

**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 23-10-011

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON ORDER INSTITUTING RULEMAKING**

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits comments on the California Public Utilities Commission’s *Order Instituting Rulemaking* (OIR), issued on October 19, 2023.

The CAISO generally supports the scope of issues included in the OIR and strongly supports including coordination between the Resource Adequacy (RA) and Integrated Resource Planning (IRP) proceedings in the scope of this proceeding.¹ The Commission should add coordination between the IRP’s Reliable Clean Power Procurement Program (RCPPP) and Slice of Day to the scope of this issue. Energy Division’s evaluation of the Slice of Day framework also should consider modifications to Slice of Day that may be necessary in light of the upcoming development of the RCPMP in the IRP proceeding.

The OIR also should direct parties to establish a clear process for the Commission to discontinue use of “effective” PRMs and establish the PRM in the RA program based on a Loss of Load Expectation (LOLE) study that meets at least a 0.1 LOLE. Setting resource adequacy requirements below levels necessary to meet reliability targets can adversely affect reliability and market dynamics by allowing capacity shortfalls to persist.

The CAISO has launched RA working groups to re-examine CAISO’s RA rules and processes. Accordingly, the CAISO recommends that Energy Division staff coordinate closely with the CAISO on any overlapping issues with this proceeding. The CAISO supports the

¹ OIR, p. 5.

Commission revisiting counting rules including Unforced Capacity (UCAP) in the scope of this proceeding, and requests Energy Division continue to engage in the CAISO's RA working groups on UCAP. The Commission also should revisit hydro and long-duration storage counting rules under Slice of Day in this proceeding.

II. Discussion

A. The Commission Should Prioritize Coordination Between the RA and IRP Proceedings.

The CAISO strongly supports including coordination between IRP and RA proceedings in the scope of the OIR. Several issues warrant discussion on how to align these proceedings. The OIR includes “[c]oordination with IRP planning, including the appropriate planning reserve margin [(PRM)] requirements for short-term planning compared with the longer timeframe for the IRP proceeding.”² The Commission also should add coordination between Slice of Day and the multi-year procurement framework (RCPPP) developed in the IRP proceeding.

The CAISO continues to support the Commission prioritizing the development of the RCPMP framework to establish procurement requirements for new and existing resources well ahead of the need for these resources. The Commission's schedule to develop the RCPMP in the IRP proceeding will run in parallel with the schedule of this proceeding.³ Coordination between proceedings on a multi-year procurement framework is necessary to ensure forward procurement occurs sufficiently far ahead of the need to meet reliability and greenhouse gas reduction targets, and enables buyers and sellers to efficiently transact for forward capacity.

As parties develop the RCPMP design, the Commission should evaluate interactions between RA and IRP procurement, identify changes that may be necessary to the RA design, and consider whether to merge functionality in RA into the RCPMP. The Commission also should provide parties an opportunity to comment on changes that may be necessary to the Slice of Day design as the RCPMP is developed.

² OIR, p. 5.

³ *Amended Scoping Memo and Ruling*, R.20-05-003, August 21, 2023.

B. The Commission Should Consider Development of the RCPPP Framework in its Evaluation of Slice of Day.

The OIR states that the Commission will “[c]onsider modifications to the [Slice of Day] framework, including issues identified in the Energy Division report summarizing party comments after the year-ahead test showings to be submitted by February 1, 2024, and other proposals submitted into this proceeding.”⁴ As parties develop the RCPPP in the IRP proceeding, interactions between RCPPP and Slice of Day may warrant revisiting certain aspects of the Slice of Day design. For example, it is unclear what procurement responsibilities of RCPPP will fall under RA versus IRP. Additionally, if two procurement frameworks exist, the Commission should ensure that counting rules and program requirements across frameworks allow buyers and sellers to transact across programs and develop reliable portfolios. The Commission should direct Energy Division to include an assessment of the interactions between the RA and IRP procurement frameworks in its report on Slice of Day progress. This assessment also should include whether resource adequacy rules support the assumptions made in IRP to achieve and support the reliability targets planned for and procured through IRP. The Commission also should provide parties an opportunity to comment on changes that may be necessary to Slice of Day as the RCPPP is developed.

