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

OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON LOSS OF LOAD EXPECTATION STUDIES AND PLANNING RESERVE MARGIN PROPOSALS

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Table of Contents

I. Introduction 1

II. Discussion 3

A. The Commission Should Adopt a Binding PRM that Establishes RA Requirements Consistent with a 0.1 LOLE Across the Year. The Commission Should Also Discontinue the "Effective" PRM. 3

B. Energy Division Should Treat the NOUs from the SERVM Model as a Reduction in Supply When Calculating the PRM in the Slice of Day Calibration Tool. 4

C. Energy Division Should Set Imports for Non-Peak Summer Hours in the Slice of Day Calibration Tool Consistent with the Import Need SERVM Identifies for Those Same Hours. 7

D. Optimizing Storage State of Charge in the Slice of Day Calibration Tool Results in a PRM that is Incompatible with Storage Counting Rules, Limiting CAISO's Ability to Exercise Backstop Procurement. 8

E. The Commission Should Only Adopt a PRM Demonstrated to Satisfy the Reliability Standard Across the Full Year. 10

F. CalCCA's Proposed Methodology to Establish a PRM Warrants Further Consideration but Should Not be Used to Establish the PRM for 2028 and 2029. 11

III. Conclusion 12

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits these opening comments on the August 25, 2026 *Assigned Commissioner's Amended Scoping Memo and Ruling* (Ruling) and the September 25, 2026 *Administrative Law Judge's Ruling Modifying Track 2 Schedule*.

The CAISO appreciates the opportunity to submit comments on the loss of load expectation (LOLE) studies and 2028-2029 planning reserve margin (PRM) recommendations submitted by the California Public Utilities Commission's (Commission) Energy Division, Southern California Edison Company (SCE), and the California Community Choice Association (CalCCA). Each set of LOLE studies and PRM recommendations meaningfully contribute to the Commission's consideration of the appropriate level of resource adequacy (RA) requirements. The CAISO recognizes the significant work underlying the studies and recommendations.

The CAISO continues to recommend the Commission adopt a binding PRM that establishes RA requirements consistent with a 0.1 LOLE across the year. This would eliminate any need for maintaining an "effective" PRM beginning in 2028. As suggested by other parties and stated in past comments, the CAISO recommends the Commission discontinue the effective PRM.[1]

[1] SCE Final 2028 Loss of Load Expectation Study and PRM Proposal (SCE Study), p. 21; CalCCA Final 2028 Planning Reserve Margin Study and Proposals (CalCCA Study), p. 10; CAISO

Energy Division's PRM recommendation is a positive step toward aligning RA requirements with a 0.1 LOLE, but the proposal should be modified in two respects. First, Energy Division treats negative operating units (NOUs) as additional load when calculating its recommended PRM. Energy Division should instead treat NOUs as a reduction in gross supply. Second, Energy Division represents imports in the non-peak hours of the summer months in the Slice of Day calibration tool inconsistently with how it represents imports in SERVM during those same hours. For the non-peak hours in the summer months, Energy Division should set imports in the Slice of Day calibration tool consistent with the modeled import need SERVM identifies. Both corrections would help ensure the resulting PRMs relative to managed load maintain RA requirements that meet a 0.1 LOLE. This proceeding's schedule, which anticipates a proposed decision in June 2027, allows sufficient time for Energy Division to update its PRM recommendation.[2]

The CAISO also identifies that the Slice of Day calibration tool's treatment of storage state of charge results in a PRM that is incompatible with storage counting rules. The CAISO recommends the Commission and CAISO continue working together to resolve this inconsistency.

Finally, the CAISO appreciates SCE and CalCCA submitting LOLE studies and PRM recommendations. However, the CAISO does not recommend the Commission adopt a PRM consistent with either study. SCE has not demonstrated that its recommended PRM satisfies the 0.1 LOLE reliability standard across the full year. CalCCA's proposal has merit, but several important aspects require additional vetting before the Commission relies on it to establish a binding PRM for 2028-2029.

