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 ADDITIONAL PROPOSAL FOR A RELIABLE AND CLEAN POWER PROCUREMENT PROGRAM

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I. Introduction

The California Independent System Operator Corporation (CAISO) submits reply comments pursuant to the California Public Utilities Commission's (Commission) June 23, 2026 *Administrative Law Judge's Ruling Seeking Comments On Additional Proposal For A Reliable And Clean Power Procurement Program* (Ruling) and July 10, 2026 *Email Ruling Partially Granting Joint IOUs' Request for an Extension of Time for Comments in Response to Administrative Law Judge's Ruling Seeking Comments on Additional Proposal for a Reliable and Clean Power Procurement Program*.

The CAISO appreciates the thoughtful comments parties submitted on the proposed Option III Reliable and Clean Power Procurement Program (RCPPP) framework. The CAISO continues to support Option III because it provides the strongest foundation for aligning resource planning, transmission planning, and procurement.

The CAISO's reply comments address four topics. First, the CAISO responds to concerns regarding resource attribute-based and locational procurement requirements. The CAISO underscores the importance of such requirements in maintaining alignment between procurement decisions and planning assumptions while minimizing market power concerns through longer procurement horizons. Second, the CAISO recommends modifications to Option III to provide a compliance requirement for retention of existing resources. Third, the CAISO recommends modifications to the proposed compliance framework, including extending the commercial operation compliance deadline to seven years following the need determination, extending the commercial operation compliance deadline to 10 years following the need determination for long lead-time resources, and providing indicative forecasts of future procurement needs through

subsequent biennial procurement tranches up to nine years in advance. Finally, the CAISO recommends the Commission issue a procurement order for 2033-2034.

II. Discussion

A. The Commission Should Adopt an Attribute-Based Need Determination Framework That Includes Locational Procurement Requirements.

Many parties expressed support for a need determination framework based on resource attributes.[1] Several parties also recommended establishing explicit procurement requirements for clean firm and dispatchable resources, long lead-time resources, and resources in specific locations.[2] The CAISO strongly supports a need determination framework that identifies procurement needs based on resource attributes, including clean firm and dispatchable and long lead-time resources, as well as explicit locational procurement requirements. This approach would ensure that procurement outcomes remain consistent with Commission-approved load-serving entity (LSE) plans and the preferred system plan, while preserving sufficient flexibility for LSEs to select individual resources that best satisfy their procurement needs and policy objectives.

Although many parties supported an attribute-based procurement framework, other parties expressed concern that resource-specific procurement requirements may be overly prescriptive and exacerbate market power concerns.[3] The CAISO acknowledges these concerns and recognizes that previous, *ad hoc* procurement orders have exacerbated market power

[1] San Diego Gas & Electric Company (SDG&E) Opening Comments p.15; Fervo Energy Company (Fervo) p. 3; California Resources Corporation (CRC) Opening Comments p. 5; Hydrostor, Inc. Opening Comments p. 8; REV Renewables, LLC. Opening Comments p. 4; Calpine LLC Opening Comments p. 5; The Utility Reform Network (TURN) Opening Comments p. 5; California Energy Storage Alliance (CESA) Opening Comments pp. 8-9; California Wind Energy Association (CalWEA) Opening Comments p. 8; Long Duration Energy Storage Council (LDES Council) Opening Comments p. 9; Western Power Trading Forum (WPTF) Opening Comments pp. 4-5; Southern California Gas Company (SoCalGas) Opening Comments p. 6; Shell Energy North America (Shell) Opening Comments p. 8; Independent Energy Producers Association (IEP) Opening Comments p. 4; GreenGenStorage, LLC Opening Comments p. 7.

[2] Fervo Opening Comments p. 3; CRC Opening Comments p. 6; Ormat Technologies, Inc. (Ormat) Opening Comments p. 4; and NextEra Energy Resources, LLC (NextEra) Opening Comments p. 20 recommend clean firm and/or long lead-time resource attribute categories. Form Energy, Inc. (Form) Opening Comments p. 11; Sierra Club Opening Comments p. 13; Environmental Defense Fund (EDF) Opening Comments p. 16 recommend local procurement requirements.

[3] Southern California Edison Company (SCE) Opening Comments p. 22; Ava Community Energy (Ava) Opening Comments pp. 5-6; California Community Choice Association (CalCCA) Opening Comments pp. 7-9; Pacific Gas and Electric Company (PG&E) Opening Comments p. 4.

challenges. However, the CAISO believes that a long-term procurement framework substantially mitigates these risks.

Procurement-related market power concerns often result from procurement orders with relatively short compliance timelines. Short compliance timelines can limit the universe of available resources and increase the leverage of projects that have already secured transmission access or advanced through development milestones. In contrast, a forward-looking procurement framework provides projects sufficient time to move through the interconnection process and obtain the necessary transmission infrastructure before the compliance deadlines. Longer procurement horizons increase the pool of viable resources and promote more competitive procurement outcomes, thereby reducing the potential for suppliers to exercise market power. In addition, the recurring nature of the Option III framework further mitigates market power concerns by reducing reliance on infrequent procurement events associated with large compliance obligations. Regular procurement tranches provide market participants with multiple opportunities to compete and reduce pressure to secure procurement contracts during a limited procurement window.

