

**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

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

In opening comments, multiple parties expressed agreement on the appropriate characterization of Imbalance Reserves (IR) as a reserve product rather than a capacity product, the risks associated with imposing zero-dollar bid requirements for IR and Reliability Capacity (RC), and concern for administratively prescribed allocation of associated revenues. The CAISO agrees with these positions and 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 also responds to party comments to clarify that the results from its 2026-2027 Transmission Planning Process (TPP) Reliability Assessment study of baseline scenario for the summer off-peak base cases will inform the consideration of using energy only (EO) resources for charging sufficiency requirements.

## II. Discussion

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

In opening comments, multiple parties express broad agreement that the PD incorrectly characterizes IR as a capacity product, rather than a reserve product,<sup>1</sup> and the Commission should remove the requirement for RA resources to bid zero-dollars for IR in its final decision.<sup>2</sup> Parties similarly recommended removal of the zero-dollar bidding requirement applicable to RC.<sup>3</sup>

Parties identified risk associated with zero-dollar bid requirements, including the potential for inefficient market outcomes that artificially suppress prices for IR and RC.<sup>4</sup> Such suppression may, in turn, result in upward pressure on RA capacity costs as suppliers seek to recover foregone revenues through other mechanisms. In addition, parties opposed broad prescriptive requirements governing the allocation of revenues associated with these products.<sup>5</sup>

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<sup>1</sup> Pacific Gas and Electric Company (PG&E) Opening Comments, p. 4; San Diego Gas & Electric Company (SDG&E) Opening Comments, p. 8; Terra-Gen, LLC (Terra-Gen) Opening Comments, p. 5; Western Power Trading Forum (WPTF) Opening Comments, p. 6; California Wind Energy Association (CalWEA) Opening Comments, p. 8; Vistra Corp. (Vistra) Opening Comments, p. 13; Calpine LLC (Calpine) Opening Comments, p. 3; California Community Choice Association (CalCCA) Opening Comments, p. 3; American Clean Power – California (ACP-CA) Opening Comments, p. 9; REV Renewables, LLC (REV) Opening Comments, p. 4; Large-scale Solar Association and Solar Energy Industries Association (Joint Solar Parties) Opening Comments, p. 4; Middle River Power LLC (MRP) Opening Comments, p. 9; California Energy Storage Association (CESA) Opening Comments, p. 13; Independent Energy Producers Association (IEP) Opening Comments, p. 4.

<sup>2</sup> PG&E Opening Comments, p. 4; SDG&E Opening Comments, p. 2; Terra-Gen Opening Comments, p. 8; WPTF Opening Comments, p. 8; Vistra Opening Comments, p. 12; Calpine Opening Comments, p. 5; CalCCA Opening Comments, p. 2; ACP-CA Opening Comments, p. 11; REV Opening Comments, p. 4; Joint Solar Parties Opening Comments, p. 8; MRP Opening Comments, p. 9; CESA Opening Comments, p. 13; IEP Opening Comments, p. 4.

<sup>3</sup> SDG&E Opening Comments, p. 2; MRP Opening Comments, p. 9; CalCCA Opening Comments, p. 2; REV Opening Comments, p. 9; IEP Opening Comments, p. 4; ACP-CA Opening Comments, p. 11; Calpine Opening Comments, p. 5; Vistra Opening Comments, p. 12.

<sup>4</sup> Vistra Opening Comments, p. 12; MRP Opening Comments, p. 9; REV Opening Comments, p. 8; SDG&E Opening Comments, p. 4; WPTF Opening Comments, p. 6; CESA Opening Comments, p. 14; Terra-Gen Opening Comments, p. 6; IEP Opening Comments, p. 4; ACP-CA Opening Comments, p. 10; Joint Solar Parties Opening Comments, p. 6; PG&E Opening Comments, p. 3.

<sup>5</sup> CalCCA Opening Comments, p. 2; REV Opening Comments, p. 8; SDG&E Opening Comments, p. 5; Vistra Opening Comments, p. 12; CESA Opening Comments, p. 15; Terra-Gen Opening Comments, p. 8; ACP-CA Opening Comments, p. 9; Joint Solar Parties Opening Comments, p. 7; PG&E Opening Comments, p. 3; Southern California Edison Company (SCE) Opening Comments, p. 5.

