

**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 23-10-011

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS
FOR 2026-2028, FLEXIBLE CAPACITY OBLIGATIONS FOR 2026, AND PROGRAM
REFINEMENT**

Roger E. Collanton
General Counsel
William H. Weaver
Assistant General Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-351-4400
Fax: 916-608-7222
Email: bweaver@caiso.com

Dated: June 11, 2025

Table of Contents

I.	Introduction.....	1
II.	Discussion.....	3
A.	The Commission Should Establish Binding RA Requirements that Meet a 0.1 Loss of Load Expectation.	3
1.	An 18% PRM Plus “Effective” PRM of 1,260 MW to 2,300 MW for 2026 is an Incremental Improvement Over the <i>Status Quo</i>	3
2.	The Commission Should Continue Progress to Adopt a Binding PRM that Meets a 0.1 LOLE, Informed by an LOLE Study.	3
3.	The Commission Should Take Steps to Discontinue Use of an “Effective” PRM....	4
B.	The Commission Should Not Adopt a PRM for 2027 at this Time and Should Commit to Establish a Binding PRM for 2028 to Meet a 0.1 LOLE Based on an LOLE Study.....	4
C.	The Commission Should Leverage Integrated Resource Planning (IRP) to Exit the Ongoing Cycle of Reducing RA Requirements Below levels Needed to Meet Reliability Targets.....	5
D.	The CAISO Encourages Early and Frequent Engagement Between Energy Division and Parties on LOLE Study Efforts in both Formal and Informal Venues.....	6
E.	The CAISO Supports Further Development of a UCAP Framework.....	6
F.	The Commission Should Formalize How LSEs Can Show Co-Located VERs with Partial Capacity Deliverability Status (PCDS) or Full Capacity Deliverability Status (FCDS) to Meet RA or Charging Sufficiency Requirements.	7
	Day-Ahead Market Enhancements (DAME).....	8
G.	The Commission Should Remove Existing Restrictions on Day-Ahead Market Bidding and Revenue Eligibility for RA Resources.	8

H.	The Commission Should Not Adopt an Allocation Approach for RCU, RCD, and Imbalance Reserve Revenues.	8
I.	The PD Lacks Detail on Specific Components of RCU, RCD, and Imbalance Reserve Revenues.....	10
1.	Opportunity Cost Component of Imbalance Reserve Revenues.....	10
2.	Gross Versus Net RCU, RCD, and Imbalance Reserve Revenues.....	11
J.	The Commission Should Correct a Factual Error in the PD Regarding the RCU Product.	12
K.	The Commission Should Adopt the 2026-2028 Local Capacity Requirements.	12
L.	The Commission Should Modify, then Adopt, the 2026 Flexible Capacity Requirements and RA Assessment Hours.	12
III.	Conclusion	13
	Attachment A	14

**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 23-10-011

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS
FOR 2026-2028, FLEXIBLE CAPACITY OBLIGATIONS FOR 2026, AND PROGRAM
REFINEMENT**

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 opening comments on the May 22, 2025 *Proposed Decision Adopting Local Capacity Obligations for 2026-2028, Flexible Capacity Obligations for 2026, and Program Refinement* (PD).

The CAISO’s comments focus on supporting aspects of the PD that ensure resource adequacy (RA) program requirements meet a 0.1 loss of load expectation (LOLE). The PD proposes to adopt an 18% planning reserve margin (PRM) plus an “effective” PRM for 2026. Although this PRM level is an incremental improvement over the *status quo*, it is still below the level Energy Division’s LOLE studies find is needed to meet a 0.1 LOLE in 2026. The Commission should continue progress towards adopting a PRM that meets a 0.1 LOLE. The Commission should direct Energy Division to engage early and frequently with parties as it develops its LOLE studies to increase party confidence in study results.

The CAISO urges the Commission to not adopt a PRM for 2027. Instead, the Commission should monitor supply and demand conditions and RA prices for 2025 and 2026

and use this information to determine whether to adopt a binding PRM for 2027 at or closer to the level that Energy Division's 2026 LOLE study found is needed to meet a 0.1 LOLE. The Commission should commit to establish a binding PRM to meet a 0.1 LOLE, based on the results of an LOLE study for RA year 2028.