Opening Comments on Proposed Decision Adopting Local Capacity Obligations for 2026-2028, Flexible Capacity Obligations for 2026, and Program Refinement, Rulemaking (R.) 23-10-011, p. 4.

[2] Administrative Law Judge's Ruling Modifying Track 2 Schedule, p. 2.

II. Discussion

A. The Commission Should Adopt a Binding PRM that Establishes RA Requirements Consistent with a 0.1 LOLE Across the Year. The Commission Should Also Discontinue the "Effective" PRM.

The three submitted PRM proposals reflect consensus that RA requirements should be designed to meet a 0.1 LOLE.[3] .

The CAISO supports this consensus and continues to recommend the Commission adopt a binding PRM for the RA program that meets a 0.1 LOLE across the year. As CAISO has explained in past comments, a 0.1 LOLE reliability target is an industry-accepted measure of supply sufficiency and can help prevent capacity shortfalls that threaten reliability.[4]

The Commission has taken meaningful steps toward aligning RA requirements with a 0.1 LOLE.[5] The Commission increased the PRM to 16% in 2023, 17% for 2024-2025, and 18% for 2026-2027.[6] These incremental increases have given load-serving entities (LSEs) time to adjust their procurement practices as well as the Commission an opportunity to assess the reliability and market implications of higher RA requirements. In parallel, procurement ordered through the Commission's integrated resource planning proceeding continues to add new resources to the system. The Commission should build on this progress by adopting a binding PRM for 2028-2029 that meets a 0.1 LOLE across the year.

Adopting a binding PRM that meets a 0.1 LOLE would eliminate any need for the Commission to use the "effective" PRM. In Decision (D.) 25-06-048, the Commission accurately summarized CAISO's concerns that the "effective" PRM "allows procurement of less reliable non-RA capacity, does not guarantee an RA portfolio meets a 0.1 LOLE target, and harms the ability [for CAISO] to use backstop mechanisms."[7] The CAISO's concerns persist.

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[3] Energy Division Loss of Load Expectation Study for 2028: Final Results (Energy Division Study), p. 7; SCE Study, p. 1; CalCCA Study, p. 3.

[4] CAISO Opening Comments on Proposed Decision Adopting Local Capacity Obligations for 2026-2028, Flexible Capacity Obligations for 2026, and Program Refinement, R. 23-10-011, p. 4.

[5] For ease of reading, CAISO uses the term PRM to refer to both a single annual PRM or multiple PRMs across the year. CAISO finds both a single annual PRM or multiple PRMs acceptable, provided that they establish RA requirements that meet a 0.1 LOLE.

[6] *See* D. 22-06-050, p 125; D. 22-06-029, p. 133; D. 25-06-048, p. 123.

[7] D. 25-06-048, p. 25.

The CAISO recommends the Commission discontinue the use of the "effective" PRM beginning in 2028, provided the Commission adopts a binding PRM that meets a 0.1 LOLE across the year. SCE and CalCCA also support removing the "effective" PRM.[8] .

B. Energy Division Should Treat the NOUs from the SERVM Model as a Reduction in Supply When Calculating the PRM in the Slice of Day Calibration Tool.

Energy Division's study uses SERVM to determine the supply portfolio that can meet a 0.1 LOLE across the year. In SERVM, Energy Division adds NOUs to decrease the reliability of the supply portfolio and stress test it to arrive at a supply portfolio that meets a 0.1 LOLE across the year. The CAISO understands, for the purposes of this calibration, NOU capacity is mathematically identical to a reduction in perfect capacity available to serve load.

The subsequent Slice of Day calibration should preserve that treatment when translating the SERVM results into a PRM. Treating NOU capacity in the Slice of Day calibration tool as additional load rather than a reduction in supply distorts the PRM calculation and results in PRMs that are insufficient to produce the megawatt (MW) capacity needed to maintain reliability when applied to the load forecast alone.[9]

Table 1 illustrates this issue using a simplified example with a forecast peak of 100 MW, a reliable portfolio need of 120 MW, and 150 MW of existing supply. The example proceeds in three steps:

- First, the LOLE model is calibrated to meet the targeted reliability level. Whether the adjustment is done through supply or demand, a total of 30 MW of adjustment is required, and the resulting reliable portfolio has a 20 MW capacity margin.
- Second, the adjusted model load and supply values from the LOLE model are used to determine the PRM. Although both approaches result in the same 20 MW RA capacity margin, treating the 30 MW adjustment as additional demand produces a different PRM than treating it as a reduction in supply.

