

**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 25-10-003

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE
PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2027-
2029, FLEXIBLE CAPACITY OBLIGATIONS FOR 2027, AND PROGRAM
REFINEMENT**

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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) hereby submits opening comments on the June 1, 2026 *Proposed Decision Adopting Local Capacity Obligations for 2027-2029, Flexible Capacity Obligations for 2027, and Program Refinements* (PD).

The CAISO appreciates the PD’s thoughtful consideration of the issues and supports many of its determinations. Notwithstanding the CAISO’s general support for many elements, the CAISO does not support the PD’s proposal to impose zero-dollar bidding requirements and revenue restrictions for Resource Adequacy (RA) resources selling Imbalance Reserve (IR) and Reliability Capacity (RC) products in the CAISO markets. The CAISO recommends the Commission’s final decision allow RA resources to bid IR and RC economically, consistent with the CAISO tariff, and permit load-serving entities (LSEs) and counterparties to address any allocation of associated revenues through bilateral arrangements.

The CAISO supports other key elements of the PD: (1) the determination not to count energy-only (EO) resources toward RA capacity requirements, consistent with deliverability requirements; (2) the decision to defer broader consideration of EO resources for charging sufficiency, pending further analysis; (3) continued development of EO resource treatment with additional safeguards to ensure deliverability and market participation; (4) clarifications to the

storage qualifying capacity (QC) methodology to improve counting accuracy and alignment with market design; (5) adoption of the Unforced Capacity (UCAP) framework and refined forced outage definition beginning in 2028, with remaining implementation issues addressed in parallel; and (6) adoption of the 2027-2029 Local Capacity Requirements and 2027 Flexible Capacity Requirements identified by the CAISO.

II. Discussion

A. The Commission Should Not Impose Restrictions on Resource Adequacy Resource Bidding or Eligibility for Imbalance Reserve and Reliability Capacity Revenues.

1. The Commission Should Allow Imbalance Reserve and Reliability Capacity to be Bid Economically.

The PD would require RA resources to submit zero-dollar bids for IR and RC products and prohibit them from retaining any associated revenues.¹ The PD also contemplates revisiting these requirements after additional pricing data becomes available, citing uncertainty regarding cost impacts and interactions between IR and RC products and RA prices.²

The CAISO appreciates the PD's focus on understanding how IR and RC affect RA procurement and wholesale market outcomes. The PD is premised on the concern that these new day-ahead market products duplicate the capacity value already procured through the RA program. Respectfully, that premise is not correct, particularly for IR. RA and IR serve distinct and complementary functions. By overlooking this distinction, the PD risks undermining reliability and distorting market outcomes that will increase costs ultimately borne by ratepayers.

These products were introduced in the day-ahead market to more efficiently price and procure the flexibility needed to manage inherent uncertainty in a system with variable load and resources. In particular, leveraging the diversity of loads and resources across the broader regional market footprint in the day-ahead market can lower overall costs. Removing or suppressing economic price signals undermines the market's ability to achieve these goals.

To the extent parties to existing contracts agree that their contracts already reflect the costs of flexibility procured through IR and RC, the CAISO tariff provides a mechanism to allocate IR and RC revenues between counterparties. With regard to future contracts, parties

¹ PD, p. 101.

² *Id.*

should base their contracts on the expected participation of these resources in the energy markets. The Commission should not impose restrictions that would suppress the cost-reducing efficiencies that IR and RC bring to California's energy markets and should instead allow parties to factor these economic expectations into their contracts.

Therefore, the CAISO respectfully requests the Commission decline to adopt these bidding restrictions and instead allow RA resources to bid IR and RC economically, consistent with the Federal Energy Regulatory Commission (FERC)-approved tariff, with revenues allocated through bilateral negotiations between LSEs and counterparties. The CAISO remains committed to coordinating with the Commission to monitor IR and RC performance and to identify any needed refinements.

2. Resource Adequacy Capacity and Imbalance Reserves Are Distinct and Complementary Products.

The PD concludes that IR and RC are capacity products for purposes of the CPUC's RA program.³ On that basis, the PD further concludes that the zero-dollar bidding and revenue allocation requirements from Decision (D.) 05.10-042 should be applied to the IR and RC products.⁴ This conclusion is misplaced, particularly for IR.

