

**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)

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
CORPORATION TO JOINT MOTION FOR ALL-PARTY MEETING**

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Dated: September 5, 2023

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**I. Introduction**

Pursuant to Rule 11.1(e) of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits its response to the August 18, 2023 *Joint Motion of Advanced Energy United, The Alliance for Retail Energy Markets, The Independent Energy Producers Association, and Microsoft Corporation for An All-Party Meeting* (Joint Motion).

The CAISO appreciates the Commission’s extensive work in recent years in the Integrated Resource Planning (IRP) proceeding to advance new resource procurement in California. Through the IRP proceeding, the Commission has ordered procurement of 18,800 MW of new net qualifying capacity (NQC) to come online between 2021 and 2028 to ensure grid reliability and meet state greenhouse gas (GHG) reduction targets.<sup>1</sup> To advance the Commission’s resource development goals, the CAISO agrees with the Joint Motion that the Commission should further coordinate its efforts to plan for system needs in the IRP proceeding with procurement requirements established in the resource adequacy (RA) program.

The Joint Motion identifies areas the Commission should focus on to better align the IRP and RA proceedings. The Joint Motion also proposes discussions take place thorough an All-Party meeting and joint workshops. The CAISO supports many of the concepts and questions raised for discussion in the Joint Motion. While the CAISO agrees an All-Party meeting can help facilitate discussion on key issues, the CAISO also recognizes the Commission has included some of these issues within the scope of the current IRP proceeding. For example, the

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<sup>1</sup> See Commission Decision (D.) 19-11-016; D.21-06-035; D.23-02-040.

Commission is actively considering options for a multi-year procurement framework in the IRP proceeding's Reliable Clean Power Procurement Program (RCPPP) Development and Implementation track.<sup>2</sup> As such, the CAISO does not take a position on the specific venue for these discussions, but agrees with the Joint Motion that many key issues warrant further discussion between IRP and RA proceedings.

The Commission should prioritize development of a multi-year procurement framework, and seek to address questions raised in the Joint Motion regarding IRP and RA alignment. If the Commission does not grant the Joint Motion, the Commission should commit to further develop key issues raised in the Joint Motion within the IRP proceeding this year. Specifically, the Commission should discuss issues raised in the Joint Motion in the RCPDP Development and Implementation track of the current IRP proceeding.

## **II. Discussion**

The Joint Motion identifies issues the Commission should coordinate between the IRP and RA proceedings and suggests discussion topics for staff workshops or an All-Party meeting. The CAISO agrees with the Joint Motion that the Commission should continue to develop multi-year system procurement requirements and discuss which proceeding should establish mid-term reliability assessments and multi-year procurement requirements.<sup>3</sup> The CAISO also agrees with the Joint Motion that the Commission should discuss coordination of loss of load expectation (LOLE) modeling<sup>4</sup>, counting rules, and how the planning reserve margin (PRM) is set in IRP and RA proceedings.<sup>5</sup>

### **A. The Commission Should Continue to Develop Multi-Year Forward Procurement Requirements.**

The Joint Motion states there is agreement among parties that “a coordinated mid-term reliability assessment and planning process and multi-year procurement requirements that would be integrated into an existing proceeding . . . is necessary. Such a process would serve as much-

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<sup>2</sup> *Assigned Commissioner's Amended Scoping Memo and Ruling*, R.20-05-003, August 21, 2023, pp. 5-6. The CAISO remains very supportive of Energy Division staff's efforts to develop the RCPDP in the IRP proceeding.

<sup>3</sup> Joint Motion, p. 4.

<sup>4</sup> Modeling discussions should include whether to formalize modeling as part of IRP and RA proceedings.

<sup>5</sup> Joint Motion, p. 5.

needed replacement for continuing *ad hoc* procurement orders while holistically evaluating reliability.”<sup>6</sup> The Joint Motion further urges the Commission to “assess grid reliability holistically across both proceedings to address gaps, including mid-term reliability . . . .”<sup>7</sup> The CAISO agrees with these notions, and continues to support the Commission's ongoing efforts in the IRP proceeding to develop a multi-year procurement framework.

The CAISO continues to recommend the Commission prioritize development of a procurement program in the IRP proceeding that establishes the need and procurement requirements for new resources at least five years forward.<sup>8</sup> This approach will ensure there is sufficient time to complete all of the necessary processes including procurement, interconnection, permitting, and construction. It also provides a buffer for delays and unforeseen challenges, including the need for backstop procurement. The CAISO also encourages the Commission to consider expanding the IRP procurement program scope to include both existing and incremental resources across a rolling 15-year horizon.