[8] *See* SCE Study, p. 21; CalCCA Study, p. 10.

[9] CAISO notes this is true for systems that have a capacity surplus prior to adjustments made in the LOLE model. For systems that have a capacity shortfall, treating NOU capacity as load to be removed from the model would result in PRMs that produce excessive capacity when applied to the load forecast alone.

$$PRM = \frac{Input\ Supply}{Input\ Demand} - 1$$

- Third, the PRM from the PRM calculation tool is applied to the forecast peak to determine the total RA showings that are required by the obligated entities.

$$RA\ Requirement = Peak \times (1 + PRM)$$

At this stage, the difference in treatment becomes consequential. The PRM calculated by treating the adjustment as additional demand produced an RA requirement of 115.4 MW, 4.6 MW below the 120 MW that the LOLE analysis determined is necessary. In contrast, treating the adjustment as a reduction in supply produces a 20% PRM and a 120 MW RA requirement, preserving the capacity need identified in the LOLE analysis. Although both approaches used reliable supply and demand figures from the LOLE model in the PRM calculation tool, when the resulting PRMs were used in the RA showings process, only the process that reduced the supply mix resulted in sufficient capacity.

Table 1 – Example PRM Calculation Demonstrating Impacts of Different NOU Treatments

	By Adjusting Demand (MW)	***By Adjusting Supply (MW)***	***Source***
LOLE Model: Produces the Portfolio for the PRM Tool			
Peak	100	100	Given
Reliable Portfolio Need	120	120	Given
Existing Supply	150	150	Given
Perfect Demand (PD)	30	0	Calibrated value
Perfect Capacity (PCAP)	0	-30	Calibrated value
LOLE Model Load	130	100	= Peak + PD
LOLE Model Supply	150	120	= Supply + PCAP
LOLE Capacity Margin	20	20	= LOLE Model Supply - LOLE Model Load
PRM Calculation Tool: Determines the PRM			
Input Demand	130	100	= LOLE Model Load
Input Supply	150	120	= LOLE Model Supply
PRM	15.4%	20.0%	= (Input Supply / Input Demand) - 1
Total RA Obligation	150	120	= Input Demand * (1 + PRM)
RA Capacity Margin	20	20	= Total RA Obligation - Input Demand

RA Showings: Compliance Results			
Peak	100	100	= Peak
PRM	15.4%	20.0%	= PRM
RA Requirement	115.4	120	= Peak * (1 + PRM)
True Capacity Need	120	120	= Reliable Portfolio Need
Surplus/Shortfall	***-4.6***	***0***	*= True Capacity Need - RA Requirement*

This simplified example demonstrates why the Slice of Day calibration should preserve the supply adjustment reflected in the SERVM analysis. Treating NOUs as reductions in supply would produce a PRM that, when applied to the Integrated Energy Policy Report (IEPR) load forecast, preserves the amount of RA capacity that the SERVM analysis determined is necessary to achieve a 0.1 LOLE.

Table 2 provides the Slice of Day output when the NOU capacity is subtracted from the interchange capacity and solving for the PRM with the Slice of Day NOUs set to zero.[10] Table 2 illustrates treating NOUs as a reduction in supply would result in PRMs substantially higher than the 14-16% PRMs Energy Division proposes.[11]

Table 2: Recalculated PRMs for the Base Case (Flat Load) UCAP EFORd + Ambient Scenario

Month	PRM	Constraining Hour Ending	Managed Load (MW)	NOU (MW)	Supply (MW)
1	**22.09%**	19	30,228	0	36,904
2	**23.18%**	19	29,762	0	36,660
3	**23.34%**	19	30,316	0	37,392
4	**23.74%**	19	32,624	0	40,370
5	**27.16%**	20	32,532	0	41,368
6	**20.41%**	20	41,173	0	49,577

[10] This approach assumes the SERVM model did not increase the spin and regulation reserve requirements due to the NOU capacity additions. If operating reserves are carried in the LOLE model for the NOU capacity, then the interchange capacity would need to be reduced by 106% of the NOU capacity when estimating the resulting PRMs.