The CAISO supports the further development of an unforced capacity (UCAP) framework. The Commission should adopt undisputed, key UCAP design elements while remaining flexible on elements that lack consensus. As it further develops its UCAP framework, the Commission should also ensure that its UCAP framework is compatible with the counting rules proposed in the Commission's Reliability and Clean Power Procurement Program (RCPPP). The CAISO also supports the Commission formalizing how load-serving entities (LSEs) can show deliverable co-located variable energy resources (VERs) to meet RA or storage charging sufficiency requirements under the Slice of Day framework.

The PD adopts rules in response to the upcoming implementation of CAISO's Day-Ahead Market Enhancements (DAME). The CAISO supports the removal of an existing requirement for RA resources to submit zero dollar bids into CAISO's Reliability Unit Commitment (RUC) market and allowing RA resources to submit non-zero dollar bids for three new market products, Reliability Capacity Up (RCU), Reliability Capacity Down (RCD) and Imbalance Reserves, introduced as part of CAISO's DAME policy. However, the CAISO cautions that the Commission should not adopt an allocation approach for RCU, RCD, and Imbalance Reserve revenues at this time as parties have not had sufficient opportunities to deliberate potential adverse market impacts. By providing more time to discuss these impacts, parties can consider whether it is preferable to RCU, RCD, and Imbalance Reserve revenues to flow to LSEs or resource owners. The PD also lacks detail on specific components of these market products' settlements.

Finally, the Commission should adopt the 2026-2028 local requirements, 2026 flexible capacity requirements, and RA measurement hours identified in CAISO's Final Flexible Capacity Needs Assessment for 2026.

II. Discussion

A. The Commission Should Establish Binding RA Requirements that Meet a 0.1 Loss of Load Expectation.

1. An 18% PRM Plus “Effective” PRM of 1,260 MW to 2,300 MW for 2026 is an Incremental Improvement Over the *Status Quo*.

The PD adopts an 18% PRM for 2026.¹ The PD also adopts an “effective” PRM of 1,260 MW to 2,300 MW. The PD’s proposed PRM for 2026 is an incremental improvement over the current 17% PRM plus “effective” PRM. The PD notes that an increase in the PRM of 1% increases the capacity of the RA fleet above current reliability levels by approximately 400 MW, improving grid reliability.² Although the CAISO recognizes the proposed PRM for 2026 as an incremental improvement, a binding 18% PRM is still below the level that Energy Division’s LOLE studies find is needed to meet a 0.1 LOLE in 2026.

2. The Commission Should Continue Progress to Adopt a Binding PRM that Meets a 0.1 LOLE, Informed by an LOLE Study.

The CAISO appreciates Energy Division’s efforts to enhance its LOLE studies and the Commission’s focus on using an LOLE study to establish the PRM in the RA program. Energy Division’s most recent study finds that a PRM of at least 21% in the summer and 20% in the off-peak months is necessary to meet a 0.1 LOLE in 2026.³ The 18% binding PRM adopted by the PD is below levels that Energy Division’s studies have consistently shown are needed to meet a 0.1 LOLE.

The CAISO continues to urge the Commission to make progress to adopt a binding PRM for the RA program that meets a 0.1 LOLE. A 0.1 LOLE reliability target is an industry-accepted measure of supply sufficiency and can help prevent capacity shortfalls that could threaten reliability. Although an 18% binding PRM for 2026 is an incremental improvement over the *status quo*, the CAISO has concerns that an 18% PRM will not result in a reliable RA fleet in 2026. The Commission should continue to make progress to adopt a PRM that meets a

¹ PD, pg. 31.

² PD, pg. 30.

³ Energy Division, Hour Offset CalCCA QA Issue and PRM Implications, pg. 11:
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M557/K609/557609748.PDF>

0.1 LOLE in the RA program. The CAISO believes this will be a critical step as new resources continue to come online and increase supply margins.