RA capacity under the Commission's program is the obligation for LSEs to procure and demonstrate access to enough QC to meet forecast peak demand plus a reserve margin, ensuring resources will be available and dispatchable for energy when needed. RA capacity reflects a resource's expected ability to contribute to system reliability at peak conditions and carries a must-offer obligation into CAISO markets. However, RA capacity is not designed to manage intra-day or real-time operational uncertainty. RA also does not require resources to preserve flexible operating range in the day-ahead market to respond when actual real-time conditions differ from forecast.

By contrast IR is a day-ahead market product procured in the Integrated Forward Market (IFM) and co-optimized with energy and ancillary services to reserve sufficient ramping capability to manage forecast error and net load variability between the day-ahead and real-time. IR specifically procures and prices the flexible capability needed to address forecast error and variability between the day-ahead market and real-time operations. IR is properly characterized

³ PD, pp. 96-100.

⁴ PD, p. 101.

as a day-ahead reserve product rather than a capacity product, as it targets uncertainty requirements for the next day, which are not the same as the LSE's peak annual demand plus a reserve margin.

IR is also materially distinct from RA capacity, which only requires hourly availability. The IFM only procures and awards IR to a resource that can respond to a dispatch instruction within 15 minutes – a requirement critical to manage intra-hour uncertainty.

IR is also distinct from the residual unit commitment (RUC) product, which the Commission found was a capacity product in its 2005 decision. RUC capacity was procured hourly and did not require fifteen-minute dispatchability to address fifteen-minute uncertainty that materializes in the real-time market. Also, RUC, unlike IR, was not co-optimized with energy and other ancillary services but was procured separately through a separate sequential process that only targets the next day's load forecast.

An IR award preserves a defined quantity of operating flexibility and compensates the resource for service, including opportunity costs. In this respect, IR is analogous to other reserve products procured in CAISO's markets, such as spinning reserve, for which RA resources currently receive market revenues.

While RA resources must offer into the market; payments for energy reflect production costs. Energy market revenues are distinct from RA capacity payments. RA resources receive payments for energy because of the fuel and opportunity costs they face for actually providing energy. Similarly, IR imposes opportunity costs because the reserves are withheld from being scheduled for energy and ancillary services. Because IR is co-optimized with energy and ancillary services, the market determines the most efficient allocation of the limited flexible capacity to meet next day load most efficiently and reliably.

Under the new day-ahead market design, RC replaces and differs materially from RUC. RC is procured in both the upward and downward directions. By contrast, RA must-offer obligations ensure sufficient supply offers into the market. RC and RA must-offer obligations are complementary, not duplicative, functions. A must-offer obligation ensures that a resource participates in the market, but unlike RC, it does not ensure the day-ahead market will preserve the upward or downward operating range for real-time use.

The PD overlooks many of these distinctions and instead relies on references describing IR as "capacity". Those references attempt to distinguish IR from energy as they are reserved to

meet uncertainty as opposed to providing energy for the scheduled hour. Labeling IR as “capacity” does not make it equivalent to RA capacity.

Accordingly, the presumption that all RA already compensates for IR and RC is misplaced. This erroneous conclusion, and the resulting bidding restrictions, would have adverse consequences for reliability, market efficiency, and the benefits we expect to receive from regional markets.

3. Broad Bidding Restrictions Could Introduce Reliability and Market Impacts.

As discussed above, the PD proposes bidding restrictions as a precautionary measure due to concerns around uncertainty of IR and RC price and cost impacts.⁵ While the CAISO recognizes the PD’s desire to proceed cautiously, imposing zero-dollar bidding restrictions could result in adverse consequences for reliability, market efficiency, and the regional market.

