

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

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Forward
Resource Adequacy Procurement Obligations

Rulemaking 19-11-009
(Filed November 7, 2019)

**OPENING COMMENTS ON PROPOSED DECISION ON TRACK 3B.2 ISSUES:
RESTRUCTURE OF THE RESOURCE ADEQUACY PROGRAM OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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I. Introduction

The California Independent System Operator Corporation (CAISO) provides opening comments on the proposed *Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program* (Proposed Decision). The CAISO appreciates the opportunity to provide opening comments and looks forward to working with the Commission to further refine the resource adequacy program to meet evolving grid needs.

II. Discussion

A. The CAISO Supports the Proposed Decision’s Directive to Hold Implementation Workshops to Further Develop Long-Term Changes to the Resource Adequacy Program.

The CAISO agrees with the Proposed Decision’s conclusion there are numerous important implementation details to address before the Commission adopts a new resource adequacy program structure.¹ The CAISO looks forward to participating in workshops and collaborating with parties to develop a resource adequacy framework that addresses growing energy sufficiency needs caused by an evolving resource fleet while also balancing costs to ratepayers, and minimizing program and administrative complexity.

Moreover, the CAISO appreciates the Commission’s consideration of the unforced capacity (UCAP) proposal and is open to discussing it during the implementation workshops. The CAISO will work with parties to integrate UCAP elements into the final resource adequacy structure. The CAISO is also committed to providing historic forced

¹ Proposed Decision, pp. 37-39.

outage data to inform stakeholders about existing resource UCAP ratings and impacts during the workshop.²

1. The CAISO Supports Including Energy Sufficiency Requirements into the Resource Adequacy Framework, but the Commission Should Direct Parties to Reduce Complexity.

The CAISO strongly agrees with the Proposed Decision's efforts to introduce energy sufficiency requirements into the resource adequacy framework. However, introducing such requirements introduces greater complexity for all market participants and the Commission must ensure the resource adequacy program remains manageable and implementable. The CAISO is committed to working with parties to identify ways to simplify such a framework, while ensuring the resulting procurement portfolio covers the system's capacity, energy, ramping, and uncertainty needs.

Given the limited period of time to review Pacific Gas and Electric's (PG&E) Slice-of-Day proposal relative to other proposals, *e.g.*, Southern California Edison/California Community Choice Association's (SCE/CalCCA) joint proposal and CAISO's UCAP proposal, parties have not fully considered the feasibility and complexity of implementing and administering a Slice-of-Day framework.³ The CAISO encourages the Commission and parties to be open to considering other proposals during the implementation workshops. Additionally, a "walk before we run" strategy may be necessary to address critical and immediate system needs. For example, rather than starting with six time slices as the Slice-of-Day proposal suggests, the CAISO encourages parties to move from a single monthly peak load requirement to include a monthly net demand peak requirement as an important first step. The CAISO could support the systems changes needed to accommodate this program change for resource adequacy year 2023.

Through the Proposed Decision-directed implementation workshops, the CAISO also encourages parties to conduct additional analysis to ensure the selected "slices of day" shape

² CAISO, *Comments on Track 3B.2 Proposals*, R.19-11-009, March 23, 2021, pp. 4-5. The CAISO states that, "[it] is actively working to provide updated outage data to inform its UCAP proposal."

³ CAISO, *Resource Adequacy Track 2 Proposals*, R.19-11-009, February 21, 2020; PG&E, *Revised Track 3B.2 Proposals of the Pacific Gas and Electric Company*, R.19-11-009, December 18, 2020; SCE/CalCCA, *Track 3 Proposal*, R.19-11-009, August 7, 2020. PG&E's Slice of Day proposal was introduced into Track 3B.2 of the Resource Adequacy proceeding on December 18, 2020, while other proposals, such as the CAISO's UCAP proposal and SCE/CalCCA's Joint proposal were introduced on February 21, 2020 and August 7, 2020 respectively.

procurement to reflect distinct intraday load needs and sufficient resource duration to cover operational needs of the system. The CAISO is concerned that the selection of hour time slices in PG&E's proposal is not based on operational needs, but instead is driven by the current resource adequacy counting convention requiring a four-hour minimum duration for storage and demand response resources. The CAISO is concerned the Slice-of-Day proposal may create a sense of false precision that when translated into the operational time frame could still leave the system deficient in energy and capacity.