3. The Commission Should Take Steps to Discontinue Use of an “Effective” PRM.

If the Commission adopts a PRM for 2026 that is below a level needed to meet a 0.1 LOLE, then the Commission should retain the “effective” PRM for 2026 to allow for additional front-stop procurement by investor-owned utilities (IOUs).

However, the CAISO continues to have concerns with ongoing use of an “effective” PRM. The PD summarizes these concerns by stating the “effective” PRM “allows procurement of less reliable non-RA capacity, does not guarantee an RA portfolio meets a 0.1 LOLE target, and harms the ability [for CAISO] to use backstop mechanisms.”⁴ The PD accurately summarizes the CAISO’s concerns. The Commission should continue to make progress to adopt a binding PRM to establish RA requirements that meets a 0.1 LOLE, and discontinue the use of the “effective” PRM. Replacing the capacity targeted by the “effective” PRM with RA capacity will help ensure LSEs show sufficient reliable capacity to meet standard reliability targets.

B. The Commission Should Not Adopt a PRM for 2027 at this Time and Should Commit to Establish a Binding PRM for 2028 to Meet a 0.1 LOLE Based on an LOLE Study.

The PD adopts an 18% PRM plus “effective” PRM for 2027.⁵ The PD states, “It is not possible, however, for Energy Division to further analyze the data issues that arose in the current LOLE study cycle and complete a new LOLE study prior to the 2027 RA year.”⁶ As such, the CAISO does not believe the Commission should adopt a PRM for 2027 at this time. The Commission should instead monitor supply and demand conditions and RA prices for 2025 and 2026, and use this information to determine in 2026 whether the Commission should increase the PRM for 2027 closer to the level needed to meet a 0.1 LOLE, according to Energy Division’s 2026 LOLE study.⁷ As stated in the CAISO’s comments on Track 3 proposals, the Commission

⁴ PD, pg. 21.

⁵ PD, pg. 32.

⁶ PD, pg. 32.

⁷ See discussion above.

will receive updated information about these conditions prior to 2027.⁸ For example, the Commission should monitor the progress of new resource development and the trend of RA prices for 2025 and 2026. The substantial amount of new capacity that LSEs and suppliers have brought on the system, and will continue to bring on in 2026, should continue to alleviate supply concerns and exert downward pressure on RA prices. This new capacity could provide the Commission the flexibility to continue its positive progress towards adopting a PRM that meets a 0.1 LOLE. The Commission should also commit to establish a binding PRM to meet a 0.1 LOLE, based on the results of an LOLE study for RA year 2028.

C. The Commission Should Leverage Integrated Resource Planning (IRP) to Exit the Ongoing Cycle of Reducing RA Requirements Below levels Needed to Meet Reliability Targets.

The CAISO appreciates the Commission issuing orders for a significant amount of new resource procurement through the IRP proceeding. These orders have contributed to a considerable increase in new capacity on the grid, enhancing grid reliability. The forward planning and procurement in IRP should help ensure sufficient resources and competition to meet RA requirements in the RA timeframe.

The CAISO nonetheless remains concerned about the Commission's use of mechanisms in the RA program that reduce RA requirements below levels necessary to meet a 0.1 LOLE. The Commission should leverage IRP to exit the ongoing cycle of reducing RA requirements below levels needed to meet reliability targets. The recently published RCPMP proposal in the IRP proceeding represents an important step forward to meet this objective. The CAISO strongly supports the Commission establishing a more predictable long-term procurement framework based on IRP to ensure the timely development of new resources to meet reliability targets. The CAISO urges the Commission to prioritize the further development and adoption of RCPMP to exit the ongoing cycle of lowering RA requirements below levels needed to meet the 0.1 LOLE reliability target. Reducing RA requirements introduces reliability risks in the month-ahead and operational timeframes where options to alleviate reliability risks are limited.

⁸ Opening Comments of the CAISO on Track 3 Proposals, p. 8.

D. The CAISO Encourages Early and Frequent Engagement Between Energy Division and Parties on LOLE Study Efforts in both Formal and Informal Venues.