a. Reliability Considerations

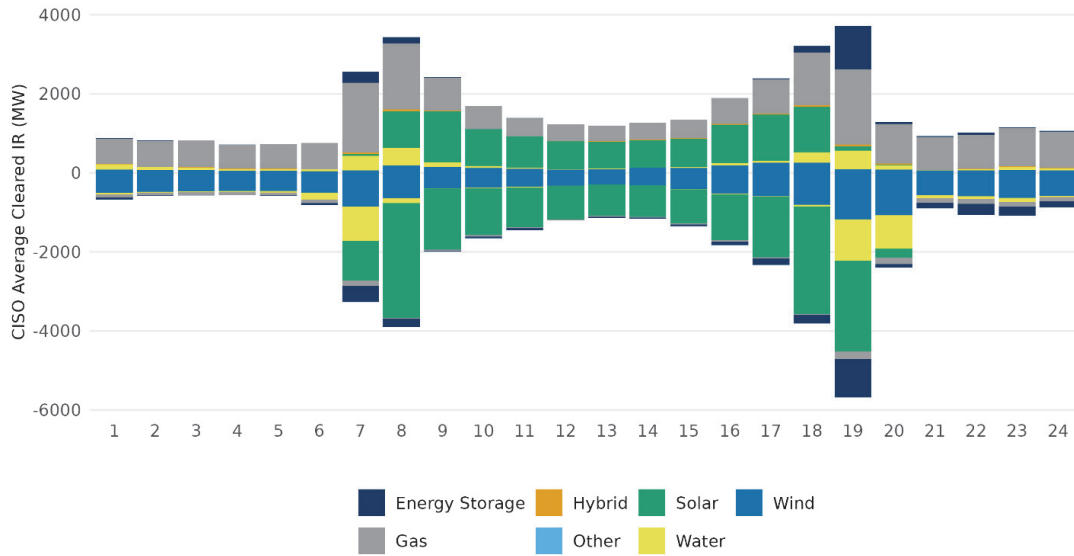
Zero-dollar bidding requirements pose material risks to system reliability by distorting dispatch incentives in the energy markets.

First, they impair storage resources’ ability to manage state-of-charge. Economic bids reflect opportunity costs and ensure storage is dispatched when most valuable to the system. Removing this capability reduces efficient charging and discharging decisions and degrades reliability outcomes. Allowing storage resources to reflect opportunity costs in their bids allows them to manage their state-of-charge to ensure they are available to discharge or charge when most economic for them and informs the market on how best to optimize these resources to meet system demands reliably.

Removing storage resources’ ability to bid differential economic prices reflecting these opportunity costs will greatly erode their ability to manage when these resources are scheduled to charge and discharge. The following figure illustrates how the day-ahead market has optimized storage resources with IR awards mainly during hours of highest needs in May 2026.

⁵ PD, p. 101.

Hourly average awards for Imbalance reserves up and down



Zero-dollar bid requirements for IR relative to energy and ancillary services prevent the market from determining the optimal management of storage resources’ state-of-charge in providing the distinct products. The CAISO balancing authority area relies significantly on the effective management of storage resources. With the leadership and support of the Commission, the CAISO has integrated over 16,500 MW of storage resources.⁶ This represents a significant portion of the CAISO fleet. The PD’s zero-bid requirement puts these resources’ ability to provide the reliability benefits they were procured to provide at risk.

Second, zero-dollar bids will bias dispatch and commitment toward Commission-jurisdictional RA resources relative to resources in other Extended Day-Ahead Market (EDAM) balancing authority areas, potentially leading to inefficient reliance on Commission-jurisdictional resources to meet regional needs at the expense of CAISO reliability. Other resources in the EDAM footprint will be bidding their costs for IR and these will be considered relative to the cheaper zero-bid in RA resources. This will also prevent the market from selecting lesser cost resources in the EDAM footprint that can equally serve the CAISO balancing area reliably.

⁶ See CAISO Key Statistics, May 2026, <https://www.caiso.com/documents/key-statistics-may-2026.pdf>.

b. Market Efficiency Considerations

Bid restrictions do not eliminate underlying costs; they obscure them. The market will continue to select the “least cost” resources but with distorted inputs. This leads to inefficient outcomes and higher total costs. If the resource was able to send an economic signal to the market, the market would select a lower cost resource also bidding in costs. This would result in the market producing a lower cost solution overall.