A programmatic approach to planning and procurement with a longer procurement horizon will allow the IRP program to more effectively and efficiently: (1) procure incremental (including large and/or long lead-time) resources well ahead of the need; (2) ensure existing resources are retained or replaced, as necessary; (3) co-optimize transmission planning with procurement, including considering the trade-offs between generation and transmission expansion, especially in local capacity areas; and (4) enable better coordination with the transmission planning process to align resource procurement volumes and locations with transmission capability and facilitate interconnection and long lead-time transmission expansion.

For these reasons, the CAISO supports the Joint Motion’s suggestion that the Commission further develop a multi-year procurement framework, coordinated between RA and IRP proceedings. The CAISO does not take a position on the specific venue for these discussions, but agrees with the Joint Motion that many key issues warrant further discussion between IRP and RA proceedings. If the Commission does not grant the Joint Motion’s request for an All-Party meeting, the Commission should commit to further develop multi-year forward procurement requirements in the IRP proceeding later this year.

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<sup>6</sup> Joint Motion, p. 4.

<sup>7</sup> *Id.*, p. 2.

<sup>8</sup> R.21-10-002, CAISO Comments on RA Phase 3 Workshop and Proposals, February 24, 2023, pp. 6-7.

**B. The Commission Should Discuss Coordinating LOLE Modeling, Counting Rules, and How the PRM is Set in IRP and RA Proceedings.**

The Joint Motion lists several issues requiring coordination between the IRP and RA programs, including LOLE modeling, resource counting, and how the PRM is set. The CAISO agrees with the Joint Motion that these are key discussion topics to align the IRP and RA proceedings.

The CAISO appreciates Energy Division's recent efforts to introduce LOLE studies into the RA proceeding and align reliability modeling between IRP and RA proceedings. However, the Commission has not utilized the results from LOLE studies to inform the PRM in the RA program. Instead, the Commission has retained PRM levels that do not meet 1-in-10 LOLE reliability targets, which could adversely affect reliability and market dynamics by allowing capacity shortfalls to persist. Realistically, if the IRP program plans just to meet a 1 in 10 LOLE, then all internal and external resources in IRP portfolios will be necessary to meet resource adequacy requirements, at least in peak summer months such as September. Additionally, if RA requirements are set at levels lower than the IRP portfolios plan for, resources assumed or developed under IRP may not end up contracted and shown for RA in the CAISO balancing area. Since 2021, the Commission has partially ameliorated the impact of retaining lower PRM levels by adopting an "effective" PRM above the official PRM as an interim approach. However, the CAISO and other parties have persistently recommended the Commission discontinue using an effective PRM and set the actual PRM to a level that meets a minimum 1 in 10 LOLE to ensure reliability.<sup>9</sup> Because counting rules and the PRM are directly related, the Commission should discuss coordination of both concepts between the IRP and RA proceedings.

The CAISO has recommended the Commission consider consolidating functions of RA into the IRP program, which is better suited to conduct the reliability modeling for both the IRP and RA proceedings. IRP has been conducting LOLE analyses for several years, and IRP modeling already optimizes resource portfolios over a multi-year time horizon. Assigning new and existing resource procurement under the IRP program could help address the growing

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<sup>9</sup> R.21-10-002, CAISO Phase 2 Proposals, January 21, 2022, p. 4; R.21.10-002, CAISO Comments on RA Phase 3 Workshop and Proposals, February 24, 2023, pp. 4-5; R.21-10-002, Vistra Corp. Comments on RA Phase 3 Proposals, February 24, 2023, p. 11; R.21-10-002, Western Power Trading Forum Comments on RA Phase 3 Proposals, February 24, 2023, p. 3.

disconnect between the IRP and RA programs, where the RA program has understated the procurement requirements necessary to meet reliability targets.

The ISO agrees with the Joint Motion that the Commission should specify the following for the IRP and RA proceedings: (1) which proceeding should conduct reliability modeling and planning; (2) which proceeding should establish new and existing resources; and (3) how to ensure alignment between the proceedings.<sup>10</sup>

### **III. Conclusion**

The CAISO appreciates the opportunity to respond to the Joint Motion. While the CAISO agrees with the Joint Motion that many key issues warrant further discussion between IRP and RA proceedings, the CAISO does not take a position on the specific venue for these discussions. If the Commission does not grant the Joint Motion, the Commission should commit to further develop key issues raised in the Joint Motion in the IRP proceeding this year.

Respectfully submitted,

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<sup>10</sup> Joint Motion, pp. 6-7.