The PD outlines an expected timeline for Energy Division’s future LOLE study efforts: “Energy Division is expected to submit proposed Inputs and Assumptions for a new LOLE study in March 2026, and complete a new RA LOLE study for the 2028 RA year in July 2026.”⁹ The CAISO continues to appreciate Energy Division’s efforts to review and solicit party feedback on LOLE study inputs, assumptions, and results. This iterative process continues to build party confidence in Energy Division’s study results.

The CAISO encourages early and frequent engagement between parties and Energy Division on LOLE study inputs, assumptions, and results, with engagement opportunities for its next LOLE study beginning in 2025. By engaging with parties early in the study process, Energy Division can continue to increase confidence in its LOLE studies, supporting greater consensus around LOLE study results and PRM proposals. Early engagement on study inputs and assumptions also can enable parties to identify how to align RA and IRP modeling inputs and assumptions, leading to more efficient study processes in both proceedings.

The Commission should solicit informal feedback on Energy Division’s modeling to improve party comments. This feedback could be garnered through regular workshops where preliminary study results are previewed and discussed and can help Energy Division resolve party comments and concerns in a more iterative manner.

E. The CAISO Supports Further Development of a UCAP Framework.

The PD “authorizes Energy Division, in coordination with the CAISO, to further develop a final UCAP framework” focusing on several areas requiring further buildout.¹⁰ The CAISO supports further development of a UCAP framework and looks forward to working with Energy Division staff and other parties on this effort.

The PD also provides direction to Energy Division and parties on important aspects of a UCAP framework around which parties have built consensus. For example, the PD states that “[a] final UCAP framework should utilize the CAISO’s OMS system as the source for outage

⁹ PD, pg. 32.

¹⁰ PD, pg. 41.

information.”¹¹ Energy Division proposed this design element because CAISO Outage Management System (OMS) data contains outage information about energy storage whereas this information is missing from other outage data sources. CAISO and California Energy Storage Alliance (CESA) support this proposal; no parties objected to it.¹²

In opening comments, the CAISO supported the Commission adopting key elements of a UCAP framework in Track 3.¹³ The CAISO supports the PD’s direction on certain undisputed, key design elements such as the use of CAISO OMS data as the source for outage information. The Commission adopting high level design elements will help move development of a UCAP design forward.

The Commission should also ensure that its UCAP framework is compatible with the counting rules adopted in RCPPP. Energy Division proposes to determine procurement needs using marginal effective load carry capability (ELCC) counting rules for the proposed reliability options in RCPPP.¹⁴ A resource’s qualifying capacity counted under UCAP in the RA program may differ from its accredited capacity counted using marginal ELCC in RCPPP, resulting in misalignments between the Commission’s IRP and RA programs. The Commission should consider these misalignments as it further develops its UCAP framework.

The CAISO urges the Commission to remain flexible on other elements of a UCAP framework still at issue. Parties can seek consensus on these types of design elements in the workshop authorized by the PD. The Commission should clarify that the PD will not adopt such design elements at this time.

F. The Commission Should Formalize How LSEs Can Show Co-Located VERs with Partial Capacity Deliverability Status (PCDS) or Full Capacity Deliverability Status (FCDS) to Meet RA or Charging Sufficiency Requirements.

The PD formalizes RA showing rules established by Energy Division last year for VERs with PCDS or FCDS that are co-located with energy storage resources behind a shared point-of-interconnection (POI).¹⁵ This practice allows the PCDS or FCDS co-located VERs to count for

¹¹ PD, pg. 41.

¹² See, PD, pg. 38; PD, pg. 37.

¹³ Opening Comments of the CAISO on Track 3 Proposals, p. 9.

¹⁴ Energy Division, Staff Proposal: Reliable and Clean Power Procurement Program, pg. 4: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M565/K140/565140169.PDF>

¹⁵ PD, pg. 63.

either RA or charging sufficiency requirements, up to the POI limit of the co-located resource configuration, provided that LSEs do not use the co-located VERs to meet RA requirements above their deliverable capacity. The Commission should formalize this practice. Doing so will help ensure that LSEs are able to show deliverable resources that are not otherwise limited due to POI constraints, recognizing their contribution to reliability under the Slice of Day framework.

