

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

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| Order Instituting Rulemaking to Oversee the |) | |
| Resource Adequacy Program, Consider |) | |
| Program Refinements, and Establish Annual |) | Rulemaking 11-10-023 |
| Local Procurement Obligations. |) | |
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**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION TO THE MOTION OF PACIFIC GAS
AND ELECTRIC COMPANY TO MOVE THE MULTI-YEAR
PROCUREMENT REQUIREMENT ISSUE**

Pursuant to Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC”), the California Independent System Operator Corporation submits this response in support of the motion filed by Pacific Gas and Electric Company (“PG&E”) on September 20, 2012 to move the multi-year procurement requirement issues from Track 3 of the long-term procurement plan (“LTPP”) proceeding to this resource adequacy (“RA”) proceeding.

In its motion, PG&E requested that the CPUC move into this RA proceeding two issues that are currently in scope for Track 3 of the LTPP proceeding – (1) flexible resources procurement and contract policies, and (2) policies related to ISO new markets and market products, including flexible capacity products and intra-hour products. In support of its motion, PG&E recognized the consensus developing among stakeholders that the existing RA program should be modified to take into account resource flexibility and to extend the one-year forward resource adequacy procurement requirement to a multi-year timeframe. PG&E suggested that moving the two issues to

this proceeding will allow closely related resource adequacy issues to be considered together, which will increase administrative efficiency for the CPUC and the parties.

The ISO agrees with PG&E's motion. It is extremely important that the CPUC begin to establish a framework for load serving entities to procure flexible capacity to meet ISO needs as grid conditions evolve toward a cleaner, greener and more diverse energy supply portfolio. To meet that objective, the ISO, at the August 13, 2012 CPUC workshop in this proceeding, proposed that the CPUC institute an interim RA solution with an explicit flexible capacity requirement beginning in the 2014 compliance year, and that CPUC staff, stakeholders and the ISO work collaboratively to create a more durable and sustainable RA solution for implementation beginning in the 2017 compliance year. Transferring the topics of flexible capacity and multi-year forward procurement obligation into this proceeding will facilitate consideration of the ISO's proposal and the recommendations of other parties. It will provide a global view of the changes that are needed to the RA program over time, so that they can be considered together in one proceeding, rather than bifurcating the issue areas and timeline between the RA and LTPP cases.

Moving the flexible capacity and multi-year forward procurement issues into this proceeding will also promote administrative efficiency. It will enable the parties to present their proposals and views in the RA proceeding, without raising the same or similar issues across the cases, or presenting duplicate material in both proceedings.

For these reasons, the ISO respectfully requests that the CPUC grant PG&E's motion.

Respectfully submitted,

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