

180 FERC ¶ 61,003  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

July 1, 2022

In Reply Refer To:  
California Independent System  
Operator Corporation  
Docket No. ER22-1604-000

California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630

Attention: David S. Zlotlow

Dear Mr. Zlotlow:

1. On April 8, 2022, pursuant to section 205 of the Federal Power Act,<sup>1</sup> the California Independent System Operator Corporation (CAISO) submitted revisions to its Open Access Transmission Tariff (Tariff) to: (1) accommodate the California Public Utilities Commission's (CPUC) designation of two central procurement entities to procure resource adequacy capacity beginning with the 2023 resource adequacy year, (2) provide other local regulatory authorities in CAISO's balancing authority area the same opportunity to adopt a central procurement entity construct, and (3) adjust how CAISO sets local capacity requirements in the monthly resource adequacy process for load-serving entities serving load in multiple transmission access charge areas. In this order, we accept the proposed Tariff revisions, effective August 15, 2022, as requested.

2. CAISO explains that CPUC recently ordered Southern California Edison Company (SoCal Edison) and Pacific Gas & Electric Company (PG&E) to serve as the central procurement entity responsible for procuring local resource adequacy capacity for CPUC-jurisdictional load-serving entities within their respective transmission access charge areas. CAISO explains that CPUC's goal in creating this structure was to provide

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<sup>1</sup> 16 U.S.C. § 824d.

cost efficiency, market certainty, reliability, administrative efficiency, and customer protection in meeting local resource adequacy capacity needs.<sup>2</sup>

3. CAISO proposes to revise its Tariff to include the new central procurement entity function in its resource adequacy program rules using the approach it previously adopted for load-serving entities under the resource adequacy program. CAISO states that the existing Tariff provisions applicable to load-serving entities place the resource adequacy obligations on scheduling coordinators for load-serving entities because the contractual arrangement to participate in CAISO's market is between CAISO and the scheduling coordinators. In the instant filing, CAISO proposes to define a central procurement entity in the Tariff as an "entity that has been designated by a Local Regulatory Authority to: (a) procure Local Capacity Area Resources on behalf of at least one Load Serving Entity under that Local Regulatory Authority's jurisdiction; and (b) through its Scheduling Coordinator, demonstrate such procurement to the CAISO pursuant to the resource adequacy showings process in Section 40.2."<sup>3</sup> CAISO also proposes to revise its Tariff to make clear that local regulatory authorities can allocate local capacity area resource obligations to central procurement entities, in addition to their existing ability to allocate such obligations to load-serving entities. Further, CAISO proposes conforming changes throughout the Tariff to acknowledge that both scheduling coordinators for load-serving entities and central procurement entities that have a resource adequacy obligation must submit resource adequacy plans, and that these entities are subject to the same penalty for late resource adequacy plan submissions.<sup>4</sup>

4. CAISO explains that, while the central procurement entity function is intended to address only local capacity procurement at this time, there is no way to unbundle the system and flexible attributes of a resource procured by a central procurement entity for local capacity.<sup>5</sup> Therefore, CAISO proposes to revise its Tariff to ensure that the system

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<sup>2</sup> CAISO Transmittal at 4 (citing CPUC, Decision on Central Procurement of the Resource Adequacy Program, D.20-06-002).

<sup>3</sup> *Id.* at 6-8.

<sup>4</sup> *Id.* at 8-9.

<sup>5</sup> CAISO's resource adequacy program requires procurement of three types of resource adequacy capacity: system, local, and flexible. Each type of resource adequacy capacity creates different requirements and responsibilities for the resource providing that capacity. System resource adequacy capacity meets CAISO's system requirements. Local resource adequacy capacity must be in the local transmission-constrained area. Flexible resource adequacy capacity must meet CAISO's need for flexibility, i.e., to ramp up and down as needed and start up and shut down potentially multiple times per day. *Id.* at 2.

and flexible attributes of a central procurement entity-procured resource are allocated back to the load-serving entities that ultimately pay for those resources. Specifically, the Tariff revision requires a local regulatory authority with a central procurement entity to inform CAISO of how the local regulatory authority wants CAISO to allocate the system and flexible attributes of resources to a load-serving entity.<sup>6</sup>