Day-Ahead Market Enhancements (DAME)

G. The Commission Should Remove Existing Restrictions on Day-Ahead Market Bidding and Revenue Eligibility for RA Resources.

The PD removes an existing requirement for RA resources to submit a zero dollar bid for RA capacity in the CAISO's RUC market.¹⁶ The PD also allows RA resources to submit non-zero dollar bids for, and be eligible to receive revenues from, three new market products introduced as part of CAISO's DAME and Extended Day Ahead Market (EDAM) initiatives: RCU, RCD, and Imbalance Reserves.¹⁷ If adopted, these changes will become effective when the EDAM and DAME initiatives are implemented. The CAISO supports these aspects of the PD. With the changes proposed below, they will improve markets to ratepayers' benefit.

H. The Commission Should Not Adopt an Allocation Approach for RCU, RCD, and Imbalance Reserve Revenues.

The PD states, "LSEs with existing RA contracts shall make a good faith effort to ensure revenues from Imbalance Reserve, RCU, or RCD products are credited back to the LSE that has procured the RA capacity value of these resources. For contracts executed after the issuance of this decision, the contracting LSE shall specify in the RA contract that any CAISO revenues for Imbalance Reserve, RCU, or RCD products shall be credited back to the LSE that has procured the RA capacity value of the resource."¹⁸

The Commission should carefully consider these directives, which may have adverse market impacts. If all revenues for RCU, RCD, and Imbalance Reserve products must be relinquished by resource owners, this will impact how scheduling coordinators bid the RCU, RCD, and Imbalance Reserve products into the day-ahead market. Requiring resource owners to

¹⁶ PD, pg. 84.

¹⁷ Ibid.

¹⁸ PD, pg. 85.

allocate RCU, RCD, and Imbalance Reserve revenues back to LSEs may reduce scheduling coordinators' incentives to reflect their costs in bids accurately, leading to inefficient market outcomes.

The CAISO explained these interactions in the DAME Revised Final Proposal.

Today, resource adequacy resources that are required to participate in (the Residual Unit Commitment [RUC] market) must do so with a bid price of \$0 for all resource adequacy capacity. Furthermore, resource adequacy resources do not receive compensation when the marginal clearing price of RUC supply is non-zero. However, there are costs to make resources available in the real-time market. These costs can include gas-scheduling costs, costs to set up a hydro system, opportunity costs from other market opportunities, and transmission costs for imports. Resource adequacy resources do not recover these costs through market payments; they must recover these costs through resource adequacy contract payments. It is more efficient, for both the overall system and individual resources, to procure flexible reserves using bids and compensate resources for those flexible reserves through direct market payments. Load serving entities can factor in these expected revenues for resources they procure for meeting their resource adequacy obligation in the contract negotiations. Using bids allows the market optimization to consider costs when scheduling and committing units, leading to better economic outcomes. Marginal prices are a more appropriate mechanism to compensate resources for their availability than fixed contract payments because it results in compensation that reflects when and where the reserves are most valued.¹⁹

The CAISO made similar statements in its DAME tariff amendment filing before FERC stating, “the current RUC compensation methodology does not send effective price signals in many cases because the RUC clearing price does not account for the trade-off for the unit being scheduled for energy in the [Integrated Forward Market] compared to being scheduled as RUC capacity to address net load imbalances.”²⁰ FERC also made similar observations in making its determination the DAME tariff provisions are just and reasonable.²¹

The Commission should not adopt an allocation approach for RCU, RCD, and Imbalance Reserve revenues as parties have not had sufficient opportunities to deliberate potential adverse

¹⁹ CAISO, DAME Revised Final Proposal, pg. 15: <https://stakeholdercenter.caiso.com/InitiativeDocuments/RevisedFinalProposal-Day-AheadMarketEnhancements.pdf>

²⁰ CAISO, EDAM/DAME transmittal letter, pg. 45: <https://www.caiso.com/documents/aug22-2023-dame-edam-tariff-amendment-er23-2686.pdf>

²¹ See Order Accepting Tariff Revisions in Part – Subject to Condition, and Rejecting in Part (ER23-2686), “Allowing Resource Adequacy resources to make non-zero bids to supply Reliability Capacity will also enhance the efficiency of market prices and provide additional transparency.” pg. 69.

market impacts. By providing more time to discuss these impacts, parties can consider the best approaches to allocate RCU, RCD, and Imbalance Reserve revenues between load-serving entities (LSEs) and resource owners.