[11] Energy Division study, p. 8.

7	**19.44%**	19	45,806	0	54,708
8	**19.19%**	19	45,211	0	53,885
9	**18.05%**	18	48,200	0	56,901
10	**20.21%**	18	39,139	0	47,050
11	**21.96%**	18	32,636	0	39,803
12	**21.21%**	18	30,849	0	37,393

The CAISO recommends that Energy Division treat the NOU capacity as reductions in perfect supply within the Slice of Day tool and adjust the PRMs in their final 2028 LOLE study accordingly. The CAISO believes the schedule allows sufficient time for Energy Division to update its PRM recommendation before a June 2027 proposed decision. This correction would help ensure the resulting PRMs, when applied to the underlying load forecast, maintain an RA requirement that meets a 0.1 LOLE.

C. Energy Division Should Set Imports for Non-Peak Summer Hours in the Slice of Day Calibration Tool Consistent with the Import Need SERVM Identifies for Those Same Hours.

Energy Division's study uses the SERVM model to determine the resource portfolio that meets a 0.1 LOLE across the year. The resource portfolio is then used as an input to the Slice of Day calibration tool to determine the PRM requirements.

For most resource types, Energy Division inputs the capacity of the modeled resources into the Slice of Day calibration tool. However, imports receive different treatment. For imports, Energy Division requires imports to equal 8,500 MW for all modeled hours in the non-summer months (October through May) and 4,000 MW for all modeled hours in the summer months (June through September).

For all hours in the non-summer months and *peak* hours in the summer months, Energy Division's modeling of imports in SERVM is consistent with how it represents imports in the Slice of Day calibration. For *non-peak* hours in the summer months, Energy Division's modeling is inconsistent. For the non-summer months, Energy Division indicates that 8,500 MW

represents how SERVM models imports during those months.[12] Both SERVM and the Slice of Day tool represent imports as 8,500 MW and are therefore consistent. For the *peak* hours in the summer months, SERVM limits imports to 4,000 MW, consistent with how the Slice of Day calibration tool represents imports. However, in *non-peak* hours, SERVM allows imports to exceed 4,000 MW during the summer months. This is inconsistent with how Energy Division represents imports in the Slice of Day calibration tool (where imports are equal to 4,000 MW for all hours in the summer months).[13]

For *non-peak* hours in the summer months, the CAISO recommends Energy Division set those imports in the Slice of Day calibration tool consistent with the modeled import need SERVM identifies for those same hours. This approach would ensure the profile of imports Energy Division reflects in the Slice of Day calibration tool is consistent with the results of the SERVM model. Absent this alignment, the Slice of Day calibration tool misrepresents the resource portfolio SERVM determined necessary to meet a 0.1 LOLE target, resulting in a PRM that does not reflect the RA requirements needed to maintain reliability.[14]

D. Optimizing Storage State of Charge in the Slice of Day Calibration Tool Results in a PRM that is Incompatible with Storage Counting Rules, Limiting CAISO's Ability to Exercise Backstop Procurement.

In calculating the PRM, the Slice of Day calibration tool optimizes the use of storage resources' available state of charge across the 24 hours of the modeled peak day and determines the resulting reserve margin. This optimization mirrors how LSEs show storage resources to meet the Commission's Slice of Day RA requirements. Under Slice of Day, LSEs show RA storage resources when they are most needed based on the LSE's hourly RA requirements and

[12] Energy Division Draft 2028 RA LOLE Study Results, p. 21, posted here: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/resource-adequacy-compliance-materials/resource-adequacy-history/8-17-2026-track-2/r2510003-workshop-on-lole-studies20260915version-2.pdf.