Uniform zero-dollar bids also reduce transparency into resource costs and operating constraints, degrading the quality of the dispatch solution. This is particularly significant for storage resources for which, as discussed above, the ability to reflect opportunity costs in bids is essential for effective state-of-charge management across varying system conditions. For storage resources, zero-dollar bid requirements could also result in increased awards given their fast response and flexible nature. This dynamic could make Commission-jurisdictional resources more likely to be used for IR, accelerating the degradation of such assets and potentially leading to higher prices for RA in the future. Maximizing the life and efficiency of storage resources contributes to lowering costs for ratepayers over time.

c. Regional Market Considerations

Consistency with CAISO’s FERC-approved tariff and established market design supports transparency and predictability for current and prospective participants in the Western Energy Imbalance Market (WEIM) and EDAM. Resource-specific constraints that apply only within a subset of jurisdictions introduce uncertainty regarding how market outcomes are determined. Maintaining a stable and predictable framework is important to supporting continued participation in regional markets and realizing the reliability and cost benefits associated with broader market integration.

CAISO explicitly removed the zero-dollar RUC bidding rules in the Day-Ahead Market Enhancements (DAME) and EDAM design to avoid these distorting outcomes.⁷ This change was supported by stakeholders and FERC agreed that allowing non-zero bids improves price

⁷ *Cal. Indep. Sys. Operator Corp.*, Day-Ahead Market Enhancements and Extended Day-Ahead Market, FERC Docket Nos. ER23-2686-000 (Aug. 22, 2023).

formation and transparency.⁸ The same logic applies for IR. In its order approving the DAME/EDAM tariff filing as just and reasonable, FERC acknowledged these concerns and found that “[a]llowing Resource Adequacy resources to make non-zero bids to supply Reliability Capacity will also enhance the efficiency of market prices and provide additional transparency.”⁹ The PD reverses and contravenes this policy, encouraging unnecessary legal and market uncertainty.

4. Any Potential Double Compensation Concerns Are Transitional and Limited in Scope.

The PD’s bidding restrictions are intended to mitigate the potential for double compensation. However, these concerns are limited and transitional.

RA contracts since the DAME and EDAM reforms were developed and approved likely already reflect expectations regarding IR and RC. The DAME was introduced in early 2022,¹⁰ and FERC then approved the tariff in December 2023.¹¹ Though EDAM started this year, parties rightfully anticipated the changes in the market design to introduce IR and RC. Imposing zero-dollar bids risks disrupting these contractual arrangements, leading to under recovery or contract renegotiation, ultimately increasing costs for ratepayers.

During the CAISO stakeholder process to develop the IR product, the CAISO responded to CPUC staff’s¹² concern regarding the potential for double compensation by including a three-year transitional settlement mechanism, referred to as DAME Transitional Measures. These measures would allow the LSE and scheduling coordinator for the resource to allocate IR and RC revenues between themselves as appropriate.¹³ These measures minimize the risk of revenue misalignment without imposing restrictions that could risk reliability and distorted market outcomes. For future contracts, parties can incorporate IR and RC value into negotiated RA

⁸ *Id.* at 63 (“This is an important change to facilitate the implementation of EDAM. It would distort the operation of EDAM if all RA capacity were bidding RUC capacity at zero dollars, while resources in the rest of the EDAM area were able to bid economically”).

⁹ *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210, at P 201 (2023).

¹⁰ See <https://stakeholdercenter.caiso.com/InitiativeDocuments/Presentation-Day-AheadMarketEnhancements-StakeholderWorkshop-Jan24-2022.pdf>

¹¹ *Cal. Indep. Sys. Operator Corp.*, 185 FERC ¶ 61,210, at P 2 (2023).

¹² See April 5, 2023 Comments, <https://stakeholdercenter.caiso.com/Comments/AllComments/9dd1138f-f840-4c67-8d9f-c04216934a75#org-048e4d4e-eb22-46d4-931c-8c3be837838c>

¹³ CAISO Day-Ahead Market Enhancements and Extended Day-Ahead Market Tariff Amendment, FERC Docket No. ER23-2686-000, December 20, 2023, Section 11.2.6.

prices, thereby mitigating any risk of double compensation. Any residual risk of double compensation will diminish and will be eliminated as existing contracts expire.

