

**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 21-10-002
(Filed October 7, 2021)

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON THE PROPOSED DECISION ADOPTING LOCAL CAPACITY
OBLIGATIONS FOR 2024-2026, FLEXIBLE CAPACITY OBLIGATIONS FOR 2024,
AND PROGRAM REFINEMENTS**

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I. Introduction

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) provides its reply comments on the May 25, 2023 *Proposed Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024, and Program Refinements* (Proposed Decision). The CAISO’s reply comments support party requests to defer setting the planning reserve margin (PRM) for 2025 at this time. The CAISO also continues to support the Commission’s efforts to develop a programmatic procurement framework to help alleviate supply issues in the resource adequacy (RA) timeframe. Further, the CAISO responds to comments on the Commission’s proposed changes to allow load serving entities (LSEs) to pair imports with available transmission capacity (ATC) to count as RA at the Commission. Lastly, the CAISO replies to party comments on the Commission’s clarification that reliability demand response resources (RDRR) as RA resources should be available for economic dispatch at an Energy Emergency Alert (EEA) Watch.

II. Discussion

A. The Commission Should Not Set a Binding PRM for 2025 at This Time.

The CAISO agrees with parties that the Commission should not set the PRM for 2025 to a binding 17 percent at this time.¹ The Commission should first allow parties to review and provide comments on the results of the PRM calibration process under Slice of Day. Allowing parties to review results and provide feedback on this key part of the RA framework will help parties assess the appropriate PRM level under the Slice of Day framework with associated counting rules.

The CAISO also agrees with Vistra Corp. (Vistra) that updates to the PRM for 2025 should be informed by an updated loss of load expectation (LOLE) study.² The Commission should defer adopting a binding PRM level for 2025 until after parties have had an opportunity to review the results of the PRM calibration process and an updated 2025 LOLE study under Slice of Day. The 2025 PRM should be grounded in an LOLE study and informed by Slice of Day counting rules to meet a 1 in 10 reliability target. Finally, the CAISO agrees with parties that the Commission should set the PRM in the RA program to meet a 1 in 10 LOLE³ and discontinue use of “effective” PRMs.⁴ RA requirements should align with resource needs in the Integrated Resource Plan proceeding which plans to meet a 1 in 10 LOLE. “Effective” PRMs hamper the CAISO’s ability to use its backstop procurement mechanisms, and non-RA capacity used to meet an “effective” PRM is not subject to CAISO RA rules.

B. The CAISO Agrees with the Alliance for Retail Energy Markets (AReM) on the Importance of a Programmatic Procurement Framework.

The CAISO agrees with AReM on the importance of the Commission developing a programmatic resource procurement approach to support system reliability in an efficient manner.⁵ A programmatic procurement framework that establishes procurement requirements at least five years ahead of the need will help establish the necessary lead time for LSEs to procure

¹ Middle River Power (MRP) Opening Comments; p. 9, Independent Energy Producers Association Opening Comments; p. 2, Vistra Opening Comments, pp. 7-8.

² Vistra Opening Comments, p. 8.

³ Vistra Opening Comments, pp. 6-7, MRP Opening Comments, p. 4.

⁴ MRP Opening Comments, p. 8.

⁵ AReM Opening Comments, pp. 12-13.

new resources and connect new projects. The CAISO agrees with AReM that the Commission should commit to continue working on a programmatic procurement framework in the third quarter of this year.⁶

C. The Commission’s ATC Proposal Introduces Risk that RA Imports Will Not be Deliverable.

The CAISO has previously articulated that allowing imports paired with ATC to count as RA at the Commission will introduce risk that such imports will not be deliverable to CAISO load. Further, without Maximum Import Capability (MIC), such imports will not qualify for RA in the CAISO processes.⁷ Microsoft Corporation (Microsoft) raises the same concern.⁸ The CAISO’s proposed ATC calculation, which the CAISO will submit to FERC in July, represents the non-simultaneous transmission available at the interties in the import direction to support priority wheel throughs after accounting for native load needs (accounting for historical RA and non-RA contracts and native load growth) and existing transmission contracts.⁹ MIC on the other hand represents import capacity simultaneously deliverable to the aggregate of load along with internal generation. The CAISO does not study ATC for simultaneous deliverability to CAISO load along with internal generation. The ATC calculations merely ensure that the interties are not oversubscribed. Thus, to the extent LSEs have ATC in excess of the quantity the CAISO has set aside for native load based on historical RA contracts, they would need MIC to ensure deliverability. Otherwise this could result in a reliance on RA imports that may not be deliverable to LSEs in stressed conditions, when the consequences of RA are most significant.

