

**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

**REPLY COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
ON ORDER INSTITUTING RULEMAKING**

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**I. Introduction**

The California Independent System Operator Corporation (CAISO) submits reply comments on the California Public Utilities Commission’s (Commission) *Order Instituting Rulemaking* (OIR), issued on October 19, 2023.

**II. Discussion**

**A. The Commission Should Resolve the Process for Determining the Planning Reserve Margin in the Resource Adequacy Program.**

The CAISO agrees with parties that the Commission should resolve the process for determining the Planning Reserve Margin (PRM) under the Slice of Day resource adequacy (RA) framework as a key focus in this proceeding.<sup>1</sup> The CAISO also agrees with parties that the Commission must establish a PRM based on a loss of load expectation (LOLE) study that ensures the RA portfolio meets at least a 0.1 LOLE target. This target is critical to achieving reliability across the year. As other parties stated in opening comments, the Commission should establish a transparent process to set the PRM. Transparency is necessary to ensure parties can validate and clearly understand the Commission’s calculations.<sup>2</sup>

The CAISO agrees with the Western Power Trading Form (WPTF) that the Commission should ensure development of the PRM tool under Slice of Day proceeds in a transparent manner, and the Commission should direct additional workshops and allow for additional formal record on PRM issues in this proceeding.<sup>3</sup> At the October 25, 2023 PRM calibration tool workshop, parties

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<sup>1</sup> Southern California Edison Company (SCE) Opening Comments, p. 4; Calpine Corporation Opening Comments, p. 1; California Energy Storage Alliance (CESA) Opening Comments, pp. 4-5.

<sup>2</sup> CESA Opening Comments, pp. 4-5; Microsoft Corporation Opening Comments, pp. 4-7.

<sup>3</sup> WPTF Opening Comments, p. 2.

had several questions on Energy Division’s PRM calibration tool and whether the PRM that Energy Division calculated was sufficient to ensure reliability across the year. Energy Division continues to resolve party questions and just released a revised calibration tool on November 17, 2023. The Commission should allow for additional discussion and formal record to resolve open issues.

The CAISO also agrees with Pacific Gas and Electric Company (PG&E) that the Commission should consider “whether and how an allocation of [Diablo Canyon Power Plant’s] RA attributes should inform future decisions on the RA program, including decisions on the PRM and whether [load-serving entities (LSEs)] are appropriately incented to retain existing resources that may be needed to maintain system reliability.”<sup>4</sup> The Commission should set the PRM in the RA program in a manner that properly incentivizes LSEs to procure sufficient resources to ensure reliability.

**B. The CAISO Cannot Accommodate a Rolling Monthly Resource Adequacy Showing Deadline.**

In opening comments, CESA suggests developing a proposal in this proceeding to modify the monthly RA showing deadline “with the principal objective of ensuring that all contracted resources that are online and available count as RA capacity.”<sup>5</sup> CESA explains that “large and dynamic resources that reach [their Commercial Operation Date (COD)] in August cannot count towards RA requirements in September and therefore do not have a must-offer obligation, even if the load-serving entity has contracted the RA capacity for September and the resource is online and available in September.”<sup>6</sup>

Although the CAISO understands CESA’s concerns, the CAISO must have a firm monthly RA showing cutoff date to ensure the CAISO has sufficient time to validate and analyze monthly RA showings and solicit and issue backstop procurement if necessary. The CAISO’s monthly RA showing deadline is 45 days before the start of the month, after which, the CAISO allows a period for LSEs to cure any monthly RA deficiencies until 30 days before the start of the RA month (T-30). Allowing LSEs and suppliers to make RA showings on a rolling basis would compromise the CAISO’s ability to assess RA showings and effectively issue any necessary backstop procurement. Resources that achieve Commercial Operations for Market (COM) or COD by the RA month can offer in the CAISO markets without must offer obligations. Furthermore, these resources are

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<sup>4</sup> PG&E Opening Comments, p. 5.

<sup>5</sup> CESA Opening Comments, p. 6.

