

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

Order Instituting Rulemaking to Continue  
Electric Integrated Resource Planning and  
Related Procurement Processes.

Rulemaking 20-05-003  
(Filed May 7, 2020)

**REPLY COMMENTS OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON  
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON  
STAFF PAPER ON PROCUREMENT PROGRAM AND POTENTIAL NEAR-  
TERM ACTIONS TO ENCOURAGE ADDITIONAL PROCUREMENT**

Roger E. Collanton  
General Counsel  
Anthony J. Ivancovich  
Deputy General Counsel  
William H. Weaver  
Assistant General Counsel  
Marissa Nava  
Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel: 916-963-0521  
Fax: 916-608-7222  
Email: [mnav@caiso.com](mailto:mnav@caiso.com)

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**I. Introduction**

The California Independent System Operator Corporation (CAISO) respectfully submits its reply comments on Section 2 of the *Administrative Law Judge’s Ruling Seeking Comments on Staff Paper* (Ruling), issued on September 8, 2022.

**II. Discussion**

The CAISO opposes party views that recent legislation reduces the immediate need for reliability resources and continues to recommend that the Commission ensure load serving entities (LSEs) procure for delayed baseline resources included in reliability modeling by 2024. The CAISO supports the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) recommendation that the Commission authorize immediate procurement to address system needs from 2026 through 2030. The CAISO also addresses concerns regarding its deliverability process. Finally, the CAISO supports Southern California Edison Company’s (SCE) recommendation to allow “bridge” capacity from any firm imports into California.

**A. The Commission Should Ensure Baseline Resources Included in  
Reliability Modeling are Procured as Soon as Possible.**

The CAISO disagrees with parties who erroneously point to recent legislation as a reason for the Commission to reduce procurement in its planning processes or assume a

higher level of reliability than actually exists.<sup>1</sup> Assembly Bill (AB) 205 establishes a Strategic Reserve of resources intended as a transitional tool to address the reliability risks from extreme events. AB 205 defines an extreme event as either of the following:

(1) An event occurring at a time and place in which weather, climate, or environmental conditions, including temperature, precipitation, drought, fire, or flooding, present a level of risk that *would constitute or exceed a one-in-ten event, as referred to by the North American Electric Reliability Corporation*, including when forecast in advance by a load-serving entity or local publicly owned electric utility.

(2) An event where emergency measures are taken by a California balancing authority, including when forecast in advance by the California balancing authority.<sup>2</sup>

It is clear that the Strategic Reserve is not intended as a replacement for normal planning processes such as the Commission’s integrated resource plan (IRP) proceeding. The Strategic Reserve is intended to help address extreme events that occur beyond current planning expectations, but the IRP and other related planning proceedings are still expected to ensure there is sufficient capacity to meet a 1-in-10 loss of load expectation (LOLE).

Similarly, although Senate Bill (SB) 846 allocated funds and authorized the necessary state-level processes to extend the retirement dates of the two Diablo Canyon Power Plant units by five years each to address statewide energy system reliability and reduce emissions, the legislation explicitly prohibits including Diablo Canyon Power Plant in IRP planning:

This bill would additionally require sufficient, predictable resource procurement and development to avoid unplanned energy supply shortfalls

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<sup>1</sup> Marin Clean Energy and San Jose Clean Energy (collectively the Joint CCAs) Opening Comments on Ruling, September 26, 2022, p. 5 (Joint CCAs Opening Comments) (noting that “the Joint CCAs suspect that the status of baselines resources will not create such a significant system reliability risk that necessitates an emergency procurement order, particularly considering the Department of Water Resources strategic reliability reserve, the possible extension of Diablo Canyon, and the safety margin acknowledged in developing the mid-term reliability order.”); Green Power Institute Opening Comments on Ruling, September 23, 2022, p. 3 (asserting that “with the recent passage of legislation to keep Diablo Canyon operating beyond the currently planned retirement dates of 2024/2025, the need for additional reliability resources may be significantly reduced.”).

