

**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 23-10-011

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON ADMINISTRATIVE LAW JUDGE'S RULING ON REVISED SLICE OF DAY
CALIBRATION TOOL AND COMMENT SCHEDULE**

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I. Introduction

Pursuant to the August 30, 2024 *Administrative Law Judge’s Ruling on Revised Slice of Day Calibration Tool and Comment Schedule* (Ruling), the California Independent System Operator Corporation (CAISO) hereby submits its opening comments to the California Public Utilities Commission (Commission). The Ruling provides Energy Division’s revised Slice of Day (SoD) Planning Reserve Margin (PRM) calibration tool and translation of the annual Loss of Load Expectation (LOLE) study for 2026.

The CAISO supports Energy Division’s revisions to its 2026 LOLE study and SoD PRM calibration tool. The updates result in a revised PRM recommendation for 2026 that Energy Division stress tested to meet a 0.1 LOLE across the year: a 26.5% PRM for January to May and a 23.5% PRM for June to December. These new values best achieve a 0.1 LOLE across the year. Accordingly, the CAISO supports Energy Division’s updated PRM recommendation.

In general, the Commission should adopt a PRM for the resource adequacy (RA) program that meets a 0.1 LOLE across the year. To ensure the PRM meets a 0.1 LOLE across the year, the Commission should also adopt Energy Division’s stress tests as a formal part of the process to set the PRM. Finally, the Commission should establish a regular process to set the PRM in the RA program based on the results of an LOLE study each year.

II. Discussion

A. The CAISO Supports Energy Division's LOLE Study Revisions and PRM Recommendation for 2026.

The CAISO supports Energy Division's adjustments to the 2026 LOLE study and SoD PRM calibration tool, including corrections to wind and solar exceedance profiles to adjust for Daylight Savings Time as well as corrections to the storage dispatch model. Additionally, the CAISO supports Energy Division's revised PRM stress test determining the appropriate PRM level to support a 0.1 LOLE across the year.

Based on these revisions, Energy Division recommended an updated PRM for 2026: a 26.5% PRM for January to May and a 23.5% PRM June to December. The CAISO supports the updated PRM recommendation for several reasons. First, the new PRM values reflect PRM levels required to meet a 0.1 LOLE across the year for 2026. Second, Energy Division stress tested the updated PRM recommendation to ensure it meets a 0.1 LOLE across the year. Third, the updated PRM recommendation, tested to meet a 0.1 LOLE, also better aligns RA requirements with the 0.1 LOLE reliability target in the Integrated Resource Plan (IRP) proceeding. Accordingly, the updated PRM recommendation best supports RA requirements that will produce a reliable RA portfolio.

B. The Commission Should Adopt a PRM for the RA Program that Meets a 0.1 LOLE Across the Year.

In general, the Commission should adopt a PRM for the RA program that meets a 0.1 LOLE across the year, based on the results of an LOLE study. A 0.1 LOLE reliability target is an industry-accepted measure of supply sufficiency and can help prevent capacity shortfalls.¹ Additionally, setting RA requirements to meet a 0.1 LOLE will better align RA requirements with resource planning and procurement in the IRP proceeding.

¹ In prior comments, the CAISO also suggested the Commission could consider whether alternative measures of reliability such as expected unserved energy (EUE) or loss of load hours (LOLH) are viable reliability targets. EUE and LOLH metrics provide information about the reliability of the RA portfolio that is complementary to the LOLE metric. While LOLE estimates whether form load shed will occur, EUE estimates the amount of unserved load and LOLH estimates the duration of load shed. *See* CAISO Opening Comments on Track 2 Proposals, August 9, 2024, pp. 2-3.

C. The Commission Should Adopt Stress Testing as a Formal Part of the Process to Set the PRM Each Year.

The CAISO appreciates Energy Division implementing a stress test to ensure the PRM recommendation for 2026 meets a 0.1 LOLE across the year. The Commission should adopt Energy Division's PRM stress testing as a formal part of the process to set the PRM. Stress testing is critical to confirm the PRM selected will result in RA requirements that produce a reliable RA portfolio.

D. The Commission Should Establish a Regular Process to set the PRM in the RA Program Based on the Results of an LOLE Study Each Year.

The CAISO appreciates Energy Division's collaborative efforts to review and iterate the LOLE study, PRM calibration tool, and stress testing processes for the 2026 RA compliance year with parties in the RA proceeding. Involving parties in the LOLE study process allows parties to better understand and validate the results of Energy Division's analyses.

The Commission should establish a regular process to set the PRM in the RA program based on the results of an LOLE study each year. This process should involve the following elements: (1) Energy Division staff develops and reviews LOLE study inputs and assumptions with parties and provides opportunities for informal or formal comments; (2) Energy Division reviews LOLE study results and PRM recommendations with parties and provides opportunities for formal comments; and (3) the Commission adopts a PRM based on the results of the Energy Division LOLE study, PRM translation process, and PRM stress testing.

The Commission should also establish a regular cadence for performing LOLE studies so that inputs and assumptions reflect current conditions and Commission-adopted resource counting rules. LOLE studies rely on inputs that can materially affect the calculation of the PRM, including the California Energy Commission's demand forecast, RA counting rules, forced outages rates, assumptions about hydro conditions, and assumptions about new resources on the CAISO system. Because these inputs change regularly, the Energy Division should regularly update its LOLE studies and PRM recommendations to ensure accurate study results.

III. Conclusion

The CAISO appreciates the opportunity to provide opening comments on Energy Division's revised SoD PRM calibration tool and translation of the annual LOLE study results for 2026.

Respectfully submitted

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