The CAISO believes the Proposed Decision underestimates the true complexity of PG&E's Slice-of-Day proposal in its current iteration, and encourages parties to work together to simplify the resource counting and showing requirements through the implementation workshops. This simplification is critical to reducing contracting burdens, especially for smaller load-serving entities (LSEs), and minimizing noncompliance risk and CAISO backstop procurement. The CAISO is concerned parties may encounter difficulties in procuring small amounts of resource adequacy capacity (*e.g.*, one to two megawatts of capacity). Further dividing obligations into separate slices could make compliance difficult for parties with very small load share, despite best faith efforts. Based on PG&E's proposed six slice framework, the CAISO is also concerned the proposal could create up to six different qualifying capacity (QC) values per resource, which is unnecessarily complex. The CAISO encourages parties to simplify resource counting to balance precision with administrative burden. Moreover, it is also unclear how PG&E's Slice-of-Day framework would ensure that local and flex resource adequacy needs are covered. The CAISO encourages parties to dedicate further discussion to consider how local area and system needs will be met through the resulting resource adequacy program.

2. The CAISO Must Administer and Ensure Resource Adequacy for All Local Regulatory Authorities.

The Slice-of-Day framework significantly reimagines the current resource adequacy program and the CAISO has reservations that it can be implemented and administered across all local regulatory authorities (LRAs) within its footprint. The CAISO respects each LRA's authority to develop its own resource adequacy framework and tries to reasonably accommodate variations; however, given the complexity of the Slice-of-Day framework it is unlikely the CAISO would be able to overhaul its tariff or internal systems to accommodate this timeframe with the urgency needed to reflect energy sufficiency in procurement, while

still accommodating other LRA RA frameworks. As noted above, there may be ways to quickly incorporate consideration of the net demand period or use the Slice-of-Day framework to improve upon the existing maximum cumulative capacity buckets. The CAISO is committed to collaborating with parties to find a workable accommodation. However, if the Commission ultimately adopts a Slice-of-Day resource adequacy framework for its load serving entities, the CAISO will work with parties to attempt to translate that framework into a list of shown resource adequacy resources, which fits into a capacity and energy resource adequacy framework the CAISO can administer across all LRAs. The CAISO would not implement procedures to validate individual slices of day, but instead would continue to use a single supply plan to validate resource adequacy sufficiency.

B. The CAISO Recommends the Commission Reconsider Multi-Year System Requirements in the Next Round of Resource Adequacy Reforms to Ensure Alignment between the Resource Adequacy Proceeding and the Integrated Resource Planning Proceeding.

The CAISO recommends the Commission continue to consider multi-year system resource adequacy procurement requirements in the next resource adequacy proceeding. The CAISO understands the Commission's immediate concerns regarding existing uncertainties in the resource adequacy program,⁴ but multi-year forward contracting is already occurring in the integrated resource planning (IRP) proceeding, which is not aligned with the resource adequacy proceeding. The Commission must ensure alignment and coordination so the significant IRP-related procurement is accounted for in the resource adequacy program.

Furthermore, the Commission should align the two proceedings by ensuring the resource adequacy program adopts, or takes as an input, requirements developed in the IRP proceeding. This will align procurement direction with on-the-ground contracting. For example, the IRP produces various model-driven outputs, such as a planning reserve margin (PRM) that meets a 0.1 loss of load expectation and more updated marginal effective load carrying capability (ELCC) values for wind, solar, and storage resources. In addition, the most recent IRP decision directed LSEs to procure storage resources with minimum duration requirements exceeding the current resource adequacy program minimum. The IRP

⁴ Proposed Decision, p. 44.

decision also directs procurement of other resources with specific characteristics not defined in the resource adequacy program. Furthermore, the reliability-based modeling in the IRP proceeding includes all 8,760 hours of the year, which can more clearly and effectively indicate the resource need during critical operating periods than static slice-of-day definitions.

Misalignment between the resource adequacy proceeding the IRP can cause unintended consequences. For example, the IRP specifies the need for a PRM in excess of 15% to meet reliability standards, resulting in an IRP portfolio with more resources than required to meet the resource adequacy program's PRM. If more resources are available than needed under resource adequacy requirements, then new IRP-directed resource procurement may simply substitute for existing capacity rather than add to it. The total resultant portfolio under the resource adequacy program will then fail to meet the 0.1 loss of load expectation calculated under the IRP proceeding. The Commission should align the two proceedings now and commit to adopting multi-year forward contracting by the time it adopts longer-term changes to the resource adequacy program.

III. Conclusion

The CAISO appreciates the opportunity to provide comments on the Proposed Decision and looks forward to working with the Commission and parties in workshops to discuss these critical issues.

Respectfully submitted

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