

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



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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.

Rulemaking 20-11-003  
(Filed November 19, 2020)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION RESPONSES  
TO RULING PROPOSALS AND QUESTIONS**

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**I. Introduction**

The California Independent System Operator Corporation (CAISO) submits its comments on the *E-mail Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021* (Ruling) issued on December 11, 2020.

The CAISO greatly appreciates the Commission's efforts to increase and expedite resource adequacy procurement to address summer 2021 reliability. The CAISO's responses to questions posed in the Ruling complement the CAISO's recommendations included in opening and reply comments on the Order Instituting Rulemaking (OIR).

**II. Discussion**

In this section, the CAISO responds to the specific proposals and questions posed in the Ruling. The CAISO reproduces the questions prior to providing its response and omits any questions for which the CAISO does not have a response at this time.

**A. The Commission Should Adopt the Procurement Types Proposed in the Ruling.**

The CAISO strongly supports the initial procurement types proposed in the Ruling with one modification explained in response to Question 3 below. Specifically, the CAISO supports consideration of: (1) incremental efficiency upgrades to existing power plants; (2) re-contracting for generation that is at-risk of retirement; (3) incremental energy storage capacity; and (4) imports backed by firm transmission rights and not recallable by the host balancing authority when system conditions are tight throughout the West.

On December 17, 2020, the CAISO Board of Governors approved reliability must-run (RMR) designation for Midway Sunset Cogen, whose operators had submitted a notice of retirement on September 28, 2020.<sup>1</sup> The CAISO denied the retirement request because it determined that the resource is needed to support system-wide reliability needs for summer 2021. Should the resource secure a resource adequacy contract for the available 248 MW of capacity, the RMR contract will not be executed. Also, on March 26, 2020 the CAISO Board of Governors approved RMR designation for three other units in local areas totaling almost 150 MW.<sup>2</sup> Of the three units, one is currently not under either an RMR or resource adequacy contract.

The CAISO also supports tolling agreements so load serving entities have greater ability to manage through periods of stressed grid conditions. This is especially true for newer technologies whose record of performance and response in the market is relatively limited.

Lastly, the Ruling specified “firm forward imported energy contracts” but the CAISO strongly advocates the Commission consider imports backed by firm transmission rights and not recallable by the host balancing authority when system conditions are tight throughout the West.

### ***Questions Regarding Procurement Type***

**1. In considering incremental authorization for procurement, what parameters should the Commission place contracts regarding pricing, contract term, and operational characteristics?**

The Commission should specifically require resources to be able to operate through the net demand period with a focus on operability at 8 p.m., as described in the CAISO’s opening comments.<sup>3</sup> This will ensure that the grid has access to resources that can serve high loads later in the evening after the sun has set.

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<sup>1</sup> See: <http://www.aiso.com/Pages/documentsbygroup.aspx?GroupID=14EFD177-7A92-4E4C-8C6B-E5718AEC6858>.

<sup>2</sup> See: <http://www.aiso.com/Pages/documentsbygroup.aspx?GroupID=95DD1499-4A5C-4F12-8AA4-E66E3564FC4C>.

<sup>3</sup> CAISO opening comments, introduction and response to Question 9.

**3. Should procurement that cannot achieve a commercial operation date by June 1, 2021 also be considered in this procurement authorization?**

The Commission and load serving entities should prioritize procuring resources that can achieve commercial operation (COD) by June 1, 2021, but should not completely discount resources that may achieve a slightly later COD. As the CAISO noted in opening comments, incremental system resource needs are forecasted to be greatest during September 2021.<sup>4</sup> Therefore, the Commission and LSEs should also consider resources that can achieve a COD before September 2021 and meet the operational requirements noted above.

The CAISO also clarifies that the monthly capacity need it specified in opening comments is for the entire CAISO footprint. Commission-jurisdictional load serving entities collectively comprise approximately 91% of the CAISO peak load.

**5. Are there additional specific issues the Commission should consider in authorizing procurement to ensure that the procurement is cost-effective under the existing circumstances, would addresses system needs, and be in the public interest?**

The CAISO greatly appreciates the Commission's efforts to increase resource adequacy procurement to address summer 2021 reliability. Importantly, this incremental procurement should be tied to an increase in the planning reserve margin (PRM) to 20% for two critical reasons. First, increasing the PRM will ensure new resources do not substitute for existing capacity, thus leading to little or no net increase in the resource adequacy resource fleet. Second, increasing the PRM will allow the CAISO to use its capacity procurement mechanism (CPM) to backstop to the higher PRM.

Parties have raised concerns that increasing the PRM might result in incremental resources receiving double payments for capacity—as both a resource adequacy resource and through a CPM designation. They suggest this could occur when a resource is under contract, but cannot be shown on a resource adequacy plan because it has not achieved COD during the month-ahead showing period (*i.e.*, 45 days prior to the showing month).

The CAISO notes that if it designates such a resource as CPM capacity to remedy a deficiency in monthly resource adequacy showings or to meet an operational need, the resource may still accept the CPM designation but decline the CPM *payment* or otherwise offer the

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<sup>4</sup> CAISO opening comments, Table 2, p. 16.

capacity for no additional costs. This would address any potential double payment concerns for new resources that are paid as resource adequacy capacity but cannot be shown as such due to existing process timelines.

**B. The CAISO Provides Additional Clarification on the CAISO's Actions With Regard to the Interconnection Process.**

The CAISO provides an update below to the on proactive efforts the CAISO has made to expedite the interconnection process.

***Questions Regarding Procurement Process***

**7. Can or should actions be taken to expedite the permitting and interconnection processes associated with this procurement?**

At the end of 2019, the CAISO conducted a special interconnection review for resources co-located at existing renewable generation sites or resources with an existing interconnection request to enable the rapid deployment of storage at those sites.<sup>5</sup> This interconnection review, known as the material modification assessment, revealed that out of the total requests to add 10 gigawatts (GW) of battery storage resources, over 8 GW were accepted without needing to undergo the CAISO's Generator Interconnection and Deliverability Allocation Procedures, a process that is performed over a two-year period. This means more than 8 GW of battery storage resources can proceed without needing additional interconnection studies. The CAISO believes this special review will greatly facilitate the addition of battery storage resources and address grid needs at the 8 p.m. critical hour of need after the system peak.

**C. The CAISO Supports the Proposed Procurement Cost Recovery and Ratemaking Treatment.**

As noted in reply comments to the OIR, the CAISO supports (1) electric investor-owned utilities procuring incremental resources needed for summer 2021 on behalf of all customers in their service territories and (2) the Commission adopting a cost allocation mechanism to support

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<sup>5</sup> <http://www.aiso.com/Pages/documentsbygroup.aspx?GroupID=EF2158F2-93A7-45A3-94DB-2D02262D6E6A>.

this procurement.<sup>6</sup> These mechanisms will facilitate a coordinated effort to obtain available and effective resources.

### **III. Conclusion**

The CAISO appreciates the opportunity to submit these responses in a collaborative goal of ensuring electric reliability for summer 2021. The CAISO looks forward to working with the Commission, CEC, and parties to implement the necessary steps to maintain system reliability.

Respectfully submitted,

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<sup>6</sup> CAISO reply comments, p. 4.