<sup>2</sup> AB 205 (Committee on Budget, 2022) (emphasis added).

by taking into account impacts due to climate change and other factors that can result in those shortfalls. *The bill would require that the PUC not include, and disallow a load-serving entity from including in their adopted resource plan, the energy, capacity, or any attribute from the Diablo Canyon powerplant in the integrated resource plan portfolios beyond specified dates, and would require the Energy Commission not consider the energy, capacity, or any attribute from the Diablo Canyon powerplant in meeting the above state policy.*<sup>3</sup>

Joint CCAs' reliance on the "safety margin" in Decision (D.) 21-06-035 is likewise misplaced.<sup>4</sup> As CAISO noted in opening comments, recent procurement authorization does not actually meet all of the needs of the 2021 Preferred System Plan, and load growth is rapidly increasing.<sup>5</sup> Extreme weather and load conditions will eventually be incorporated into future load forecasts, thereby increasing overall planning requirements.<sup>6</sup>

Consequently, the Commission should ensure there is additional procurement to backfill for any baseline resources that were included in the Commission's LOLE modeling but have not yet come online. This includes resources that were part of prior obligations, such as procurement authorized in other Commission proceedings. The LSEs responsible for the prior procurement should be allocated the responsibility for any backfill requirements. In contrast, for resources that were not part of prior obligations but were included in the LOLE modeling, the Commission may consider broad allocation of additional procurement as an equitable approach to parallel the load-ratio-based allocation from the original D.19-11-016 and D.21-06-035 orders.

**B. The Commission Should Authorize Procurement for 2026-2030 as Soon as Possible to Ensure There is Forward Procurement Well Ahead of Need to Reduce Downstream Bottlenecks.**

The CAISO strongly agrees with the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) that the Commission should authorize immediate procurement to address system needs from 2026 through 2030.<sup>7</sup> Recent

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<sup>3</sup> SB 846 (Dodd, 2022) (emphasis added).

<sup>4</sup> Joint CCAs Opening Comments, p. 5.

<sup>5</sup> CAISO Opening Comments on Ruling, September 26, 2022, pp. 4-6.

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

<sup>7</sup> Cal Advocates Opening Comments on Ruling, pp. 1-3.

Commission procurement authorizations, including D.19-11-016, D.21-06-035 and the summer reliability orders (D.21-02-028, D.21-03-056, and D.21-12-015), reacted to extreme events and sudden recognition of capacity shortfalls. Although the procurement was necessary, the time between authorizations and capacity online dates was about two years or less and included the largest single procurement ever approved by the Commission.<sup>8</sup> The sudden and very large increase in procurement authorizations has negatively impacted downstream functions. For example, the CAISO's interconnection study cluster 14 was beset by a sudden and dramatic surge in generator requests, leading to longer than usual study times. This likely will be the outcome for interconnection study cluster 15 as well. Forward procurement occurring well ahead of the need would help reduce these bottlenecks. This advance planning will provide a natural buffer to changing system conditions whether the conditions are within the LSE's control or not.

LSEs should make every effort to procure resources in locations the CAISO has identified as needing few if any upgrades or where transmission is under development.<sup>9</sup> Again, forward planning and increased awareness of system conditions will alleviate some of the bottlenecks noted by parties.<sup>10</sup>

Lastly, the Commission and CAISO have already worked together to incorporate the California Energy Commission's (CEC) most recent forecast reflecting high levels of transportation electrification into the CAISO's 2022-2023 Transmission Planning Process.<sup>11</sup> As demonstrated in Figure 1 below, the higher Additional Transportation Electrification forecast projects significantly more aggressive load increases starting in 2028 (black line) as compared to the original 2021 CEC forecast (blue line). The

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<sup>8</sup> California Public Utilities Commission, *CPUC Orders Historic Clean Energy Procurement to Ensure Electric Grid Reliability and Meet Climate Goals*, June 24, 2021, available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K478/389478892.PDF>.

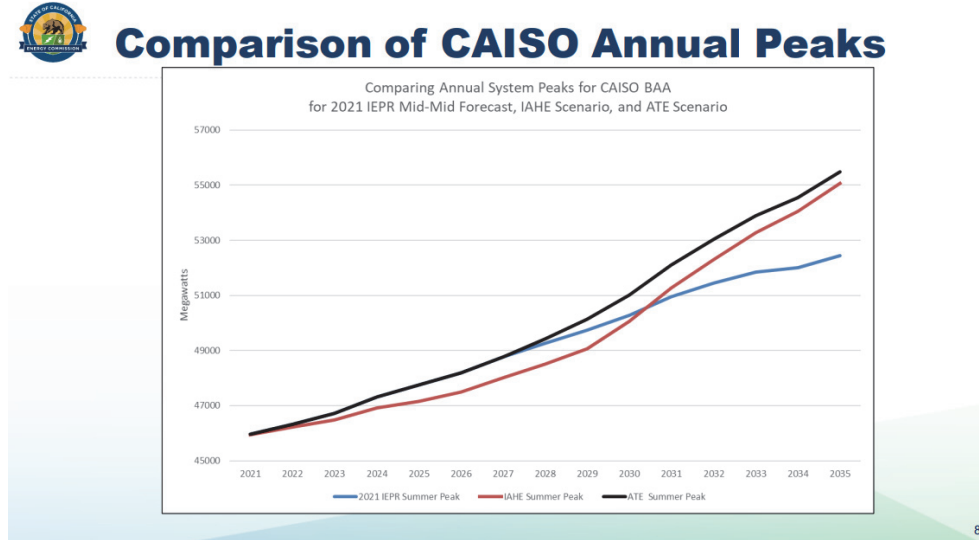
<sup>9</sup> See: <http://www.caiso.com/Documents/Briefing-ResourcesAvailable-NearTermInterconnection.pdf>