In any event, under the CAISO’s proposal, if an LSE obtains MIC in the rolling seven day request window process that the CAISO is proposing or obtains ATC via resale, such acquisitions can occur only after the RA showing deadline. Therefore, the CAISO’s proposed ATC process does not – and should not -- displace or augment existing MIC processes. In order for an import to count as RA at the CAISO, an import must still be paired with MIC. The Commission should not adopt the ATC proposal in the Proposed Decision.

⁶ AReM Opening Comments, pp. 12-13.

⁷ CAISO, Reply Comments on Workshops and Proposals, R.21-10-002, March 3, 2023, pp. 5-6.

⁸ Microsoft Opening Comments, p. 14.

⁹ The CAISO will also propose a transmission reliability margin in the monthly and daily ATC calculations to account for uncertainty before releasing ATC to parties external to the CAISO to support wheel throughs.

In addition, the Commission should reject Central Coast Community Energy’s (3CE) recommendation that the Commission expand eligible interties under the Commission’s ATC proposal to Palo Verde.¹⁰ This proposal introduces additional risk that imports counted as RA at the Commission will not be deliverable in the operational timeframe.

D. RDRR

The CAISO continues to support the Commission’s clarification that RDRR, as RA resources, should be enabled and available for economic dispatch upon the declaration of an EEA Watch (day-of or if a day-ahead EEA Watch persists the day-of). The CAISO agrees with the Commission that RA resources should be useful and available to maintain grid reliability and help avoid grid emergencies.

1. The CAISO Commits to Working Closely with Energy Division Staff, Investor-Owned Utilities (IOUs), and Other Parties on RDRR Implementation if the Commission Adopts the Proposed Decision.

The CAISO remains willing to work with Energy Division staff and parties to implement the RDRR provisions in the Proposed Decision this summer.¹¹ The CAISO recognizes that if the Commission adopts the Proposed Decision, parties including the CAISO must take certain implementation steps, including updating operating procedures, communications, and training. The CAISO will work closely with Energy Division and parties to develop a feasible timeline for implementation upon adoption of the Proposed Decision. The CAISO will also work closely with Energy Division, IOUs, and other parties on implementation details, including updates to CAISO’s processes and documentation.

2. The CAISO Will Continue to Respect Use Limits and Operating Parameters of RDRR.

In opening comments, the California Large Energy Consumers Association (CLECA) expresses concerns about overuse of RDRR exacerbating customer fatigue and program attrition.¹² The CAISO reiterates that it would continue to respect the use limits of RDRR resources and allow for outages and fatigue breaks. RDRR bids would also continue to remain at

¹⁰ 3CE Opening Comments, p. 9.

¹¹ CAISO, Letter to President Reynolds: 5/25/2023 Proposed Decision in Rulemaking 21-10-002, June 7, 2023.

¹² CLECA Opening Comments, p. 8.

or near the top of the economic bid stack, limiting the frequency of economic dispatch in EEA Watch windows. Additionally, the CAISO would continue to respect RDRR physical operating parameters such as minimum on times, which help avoid economic commitment of resources when transient price spikes occur.

3. The Proposed Decision Should Allow the CAISO to Retain the Ability to Issue Exceptional Dispatches.

CLECA's comments highlight the need for clarity on the use of exceptional dispatches under the Proposed Decision.¹³ The Commission should clarify that the Proposed Decision will allow the CAISO to enable economic bids in EEA Watch windows, but still allow the CAISO the ability to exceptionally dispatch resources. The Proposed Decision should not *require* the CAISO to exceptionally dispatch RDRR in the EEA Watch window. The CAISO should retain the ability to exceptionally dispatch RDRR in the event such resources are not dispatched economically but are needed by the CAISO to manage system reliability. This will ensure the CAISO can access RDRR to meet system needs outside of the market if grid conditions worsen.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments.

Respectfully submitted

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¹³ CLECA Opening Comments, p. 7.