

**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)

**REPLY 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 THE 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) respectfully submits its reply comments on the January 13, 2023 *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).

The CAISO urges the Commission to adopt the Proposed Decision with limited modification and reiterates support for the Proposed Decision’s main directives: (1) establishing 4,000 MW of new procurement between 2026 and 2027 and (2) approving the base case portfolio and one sensitivity portfolio for use in the CAISO’s Transmission Planning Process (TPP).

II. Discussion

The CAISO supports Cal Advocates’ recommended modification that the Proposed Decision specify that long lead-time (LLT) procurement deferred to 2028, per the Proposed Decision, come online by June 1, 2028.¹ The CAISO also agrees with several parties that the Commission should (1) prioritize development of a formal reliability planning and procurement framework anchored in robust analysis and a defined planning standard and (2) shift away from

¹ Cal Advocates Opening Comments, p. 2.

ad hoc procurement orders.² The CAISO provides additional replies to specific parties' comments below.

A. The Commission Should Reject the Recommendation by PCF Regarding Exports From the CAISO Balancing Area.

Protect Our Communities Foundation (PCF) recommends the Commission direct the CAISO to suspend non-wheeling exports during summer peak hours in lieu of ordering new procurement. The CAISO disagrees with PCF's recommendation and PCF's characterization of the CAISO market in summer 2022 for several reasons. First, a Commission proceeding is an inappropriate venue to address issues pertinent to the CAISO tariff. PCF should direct such issues to relevant CAISO processes.

Second, PCF misinterprets data from the CAISO's September 2022 Summer Market Performance Report. Contrary to PCF's statements, only a small portion of exports could materially have been reduced, and these exports during peak summer hours were very limited. PCF states, "Non-wheeling exports ranged from 2,000 MW to 4,000 MW at the peak hours during the September 5-8, 2022 heat wave,"³ and concludes that "[g]rid reliability can be enhanced at no additional cost to ratepayers by adding 2,000+ MW of available CAISO resources that are not exported at the summer peak hour."⁴ PCF requests that the Commission "direct CAISO to suspend (non-wheeling) exports at the peak hours during summer peak demand periods."⁵ PCF's recommendation is misguided. The chart PCF references from the CAISO's September 2022 Summer Market Performance Report clearly shows the highest levels of exports occurred in hours *prior* to peak conditions. This is followed by a significant reduction in low priority export schedules in peak hours from day-ahead and hour-ahead scheduling process (HASP) market runs.⁶

² Southern California Edison Company Opening Comments, pp. 4-5; Pacific Gas and Electric Company Opening Comments, pp. 6-7; California Community Choice Association Opening Comments, p. 5-6; California Environmental Justice Alliance (CEJA) and Sierra Club Opening Comments p. 4; American Clean Power – California Opening Comments, p. 3; Offshore Wind California (OWC) Opening Comments, p. 3.

³ PCF Opening Comments, p. 3.

⁴ *Id.*, p.4.

⁵ *Id.*

⁶ CAISO, September 2022 Summer Market Performance Report, p. 128:

<http://www.caiso.com/Documents/SummerMarketPerformanceReportforSeptember2022.pdf>.

PCF also suggests that 2,000 MW or more would be available for the CAISO if the CAISO cut non-wheeling exports. However, PCF derives this figure by accounting for all export schedules that include Existing Transmission Contracts and Transmission Ownership Rights (ETC/TORs), as well as day-ahead and real-time high priority (PT) exports. Under the CAISO tariff, ETCs/TORs have a higher priority than CAISO load and PT exports, and day-ahead and real-time PT exports retain scheduling priorities equal to CAISO load. PT exports are supported by non-Resource Adequacy Capacity designated to serve external load. The CAISO has no tariff or contractual authority to reject those exports and redirect them to serve CAISO load because entities in other balancing areas have contracted with this output. Only a small portion of exports participating directly in the market with economic bids or willing to pay any market price could materially have been reduced, and these exports during peak summer hours were very limited.

Additionally, directing the CAISO to cut exports indiscriminately in “peak hours” is misguided. In some instances, exports may provide counterflows, which facilitate imports, shaped Western Energy Imbalance Market (WEIM) transfers, or even emergency assistance into the CAISO balancing area to serve demand. Further, PCF’s recommendation ignores the fact that the market concurrently schedules exports with imports. Although exports were scheduled, a significantly higher level of imports was scheduled at the same time. Overall, in the peak hours in September, California was a net importer with over 6,000 MW more imports than export schedules. The CAISO cannot indiscriminately cut exports to other balancing areas as PCF suggests because uncoordinated cuts or out-right prohibitions on exports could adversely affect the CAISO’s access to imports that the CAISO relies on from other balancing areas. For the reasons set forth above, the Commission should reject PCF’s recommendation directing the CAISO to suspend non-wheeling exports during summer peak hours.