C. Loss of Load Expectation Study and Planning Reserve Margin

1. The Commission Should Establish a Clear Process to Set the PRM for the RA Program Based on a LOLE Study.

The CAISO supports the Commission including a refreshed Energy Division LOLE study and evaluation of PRM for 2026 and 2027 in the OIR scope. The CAISO continues to urge the Commission to discontinue use of “effective” PRMs and establish the PRM in the RA program based on an LOLE study that meets at least a 0.1 LOLE. The CAISO maintains that setting RA requirements below levels necessary to meet reliability targets can adversely affect reliability and market dynamics by allowing capacity shortfalls to persist.

Decision D.23-04-010 directed Energy Division to further modify a PRM calibration tool under Slice of Day and solicit informal stakeholder feedback. Parties, including the CAISO, commented that the process to set the PRM under Slice of Day based on an LOLE study was not

⁴ OIR, p. 4.

clear and remained untested.⁵ Energy Division held a workshop on October 25 to walk parties through the PRM calibration process under Slice of Day and results for the 2024 Slice of Day test year. Because the process to set the PRM under Slice of Day remain opens for discussion, the Commission should establish a clear process to set the PRM in the RA program based on an LOLE study in the scope of this proceeding. This process should ensure the PRM in the RA proceeding meets at least a 1 in 10 LOLE.

In the October 25 workshop, the CAISO and other parties raised questions and concerns regarding the initial PRM results for the Slice of Day test year. The Commission allowed for an informal comment opportunity on the workshop results. However, the Commission should allow for additional formal record on the process to set the PRM under the Slice of Day framework in this proceeding.

2. Energy Division Should Coordinate LOLE Study Inputs and Assumptions with the CAISO.

In October 2023, the CAISO launched RA working groups to re-examine CAISO's RA rules and processes, including modeling the sufficiency of the RA fleet in the CAISO balancing authority area. The CAISO asks that Energy Division staff coordinate closely with the CAISO on LOLE modeling inputs and assumptions to ensure consistency between CAISO and Commission models.

D. The CAISO Supports the Commission Revisiting Resource Counting Rules.

1. Energy Division Should Coordinate Development of a UCAP Methodology with the CAISO.

The CAISO supports the Commission including consideration of a UCAP methodology in the OIR scope. The CAISO requests Energy Division staff coordinate with the CAISO in CAISO RA working groups on this issue. The CAISO will re-examine its own RA rules and performance incentives, and the Commission and the CAISO should ensure policy development in these respective initiatives remains aligned. The CAISO notes that development of a UCAP framework may be better suited for consideration in CAISO processes to avoid significant divergences between local regulatory authority counting methodologies across the CAISO balancing area.

⁵ CAISO, *Opening Comments on Phase 3 Proposed Decision*, pp. 5-6; Middle River Power, *Reply Comments on Phase 3 Proposed Decision*, p. 3.

2. The Commission Should Revisit Hydro and Long Duration Energy Storage Counting in this Proceeding.

In addition to UCAP and demand response counting rules, the Commission also should revisit hydro counting rules and long-duration storage counting rules in this proceeding. The CAISO previously noted that under the Slice of Day framework, a single qualifying capacity value may overstate hydro resources' contribution to meeting requirements under Slice of Day framework.⁶ However, the Commission did not adopt any modifications to hydro counting for Slice of Day. In the OIR, the Commission should direct parties to establish qualifying capacity values for hydro resources that appropriately value the contribution of hydro under the Slice of Day framework.

Parties also discussed options for long-duration storage (LDES) counting under Slice of Day in workshops in 2022. However, the Commission ultimately did not adopt a long duration energy storage counting methodology. The Commission should revisit LDES counting rules for resource adequacy in this proceeding, in order to establish signals for LDES procurement in future years.

III. Conclusion

The CAISO appreciates the opportunity to provide comments on the OIR and looks forward to working with parties on these important issues.

Respectfully submitted

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⁶ *Resource Adequacy Reform Working Group Report*, R.21-10-002, pp. 113-114.