

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

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021.

R.20-11-003
(Filed November 19, 2020)

**REPLY COMMENTS OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE PROPOSED DECISION**

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits these reply comments on the January 8, 2021 Proposed *Decision Directing Pacific Gas & Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Seek Contracts for Additional Power Capacity for Summer 2021 Reliability* (Proposed Decision).

I. Introduction

The CAISO supports the Proposed Decision’s efforts to direct investor-owned utility procurement for summer 2021 capacity. The CAISO agrees with the majority of parties in supporting feasible and cost-effective options for increasing supply during times of system need in the summer of 2021.¹ The CAISO also agrees with parties suggesting the Commission modify the Proposed Decision to (1) allow investor-owned utilities to consider firm import resources to meet procurement requirements, (2) specify that any incremental procurement should be in addition to existing system resource adequacy requirements, and (3) consider summer 2022 procurement.

II. Discussion

A. The Commission Should Approve the Proposed Decision.

Many parties indicated their general support for the Proposed Decision and its direction

¹ See, generally, opening comments filed by the California Community Choice Association (CalCCA), Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE).

to investor-owned utilities to pursue feasible and cost-effective options for increasing supply for summer of 2021. The CAISO agrees the Proposed Decision is an appropriate and necessary step toward ensuring summer 2021 reliability as there are noted capacity concerns, especially during the net peak demand hours. The CAISO strongly supports the Proposed Decision’s finding that “there is a practical need for action to be taken now to ensure resources are available by summer 2021.”²

The Proposed Decision appropriately directs procurement of incremental resources that “must be deliverable during both the peak and net peak demand periods.”³ The CAISO agrees that resource procurement should be incremental to existing resource adequacy requirements and directed to meet both the peak and net peak demand periods. The CAISO also recommends the Commission specify that resources should be pursued for the months of June through October 2021. Though October is not traditionally considered a summer month, the CAISO’s analysis in this proceeding shows system resource capacity needs during October that are similar to traditional summer months.

Several parties disagree with the Proposed Decision’s procurement directive on the grounds that additional capacity may not be necessary for summer 2021 reliability issues. In particular, parties suggest that changes to the CAISO’s residual unit commitment (RUC) and export processes will obviate the need for any additional resources. For example, the California Environmental Justice Alliance (CEJA) and Sierra Club state that “CAISO’s Department of Monitoring and Marking describe how the August outages were caused primarily by a ‘software error’ that resulted in almost 3,000 MW of exports not being available.”⁴ However, this mischaracterizes the Department of Market Monitoring (DMM) report, which concluded that the August 14-15 “load outages resulted from the combined effect of a series of factors” and the “most significant and actionable of these factors involve California’s resource adequacy program.”⁵ To address this issue, the DMM recommended as follows:

² Proposed Decision, p. 9.

³ *Id.* at p. 11

⁴ CEJA and Sierra Club, Opening Comments, p. 7.

⁵ CAISO Department of Market Monitoring, *Report on System and Market Conditions, Issues and Performance: August and September 2020*, pp. 1-2.

To limit the potential for similar conditions in future years, system level resource adequacy requirements should be modified to ensure more capacity is available during net load peak hours. In addition, capacity counting rules for different resource types should be modified to more accurately reflect the actual availability of these resources during the net load peak hours.⁶

Though the RUC and export processes did play some role in the August outages, it is inaccurate to claim these processes were the primary cause of the load shedding. The CAISO notes that it made changes to the RUC process in September 2020 and is currently addressing export and load prioritization in its summer 2021 readiness initiative. These changes will help ensure that procured resources serve California demand, but they will not fully address the fundamental need for additional resource capacity during critical demand periods. The Proposed Decision appropriately directs investor-owned utilities to procure effective resources for summer 2021 as a “least regrets” option to meet system needs.

B. The Commission Should Adopt Minor Modifications to the Proposed Decision to Provide Flexibility to Procure Effective Resources to the Greatest Extent Possible.