Imposing uniform bidding and revenue restrictions may prolong, rather than resolve, the very concern the PD seeks to address. The more effective approach is to allow IR and RC to be priced transparently through competitive market bids that reflect their marginal costs, with bilateral contracts adjusting accordingly. The PD's concerns regarding duplicative capacity compensation, particularly for IR, are overstated.

5. Imbalance Reserves and Reliability Capacity Prices Have Been Moderate Following EDAM Implementation, Even Without the PD's Restrictions.

As part of its rationale for requiring zero-dollar bidding and revenue allocation restrictions, the PD expresses concern that IR and RC could result in increased costs or elevated prices.¹⁴ However, the PD appropriately acknowledges that these concerns are based on limited data available at the time of its development.¹⁵

More recent market experience since the PD issued indicates IR and RC prices have moderated and stabilized. IR prices within the CAISO balancing authority area have generally remained within a moderate range, with predictable increases during morning and evening ramp periods and limited intervals with pricing in the range of approximately \$15–\$20/MWh.¹⁶ Similarly, RC prices, including upward RC, showed some initial post-implementation variability but have since declined and stabilized at comparatively modest levels.¹⁷ Taken together, these observed outcomes do not demonstrate persistent or excessive pricing associated with IR or RC products under EDAM. Accordingly, the record does not support the need for prescriptive bidding or revenue restrictions at this time.

The CAISO took extensive actions to calibrate the parameters that govern how much and at what cost IR is procured. The CAISO will continue to monitor the performance of the IR product and will continue to make this transparent for the Commission and all to evaluate its performance.

¹⁴ PD, p. 91.

¹⁵ PD, p. 101.

¹⁶ Market Update - EDAM performance, pg. 8. <https://www.caiso.com/documents/presentation-market-update-may-28-2026.pdf>.

¹⁷ *Id.*, p. 10.

6. Contract Renegotiation Requirements Raise Implementation Concerns.

The PD's proposed requirements may necessitate modification of existing RA contracts to conform to zero-bid and revenue-return requirements to the extent existing contracts already have taken bidding flexibility and revenues for IR into consideration. The PD would introduce significant complexity and uncertainty for existing agreements and may require renegotiation of core pricing provisions. The CAISO's DAME Transitional Measures were designed to address these issues by providing a structured period during which parties can renegotiate the treatment of IR revenues. Relying on this framework would enable orderly implementation while avoiding unnecessary contractual disruption and prescriptive requirements that may not align with commercially negotiated agreements.

7. Distinctions Between IR and RC Do Not Support Zero-Dollar Bidding Requirements.

While certain considerations—particularly those related to co-optimization, storage participation, and opportunity costs—apply most directly to IR these distinctions do not justify imposing zero-dollar bidding requirements on RC.

Under DAME, RC differs materially from the legacy RUC product previously evaluated by the Commission. Notably, storage resources had limited or no ability to participate in and be awarded RUC, whereas under DAME they can actively participate in and be awarded RC. This evolution significantly increases the importance of allowing resources to submit economic bids that reflect their opportunity and operational constraints.

RC differs from RUC in several material respects. First, RC now includes a RC down product, making the construct bi-directional and enabling it to address both upward needs and oversupply conditions in an economic and reliable manner.

Second, RC awards differ fundamentally from RUC awards. RUC awards were a firm obligation to provide energy in real-time. By contrast, RC awards preserve flexibility by requiring the resource to submit economic bids in the real-time market across its awarded range of reliability capacity, allowing the market to determine the most efficient outcome.

Third, unlike RUC, which was not subject to a specific market power mitigation framework, RC is subject to a dedicated market power mitigation process prior to procurement. This was adopted in recognition that non-zero bids for RC would be more optimal. This

framework was adopted precisely to enable economic bidding while safeguarding against the exercise of market power.