Moreover, resource attribute-based need determinations may reduce, rather than increase, long-term market power concerns by providing clear investment signals for resource types that the system expects to need in future years. Absent these signals, investment may concentrate on resource types with shorter development timelines while resources with more limited deployment opportunities remain underdeveloped. Over time, this can contribute to scarcity conditions that increase supplier leverage when the need for those resources becomes more acute.

Finally, failure to incorporate resource attribute-based need determinations and locational procurement requirements could further exacerbate market power concerns by creating a disconnect between resource procurement and transmission planning. Identifying resource attributes and locations through the planning process helps ensure transmission development proceeds in a manner that supports anticipated resource procurement. When transmission and procurement decisions are aligned, a larger number of resources can compete to satisfy reliability needs. By contrast, procurement outcomes that diverge from planning assumptions may create localized scarcity conditions that narrow the pool of viable resources and increase supplier leverage.

For these reasons, the Commission should adopt a resource attribute-based need determination framework, including explicit procurement requirements for clean firm and dispatchable and long lead-time resources, and locational procurement requirements. This framework will improve coordination among resource planning and procurement processes, support reliability objectives, and promote efficient investment in both generation and transmission infrastructure. In turn, these benefits mitigate market power concerns by reducing scarcity and expanding the pool of viable resources available to meet system needs.

B. The Commission Should Modify Option III to Include a Resource Retention Compliance Requirement.

Several parties raised concerns that Option III does not provide an adequate mechanism to support the retention of existing resources or does not recognize the reliability value of repowered and expanded resources.[4] These parties noted that Option III is premised on procurement of resources incremental to the planning baseline but does not include a mechanism to ensure that resources assumed to remain online in the baseline continue to be available throughout the planning horizon. The CAISO recommends that the RCPPP framework should include a compliance approach that recognizes the contribution of existing resources and supports and incentivizes resource retention consistent with the planning assumptions underlying the Integrated Resource Planning (IRP) process. This includes any updates to the procurement compliance baseline needed to support compliance eligibility of existing resources. The ability to repower an existing resource also facilitates additional capacity on the grid that may otherwise retire.

The reliability outcomes contemplated under Option III depend on the continued availability of resources included in the planning baseline. As the CAISO explained in its Opening Comments, the planning assumptions used in the IRP process, including the modeling baseline used to develop the preferred system plan and the base portfolios, assume continued availability of the existing resource fleet, including a majority of the existing thermal fleet.[5] That

[4] WPTF Opening Comments p. 3; CESA Opening Comments p. 12; California Large Energy Consumers Association (CLECA) Opening Comments p. 4; Solar Energy Industries Association, Large-scale Solar Association (SEIA, LSA) Opening Comments p. 11; Clearway Energy Group LLC (Clearway) Opening Comments pp. 8-9; Milepost West Opening Comments p. 5.

[5] CAISO Opening Comments on Administrative Law Judge's Ruling Seeking Comments on Additional Proposal for a Reliable and Clean Power Procurement Program, pp. 11-12.

modeling baseline serves as the foundation for determining incremental resource need, which informs the need determination that drives procurement requirements established under the proposed RCPPP framework. Furthermore, the LSEs' individual IRPs indicate a significant reliance on existing resources, including the existing thermal fleet, to meet future reliability needs. However, LSEs, including PG&E, SCE, and Clean Power Alliance (CPA), generally do not anticipate relying on long-term contracts for thermal resources.[6] Thus, if resources assumed in the baseline retire, remain uncontracted, or otherwise become unavailable during the relevant period for the procurement, and no mechanism exists to ensure their retention or replacement, actual system conditions may diverge from those reflected in the underlying planning studies creating a resource shortfall.

To ensure the IRP process continues to produce accurate assessments of reliability need over the planning horizon and the RCPPP framework drives sufficient procurement to meet that need the Commission should do the following: First, it should adopt a planning reserve margin (PRM) that reflects a 0.1 loss of load expectation (LOLE) reliability standard, with the need determination analysis and ultimate procurement meeting that standard; and, Second, it should adopt a compliance requirement for LSEs to demonstrate they have retained an adequate combination of existing resources and new resources to meet a 0.1 LOLE throughout the planning horizon.

Specifically, the CAISO proposes the Commission revise Option III to include a compliance requirement that would require LSEs to demonstrate they have retained sufficient existing and new resources under contract to meet a 0.1 LOLE and support long-term reliability needs. Under this approach, the Commission would perform the LOLE analysis that the LSEs would use to ensure compliance with this requirement. This requirement would mitigate concerns regarding resource retention by ensuring LSEs maintain a reliable resource portfolio throughout the planning horizon. Ultimately, this compliance approach would better align procurement obligations with the planning assumptions underlying the IRP process and help ensure that resource retirements do not undermine reliability outcomes assumed in the preferred system plan and the LSEs' individual IRPs.

