

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider)	
Annual Revisions to Local Procurement)	R.08-01-025
Obligations and Refinements to the)	
Resource Adequacy Program)	
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**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION TO
COMMENTS ON 2010 LOCAL CAPACITY REQUIREMENTS**

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Dated: May 12, 2009

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Pursuant to the schedule established by the October 30, 2008, ALJ Ruling, the California Independent System Operator Corporation (ISO) submitted its 2010 Local Capacity Technical Analysis (LCT study) on May 1, 2009. Comments were filed on May 8, 2009 by Southern California Edison (SCE) and the Alliance for Retail Energy Markets (AReM). The ISO hereby submits these brief reply comments in response to the LSE local and system Resource Adequacy (RA) compliance timing issues raised by these parties.

The ISO Must Comply with its Tariff Requirements

Both AReM and SCE have correctly noted that the ISO, during the April 14 stakeholder meeting on the draft LCT, advised stakeholders that final LSE system RA showings (including procurement for each LSE's share of Local Capacity Area resources) must be provided to the ISO by the first week in October.¹ As explained at that meeting, this date is driven by the ISO tariff schedule for identifying collective effectiveness deficiencies in the Local Capacity Areas at least 60 days prior to the beginning of the RA Compliance Year (November 2 for the RA

¹ The ISO Business Practice Manual for Reliability Requirements specifies that RA Plans be provided by October 1 of each year. See Section 7.3.5.1.3, p. 59 and 80 at <https://bpm.caiso.com/bpm/bpm/version/00000000000011>

Compliance Year starting in 2010).² According to the tariff, once the ISO has conducted its analysis and identified deficiencies, LSEs have 30 days, or until December 2, to make corrections before the ISO procures back-stop capacity. A late October filing date for the RA showing does not allow the ISO sufficient time to conduct its effectiveness analysis and notify the LSEs as to deficiencies by November 2.

The ISO notes that RMR contract extensions must be determined by October 1 so that RMR generation owners have sufficient time to file contract amendments with FERC for the January 1 RA Compliance Year. RMR contract extensions are based on the preliminary Local Capacity Area resource information that will be provided to the ISO by mid-September (on September 19).³ Thus, although AReM expressed concern that excess local RA is not usually released until the RMR designations have been determined on October 1⁴, the LSEs must make preliminary procurement decisions prior to that time so that the ISO will have the necessary information to make the designation.

The ISO is willing to Issue a Revised Deficiency Notice

AReM suggests that the ISO either 1) seek a waiver of its tariff deadlines (November 2 and December 2) for this year in order to coordinate with the Commission's traditional October 31 system RA showing date; or 2) issue a revised deficiency notice, in mid-November, once the LSEs have submitted the October 31 showing to the Commission.⁵ The ISO is not willing to seek a waiver of its tariff provisions, but will agree to issue a revised deficiency notice in mid-November that reflects the final Local Capacity Area procurement information provided by LSEs

² ISO Tariff §43.1.2.1; see also 2008 Resource Adequacy Report issued by the Commission Staff on March 23, 2009 at page 26.

³ See D. 08-06-031

⁴ AReM Comments at p. 4.

⁵ *Id.*, 5-6.

on October 31. A mid-November notice will still provide LSEs two weeks to correct deficiencies and notify the ISO prior to December 2.

SCE has taken a different approach and suggested that the ISO use the September 19 preliminary information to issue its November 2 deficiency notice, or that the Commission could change the final showing date to October 15.⁶ The ISO does intend to work with the Commission to coordinate the RA showing dates for upcoming RA Compliance Years. The CPUC should encourage all LSEs to submit as much procurement information as they have by no later than October 9, so that the ISO can incorporate it into the November 2 Local Capacity Area deficiency notice. In case the ISO does not receive any additional data, the preliminary information received on September 19 will be used for its deficiency analysis. The ISO's agreement to issue a revised deficiency notification serves to alleviate concerns that resource needs will change between the early October showing required by the ISO and the October 31 showing required by the Commission.

Respectfully submitted,

/s/ Judith B. Sanders

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⁶ SCE Comments at page 2.

CERTIFICATE OF SERVICE

I hereby certify that I have served, by electronic and United States mail, a copy of the foregoing Reply Comments of the California Independent System Operator Corporation to Comments on 2010 Local Capacity Requirements.

Executed on May 12, 2009 at Folsom, California.

/s/ Jane L. Ostapovich

Jane L. Ostapovich

An Employee of the California Independent
System Operator Corporation