This evolution increases the importance of allowing economic bids that reflect resource-specific opportunity costs and operating constraints. These distinctions further underscore that RC, like IR, is embedded within a co-optimized market construct designed to preserve and efficiently deploy flexibility. They do not support administratively imposed zero-dollar bidding requirements; instead, they support reliance on transparent, market-based price formation coupled with appropriate mitigation safeguards. Even for RC, economic bidding remains critical to ensuring efficient commitment decisions, accurate price signals, and appropriate allocation of flexible capability across the regional market footprint.

However, the CAISO recognizes that RC is the successor to the RUC and the Commission may view RC as more closely analogous to prior constructs on which it based its prior decision to restrict RUC availability bids. If the Commission is not persuaded that RC is sufficiently distinct from RUC, the Commission should, at a minimum, adopt a more tailored approach—declining to impose zero-dollar bidding requirements on IR, even if it elects to retain such requirements for RC.

B. The CAISO Supports the Commission Determination Not to Count EO Resources Toward RA Capacity Requirements.

The PD appropriately declines to adopt proposals that would allow EO resources to be shown for RA capacity.¹⁸ Allowing resources without demonstrated deliverability to count toward RA capacity would undermine grid reliability.

C. The CAISO Supports Deferring Consideration of EO Resources for Charging Sufficiency Requirements.

The PD appropriately defers consideration of whether EO resources can support storage charging needs until the results of the CAISO's forthcoming analysis in the 2026-2027 Transmission Planning Process are available.¹⁹ The CAISO expects preliminary results will be available in November 2026, with results incorporated into the Transmission Plan scheduled for approval by the CAISO Board of Governors in May 2027.

¹⁸ PD, p. 34.

¹⁹ *Id.*

D. The CAISO Recommends Additional Safeguards for EO Resources Charging Storage Located Elsewhere on the Grid.

The PD permits EO resources to charge storage resources located elsewhere on the grid provided that the EO resource is co-located with storage resources with deliverability status, and the total capacity does not exceed the Point of Interconnection (POI) limit.²⁰ If adopted, the CAISO recommends additional safeguards.

First, the Commission should limit charging energy to the deliverable capacity of the co-located storage.²¹ Reliance solely on POI limits may be insufficient in cases when the co-located storage resource(s) have Partial Capacity Deliverability Status (PCDS). In such cases, assuming deliverability beyond the studied deliverable capacity would be inconsistent with CAISO deliverability assessments and could overstate the availability of charging energy to ensure those resources are sufficiently charged when needed for reliability. The CAISO recommends revising the PD's formula as follows: *Energy Available for Charging Sufficiency = [Total energy produced (subject to **the deliverable capacity of storage resources located at the same POI**)] minus [On-site paired storage energy sufficiency need]*.

Second, the Commission should require EO resources shown to meet charging sufficiency requirements to submit bids consistent with their availability. This requirement would align EO resource obligations with those of RA resources that contribute to charging sufficiency.²²

E. The CAISO Supports the PD's Clarifications to the Methodology for Calculating Storage Qualifying Capacity.

The PD's clarifications to the QC calculation for storage resources will ensure that the impacts of nonlinearity on the ability of storage resources to discharge continuously at their maximum output is consistently reflected across all storage resources, improving RA counting accuracy.²³ These clarifications would also align the QC calculation with market design

²⁰ PD, p. 35.

²¹ The CAISO notes that a deliverable resource either has Full Capacity Deliverability Status or Partial Deliverability Status, meaning that resource does not have a certain amount of capacity in MW that it can claim is deliverable. Instead, the deliverable resource's deliverability status is used in the determination of its NQC. However, for the sake of these comments, the CAISO will use "deliverable capacity" to refer to the final amount of MW that the resource is capable of delivering to CAISO system load.

²² 2026 Resource Adequacy and Slice of Day Guide, p. 18.

²³ See PD, p. 24.

enhancements under consideration in CAISO’s Storage Design and Modeling stakeholder initiative.²⁴ Those enhancements would model both a storage resource’s Pmax when operating in the continuous energy range unaffected by nonlinearity, as well as its decreased Pmax due to nonlinearity impacts once those impacts take effect. The QC methodology would reflect storage resources’ Pmax when the resource is operating in the former range.

