

**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)

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION TO THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S  
EMERGENCY PETITION FOR MODIFICATION**

**I. Introduction**

The California Independent System Operator Corporation (CAISO) submits its Response to the California Community Choice Association's (CalCCA) Emergency Petition for Modification of D.22-03-034 to Modify Resource Adequacy Procurement Timeline and Adopt Interim System Resource Adequacy Waiver Process (PFM).

**II. Discussion**

CalCCA requests the Commission allow load serving entities (LSEs) to "suspend" a portion of their system and flexible capacity procurement obligations relative to the Central Procurement Entity (CPE) shortfall in the Pacific Gas and Electric (PG&E) service territory until after the CAISO uses its backstop authority to cure for local capacity deficiencies.<sup>1</sup> CalCCA also proposes that the Commission adopt an interim process for an LSE to seek waiver of Commission system and flexible resource adequacy penalties.

The Commission should deny CalCCA's PFM because the resource adequacy program should not rely on CAISO backstop procurement to meet LSEs' forward capacity procurement obligations. CalCCA's PFM may have the unintended consequence of triggering additional CAISO backstop designations beyond those needed to address a CPE's individual local resource

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<sup>1</sup> CalCCA PFM, p. 2

adequacy deficiency. Also, to address the lack of transparency under the current hybrid CPE framework, the Commission should provide additional data on CPE solicitation participation and procurement to help parties understand the nature of local capacity not shown or offered to the CPE.

**A. The Resource Adequacy Program Should Not Rely on CAISO Backstop Procurement to Meet LSEs' Forward System and Flexible Capacity Procurement Obligations.**

The CAISO uses its backstop authority under tariff section 43A.2.1.1 to issue a year-ahead capacity procurement mechanism (CPM) designation to address a CPE's individual local resource adequacy deficiency. Then, under section 43A.9 of its tariff, the CAISO allocates local and system resource adequacy credits to the CPE and the LSEs it represents based on allocations provided by the Commission.<sup>2</sup>

The Commission's resource adequacy program should ensure LSEs take all necessary measures to meet their forward resource adequacy procurement requirements. The resource adequacy program is the "front stop" mechanism to ensure sufficient resources are available so the CAISO can operate the grid reliably. CAISO backstop procurement should not serve as a "front stop" measure to meet LSE procurement requirements. CalCCA's proposal to "suspend" a portion of LSEs' system and flexible obligations ignores the purpose of resource adequacy program procurement timelines by allowing LSEs to wait for CAISO to undertake backstop action before meeting up-front procurement obligations. CalCCA's proposal inappropriately defers additional procurement responsibility to CAISO backstop processes. The Commission should deny CalCCA's petition.

**B. CalCCA's Proposal to "Suspend" System and Flexible Requirements Until After the CAISO issues a Local CPM Could Drive System and Flexible Capacity Deficiencies at the CAISO.**

CalCCA's proposal to "suspend" system and flexible requirements until after the CAISO issues a local CPM could have the unintended consequence of triggering additional CPM designations beyond those needed to address a CPE's individual local resource adequacy deficiency. In asking the Commission to "suspend" flexible capacity requirements, CalCCA

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<sup>2</sup> If the Commission does not elect a methodology, then tariff section 43A.9 has a default allocation methodology for the local and system credits.

incorrectly assumes the CAISO allocates flexible capacity credits to LSEs for local CPM designations. The CAISO only allocates flexible capacity credits pursuant to flexible capacity CPMs.<sup>3</sup> It does not allocate flexible capacity credits for any other type of CPM procurement. The Commission’s “suspension” of LSE system and flexible requirements until after the CAISO decides whether to make a CPM designation for a CPE deficiency does not waive the CAISO’s tariff requirements to review year-ahead resource adequacy showings based on the upfront resource adequacy requirements. Any such “suspension” would mean that LSEs may be deficient in their individual system and/or flexible resource adequacy capacity showings to the CAISO in the year-ahead process. That could lead to the unintended consequence of the CAISO not only procuring backstop local capacity to address the CPE’s year-ahead local deficiency but also procuring backstop system and/or flexible capacity to address individual LSE deficiencies. There is no guarantee that whatever backstop capacity the CAISO may procure to address a potential CPE local capacity deficiency would address the system and/or flexible deficiencies LSEs may have in their year-ahead showing based on this proposed “suspension.” The CAISO reiterates the importance of ensuring the resource adequacy program does not rely on the CAISO’s backstop procurement to meet forward capacity obligations.

**C. The Commission Should Provide Additional Transparency Regarding CPE Solicitation, Participation, and Procurement to Help Parties Understand the Nature of Local Capacity Not Shown or Offered to the CPE.**

The current CPE hybrid structure lacks incentives for all LSEs and suppliers to participate in CPE solicitations even when a local resource is under contract for system resource adequacy. For example, PG&E’s CPE filing indicated that about 2,404 MW of capacity were not offered into PG&E’s CPE solicitation.<sup>4</sup> CalCCA lists several reasons local generators or LSEs contracted with local generators may not participate in CPE solicitations.<sup>5</sup> Also, non-Commission jurisdictional entities may also opt out of showing resources to the CPE. Thus, lack of a complete showing to the CPE does not necessarily mean there is an actual physical shortfall

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<sup>3</sup> See CAISO tariff section 43A.9

<sup>4</sup> PG&E Advice Letter 6706-E, Public Attachment E, at 4. Based on August net qualifying capacity values.

<sup>5</sup> CalCCA PFM, at 7-8.

of local capacity. The CAISO has rarely needed to use its year-ahead local CPM backstop authority.<sup>6</sup>

Nonetheless the lack of transparency between what local capacity was shown or offered to the CPE and what resources ultimately may be shown to the CAISO seems to be causing confusion for Commission-jurisdictional entities. To bridge the data gap in the current CPE hybrid structure, the Commission should provide additional information regarding CPE procurement and the nature of local capacity not shown or offered to the CPE. By providing parties additional transparency, the Commission could help alleviate concerns and speculation regarding potential local capacity shortfalls and potential CAISO backstop procurement.

### III. Conclusion

The CAISO appreciates the opportunity to respond and strongly encourages the Commission to deny CalCCA's PFM.

Respectfully submitted

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<sup>6</sup> In 18 years the CAISO has only used its year-ahead local CPM in the year-ahead process for the 2018 RA year. Further information is available at:

<http://www.caiso.com/Documents/December222017YearAheadLocalCPMDesignationReport.pdf>.