One party also argued the Federal Energy Regulatory Commission’s approval of the CAISO’s tariff provisions on IR and RC preempts the PD’s proposed treatment of IR and RC.<sup>6</sup>

The CAISO concurs with parties that IR is properly characterized as a reserve product and that zero-dollar bid requirements for IR and RC are not supported by sound market design principles. The CAISO also agrees that administrative determination of revenue allocation is neither necessary nor appropriate. Finally, the PD creates unnecessary legal uncertainty given concerns raised by parties regarding the enforceability of the PD’s bidding requirement and revenue allocation elements due to federal preemption concerns. Accordingly, the CAISO recommends the Commission’s final decision allow RA resources to bid IR and RC economically, consistent with the CAISO tariff, and permit LSEs and counterparties to address any allocation of associated revenues through bilateral arrangements.

**B. The CAISO Clarifies that the 2026-2027 Reliability Assessment, Not the Off-Peak Deliverability Study, Will Inform Evaluation of Energy-Only Resources’ Ability to Support Storage Charging Sufficiency.**

In opening comments, certain parties oppose the PD’s deferral of allowing co-located EO resources to count toward charging sufficiency requirements pending completion of the CAISO’s off-peak deliverability assessment in the 2026-2027 TPP Unified Planning Assumptions and Study Plan (2026-2027 TPP Study Plan). These parties also express concern that the CAISO’s 2026-2027 TPP Study Plan, issued on June 15, 2026, does not explicitly reference an off-peak deliverability study for EO resources.<sup>7</sup> They further note that the off-peak deliverability discussion in the current 2026-2027 TPP Study Plan closely mirrors prior year plans, which they interpret as an indication that the CAISO does not intend to conduct new or specific analysis for EO resources.<sup>8</sup>

The CAISO clarifies that, as stated in its reply comments on Track 1 proposals, the off-peak deliverability study will not be the assessment the CAISO will provide to inform the consideration of using EO resources for charging sufficiency requirements.<sup>9</sup> Instead, the CAISO

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<sup>6</sup> CalCCA Opening Comments, p. 5.

<sup>7</sup> Joint Solar Parties Opening Comments, p. 2; NextEra Energy Resources, LLC (NextEra Energy Resources) Opening Comments, p. 4; Electricite de France power solutions North America (EDFps) Opening Comments, p. 4; REV p. 10; ACP-CA Opening Comments, p. 5.

<sup>8</sup> Joint Solar Parties Opening Comments, p. 2; NextEra Energy Resources Opening Comments, p. 4; EDFps Opening Comments, p. 4; REV Opening Comments, p. 10; ACP-CA Opening Comments, p. 5.

<sup>9</sup> CAISO, Reply Comments on Track 1 Proposals, R.25-10-003, p. 4.

will provide the results from its 2026-2027 TPP Reliability Assessment study of baseline scenario for the summer off-peak base cases.<sup>10</sup> Specifically, the CAISO will study a 2036 Summer Off-Peak scenario for hour ending 11 with 95 to 96 percent solar production and maximized battery charging for PG&E, SCE, SDG&E, and Valley Electric Association territory.<sup>11</sup> The CAISO will publish the preliminary results of its forthcoming analysis in the 2026-2027 TPP and solicit feedback in November 2026. The information provided by the study is essential to understanding whether storage resources can rely on EO resources to reliably provide energy for charging sufficiency. Allowing EO resources to count toward charging sufficiency requirements before preliminary results are available may introduce a near-term reliability risk if EO capacity cannot deliver energy to charge storage resources during non-peak hours.<sup>12</sup>

### III. Conclusion

The CAISO appreciates the opportunity to provide reply comments on the PD.

Respectfully submitted,

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<sup>10</sup> The detailed description of that base cases can be found in Tables 2.10-1, 2.10-2, 2.10-3, 2.10-4 and 2.10-5 of the final CAISO 2026-2027 Transmission Planning Process Unified Planning Assumptions and Study Plan - <https://stakeholdercenter.caiso.com/InitiativeDocuments/2026-2027-Transmission-Planning-Process-and-Study-plan-jun-15-26.pdf>.

<sup>11</sup> *Id.*

<sup>12</sup> CAISO Opening Comments on Track 1 proposals, R.25-10-003, p. 3.