Finally, the PD’s authorization for Energy Division to make adjustments to the QC calculation fields provides flexibility to effectively implement market design enhancements like those being considered in the Storage Design and Modeling stakeholder process, which may require the CAISO to redefine fields in the CAISO Master File or add new fields to reflect state of charge levels that represent the continuous energy unaffected by nonlinearity when the storage resource is discharging. Flexibility will ensure CAISO can implement its market design enhancements in a manner that reflects current and planned information system design.

F. The CAISO Supports Adoption of the UCAP Framework and Forced Outage Definition Beginning in 2028.

1. The CAISO Supports Adoption of the UCAP Framework for Implementation in 2028.

The CAISO supports the 2028 UCAP framework because it promotes availability during stressed grid conditions, improves outage reporting accuracy, and aligns with CAISO’s longer-term objectives for reforming its availability incentive mechanism.²⁵

2. The CAISO Supports Adoption of the PD’s Forced Outage Definition.

The CAISO believes the PD’s forced outages definition appropriately captures outages that affect expected resource performance, leading to resource accreditation that accurately reflects a resource’s contribution to reliability. It also captures outages that fall under CAISO’s definitions of forced outages and urgent outages, as proposed in Track 2 of the CAISO’s Resource Adequacy Modeling & Program Design (RAMPD) stakeholder initiative.²⁶

²⁴ See Storage Design and Modeling initiative webpage, <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Storage-design-modeling>.

²⁵ PD, p. 74; CAISO Opening Comments on party proposals, p. 14.

²⁶ See Resource Adequacy Modeling & Program Design Track 2 Straw Proposal, p. 34. <https://stakeholdercenter.caiso.com/InitiativeDocuments/Straw-Proposal-Resource-Adequacy-Modeling-and-Program-Design-Track-2-May-12-2026.pdf>.

3. The CAISO Supports Proceeding with UCAP Adoption While Addressing Remaining Implementation Issues.

The PD appropriately identifies outstanding issues for resolution prior to implementation without delaying adoption of the framework. The CAISO agrees these issues can be addressed without delaying adoption and is committed to supporting the Commission in addressing them. With respect to hybrid resources, developing a UCAP methodology for hybrid resources is important to prevent unequitable outcomes and incentivizes availability during stressed grid conditions.²⁷ With respect to must-offer obligations, the CAISO is evaluating in Track 2 of its RAMPD stakeholder initiative how its tariff or Business Practice Manuals will define the quantity of the must-offer obligation and the resource availability incentives that resources subject to a UCAP counting methodology will face.²⁸ The CAISO expects that its tariff or Business Practice Manual will define the must-offer obligation and the resource availability incentives differently should the Commission provide QC values that reflect a UCAP derate. The CAISO looks forward to working with the Commission and stakeholders through CAISO's stakeholder process in considering these tariff or Business Practice Manual enhancements. Finally, the CAISO agrees with the PD that the Commission can address impacts to a storage resource's available energy in a subsequent track of this proceeding. For example, it is unclear how the PD's QC calculation for storage resources interacts with UCAP derates to determine their RA counting value. The PD states that the UCAP derate would apply to Pmax.²⁹ However, both the impacts of nonlinearity and the impacts of forced outages should reduce a storage resource's RA counting value, as both reduce the amount of capacity a storage resource can reasonably be expected to provide in the future.

G. The Commission Should Adopt the 2027-2029 Local Capacity Requirements and 2027 Flexible Capacity Requirements.

The CAISO supports adoption of the local capacity requirements provided in the CAISO's Final 2027- 2029 LCR Report and the flexible capacity needs in the CAISO's Final 2027 FCR Report.

²⁷ CAISO Opening Comments on party proposals, p. 16.

²⁸ See Resource Adequacy Modeling & Program Design Track 2 Straw Proposal, p. 26.
<https://stakeholdercenter.caiso.com/InitiativeDocuments/Straw-Proposal-Resource-Adequacy-Modeling-and-Program-Design-Track-2-May-12-2026.pdf>.

²⁹ PD, p. 77.

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.

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