

**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

**NOTICE OF EX PARTE MEETING OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rule 8.2 and Rule 8.4 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) hereby provides notice of oral ex parte communication in the above captioned proceeding in which the participants discussed the CAISO's recommendation that the Resource Adequacy (RA) Track 1 Proposed Decision (PD) be modified to allow Imbalance Reserves (IR) and Reliability Capacity (RC) to be bid economically, consistent with the CAISO tariff.

This filing provides a summary of the CAISO's June 25, 2026 ex parte discussion with:

- Kyle Navis, Senior Advisor to Commissioner Matthew Baker: from 10:00 AM to 10:28 AM

Mark Rothleder, Senior Vice President and Chief Operating Officer, CAISO; Anna McKenna, Vice President Market Design & Policy, CAISO; and Shannon O'Rourke, Director, California Regulatory Affairs, CAISO participated by WebEx on behalf of the CAISO.

The discussion addressed the implications of the PD's proposed zero-dollar bid requirement for IR and RC, including treatment of associated revenues and potential market impacts.

The CAISO advised that revenue allocation is best determined by contracting parties, with existing transitional mechanisms available to facilitate agreed-upon arrangements, and emphasized its role is facilitative rather than prescriptive. The CAISO further noted that the transitional mechanisms the CAISO developed in response to stakeholder feedback are available and require mutual agreement by contracting parties.

Regarding RC and Residual Unit Commission procurement, the CAISO explained that market enhancements now allow for RC to be procured in both upward and downward directions, which is distinct from RA. Market enhancements also allow procurement from storage resources.

The CAISO emphasized that maintaining a zero-dollar bid requirement may distort the market by preventing resources from reflecting incremental costs, which could affect dispatch outcomes and resource selection. It could also lead to disproportionate awards to California-contracted resources, potentially resulting in those resources supporting load in other balancing areas. The CAISO further emphasized that zero-dollar bids suppress price signals needed for least-cost dispatch across balancing areas, potentially reducing cost efficiency and eventually shifting costs to RA contracts in a less transparent manner. Allowing bids to reflect incremental costs supports more efficient dispatch and improves cost transparency, with costs more appropriately addressed through bilateral contracting.

Finally, the CAISO clarified that it will publish the preliminary results of its forthcoming analysis of the baseline scenario for summer off-peak base cases in its 2026-2027 Transmission Planning Process (TPP) Reliability Assessment, and the CAISO will solicit feedback on the results in November 2026.

Respectfully submitted,

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