[13] CAISO notes that the import amounts that SERVM models during non-peak hours may not reach the maximum limit that SERVM imposes on imports during non-peak hours. The SERVM model limits imports to 11,040 MW during most hours but reduces the limit linearly starting at hour ending 14:00 until hour ending 17:00 when it limits imports to 4,000 MW. After hour ending 22:00, SERVM linearly increases the import limit until hour ending 2:00, when it once again limits imports to 11,040 MW. *See* Energy Division Revised Inputs and Assumptions, p. 42.

[14] CAISO does not take a position on whether SERVM modeling results for imports are accurate. CAISO's comments only address the consistency of the values between SERVM and the Slice of Day calibration tool.

the supply provided by non-storage RA resources. The Slice of Day calibration tool applies this approach to the entire RA fleet and calculates a PRM relative to both the shown RA capacity from non-storage resources and the storage resources' hourly usage. The PRM is then used to determine both Commission and CAISO RA requirements, resulting in RA requirements that are effectively equal across both RA programs.[15]

In Energy Division's "Base Case (Stress Test)" scenario, which forms the basis for its recommended PRM, the modeled use of storage resources in any single hour does not reach the total qualifying capacity (QC) of all storage resources.[16] As a result, the QC values of storage resources exceed the hourly usage of storage resources as modeled in the Slice of Day calibration tool. This creates an inconsistency between the Commission's RA program and the CAISO's RA process. Although the Commission and CAISO apply similar RA requirements, storage resources can receive more capacity credit toward CAISO's RA requirements than the Slice of Day calibration assumes for those same resources in establishing the Commission's PRM.

The following example illustrates this inconsistency. Using the "Base Case (Stress Test)" results for the month of September, the Slice of Day calibration tool calculates an RA requirement of 63.8 gigawatts (GW) in the hour ending 17, the 2028 peak hour according to the California Energy Commission (CEC)'s 2025 IEPR hourly demand forecast.[17] The Slice of Day calibration tool meets that RA requirement by using 9.1 GW of storage resources. That 9.1 GW in hour ending 17 represents the optimal use of the entire RA storage fleet, creating the expectation that LSEs would show the entire RA storage fleet to CAISO to meet CAISO RA requirements. To meet the 63.8 GW RA requirement and to comply with D.24-06-004, this example assumes that LSEs must show the RA storage fleet to CAISO at its QC value.[18] For September 2028, that capacity could reach 23.7 GW, far exceeding the 9.1 GW assumed in the Slice of Day calibration tool. The CAISO RA requirement would remain 63.8 GW, allowing

[15] Note that some differences do exist due to the application of various Demand Response and Central Procurement Entity credits.

[16] "Base Case (Stress Test) Results" found in the 2028 LOLE Planning Reserve Margin (PRM) Workbooks Final Results posted here: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-history.

[17] *See* "Base Case (Stress Test) Results; California Energy Demand 2025 Hourly Forecast – CAISO – Planning_Scenario posted here: https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report-iepr/2025-integrated-energy-policy-report-0.

[18] D.26-06-004, p. 68.

LSEs to credit as much as 14.6 GW more storage capacity toward satisfying that requirement than the Slice of Day calibration assumed in establishing the PRM.

This creates substantial length in CAISO RA showings that does not reflect an equivalent surplus under the Commission's Slice of Day framework. During Summer 2025, the first year of Slice of Day implementation, CAISO RA showings consistently exceeded RA requirements by 3-9 GW.[19] CAISO observed similar results in Summer 2026. By comparison, during the summer months of 2019-2024, RA showings did not exceed RA requirements by more than 3 GW.

Surplus capacity in CAISO RA showings impairs CAISO's ability to perform backstop procurement by masking potential reliability shortfalls. For example, if LSEs fail to meet RA requirements set by their local regulatory authorities and the surplus capacity in RA showings exceeds LSEs' shortfalls, CAISO would be unable to trigger two critical backstop procurement processes: the annual and monthly Capacity Procurement Mechanism processes. This could increase reliance on other backstop procurement processes at CAISO, or impair CAISO's ability to procure backstop capacity to meet reliability needs.

The CAISO recommends the Commission and CAISO continue working together to resolve this inconsistency.

