

**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 OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON THE ADMINISTRATIVE LAW JUDGES' PROPOSED
DECISION**

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Dated: June 14, 2022

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I. Introduction

The California Independent System Operator Corporation (CAISO) provides its reply comments on Administrative Law Judges Chiv and O’Rourke’s May 20, 2022 *Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework*.¹

II. Discussion

A. The Commission Should Reject Requests to Defer Changes to CAISO’s Availability Assessment Hours Until 2024

The California Efficiency + Demand Management Council (CEDMC) and Leapfrog Power, Inc. (Leap) both requested that the Commission defer changes to the CAISO’s availability assessment hours (AAH) until 2024. CEDMC requests the Commission ask the CAISO to “defer its updated AAH when submitting the associated tariff revisions to the Federal Energy Regulatory Commission (FERC).”² Leap asks the Commission to clarify if

¹ Cal. Pub. Util. Comm’n, *Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework*, at 76, Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Obligations, R.21-10-002, May 20, 2022 (PD).

² Opening Comments of the California Efficiency + Demand Management Council on Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations For 2023, and Reform Track Framework, at 2, June 9, 2022, R.21-10-002.

the CAISO’s new spring AAH season applies to the Commission’s resource adequacy measurement hours, and if not, “asks the Commission to clarify that the AAH for [demand response] also remains unchanged in order for the [resource adequacy] measurement window and the AAH to remain aligned.”³ Should the Commission align resource adequacy measurement hours with the CAISO’s new AAH, Leap asks the Commission to allow “a) the adjustment take effect in the 2024 RA compliance year, and that (b) the AAH window for contracts signed prior to the publication of the Final Decision of this proceeding remains 4 PM – 9 PM.”⁴

The Commission should reject CEDMC’s and Leap’s requests. As explained in the CAISO’s *Final Flexible Capacity Needs Assessment for 2023*, CAISO analysis reflects the top load hours for March and April have shifted from hour-ending (HE) 17 through 21 to HE 18 through 22. This pattern persists in the forecast data from the California Energy Commission.⁵ Therefore, to align better with actual and forecast data, the CAISO created a new AAH spring season for the months of March and April spanning HE 18 through 22 starting in 2023.

Also, the CAISO vetted its AAH changes through its annual Flexible Capacity Needs Assessment stakeholder process that included opportunities for stakeholder participation and comment.⁶ Any concerns about changes to the CAISO’s AAH should have been raised in the CAISO stakeholder process. As noted in the CAISO’s May 17 filing, the CAISO received three stakeholder comments on the draft flexible capacity report and draft assessment hours on April 28, 2022, *with no objections to adding a new spring season.*⁷

³ Opening Comments of Leapfrog Power, Inc. on Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework, at 3, June 9, 2022, R.21-10-002.

⁴ *Id.*

⁵ California Independent System Operator Corporation Final 2023 Flexible Capacity Needs Assessment and Final 2023 Availability Assessment Hours, Attachment A, at 27-28, May 17, 2022, R.21-10-002 (CAISO Final 2023 Flexible Capacity Needs Assessment and Availability Assessment Hours).

⁶ Additional information on the Flexible Capacity Needs Assessment stakeholder process is available at: <https://stakeholdercenter.caiso.com/RecurringStakeholderProcesses/Flexible-capacity-needs-assessment-2023>. Contrary to CEDMC’s suggestion that a tariff amendment filing is necessary to effectuate these changes, the CAISO updates the AAHs through its Business Practice Manual change management process.

⁷ CAISO Final 2023 Flexible Capacity Needs Assessment and Availability Assessment Hours, Attachment A, at 31.

B. The Joint DER Parties Overstate FERC Order No. 2222 Requirements

The Joint DER Parties argue the Commission must establish a qualifying capacity value for behind the meter (BTM) hybrid and energy storage resources inclusive of exports, to enable participation in the CAISO's Distributed Energy Resource Provider (DERP) model and meet the intent of FERC Order No. 2222. The Joint DER Parties state the "Commission must remove this barrier in order for aggregators to participate in the DERP model, and ultimately, to bring the state into compliance with FERC Order No. 2222 given that DERP is CAISO's proposed model for compliance."⁸

BTM resources can provide value towards meeting reliability needs, and ideally they would have qualifying capacity values so they can provide resource adequacy capacity. The PD, however, correctly concluded that the specific details of the Joint DER Parties' BTM resource qualifying capacity proposal require additional refinement. It is inaccurate to frame this decision as raising compliance concerns with FERC Order No. 2222. FERC Order No. 2222 does not directly require the CAISO to establish a qualifying capacity value for BTM hybrid and energy storage resources, and the CAISO's Order No. 2222 compliance filing does not propose to establish qualifying capacity values for such resources.⁹ Instead, as with all other resource types, the CAISO defers setting resource qualifying capacity values to local regulatory authorities, including the Commission. The Commission can pursue these issues under its own schedule independent of Order No. 2222.

C. California Wind Energy Association (CalWEA) Does Not Properly Characterize the Proposed Decision's Conclusion on Deliverability

CalWEA states it "appreciates the PD's recognition that changes to the CAISO's deliverability assessment process are needed to ensure consistency with the Commission's RA reforms. CalWEA requests that the Commission clarify that the needed deliverability changes should be discussed in the identified workstream regardless of whether they have first been considered in a CAISO stakeholder process."¹⁰

⁸ Comments of the Joint DER Parties on the Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework, at 5, June 9, 2022, R.21-10-002.

⁹ The CAISO expects an initial compliance order from FERC on June 17, 2022.

¹⁰ Comments of the California Wind Energy Association on Reform Track Framework, at 6, June 9, 2022, R.21-10-002.

The CAISO disagrees with CalWEA's request, which is based on an incorrect premise. First, the PD does not conclude that changes to the CAISO's deliverability assessment process are needed. Second, the PD appropriately defers any changes to CAISO deliverability processes to the CAISO and its stakeholder process first.¹¹ The CAISO determines deliverability under its authority and tariff. For these reasons, the Commission must reject CalWEA's suggestion that deliverability changes be discussed in Commission processes regardless of consideration in a CAISO stakeholder process.

D. Hourly Trading of Generation and Load

The CAISO recognizes how hourly trading might be advantageous to certain load serving entities (LSEs), and addresses the California Community Choice Association's (CalCCA's) comments on the impacts hourly trading might have to the CAISO systems and the broader market. As discussed in previous comments and workshops, the CAISO recognizes that significant changes to the CAISO's resource adequacy processes and systems may be needed, particularly as the CAISO seeks a program that works effectively with the Commission's reforms. Although the full scope of potential changes is not defined and is subject to a CAISO stakeholder process, the CAISO previously indicated that implementing hourly generation and load trading slice of day could create significant challenges.¹² The CAISO is not opposed to hourly trading in principle and understands that if, as CalCCA suggests, the Commission implemented hourly trading in a manner that did not require additional changes to the CAISO systems and processes, it is conceivable that it may not create a significant implementation burden for the CAISO. However, given the many elements that remain to be determined, the CAISO cannot provide this confirmation at this time.

The Commission should consider, via additional workshops, both the efficiency and transactability concerns raised by the CalCCA along with implementation concerns in determining whether to adopt hourly trading.

¹¹ PD at 92.

¹² Reply Comments on the Future of Resource Adequacy Working Group Report of the California Independent System Operation Corporation, at 3-4, April 1, 2022, R.21-10-002.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments.

Respectfully submitted,

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