5. CAISO proposes Tariff revisions to establish that: (1) a central procurement entity deficient in local resource adequacy can trigger a Capacity Procurement Mechanism (CPM) designation in the same way a load-serving entity's deficiency can trigger a CPM designation;<sup>7</sup> (2) CAISO will allocate the costs of CPM designations to the deficient entity whether it is a load-serving entity or central procurement entity; and (3) load-serving entities whose local resource adequacy deficiency led to CAISO issuing a year-ahead local CPM designation will receive credit against their resource adequacy requirements based on the CPM capacity CAISO required.<sup>8</sup>

6. In addition to issuing CPM designations, CAISO has the authority to procure capacity from resources by executing reliability must-run agreements. CAISO explains that the proposed Tariff revisions would ensure that load-serving entities receive resource adequacy credits in proportion to the costs they pay for reliability must-run agreements. Specifically, CAISO proposes to revise the Tariff to provide that central procurement entities are eligible for resource adequacy credits associated with reliability must-run agreements just like load-serving entities.<sup>9</sup>

7. Finally, CAISO proposes two Tariff revisions related to local capacity requirements that it states will clarify its existing Tariff rules. First, CAISO proposes to revise the Tariff to specify that the monthly local capacity resource adequacy requirement for a load-serving entity is capped at the monthly system capacity resource adequacy requirement for that load-serving entity within each transmission access charge area. CAISO explains that a load serving entity's monthly local capacity resource adequacy requirement is already capped at its system capacity resource adequacy requirement to prevent load serving entities from being required to procure more capacity than necessary. CAISO adds that the cap is needed because local capacity resource adequacy requirements are determined on an annual basis and in certain months the local capacity

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<sup>6</sup> *Id.* at 2, 4-5, 11.

<sup>7</sup> The CPM serves as a backstop mechanism for CAISO to procure capacity to address resource adequacy deficiencies or to supplement resource adequacy procurement to maintain grid reliability. CAISO Tariff, § 43A.2.

<sup>8</sup> CAISO Transmittal at 12-16.

<sup>9</sup> *Id.* at 17-18.

resource adequacy requirements can exceed the projected peak load. To address situations where a load-serving entity serves load in more than one transmission access charge area, CAISO proposes to amend the Tariff to cap the local capacity resource adequacy obligations in each transmission access charge area at the system capacity resource adequacy requirement in each transmission access charge area rather than its overall system capacity resource adequacy requirements. CAISO states that this will ensure that load serving entities are not required to procure more monthly local resource adequacy capacity than is needed for that load-serving entity in each transmission access charge area in which it serves load.<sup>10</sup>

8. Second, CAISO proposes to revise the Tariff to clarify that the cap described above does not apply to load-serving entities with a local capacity resource adequacy obligation in a transmission access charge area for which they serve no load. CAISO claims this revision is necessary because a load-serving entity can procure a local capacity resource in a different transmission access charge area where it serves no load to meet its system capacity resource adequacy requirements. CAISO explains that the local resource must be shown as a local resource so that CAISO knows the local resource can meet the local capacity resource adequacy needs of that transmission access charge area even though it is purchased for use as a system resource.<sup>11</sup>

9. Notice of CAISO's filing was published in the *Federal Register*, 87 Fed. Reg. 18,013 (Mar. 29, 2022), with interventions and protests due on or before April 29, 2022. Timely motions to intervene were filed by the California Department of Water Resources State Water Project, the Northern California Power Agency, NRG Power Marketing LLC, PG&E, San Diego Gas & Electric Company, SoCal Edison, and the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, Riverside, and Santa Clara, California.

10. We accept CAISO's proposed Tariff revisions, effective August 15, 2022, as requested.<sup>12</sup> We find that the proposed Tariff revisions are just and reasonable, and have not been shown to be unjust, unreasonable, unduly discriminatory, preferential or otherwise unlawful. The proposed Tariff revisions clarify CAISO's resource adequacy rules, including how the newly defined central procurement entities will participate in the resource adequacy program alongside load-serving entities, local regulatory authorities, and scheduling coordinators. Further, we find that the proposed Tariff revisions pertaining to local capacity resource adequacy requirements are appropriate measures that

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<sup>10</sup> *Id.* at 19.

<sup>11</sup> *Id.* at 19-20.

<sup>12</sup> We find good cause to grant CAISO's request for waiver of the 120-day notice requirement, 18 C.F.R. § 35.3(a) (2021), to provide parties with certainty regarding the Tariff revisions.

clarify how the cap on monthly local capacity resource adequacy requirements applies in the two circumstances identified by CAISO.

By direction of the Commission.

Debbie-Anne A. Reese,  
Deputy Secretary.