E. The Commission Should Only Adopt a PRM Demonstrated to Satisfy the Reliability Standard Across the Full Year.

The Commission should adopt only a PRM that has been stress tested and shown to maintain the targeted reliability level across the entire year. Stress testing is critical to confirm the PRM will result in RA requirements that produce a reliable RA portfolio for the entire year.

SCE's primary proposal recommends a 16.4% PRM but does not demonstrate that it has stress tested the PRM or explain why stress testing is not necessary.[20] SCE explains that "unserved-load hours occurred during July, August, or September" but does not explain why surfacing LOLE in those months results in a PRM that is reliable for the entire year.[21] Although reliability risks are not equivalent across the year, it is reasonable to assume they exist outside July through September. These risks must be factored into an LOLE study to ensure the adopted

[19] "Historical Resource Adequacy Aggregate Data" posted here: https://www.caiso.com/generation-transmission/resource-adequacy.

[20] SCE Study, p. 18.

[21] *Id*., p. 12.

PRM is sufficient in all other months. Because SCE does not demonstrate that its recommended PRM is reliable for the entire year, the Commission should not adopt SCE's recommendation.

SCE also recommends an alternative proposal if the Commission decides targeted monthly PRMs are appropriate: 16.8% for July, 19.0% for August, and 16.4% for all other months.[22] By recommending higher PRMs for July and August, SCE recognizes that a PRM sufficient for one month may not be sufficient for another. This underscores the need to stress test any proposed PRM to ensure the proposed PRM maintains the targeted reliability level throughout the year.

Stress testing provides the Commission with confirmation that the proposed PRM structure, whether annual, season, or monthly, produces an RA portfolio consistent with the targeted reliability standard across the year. Because SCE has not demonstrated that either of its proposed PRM structures meets that reliability standard, the CAISO does not recommend the Commission adopt either proposal.

F. CalCCA's Proposed Methodology to Establish a PRM Warrants Further Consideration but Should Not be Used to Establish the PRM for 2028 and 2029.

CalCCA proposes a methodology for establishing a PRM that meets a 0.1 LOLE while also accounting for LSEs' costs to procure the capacity needed to meet that PRM. CalCCA states that its approach seeks to "achieve an established reliability standard while minimizing the cost of maintaining that level of reliability."[23] The CAISO supports this objective and appreciates CalCCA's efforts to develop an approach that considers reliability and procurement costs together.

The CAISO believes CalCCA's methodology has merit and warrants further consideration. However, for the reasons set forth below, CalCCA's proposal requires additional vetting before the Commission uses it to establish the binding PRM for 2028 and 2029. Therefore, the CAISO does not recommend the Commission adopt CalCCA's proposal at this time.

First, CalCCA proposes to use the 2027 Market Price Benchmark forecast RA price of $10.22/kW-mo. The Commission and parties have not fully examined the use of historical annual RA prices to establish future monthly RA requirements Future RA requirements will

[22] *Id*., p. 20.
[23] CalCCA Study, p. 2.

impact RA prices for contracts executed after the Commission sets those RA requirements. This reduces the power of historical RA prices to predict future RA prices, questioning the use of historical RA prices to establish future RA requirements. Parties should discuss these impacts and consider whether there are more appropriate approaches to estimating future RA prices.

Second, CalCCA's proposed methodology would require significant changes to the Commission's existing process for establishing RA requirements, including the explicit inclusion of RA procurement costs in establishing RA requirements and a new approach to distributing LOLE across the year. Because these changes are untested and unfamiliar to stakeholders, parties should discuss their impacts in greater detail before they are used to establish binding PRM requirements.

The CAISO recommends the Commission decline to adopt CalCCA's proposed methodology to establish the binding PRM for 2028-2029. Instead, the Commission should provide an appropriate stakeholder process or other venue to further evaluate whether elements of CalCCA's methodology could inform the development of PRMs for future RA years.

III. Conclusion

The CAISO appreciates the opportunity to provide opening comments on the submitted LOLE studies and 2028-2029 PRM proposals.

Respectfully submitted,

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