

**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 21-10-002
(Filed October 7, 2021)

**REPLY COMMENTS ON THE
FUTURE OF RESOURCE ADEQUACY WORKING GROUP REPORT OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Jordan Pinjuv
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-351-4429
Fax: 916-608-7222
Email: jpinjuv@caiso.com

Dated: April 1, 2022

**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 21-10-002
(Filed October 7, 2021)

**REPLY COMMENTS ON THE
FUTURE OF RESOURCE ADEQUACY WORKING GROUP REPORT OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

I. Introduction

The California Independent System Operator Corporation (CAISO) provides its reply comments on the *Future of Resource Adequacy Working Group Report* (Report).

II. Discussion

A. The CAISO Commits to Continued Coordination With the Commission in Administering the Resource Adequacy Program.

The CAISO agrees with party comments acknowledging the importance of aligning the Commission and CAISO's resource adequacy programs, especially in assessing resource adequacy deficiencies.¹ As a partner in ensuring resource adequacy, the CAISO seeks to harmonize its program assumptions, rules, and requirements with the Commission's to ensure a reliable and efficient program.

The CAISO reiterates it must continue to administer its resource adequacy program for all Local Regulatory Authorities (LRAs). Any departure from the current single capacity check framework will require the CAISO to make changes through its own stakeholder process. The Commission and CAISO should seek to harmonize resource adequacy programs to provide regulatory certainty and reduce the need for

¹ Middle River Power (MRP) Opening Comments p. 18, Calpine Opening Comments, p.10.

backstop procurement, but depending on which framework the Commission adopts, complete alignment may not be achievable or necessary.

The CAISO's resource adequacy program changes may also require an iterative process with the Commission. For example, the Commission's Central Procurement Entity (CPE) framework required the CAISO to open its own stakeholder process to implement changes necessary to align its tariff with the Commission's program and a subsequent Commission decision to coordinate with the CAISO process. Although coordination between the Commission and the CAISO on CPE implementation ran relatively smoothly, the CAISO required about a year to hold a stakeholder process, file tariff amendments at the Federal Energy Regulatory Commission (FERC), and implement software changes for this relatively minor alignment. The CAISO expects it will require significantly more time to discuss the extensive resource adequacy reforms being considered in this proceeding through a CAISO stakeholder process and work iteratively with the Commission.

B. The CAISO Agrees With Parties That Significant Additional Work is Needed and the Commission Should Consider Interim Measures.

Pacific Gas and Electric (PG&E)² and Southern California Edison (SCE)³ highlight changes the CAISO will need to make if the Commission adopts SCE's 24-hourly slice proposal. PG&E and SCE propose these changes be discussed through additional Commission workshops. The CAISO agrees that additional Commission workshops will be necessary prior to implementation. In addition, the CAISO will need to conduct a stakeholder process to consider tariff and process modifications under either the SCE or Gridwell proposals. As noted above, these processes will likely need to be iterative and should be considered in implementation timelines.

Many parties support, or are open to, the Commission directing a test year prior to full implementation should the Commission adopt the SCE proposal.⁴ The CAISO agrees

² PG&E Opening Comments, pp. 4-5.

³ SCE Opening Comments, pp. 9-10.

⁴ California Community Choice Aggregation (CalCCA) Opening Comments, p. 13; Center for Energy Efficiency and Renewable Technologies (CEERT) Opening Comments, p. 4, Joint Community Choice Aggregations (Joint CCAs) Opening Comments, pp. 1-2; Natural Resource Defense Council (NRDC)

with parties that if the Commission adopts SCE’s proposal, 2024 should be a test year with non-binding compliance requirements.⁵ The CAISO previously noted it cannot by 2024 complete a full stakeholder process and implement the necessary systems to accommodate a resource adequacy framework that departs significantly from today’s design.⁶ Although the CAISO supports the concept of a test year, the Commission should recognize that significant CAISO system changes will not be in place until after the CAISO completes its own stakeholder process.

The CAISO also supports pursuing interim measures⁷ or more immediate reforms to the existing resource adequacy program given uncertainty around implementing a 24-hour framework. The CAISO suggests the Commission prioritize Energy Division’s Loss of Load Expectation (LOLE) study work while aspects of resource adequacy reform are developed further. The Commission should also update the planning reserve margin (PRM) and effective load carrying capability (ELCC) values under the current resource adequacy framework. The CAISO also agrees with MRP’s recommendation that the Commission make updates to the PRM through an LOLE study that achieves the 0.1 LOLE target regardless of which proposal it adopts.⁸

C. The Commission Should Not Adopt Hourly Obligation and Hourly Generation Trading Proposals.

Various parties suggest the Commission allow hourly load (obligation) trading⁹ and generation trading¹⁰ under SCE’s proposal. The CAISO has significant concerns about the complexity hourly generation and/or load obligation trading would add to the resource adequacy program. Hourly obligation and generation trading will (1) have significant implications for CAISO’s outage, substitution, and backstop procurement, and cost allocation processes and (2) create significant implementation challenges.

Opening Comments, p. 6; Public Advocates at the California Public Utilities Commission (CalAdvocates) Opening Comments, pp. 3-4; SCE Opening Comments, p. 12.

⁵ CalAdvocates Opening Comments, pp. 3-4; PG&E Opening Comments p. 5; SCE Opening Comments, pp. 12-13.

⁶ CAISO Opening Comments, p. 7.

⁷ Calpine Opening Comments, p. 2.

⁸ MRP Opening Comments, p.13.

⁹ American Clean Power Opening Comments, p.2; CalCCA Opening Comments, pp. 7-10; California Energy Storage Alliance Opening Comments, p. 9; Joint CCAs Opening Comments, pp. 4-6.

¹⁰ CalCCA Opening Comments, pp. 5-6; Joint CCAs Opening Comments, p. 5.

Furthermore, hourly generation trading is not compatible with assessing capacity sufficiency and the CAISO's deliverability study processes.

The Commission should consider what benefits will be gained by allowing hourly generation or obligation trading compared to the significant complexity these proposals will add. The CAISO recommends the Commission not adopt hourly obligation and generation trading proposals.

D. Under the SCE Proposal, Further Coordination Between the Commission, the CAISO, and Resource Owners Is Required to Develop a Public Resource Characteristic Database.

The public resource adequacy resource master database described by SCE in its proposal could be useful to align assumptions about resource capabilities between the Commission and the CAISO. SCE and PG&E identify this database as a component of SCE's proposal that requires further development in future Commission workshops.¹¹

SCE indicates this public database could include resource characteristics from the CAISO's Masterfile.¹² The CAISO agrees with SCE that additional workshops are needed and thus should be considered in any implementation schedule. To develop this type of public database, further input from resource owners will be necessary because resource characteristics in the CAISO Masterfile are confidential.

The CAISO will also continue maintaining its Net Qualifying Capacity (NQC) list. If a resource database along the lines of SCE's proposal will replace the CAISO's NQC list, the CAISO must vet these changes through its own stakeholder process. The CAISO also expects it will have to coordinate extensively with the Commission and resource owners to determine what information can be shared and how resource capabilities are reflected in this database.

¹¹ PG&E Opening Comments, p. 4; SCE Opening Comments, p. 6.

¹² See Resource Adequacy Reform Working Group report p. 20. For example, 'Maximum Continuous Energy' represents a storage resource's maximum state of charge in the CAISO Masterfile.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments.

Respectfully submitted

By: /s/ Jordan Pinjuv

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Jordan Pinjuv

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel: 916-351-4429

Fax: 916-608-7222

Email: jpinjuv@caiso.com

Dated: April 1, 2022