

**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

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

Pursuant to 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.

This filing provides a summary of the CAISO's May 12, 2025 ex parte discussion with Kerry Fleisher, Chief Policy Advisor to President Alice Reynolds and Amin Younes, Advisor to Commissioner John Reynolds. The meeting occurred from approximately 3:30 P.M. to 3:45 P.M. via Webex. Neil Millar, Vice President, Transmission Planning & Infrastructure Development; Cristy Sanada, Director, California Regulatory Affairs; William Weaver, Assistant General Counsel, Infrastructure & Rates; and Kevin Head, Lead California Regulatory Affairs Specialist, participated by Webex on behalf of the CAISO.

The CAISO expressed appreciation for Energy Division staff's work to develop and refine its loss of load expectation (LOLE) studies used to derive the planning reserve margin (PRM) for 2026. The CAISO continues to support Energy Division's work and the Commission's focus on using an LOLE study to establish the PRM in the RA program. The CAISO pointed to a 0.1 LOLE as an industry-accepted measure of reliability that is critical to prevent capacity shortfalls. The CAISO recognized that Energy Division revised and refined its LOLE studies to calculate a PRM for 2026 several times over the course of this proceeding. Although the PRM level that Energy Division calculated changed as Energy Division updated its study, Energy Division's studies have consistently found that a PRM level higher than the current 17% is needed to meet a 0.1 LOLE across the year in 2026. Energy Division's most recent study indicates that, approximately, a 21% PRM is needed in summer months to meet a 0.1 LOLE across the year.

The CAISO urged the Commission to adopt a PRM for 2026 that meets a 0.1 LOLE reliability target across the year. The CAISO recommended the Commission adopt a PRM higher than the current 17%, that moves towards the PRM that Energy Division’s study states is necessary to achieve a 0.1 LOLE reliability target for 2026. The CAISO expressed that the current PRM of 17% will not meet the 0.1 LOLE target, as demonstrated by Energy Division’s LOLE studies. Energy Division’s study results are also consistent with the CAISO’s own studies. If the Commission sets resource adequacy (RA) requirements far below the 0.1 LOLE target, the CAISO is concerned about adverse reliability impacts and risks of capacity shortfalls. The CAISO is concerned that reducing RA requirements below levels needed to meet a 0.1 LOLE introduces reliability risks in the month-ahead and operational timeframes where options to alleviate reliability risks are limited.

The CAISO expressed its concerns with PRM options discussed in this proceeding that would set PRM levels well below levels that Energy Division’s studies have found are needed to meet a 0.1 LOLE in 2026. The CAISO continues to have concerns about the ongoing use of an “effective” PRM for several reasons. First, the “effective” PRM hampers the CAISO’s ability to use its backstop procurement mechanisms because the CAISO cannot use backstop procurement mechanisms to cure for “effective” PRM deficiencies. Second, deficiencies in meeting an “effective” PRM might not necessarily constitute a “significant event” under the CAISO tariff, and thus may not allow CAISO to exercise its backstop procurement authorities. Third, the “effective” PRM is not binding, so load serving entities (LSEs) do not have an incentive to procure up to levels to meet the 0.1 LOLE reliability target. Although the “effective” PRM contributes to some length in LSE RA showings over binding RA requirements, the CAISO expressed concerns with continued use of an “effective” PRM in the RA program.

The CAISO explained the “effective” PRM was introduced as a stopgap measure at a time where sufficient RA-eligible capacity was not available to meet the 0.1 LOLE target. The “effective” PRM served as a bridge between available RA-eligible capacity and the 0.1 LOLE target, allowing certain resources and programs that are not RA-eligible to meet the “effective” PRM target. Given the significant increase in new RA-eligible capacity on the grid since 2020, the CAISO recommended moving from an “effective” PRM construct to a binding PRM set to meet a 0.1 LOLE reliability target across the year.

The CAISO noted that another PRM option being discussed in this proceeding is the option for load serving entities to seek system waivers. The CAISO expressed concerns that if a system waiver option is paired with PRM levels that are set well below levels needed to meet an LOLE target and a low bar to avail the waiver process, this could result in a potentially significant increase in reliance on the CAISO's capacity procurement mechanism (CPM). The CAISO explained that its backstop procurement should not serve as a front-stop measure to meet RA targets. CPM is not designed to be a front-stop procurement mechanism. CPM designations are for shorter durations than the duration of RA contracts that LSEs may otherwise enter into. The CAISO also highlighted that submitting and accepting offers in the CAISO's CPM is voluntary, meaning sufficient capacity may not be procured through CPM to avoid capacity shortfalls.

The CAISO expressed its appreciation for the Commission issuing orders for a significant amount of new resource procurement through the Integrated Resource Planning (IRP) proceeding. The CAISO noted that these orders have contributed to a considerable increase in new capacity on the grid, enhancing grid reliability. The CAISO explained that this new capacity has helped to alleviate tight supply conditions, which should allow the Commission to increase the binding PRM for 2026. The CAISO explained that the Commission should continue to leverage the IRP proceeding to exit the ongoing cycle of reducing RA requirements below levels needed to meet the 0.1 LOLE reliability target. The CAISO expressed that the Commission should leverage IRP planning and procurement to help ensure the timely development of new resources to meet reliability and greenhouse gas reduction targets. The CAISO noted that forward planning and procurement in IRP should help ensure sufficient resources, and competition, to meet RA requirements that meet base reliability requirements in the RA timeframe.

The CAISO explained there are risks with relying on uncontracted RA-eligible capacity to serve CAISO balancing area needs. Setting RA requirements below levels to meet a 0.1 LOLE may risk RA-eligible capacity being contracted outside of the CAISO balancing area. The CAISO noted that to mitigate this risk, the Commission should set both procurement requirements in IRP and RA at levels that meet the 0.1 LOLE target.

Lastly, the CAISO recommended the Commission consider increasing opportunities for parties to provide feedback on Energy Division LOLE study inputs, assumptions, and results to

build party confidence in study results. The CAISO continues to appreciate Energy Division's efforts in performing and refining its LOLE studies, and looks forward to Energy Division continuing this study work in the RA proceeding.

Respectfully submitted

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