven by NERC standards, the current method of reducing local capacity requirements, simply because demand response can be dispatched locally, is not a sufficient reason for reducing local capacity. The requirements do not take into account whether use-limited demand response is dispatchable by the CAISO and can be fully available to the CAISO within 20 minutes, which is necessary to resolve a contingency condition within 30 minutes, as required by NERC standards. (pp. 3-4)

specified in Section 40.3 of the CAISO tariff.

II. The Commission Should Align Its Local Resource Adequacy Requirements with the CAISO's Local Capacity Technical Study.

Currently there is misalignment between the Commission's local resource adequacy requirements and the CAISO's Local Capacity Technical Study² performed pursuant to the CAISO's tariff. Tariff section 40.3 states 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 under its planning standards and the CAISO tariff.

The CAISO, as the balancing area authority, must ensure the efficient use and reliable operation of the transmission grid consistent with NERC Planning Standards. The CAISO must comply with all Applicable Reliability Criteria under its FERC-approved Transmission Control Agreement.³ Applicable Reliability Criteria comprise the NERC Planning Standards and the Local Reliability Criteria, which reflect the reliability criteria unique to the transmission systems of each of the CAISO's Participating Transmission Owners.

Pursuant to the tariff, the CAISO also adheres to CAISO Grid Planning Standards which, *inter alia*, adopt the NERC Planning Standards and identify circumstances where the CAISO will, apply more stringent standards than those adopted by NERC. The CAISO planning standards set the reliability criteria the CAISO must follow to maintain reliable performance in the balancing area under contingency and steady state conditions.

The NERC Planning Standards are organized by Performance Categories. The CAISO must maintain local capacity reliability under NERC Category C contingencies.⁴ To comply with this performance level, in planning the system the CAISO requires sufficient capacity to readjust the system using local resource adequacy capacity to prepare for the loss of a second transmission element (N-1-1) after considering all reasonable and feasible operating solutions developed and approved by the CAISO, in consultation with the Participating Transmission

² Terms not otherwise defined herein are used as defined in the CAISO tariff.

³ CAISO Transmission Control Agreement, Section 5.1.2(ii).
<https://www.caiso.com/Documents/TransmissionControlAgreement.pdf>.

⁴ CAISO Tariff Section 40.31.1.2. NERC recently updated the nomenclature for contingency events from Category A, B, C and D events to Category P0-P7 events. The CAISO tariff has not yet be updated to reflect these changes. For the purpose of maintaining consistency with the tariff, the CAISO continues to the prior terminology in these Comments.

Owners. Under the applicable CAISO planning standards, no planned involuntary load interruption to end-use customers is allowed after the first contingency and while repositioning the system for the second contingency; however, the CAISO can interrupt end-use through planned load shedding customers if a second contingency occurs.⁵

In the Local Capacity Technical Study, the CAISO applies methods for resolving contingencies consistent with NERC Reliability Standards and the CAISO Reliability Criteria.⁶ Pursuant to CAISO tariff section 40.3.1.1, the CAISO applies “those methods for resolving Contingencies considered appropriate for the performance level that corresponds to a particular studied Contingency.” The CAISO must be able to reposition resources within 30 minutes to address the Contingencies analyzed in the Local Capacity Technical Study, including N-1-1 contingencies.⁷ In other words, the CAISO tariff requires that CAISO operators take all necessary actions to reposition the system within 30 minutes so that the system is prepared for the next Contingency.

Based on the requirement to reposition the system within 30 minutes, the following two methods enable a local resource to be timely repositioned by the CAISO: either (1) by responding within 20 minutes, thereby providing the operator with the necessary time to assess the situation, determine what resources are necessary to address the reliability problem, and then (re)dispatch resources to effectively reposition the system within 30 minutes after the first contingency; or (2) by having 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. The CAISO has consistently applied these standards in its Local Capacity Technical Studies and recently issued a clarification to its Business Practice Manual (BPM) to provide additional details regarding these study parameters.⁸

The CAISO is concerned that the Commission’s resource adequacy rules are misaligned with the CAISO’s planning standards and tariff requirements, specifically the CAISO’s local capacity requirements. In particular, the Commission has no requirements to ensure that local

⁵ NERC TPL-001-4, p. 9.

⁶ CAISO Tariff Section 40.3.1.1

⁷ CAISO Tariff Section 40.3.1.1(1).

⁸ The proposed BPM clarification and status can be found at the following link: <https://bpmcm.caiso.com/Pages/ViewPRR.aspx?PRRID=854&IsDlg=0>.

resource adequacy resources can be repositioned by the CAISO within 30 minutes to be ready to meet the next Contingency. Thus, the Commission's existing requirements for local resource adequacy capacity do not ensure that all procured resources will meet identified contingencies in the CAISO's Local Capacity Technical Study. As such, some resources procured by Commission-regulated load-serving entities may not be capable of resolving the contingencies identified in the Local Capacity Technical Analysis consistent with the requirements in the CAISO tariff.

The CAISO has a growing concern that the misalignment between the CAISO's tariff and planning standards and the Commission's existing resource adequacy rules could result in the CAISO identifying a local capacity deficiency. In the event there is an uncured deficiency under the Local Capacity Technical Study, the CAISO may need to procure additional resources pursuant to the CAISO's backstop capacity procurement mechanism (CPM).⁹ This could result in ratepayers paying increased, and essentially duplicative costs; first for resources that are incapable of meeting the CAISO's local capacity requirements and then again for backstop capacity the CAISO must procure to satisfy the local capacity area reliability needs.

To avoid such an outcome, the CAISO recommends that the Commission adopt a requirement for local resource adequacy capacity that mirrors the CAISO's actual Local Capacity Technical Study parameters. Specifically, the Commission should adopt a requirement that local resource adequacy resources either (1) can respond within 20 minutes of operator dispatch or (2) 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. Adopting such a requirement will reduce the possibility that the CAISO will need to exercise its CPM authority to address Local Capacity Area deficiencies.

III. Conclusion

The CAISO strives to work collaboratively with the Commission, advising the Commission when appropriate in its policy setting role, and seeking to ensure there is alignment between Commission policies and CAISO system planning and operational requirements. The CAISO provides these comments in this same spirit, and with the hope of promoting alignment

⁹ CAISO Tariff Sections 43.8.1 and 43.8.2.

and mitigating possible unintended and adverse consequences. For these reasons, and in an effort to help refine the resource adequacy program, the CAISO respectfully requests the Commission issue a decision consistent with the CAISO's comments herein.

Respectfully submitted,

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