

**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)

**REPLY COMMENTS ON RESOURCE ADEQUACY  
IMPLEMENTATION TRACK PHASE 1 PROPOSALS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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**I. Introduction**

The California Independent System Operator Corporation (CAISO) provides reply comments on the Implementation Track Phase 1 proposals to modify the Central Procurement Entity (CPE) structure. The CAISO submitted one proposal for consideration in Implementation Track Phase 1 of this proceeding. The CAISO proposed the Commission modify Decision (D.) 20-06-002 to allow the Commission to assign local capacity obligations to load serving entities (LSEs) who agree to self-show resources to the Central Procurement Entity (CPE) under the hybrid procurement framework, commensurate with the amount of local capacity LSEs have agreed to self-show.<sup>1</sup> The CAISO proposal would allow the CAISO to assign CPM costs to non-performing LSEs based on self-showing commitments (*i.e.* LSEs that agreed to self-show resources to the CPE, but ultimately did not show resources to the CAISO). The CAISO intended its proposal to mitigate concerns raised by Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE) regarding assigning capacity procurement mechanism (CPM) costs to CPEs when LSEs fail to make showings to the CAISO consistent with their commitments to the CPE.

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<sup>1</sup> CAISO Resource Adequacy Implementation Track Phase 1 Proposal, December 23, 2021 (CAISO proposal)

## II. Discussion

### A. The CAISO Proposal Provides a Straightforward Way for the CAISO to Allocate CPM Costs to Entities That Agree to Self-Show Resources to the CPE but Fail to Make Adequate Showings to the CAISO

The CAISO's proposed framework would allow the CAISO to assign CPM costs to LSEs that agree to self-show resources to the CPE, but ultimately fail to show those resources to the CAISO. The CAISO proposed the Commission re-assign local obligations to LSEs based on self-showing commitments to the CPE.<sup>2</sup> The CAISO intended its proposal to mitigate concerns raised by PG&E and SCE regarding assigning CPM costs to CPEs when LSEs fail to self-show resources consistent with their commitments to the CPE.

The CAISO assigns CPM costs to entities with local regulatory authority (LRA) assigned obligations at the time final resource adequacy showings are made to the CAISO. Under the current CPE framework, the Commission will assign the CPE all local obligations in a transmission access charge area. Consistent with existing processes, CPM costs should be allocated under clear, unambiguous, and *ex ante* CAISO cost allocation tariff rules, not after-the-fact Commission cost allocation determinations. CPM costs are CASO-incurred costs, not Commission-incurred costs. Cost allocation rules must ensure transparency, provide certainty, follow basic cost allocation principles, and avoid any uncertainty or filed-rate/retroactive ratemaking concerns that may arise from *ex post* cost allocation determinations. The CAISO's proposal is a straightforward and justifiable way for the CAISO to allocate CPM costs to entities who agreed to self-show resources to the CPE but failed to make adequate showings to the CAISO.

The CAISO's proposal is consistent with existing CPM processes and avoids implementation and administrative complexities. If the Commission does not adopt the CAISO's proposal, the CAISO suggests the Commission and CPEs determine, without the CAISO's involvement and not involving the CAISO tariff, a process to effectuate the CPE's

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<sup>2</sup> The CAISO did not intend its proposal to lead to a residual procurement framework as suggested by PG&E and Middle River Power. Under the CAISO's proposal, the primary obligation is first assigned to the CPE, and only to the extent an LSEs agrees to self-show a resource, as described in the hybrid procurement framework, would the local obligation be reassigned to the LSE to make a showing at the CAISO.

assignment of CPM costs from the CAISO, to LSEs who committed to the CPE to self-show resources but ultimately failed to make adequate self-showings to the CAISO.

**B. CAISO CPM Assessments Do Not Consider Planned Outages.**

Southern California Edison (SCE)<sup>3</sup> proposes the CAISO allocate CPM costs to self-showing LSEs unless non-performance is due to a planned outage. The CAISO identifies local resource adequacy deficiencies based on resource adequacy showings. The CAISO does not consider planned outages in determining local resource adequacy deficiencies. As a result, planned outages do not trigger local CPM designations.<sup>4</sup> In addition, the CAISO tariff requires suppliers—not LSEs—to provide outage substitution. The Commission should not alter CPM cost allocation to account for planned outages.

**C. The CAISO’s Proposal Does Not Attempt to Address Incentives for LSEs to Self-Show Resources to the CPE.**

The CAISO’s proposal does not attempt to address incentives for LSEs to self-show resources to the CPE. Rather, the CAISO’s proposal merely offers a path forward to mitigate the risk that CPEs might incur CPM costs if LSEs fail to make showings to the CAISO consistent with their commitments to the CPE. The CAISO’s proposal is implementable at the CAISO and was intended solely to address risks under the current CPE framework raised by the CPEs.

SCE<sup>5</sup> and California Community Choice Association (CalCCA)<sup>6</sup> argue the CAISO’s proposal will create disincentives for LSEs voluntarily to self-show local resources. The CAISO is agnostic to self-showing incentives under the hybrid procurement framework and defers to the Commission and parties to determine the optimal self-showing incentives in the hybrid CPE framework. The CAISO does not distinguish between LSE self-shown capacity and CPE-procured capacity. The CAISO validates *ex ante* local resource showings, whether shown by LSEs or the CPE (including the showings of other LRAs), to assess whether shown capacity meets the entities’ *ex ante* local obligations and can collectively meet the CAISO’s local resource adequacy requirements.

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<sup>3</sup> SCE Resource Adequacy Implementation Track Phase 1 Proposals, December 13, 2021, pp. 3-5.

<sup>4</sup> CAISO Tariff section 43A.2.1.2

<sup>5</sup> Opening Comments of SCE on Resource Adequacy Implementation Track Phase 1 Proposals, pp. 3-4.

<sup>6</sup> Opening Comments of CalCCA on Resource Adequacy Implementation Track Phase 1 Proposals, pp. 5-9.

### **III. Conclusion**

The CAISO appreciates the opportunity provides reply comments on the Implementation Track Phase 1 proposals to modify the CPE structure.

Respectfully submitted

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