The CAISO agrees with recommendations to modify the Proposed Decision to (1) include consideration of firm import resources for summer 2021 procurement, (2) direct procurement to be incremental to existing resource adequacy requirements, and (3) consider 2022 procurement to the extent practical.

Several parties recommend the Commission modify the Proposed Decision to include consideration of firm import resources for summer 2021 procurement.⁷ SDG&E states

The public interest is better served by a process that allows the Commission to consider *all* resources that can provide summer 2021 reliability, including firm forward imports, at the earliest possible date including through the IOUs’ February 15, 2021 ALs. Accordingly, the PD should be revised to expressly include firm forward imports in the list of resources that may be procured to meet reliability needs for summer 2021 and submitted for approval through the IOUs’ February 15, 2021 ALs.⁸

<http://www.caiso.com/Documents/ReportonMarketConditionsIssuesandPerformanceAugustandSeptember2020-Nov242020.pdf>.

⁶ *Id.*, at p. 2

⁷ *See, generally*, opening comments from Utilities Consumers’ Action Network (UCAN); Shell Energy North America (US) L.P. (Shell); SDG&E; CalCCA

⁸ SDG&E Opening Comments, p. 3.

The CAISO agrees with the assertion that firm forward import contracts can play an important role in meeting summer 2021 reliability needs. Resource supplies in the West are increasingly tight, especially in the southwest, and Commission load serving entities should seek to procure imports as soon as possible. The Commission should explicitly allow the investor-owned utilities to pursue firm imports to the extent feasible.

CalCCA states that “[r]esources procured centrally for Summer 2021 should therefore be very narrowly targeted to resources that would not otherwise be procured by LSEs for RA showings and should be structured to minimize disruption to LSE procurement for RA compliance. The Commission’s ultimate goal of achieving an overall *increase* in contracted capacity must remain paramount.”⁹ CalCCA also provides recommended language to define resources that should qualify as “incremental” to current requirements. Specifically, CalCCA proposes limiting the scope of any procurement to the following “incremental” resources:

- Resources that could increase their available NQC with limited physical, legal, or regulatory modifications. This will include any resource on CAISO’s Final NQC Report for Compliance Year 2021 that:
 - Offers more capacity than its rated NQC;
 - Offers more capacity than has been shown by LSEs or otherwise made available to CAISO in the same month for any of the prior three years; and
 - Can be clearly demonstrated to be “out of market” for LSE RA procurement due to other economic, legal, or regulatory reasons which require central procurement.
- Any resource on the CAISO’s most recent Announced Retirement and Mothball list.
- Any resource not indicated on CAISO’s Final NQC Report for Compliance Year 2021, including firm import energy contracts.¹⁰

The CAISO agrees that specifying procurement should be incremental to existing system resource adequacy procurement to ensure that newly procured resources provide an overall increase in contracted capacity. As the CAISO stated in its testimony in this proceeding, additional procured capacity should be shown as resource adequacy capacity to ensure

⁹ CalCCA Opening Comments, p. 6.

¹⁰ *Id.* at pp. 6-7.

compliance with CAISO resource adequacy tariff requirements, such as the must offer obligation.

Finally, the CAISO agrees with party suggestions to allow the investor-owned utilities to procure resources for summer 2022, to the extent practical.¹¹ Although not the direct focus of this proceeding, it is increasingly clear that summer 2022 capacity conditions will remain challenging. The system will rely on significant new resource additions required by D.19-11-016 and additional internal resource retirement remains possible. 2022 procurement should not distract from nor delay procurement for 2021, but to the extent possible it should be encouraged.

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 California 95630

Tel.: (916) 351-4429

Fax: (916) 608-7222

Email: jpinvuv@caiso.com

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¹¹ See, generally, opening comments from California Energy Storage Association (CESA); Shell; Peterson Power System; Green Power Institute (GPI); LS Power; Large Scale Solar Association; Solar Energy Industries Association; and Vote Solar