The Commission should recognize that the DAME policy includes Transitional Measures that provide a temporary, optional payment allocation tool to resource scheduling coordinators and load-serving entities to allow parties time to renegotiate existing RA contracts.²² The DAME Transitional Measures provide a default method to allocate RCU, RCD, and Imbalance Reserve revenues for an RA resource to an LSE. The PD effectively proposes to make the functionality of the CAISO's optional DAME Transitional Measures permanent and mandated, but under the Commission's direction. The Commission directing these actions could miss details such as those explained below, leading to an inappropriate allocation of revenues between LSEs and resource owners.

I. The PD Lacks Detail on Specific Components of RCU, RCD, and Imbalance Reserve Revenues

1. Opportunity Cost Component of Imbalance Reserve Revenues

The CAISO's DAME Transitional Measures specify that revenue from Imbalance Reserves will be split between the LSE and resource owner. The compensation for Imbalance Reserves will be disaggregated into two components: bid costs and opportunity costs.²³ The bid cost component represents the direct costs of providing the imbalance reserve product and essentially represents the capacity cost. The opportunity cost component represents costs associated with forgone energy and ancillary services revenues; it does not represent capacity costs.

For the resource/LSE pairs opting into the DAME Transitional Measures, the CAISO will allocate the bid cost component to the LSE. The CAISO will allocate the opportunity cost component to the resource because this component compensates for foregone energy and ancillary service revenues that RA resources are typically already entitled to from market participation. Because this opportunity cost is not a payment for capacity availability, it appropriately flows to the resource who bore that opportunity cost.

²² See pending CAISO tariff sections 11.2.6.

²³ See pending CAISO tariff sections 11.2.6.3.1 and 11.2.6.3.3.

The PD requires the contracting LSE to “specify in the RA contract that any CAISO revenues for Imbalance Reserve, RCU, or RCD products shall be credited back to the LSE” for contracts executed after the Commission issues its decision.²⁴ The PD does not differentiate between the opportunity cost and non-opportunity components of Imbalance Reserve revenues.

The Commission should not require RA contracts to contain provisions that require resource owners to allocate the opportunity cost component of Imbalance Reserve revenues to LSEs for two reasons. First, this treatment is consistent with how the DAME Transitional Measures treat opportunity costs, thus helping ensure the smooth transition from the current CAISO market design to the DAME market design. Second, allocating the opportunity cost component of Imbalance Reserve revenues could make RA contracts for CPUC-jurisdictional LSEs more expensive compared to those held by LSEs not subject to the CPUC’s jurisdiction. This is because resources entering into RA contracts with CPUC-jurisdictional LSEs would be required to allocate foregone energy and ancillary service revenues to LSEs, and may require a higher RA contract price to recoup those costs.

2. Gross Versus Net RCU, RCD, and Imbalance Reserve Revenues

Under the DAME market design, resources that receive RCU, RCD, and Imbalance Reserve awards in the day-ahead market may not receive the total revenues from these awards due to circumstances that arise in the real-time market.²⁵ The PD does not specify whether RCU, RCD, and Imbalance Reserve revenues represent: a) gross RCU, RCD, and Imbalance Reserve revenues, or b) only the net RCU, RCD, and Imbalance Reserve revenues after incorporating real-time market settlement reductions related to the awards for these market products.

If the Commission directs how RA contracts should allocate RCU, RCD, and Imbalance Reserve revenues, the Commission should clarify whether the resource owner should reimburse the LSE for the gross RCU, RCD, and Imbalance Reserve revenues or only the net RCU, RCD, and Imbalance Reserve revenues after incorporating real-time market settlement reductions related to the awards for these market products.