B. The CAISO Supports the Recommendation by CEJA and Sierra Club to Study a Gas Plant Retirement Sensitivity in a Future Planning Cycle.

CEJA and Sierra Club request that the Commission require development of a gas retirement sensitivity for the next TPP.⁷ The CAISO reiterates its support of CEJA’s and the Sierra Club’s recommendation to study a gas plant requirement sensitivity in a future TPP cycle.

⁷ CEJA and Sierra Club Opening Comments, p. 6.

As the CAISO explained in prior comments, the current thermal fleet provides the vast majority of reliability services, and resource retirements can significantly affect the need for additional reliability services, especially in constrained local capacity areas.⁸ However, in order for the CAISO to conduct a new sensitivity study in the *next* TPP cycle, the Commission must develop a new sensitivity scenario with stakeholder input in the Commission’s current Integrated Resource Planning cycle. This may not be feasible. Although the CAISO supports a gas plant retirement study in a future planning cycle or through a new programmatic approach to assess the risk around thermal plant retirement as envisioned by Commission Decision 22-02-004, the CAISO finds the sensitivity work already included in the Proposed Decision to be an appropriate undertaking for the 2023-2024 TPP.

C. Parties Should Direct Comments on the CAISO’s TPP and Other CAISO Initiatives to the Appropriate CAISO Stakeholder Processes.

The CAISO appreciates Solar Energy Industries Association’s (SEIA) interest in the CAISO’s forthcoming update to its transmission capabilities whitepaper based on the Cluster 14-Phase I studies.⁹ The CAISO will provide transparency on the transmission capabilities whitepaper and will manage stakeholder engagement and comments on the whitepaper through its processes. The Commission should reject SEIA’s recommendation that the Commission circulate the CAISO’s whitepaper in docket R.20-05-003 for additional party comment. Instead, the Commission should direct stakeholders to engage directly and solely through CAISO processes.

Other parties offer recommendations regarding the CAISO’s interconnection and deliverability study processes. For example, RWE Renewables Americas, LLC (RWE) and OWC recommend enhancements to the CAISO’s interconnection study process and re-evaluating the CAISO’s deliverability methodologies.¹⁰ Parties should direct comments on these issues to the relevant CAISO processes. For example, the CAISO recently published an

⁸ In opening comments on the May 14, 2020 *Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes* (OIR) issued in this proceeding, the CAISO recommended that the Commission develop resource portfolios for study in the TPP that include locational specificity for thermal resource retirements. CAISO Opening Comments on OIR, June 15, 2020, p.5.

⁹ SEIA Opening Comments, pp. 5-6.

¹⁰ RWE Opening Comments, p. 4; OWC Opening Comments pp. 3-4.

update on generator deliverability challenges and invited stakeholder feedback.¹¹ The CAISO will discuss generator deliverability issues in an open stakeholder process this year.

OWC recommends the CAISO 20-Year Transmission Outlook be mandatory and updated annually.¹² This matter is beyond the scope of this proceeding and is appropriately addressed in a CAISO process. The Commission should direct OWC to the CAISO's TPP and relevant CAISO stakeholder process regarding the CAISO's 20-Year Outlook.

D. Pursuant to the January 13 Letter from the Commission, the CAISO will Identify High Priority Transmission Projects for Local Needs in the 2022-2023 TPP.

PCF states, "The PD should take no action intended to accelerate priority transmission line approvals by CAISO in its 2022–23 transmission planning process."¹³ PCF asks that the Commission not request the CAISO identify and consider high priority transmission projects for approval in the 2022-2023 TPP.¹⁴

On January 13, 2023, the CAISO received a formal letter from the Commission that requests, in accordance with Senate Bill (SB) 887,¹⁵ that the CAISO identify priority transmission projects for local capacity needs and consider approving them as part of the 2022-2023 TPP.¹⁶

Pursuant to the Commission's request, the CAISO will "(1) identify, based as much as possible on studies and projections completed before January 1, 2023, by the CAISO, the CPUC and the California Energy Commission, the highest priority transmission facilities that are needed to allow for increased transmission capacity into local capacity areas to deliver renewable energy resources or zero-carbon resources that are expected to be developed by 2035, and (2) consider whether to approve such transmission projects as part of the CAISO's 2022–23 transmission planning process."

¹¹ See CAISO stakeholder initiative webpage at:

<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Generator-deliverability-challenges>

¹² OWC Opening Comments, p. 7.

¹³ PCF Opening Comments, p. 4.

¹⁴ PCF Opening Comments, p. 4.

¹⁵ SB 887 (Becker, 2022).

¹⁶ Commission, *RE: CPUC Request to CAISO in Accordance with SB 887 (Becker, 2022)*, January 13, 2023.

III. Conclusion

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

Respectfully submitted

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