<sup>10</sup> Bioenergy Association of California Opening Comments on Ruling, September 26, 2022, p. 7; Peninsula Clean Energy (PCE) Opening Comments on Ruling, September 26, 2022, p. 2 (PCE Opening Comments); SCE Opening Comments on Ruling, September 26, 2022, p. 5 (SCE Opening Comments).

<sup>11</sup> See: <http://www.caiso.com/InitiativeDocuments/CECPresentation-2022-2023TransmissionPlanningProcess-Jul62022.pdf>

Commission has not yet incorporated this increased demand into its procurement authorization. When it does, more capacity will be needed to serve this additional load.

**Figure 1: Higher Forecasts Driven by Transportation Electrification**



Source: Jaske, Michael R., PhD, *CEC Development of Higher Electrification Grid Planning Scenarios*, July 6, 2022, p. 8. Available at: <http://www.caiso.com/InitiativeDocuments/CECPresentation-2022-2023TransmissionPlanningProcess-Jul62022.pdf>.

**C. The CAISO’s Deliverability Processes Ensures Reliable Operations.**

The CAISO disagrees with PCE’s position that CAISO’s deliverability methods are “too restrictive.”<sup>12</sup> The CAISO developed and vetted its methodology through an open stakeholder process. Any questions on the CAISO’s methodology should be appropriately raised in CAISO’s stakeholder processes.

The CAISO also disagrees with PCE’s assertion that the “CAISO creates a problem for reliability if needed resources cannot be contracted and built [due to] lack of full deliverability status.”<sup>13</sup> The CAISO’s deliverability assessment supports reliability by ensuring resources can be depended on in times of system stress and, thus, can count towards resource adequacy capacity.

<sup>12</sup> PCE Opening Comments, p. 3.

<sup>13</sup> *Id.*

Similarly, the maximum import capability (MIC) allocation process is the out-of-state (OOS) equivalent for in-state deliverability. The CAISO does not award deliverability to OOS resources; rather, it awards deliverability to LSEs at the intertie. In turn, LSEs may procure energy/capacity from any resource they want that can be delivered over the intertie. LSEs should ensure (1) procured in-state resources obtain deliverability and (2) there is sufficient MIC allocation for their imports. If network upgrades are delayed, LSEs should not be penalized.

**D. The Commission Should Remove the Requirement that Bridge Capacity Must Come from a Resource Owned by the Same Contractual Counterparty.**

SCE explains that Commission rules requiring bridge capacity to “be from a resource owned by the same contractual counterparty...severely limits the number of resources that can act as a bridge.”<sup>14</sup> SCE recommends allowing “bridge capacity from any firm imports to California, including firm imports from fossil-fueled resources, resources that do not meet other D.21-06-035 eligibility requirements, and resources from other counterparties.”<sup>15</sup> The CAISO agrees that requiring bridge capacity from a resource owned by the same contractual counterparty may be limiting and urges the Commission to remove this requirement. Further, the CAISO supports SCE’s recommendation to require LSEs “to demonstrate that such firm imports [serving as bridge capacity] provide incremental reliability to California by not counting the firm imports toward their RA requirements.”<sup>16</sup> At this time, the CAISO does not have a firm position on the other eligibility requirements SCE proposed for bridge capacity.

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<sup>14</sup> SCE Opening Comments, p. 9.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*



**III. Conclusion**

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

Respectfully submitted

**By: /s/ Marissa Nava**

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

William H. Weaver

Assistant General Counsel

Marissa Nava

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916-963-0521

Fax: 916-608-7222

Email: [mnav@caiso.com](mailto:mnav@caiso.com)

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