²⁴ PD, pg. 84.

²⁵ For example, a resource may be required to buy back an Imbalance Reserve award due to the economic dispatch of energy and flexible ramping product in the real-time market. Another example is if a resource receives an Imbalance Reserve award but fails to meet the obligations associated with an Imbalance Reserve award in the real-time market, the resource receives a penalty. Either of these situations can reduce or, potentially, eliminate the Imbalance Reserve revenue the resource would receive.

J. The Commission Should Correct a Factual Error in the PD Regarding the RCU Product.

The PD finds as a conclusion of law that “When the EDAM begins operation, there is good cause to eliminate the zero dollar bid requirement for the RCU, RCD, and Imbalance Reserve products that will replace RUC.”²⁶ This is inaccurate. The CAISO will not replace RUC when EDAM begins operation; RUC will remain as a market process after CAISO implements EDAM and DAME. Instead, the awards for the RCU product will replace the current product awarded by RUC.²⁷

The Commission should amend the PD to state “When the EDAM begins operation, there is good cause to eliminate the zero dollar bid requirement for the **RCU product** that will replace **the current product awarded by the RUC market.**”

K. The Commission Should Adopt the 2026-2028 Local Capacity Requirements.

The PD adopts the local capacity requirements the CAISO provided in its Final 2026-2028 LCR Report.²⁸ The Commission should adopt these requirements.

L. The Commission Should Modify, then Adopt, the 2026 Flexible Capacity Requirements and RA Assessment Hours.

The PD also adopts the flexible capacity requirements identified in the Final Flexible Capacity Needs Assessment for 2026.²⁹ The 2026 flexible capacity requirement values in the PD differ from the results of CAISO’s final report.³⁰ The CAISO summarizes its final results in Attachment A. The Commission should adopt modified 2026 Flexible Capacity Requirements that align with the CAISO’s Final Flexible Capacity Needs Assessment for 2026 results.

The Commission should also adopt the RA measurement hours identified in the CAISO’s Final Flexible Capacity Needs Assessment for 2026. In its final report, the CAISO presents these hours in Pacific prevailing time, *i.e.*, Pacific Standard Time or Pacific Daylight Time

²⁶ PD, pg. 90.

²⁷ CAISO, DAME Revised Final Proposal, pg. 23.

²⁸ PD, pg. 9.

²⁹ PD, pg. 10

³⁰ See PD, pg. 10 and CAISO, Final Flexible Capacity Needs Assessment for 2026, pg. 27: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Flexible-Capacity-Needs-Assessment-Final-2026.pdf>

depending on which is in effect at the time. The Commission should clarify the PD to state that the RA measurement hours identified in the CAISO's Final Flexible Capacity Needs Assessment for 2026.

III. Conclusion

The CAISO appreciates the opportunity to provide opening comments on the PD, and the CAISO requests the Commission adopt the recommendations proposed herein.

Respectfully submitted,

By: /s/ William H. Weaver

Roger E. Collanton

General Counsel

William H. Weaver

Assistant General Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916-351-4400

Fax: 916-608-7222

Email: bweaver@caiso.com

Dated: June 11, 2025

Attachment A

2026 Flexible Capacity Requirements (MW)					
Month	CAISO System Flexible Requirement	CPUC Flexible Requirement	Category 1 (minimum)	Category 2 (100% less Cat. 1 & 3)	Category 3 (maximum)
January	24,697	23,629	6,280	16,167	1,181
February	24,979	23,901	6,352	16,354	1,195
March	23,403	22,505	5,981	15,399	1,125
April	27,348	26,207	6,965	17,932	1,310
May	26,326	25,083	10,024	13,805	1,254
June	27,559	26,329	10,522	14,491	1,316
July	25,038	24,086	9,626	13,256	1,204
August	26,112	24,927	9,962	13,719	1,246
September	27,388	26,256	10,493	14,450	1,313
October	25,471	24,571	6,530	16,812	1,229
November	25,065	24,034	6,388	16,445	1,202
December	23,386	22,531	5,988	15,416	1,127