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

Order Instituting Rulemaking to Consider Refinements to and Further Development of the Commission's Resource Adequacy Requirements Program.

Rulemaking 05-12-013  
(Filed December 15, 2005)

**ASSIGNED COMMISSIONER'S RULING ON  
STAFF REPORT REGARDING TRACK 2 ISSUES**

**Summary**

This ruling authorizes and directs the Commission's Energy Division staff to collaborate with the California Independent System Operator (CAISO) in preparing a report on certain issues in Track 2 of Phase 2. Changes to the Track 2 procedural schedule are adopted to accommodate this collaborative approach.

**Discussion**

Pub. Util. Code Section 380 (a) provides that "[t]he Commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities." In accordance with this legislative direction, the Commission's Energy Division staff has been closely coordinating with CAISO staff on RA program implementation issues during the past two years.<sup>1</sup>

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<sup>1</sup> This ongoing coordination process includes weekly conference calls and periodic face-to-face meetings of key representatives of the Energy Division and the CAISO.

As one outgrowth of this consultative process, the CAISO and the Energy Division have identified a significant need to ensure that this Commission's consideration of proposals for a centralized capacity market (CCM) is fully informed by the CAISO's concerns as well as its expertise regarding the potential establishment of a CCM for the CAISO control area. These concerns focus on the likelihood that, if approved by the Commission, a CCM would be implemented and administered by the CAISO. It is clear that before a functioning CCM could be in place, a host of complex technical issues would need to be addressed in integrating a CCM into the CAISO's Market Redesign and Technology Upgrade (MRTU) process.

In discussions with the Energy Division, the CAISO has offered to use its stakeholder process to help develop the CCM proposals with the objective of building consensus around a single CCM proposal. To the extent consensus is not reached, the CAISO could provide analysis of the functionality and/or policy concerns raised by alternate proposals within MRTU and other processes. All parties to the Commission's RA proceeding would be able to participate in the CAISO stakeholder process, which could result in a CCM proposal supported by the CAISO and multiple parties. We appreciate the CAISO's willingness to take a lead party role in addressing CCM issues and potentially reducing the number of proposals to those best able to meet Commission goals. The CAISO should serve notice of the stakeholder meetings on the service list for this proceeding.

In addition, the Energy Division and the CAISO have jointly determined that the need for a fully developed record on CCM issues would be best met if the Energy Division and the CAISO collaborate in the preparation of the Track 2

Staff Report.<sup>2</sup> I find that this proposed collaborative approach appears well-calculated to ensure that the CAISO's unique concerns regarding the potential approval of a CCM are fully considered by the Commission. Moreover, the proposed collaborative approach is clearly consistent with the directive of Pub. Util. Code § 380(a) that the Commission shall consult with the CAISO in developing the RA program. I therefore approve and direct its use for Track 2.

I hereby emphasize that this ruling's provision for Energy Division/CAISO collaboration on CCM-related issues in no way represents a determination that a CCM is the preferred approach for California. As stated in the Phase 2 Scoping Memo, Track 2 is established to consider a CCM approach along with a bilateral trading approach and other possible alternatives for the long-term RA program. Whether or not a CCM approach will be approved for California will only be determined at the conclusion of the Track 2 process, after the record has been fully developed.

I note that parties will have an opportunity to comment on the issues raised in the Track 2 Staff Report, including the concerns of the CAISO regarding a CCM that are addressed in that report. I note further that the CAISO is and will remain a party to this proceeding. While the CAISO and the Energy Division will collaborate in the development of the Track 2 Staff Report, the CAISO and its representatives will not, in any way, be permitted to participate in the Commission's deliberative process for this proceeding.

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<sup>2</sup> The December 22, 2006 *Assigned Commissioner's Ruling and Scoping Memo for Phase 2* (Phase 2 Scoping Memo) provides that the Energy Division will issue its *Staff Report on Track 2 Issues* on September 26, 2007. As set forth below, the schedule for issuance of the Track 2 Staff Report and subsequent events is modified by this ruling.

To ensure that there is adequate time for the Energy Division/CAISO collaboration provided for herein, I hereby extend the date for issuance of the Track 2 Staff Report by approximately 5½ weeks, and revise other due dates accordingly. The revised Track 2 schedule is set forth below:

**Revised Resource Adequacy Phase 2/Track 2 Schedule**

Dates	Description
July 13, 2007	Pre-workshop reply comments on Track 2 proposals filed
Aug. 15, 2007	Workshops on Track 2 Issues begin
Aug. 31, 2007	Workshops on Track 2 Issues end
Nov. 2, 2007	Staff Report on Track 2 Issues
Nov. 30, 2007	Comments on Staff Report on Track 2 Issues filed
Dec. 14, 2007	Reply Comments on Staff Report on Track 2 Issues filed
Jan. 29, 2008	Proposed Decision
Feb. 18, 2008	Comments on proposed decision filed
Feb. 25, 2008	Reply comments on proposed decision filed
Feb. 28, 2008	Final Decision

**IT IS RULED that:**

1. In accordance with the foregoing discussion, the Energy Division Staff is authorized and directed to collaborate with the California Independent System Operator (CAISO) in the preparation and issuance of the September 26, 2007 *Staff Report on Track 2 Issues*.
2. The revised Phase 2/Track 2 schedule set forth above is adopted.
3. While development of the *Staff Report on Track 2 Issues* will be a collaborative effort of Energy Division and CAISO representatives with respect to CCM issues, Energy Division bears ultimate responsibility for the issuance of the report.

4. While CAISO staff are invited to submit a proposal and/or recommendations regarding desirable features for a CCM for inclusion in a CPUC staff report, Energy Division staff shall engage in a robust analysis of the feasibility and/or policy concerns arising from CAISO's and other parties' proposals or comments that result from the CAISO's stakeholder process.

5. This ruling is issued without prejudice to the determination of whether or not the Commission should endorse or approve a centralized capacity market approach to resource adequacy.

6. The CAISO is a party to this proceeding and shall not participate in the Commission's deliberations on the matters at issue.

Dated May 25, 2007, at San Francisco, California.

/s/ MICHAEL R. PEEVEY

Michael R. Peevey  
Assigned Commissioner

**INFORMATION REGARDING SERVICE**

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated May 25, 2007, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis