

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

Order Instituting Rulemaking to
Continue Electric Integrated Resource
Planning and Related Procurement
Processes.

Rulemaking 20-05-003
(Filed May 7, 2020)

**OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON THE PROPOSED DECISION ORDERING
SUPPLEMENTAL MID-TERM RELIABILITY PROCUREMENT (2026- 2027) AND
TRANSMITTING ELECTRIC RESOURCE PORTFOLIOS FOR 2023-2024
TRANSMISSION PLANNING PROCESS**

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I. Introduction

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits comments on the *Proposed Decision Ordering Supplemental Mid-Term Reliability Procurement (2026- 2027) and Transmitting Electric Resource Portfolios to California Independent System Operator for 2023-2024 Transmission Planning Process* (Proposed Decision), issued on January 13, 2023.

The CAISO supports the vast majority of the Proposed Decision’s directives and urges the Commission to adopt the Proposed Decision. The CAISO will model the adopted base case portfolio as the reliability and policy-driven base case in the CAISO’s 2023-2024 Transmission Planning Process (TPP). The CAISO will also study the adopted sensitivity portfolio in the CAISO’s 2023-2024 TPP. The CAISO appreciates the significant work Energy Division staff undertook to ensure that the CAISO can model the base case portfolio proposed in the Proposed Decision.

The CAISO strongly supports the proposed 4,000 MW of supplemental mid-term reliability procurement to come online by 2026 and 2027. The CAISO appreciates the Commission acting now to issue additional procurement. The Commission should not wait to issue procurement in light of tight supply margins, increasing demand forecasts, and need for sufficient lead time to ensure projects come online. Forward procurement occurring well ahead

of the need will help reduce bottlenecks in downstream processes such as CAISO’s interconnection study process.

II. Discussion

A. The Commission Should Adopt the Proposed 4,000 MW of Supplemental Mid-Term Reliability Procurement.

The CAISO supports the proposed 4,000 MW of supplemental mid-term reliability procurement for 2026 and 2027. The Commission should authorize additional procurement now to meet resource needs identified in the Proposed Decision’s base case portfolio. The Proposed Decision notes that “the PSP adopted in [Decision (D.)] 22-02-004 shows the need for approximately 35,000 MW nameplate of new resources on the electric system by 2030 in order to meet both reliability and GHG goals.”¹ The Proposed Decision adds that “[e]ven if all of the incremental resources ordered to date were to come to fruition, that procurement will only meet roughly half of the additional resources needed by the end of the decade to meet the expected [TPP Base] portfolio”² Given the magnitude of the incremental resource need identified in the base case portfolio, the Commission should establish additional procurement requirements now to ensure sufficient time for new resources to come online.

The CAISO agrees with the Proposed Decision that several factors necessitate establishing new procurement requirements, including increasing demand forecasts due to electrification, risk of resource delays, and climate change risks.³ Given the lead times for new resource development, the Commission should issue new procurement now so load-serving entities (LSEs) have sufficient time to contract for and develop new resources. Establishing forward procurement well ahead of the need will also help reduce bottlenecks in downstream processes such as CAISO’s interconnection study process.

This additional procurement also aligns with a CAISO, Commission, and California Energy Commission (CEC), joint assessment of system reliability beyond 2024. This assessment projected the need for approximately 1,800 MW of incremental procurement by Summer 2025 to

¹ Proposed Decision, p. 8.

² Proposed Decision, p. 8.

³ Proposed Decision, p. 6.

achieve a 1 in 10 loss of load expectation target.⁴ Establishing new procurement requirements now will ensure LSE contracting and resource development takes place well ahead of system needs in 2025 and beyond.

As discussed further below, the CAISO strongly supports the Commission expeditiously developing a programmatic procurement framework in the Integrated Resources Planning (IRP) proceeding. However, the CAISO agrees that the Commission “cannot wait for that larger process to be complete before ordering additional procurement.”⁵ Accordingly, the CAISO supports the proposed additional 4,000 MW procurement requirement. Tracking the progress of ordered procurement is important to ensure new resources come online as expected.

B. The Commission Should Continue to Develop a Programmatic Approach to Resource Procurement That Issues Procurement at Least Five Years Ahead of the Need.

The CAISO strongly supports evolving the IRP procurement framework to one that establishes procurement requirements on a predictable basis and well ahead of the need. The Commission should shift from ad hoc procurement to a programmatic approach contemplated in the Energy Division’s *Reliable and Clean Power Procurement Program Staff Options Paper*.⁶

Forward planning ensures LSEs procure incremental capacity in a timely and consistent manner to support reliability and State environmental policy goals. Forward planning is also critical for transmission expansion because the procured portfolio should be consistent with portfolios vetted through reliability modeling and the CAISO’s TPP. To that end, the Commission should prioritize development of an IRP procurement program that explicitly establishes the need and procurement requirements for new resources at least five years forward and considers both existing and incremental resource needs across a rolling 10-year horizon.⁷

The Proposed Decision’s delay of long lead-time (LLT) resource procurement issued in D.21-06-035 from 2026 to 2028 shows the need to establish procurement requirements well in

⁴ CAISO, *Summer and Midterm Stack Analysis*, CEC Staff Workshop on Summer and Midterm Reliability, May 20 2022, Slide 2: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=243174&DocumentContentId=76875>; CEC, *Reliability Workshop Overview*, CEC Staff Workshop on Summer and Midterm Reliability, May 20, 2022, Slide 8: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=243174&DocumentContentId=76875>.

⁵ Proposed Decision, p. 24.

⁶ CPUC Energy Division, *Reliable and Clean Power Procurement Program Staff Options Paper*, September 2022.

⁷ See CAISO Opening Comments on Staff Paper on Procurement Program, December 12, 2022.

advance to ensure sufficient time for resources to come online. The delay of LLT procurement suggests the Commission should establish procurement requirements for certain resources at least seven years in advance, and likely even further in advance for large scale resources that are geographically specific (i.e., offshore wind, geothermal, out-of-state wind). To avoid the challenges of emergency-based “just in time” procurement, the Commission should prioritize development of a programmatic IRP procurement framework.

C. The Commission Should Encourage LSEs to Bring Baseline Resources Online as Expeditiously as Possible and No Later Than 2025.

Although the Proposed Decision allows LSEs to defer procurement of baseline resources from D.19-11-016 and/or D.21-06-035 to 2025, the Commission should encourage LSEs to bring baseline resources online as expeditiously as possible and no later than 2025.⁸ The Proposed Decision finds that the approximate nameplate capacity of the baseline projects that have not materialized but may still be able to come online is approximately 570 MW.⁹ To address this gap, the Proposed Decision proposes a “swap” process whereby an LSE can nominate a project for removal from the baseline and receive a corresponding increase in its 2025 procurement obligation.¹⁰

As the CAISO described in prior comments on this issue, the reliability risk of delayed baseline resources is heightened by the gap between the procurement orders and the 2021 Preferred System Plan, rapidly increasing load growth, and extreme weather and load conditions.¹¹ The Commission should require LSEs to procure replacement capacity for delayed baseline resources as soon as possible, and no later than 2025, to reduce the risk of a capacity shortfall

Regarding baseline issues, the CAISO appreciates the Proposed Decision’s clarification that maintaining a baseline set of resources is a fundamental input to modeling, particularly capacity expansion modeling, and that the Commission will not eliminate the use of baselines for modeling purposes.¹² Baseline resources are critical for parties like the CAISO to align assumptions and validate models against one another.

⁸ Proposed Decision, p. 69.

⁹ Proposed Decision, p. 11.

¹⁰ Proposed Decision, p. 17.

¹¹ CAISO Opening Comments on ALJ’s Ruling, September 26, 2022.

¹² Proposed Decision, p. 19.

The CAISO also agrees that the Commission should determine the net qualifying capacity (NQC) of delayed baseline resources based on the applicable rules associated with the Commission decision for which the resource will count for compliance (*i.e.*, if a D.19-11-016 baseline resource is removed and counted towards D.21-06-035 requirements, it will be counted using D.21-06-035 counting values).¹³ The Commission should also add an equivalent amount of NQC to 2025 obligations.¹⁴ This approach will ensure that deferred procurement can overcome potential decreases in effective load carrying capability values year over year.

D. The Commission’s Should Adopt Just One Sensitivity Scenario.

The Commission proposes to transmit a base case portfolio and one sensitivity scenario with increased offshore and out-of-state wind resources to the CAISO to study in the CAISO’s 2023-2024 TPP. The CAISO supports the proposed reliability and policy-driven base case portfolio and the proposed sensitivity scenario.

The CAISO appreciates the Proposed Decision removing the second sensitivity scenario proposed in the October 7, 2022 Ruling. The CAISO previously noted that the second scenario was similar to the base case portfolio and would not lead to significantly different outcomes, yet it would require significant time and resources from the CAISO.¹⁵

The CAISO supports the Proposed Decision’s direction that the CAISO study one sensitivity portfolio. In response to the Commission’s request concerning least regrets transmission projects, to the extent possible, the CAISO can consider discussing in the TPP whether transmission projects would be “least regrets” if offshore and out-of-state wind are developed.¹⁶

E. The Commission’s Proposed Changes to Maximum Import Capability Requirements for IRP Procurement Compliance are Reasonable.

The Commission’s proposal to allow pseudo-tied and dynamically-scheduled projects to “count toward D.21-06-035 requirements even if they do not yet have a Maximum Import Capability (MIC) allocation, as long as the LSE is taking steps to obtain the MIC allocation”¹⁷ is

¹³ Proposed Decision, p. 18.

¹⁴ Proposed Decision, p. 17.

¹⁵ Proposed Decision, p. 57.

¹⁶ Proposed Decision, p. 58.

¹⁷ Proposed Decision, p. 41.

reasonable. Under existing processes, the CAISO does not allocate MIC more than a year forward. Therefore, relaxing the requirement for pseudo-tied and dynamically-scheduled projects to count towards IRP procurement compliance is reasonable, so long as LSEs are taking the necessary steps to secure MIC. The CAISO notes, however, that MIC remains a requirement for pseudo-tied and dynamically-scheduled resources to count as resource adequacy, and LSEs should continue to obtain MIC through CAISO processes. The CAISO remains open to exploring further enhancements that can help facilitate new resource development. For example, the CAISO suggested that LSEs should not be penalized if network upgrade delays preclude LSE resources from coming online.¹⁸

III. Conclusion

The CAISO appreciates the opportunity to provide comments on the Proposed Decision.

Respectfully submitted

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¹⁸ CAISO, Reply Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement, October 6, 2022, p. 6.