[6] PG&E 2026 IRP, pp. 95-96; SCE 2026 IRP, p. 129; CPA 2026 IRP, p.44.

C. The Commission Should Modify the Compliance Framework by Extending the Commercial Operation Compliance Deadline and Provide Additional Flexibility for Long Lead-Time Resources.

Several parties expressed support for a binding compliance structure but recommended various modifications to the proposed commercial operation compliance requirement.[7] These recommendations included establishing various compliance timelines based on resource characteristics or contract-specific information, extending the commercial operation requirement timeframe, and allowing for flexible compliance deadlines. NextEra proposed an alternative compliance framework under which procurement obligations would be satisfied through a series of phased milestones.[8] NextEra also proposed extending the commercial operation requirement to seven years following the need determination and providing LSEs with indicative forecasts of LSE-specific capacity needs for the biennial tranches beyond the compliance year up to nine years in advance of commercial operation.[9]

The CAISO continues to support Option III's requirement that 100 percent of required resources be under contract three years after the need allocation. However, the CAISO agrees with parties that a uniform five-year compliance deadline for commercial operation does not provide sufficient development time for certain resource types, particularly resources with longer development timelines or resources that require transmission upgrades.[10] For this reason, the CAISO supports portions of NextEra's alternative compliance proposal with the following modifications:

- Maintain the contracting deadline: Require that 100 percent of procurement obligations be under contract three years after the need allocation.
- Extend the proposed commercial operation compliance deadline: Allow resources up to seven years from the need determination to achieve commercial operation. The first

[7] SDG&E Opening Comments pp. 24-25; NextEra Opening Comments p. 8; XGS Energy, Inc. (XGS) Opening Comments p.6; Fervo Opening Comments p. 3; Public Advocates Office Opening Comments p. 16; WPTF Opening Comments p. 8; GreenGenStorage Opening Comments p. 15; CRC Opening Comments pp. 7-8; CESA Opening Comments p. 21; CalWEA Opening Comments p. 21; Shell Opening Comments p. 14; EDF Opening Comments pp. 14-15; IEP Opening Comments p. 8.

[8] NextEra Opening Comments, pp. 7-9.

[9] NextEra Opening Comments, p. 10.

[10] SDG&E Opening Comments pp. 24-25; NextEra Opening Comments p. 8; XGS Opening Comments p.6; Fervo Opening Comments p. 3; Public Advocates Office Opening Comments p. 16; WPTF Opening Comments p. 8; GreenGenStorage Opening Comments p. 15; CRC Opening Comments pp. 7-8; CESA Opening Comments p. 21; CalWEA Opening Comments p. 21; Shell Opening Comments p. 14; EDF Opening Comments pp. 14-15; IEP Opening Comments p. 8.

commercial operation compliance deadline, if RCPPP cycle were to initiate in 2028 under the alternative compliance framework would be 2035.

- Provide additional flexibility for long lead-time resources: Permit qualifying long lead-time resources up to 10 years from the need determination to reach commercial operation.
- Include procurement obligations for two years in each cycle: Establish procurement obligations in each biennial RCPPP cycle for both the target year and the *off-year*.
- Provide indicative forecasts: Issue indicative forecasts of future procurement needs through subsequent biennial procurement tranches up to nine years in advance.

Extending the commercial operation compliance deadline would better reflect the development timelines associated with a broader range of resource technologies and facilitate procurement of resources with longer lead times. Additionally, providing LSEs with longer-range indicative forecasts would enhance procurement planning by enabling earlier market engagement and identification of projects capable of meeting future reliability needs. Together, these modifications would preserve the benefits of a binding compliance framework while improving its ability to support timely resource development and maintain long-term system reliability.

D. The Commission Should Issue a Procurement Order for 2033-2034 to Cover the Gap Between the 2029-2032 Procurement Order and the CAISO's Proposed RCPPP Timeline.

If the Commission adopts the CAISO's proposed alternative compliance framework, the CAISO strongly recommends that the Commission issue a procurement order for 2033-2034 to address the gap between the existing procurement orders that run through 2032 and the first commercial operation deadline under the CAISO's proposed alternative compliance framework of 2035. A procurement order for 2033-2034 would be critical to maintaining reliability and avoiding potential shortfalls during the intervening period. Consistent with prior Commission procurement orders, the 2033-2034 procurement order should: (1) establish binding procurement requirements that are subject to penalties for non-compliance; and (2) apply a marginal effective load carrying capability (ELCC) accreditation methodology to new procurement.[11] A 2033-2034 procurement order would provide clear market signals for resource development and support reliability during the transition to the CAISO's alternative compliance framework.

[11] The Commission's previous reliability procurement orders include D.21-06-035 (Mid-Term Reliability (MTR)), D.23-02-040 (Supplemental MTR), and D.26-02-057 (2029-2032 Procurement Order).

III. Conclusion

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

Respectfully submitted,

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