<sup>6</sup> *Id.*

eligible for Capacity Procurement Mechanism (CPM) designations, if the CAISO deems backstop procurement necessary.

**C. Crediting and Cost Shift Issues Associated with Meeting “Effective” PRM Requirements are not Within the CAISO’s Purview.**

The Alliance for Retail Energy Markets (AReM) suggests that because non-investor owned utility (non-IOU) LSEs do not receive Cost Allocation Mechanism (CAM) credits for resources procured by investor owned utilities (IOUs) and shown on IOU supply plans to meet “effective” PRM requirements, the CAISO should address costs shifts associated with potential CPM designations in the CAISO RA Modeling and Program Design Working Group.<sup>7</sup>

The “effective” PRM is an RA construct specific to the Commission. The CAISO receives CAM credit allocations directly from the Commission, and any issues regarding allocation of CAM credits associated with the Commission’s RA program rules are squarely outside of the CAISO’s purview. Further, the CAISO does not have information on the shown RA capacity that IOUs count towards meeting the Commission’s “effective” PRM requirements. Therefore, it is not appropriate for the CAISO tariff to address crediting and cost shift issues associated with IOUs meeting “effective” PRM requirements. These issues should be addressed under Commission rules.

**D. The CAISO Supports Adding an Evaluation of RA Import Availability and Rules to the Proceeding Scope.**

The CAISO supports suggestions that the Commission review RA import rules and assess the current and future availability of import RA in this proceeding. The Commission should evaluate import rules and trends in light of broader changes throughout the West, including potential increased competition for import capacity.<sup>8</sup> Specifically, the Commission should evaluate enhancements to RA import rules that could unlock additional RA capacity and allow additional reliable and deliverable import capacity to count towards RA requirements and help alleviate tight RA market conditions. To this end, the Commission should review the efficacy of the Commission’s RA bidding rules and qualifications for “resource-specific” designations as suggested in party comments.<sup>9</sup>

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<sup>7</sup> AReM Opening Comments, pp. 4-5.

<sup>8</sup> California Community Choice Association (CalCCA) Opening Comments, p. 24; Public Advocates Office at the California Public Utilities Commission (Cal Advocates) Opening Comments, pp. 5-6.

<sup>9</sup> CalCCA Opening Comments, p. 24; Cal Advocates Opening Comments, p. 6; Bonneville Power Administration Opening Comments, pp. 2, 4.

### **E. The CAISO Supports Adding Energy Division’s Central Procurement Entity Report to the Proceeding Scope.**

Decision (D.) 22-03-034 authorized Energy Division to develop a report on the effectiveness of the Central Procurement Entity (CPE) framework by 2024.<sup>10</sup> D.23-06-029 further specified that the Commission found it “reasonable for Energy Division to submit the CPE report in Q1 of 2024.”<sup>11</sup>

The CAISO supports party suggestions to include the Energy Division CPE report and comment opportunity in the scope of this proceeding.<sup>12</sup> Based on concerns raised in opening comments regarding the CPE framework, re-evaluating the CPE design could lead to enhancements that alleviate barriers to new capacity procurement and remove risk and uncertainty in the RA market.<sup>13</sup> The Commission should ensure the RA program design, including the CPE framework, penalties, and waivers, appropriately balances the following two objectives: (1) incentivizing LSE compliance with RA requirements; and (2) ensuring LSEs can effectively transact for RA capacity.

### **III. Conclusion**

The CAISO appreciates the opportunity to provide reply comments on the OIR.

Respectfully submitted

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<sup>10</sup> D.22-03-034, p. 79.

<sup>11</sup> D.23-06-029, p. 49.

<sup>12</sup> AReM Opening Comments, pp. 2-3; CalCCA Opening Comments, pp. 20-21; CESA Opening Comments, pp. 8-9; WPTF Opening Comments, pp. 3-4.

<sup>13</sup> AReM Opening Comments, pp.2-3; CalCCA Opening Comments, pp. 20-21.