

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



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

Rulemaking 25-10-003

**COMMENTS OF THE WESTERN POWER TRADING FORUM
ON TRACK 1 PROPOSED DECISION**

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SUMMARY OF RECOMMENDED CHANGES

WPTF recommends that the Track 1 Proposed Decision (PD) be modified as follows:

- **UCAP Implementation Process:** Clarify that the outstanding UCAP implementation issues identified in the PD, including development of a UCAP methodology for hybrid and co-located storage resources, will be resolved through a dedicated workshop and comment/reply comment process in Track 2 of this proceeding (or a successor proceeding), with sufficient time for meaningful stakeholder input prior to the 2028 RA compliance year.
- **Hybrid and Co-Located Resources:** Provide that if the UCAP methodology for hybrid and co-located storage resources cannot be fully developed and adopted in Track 2, implementation of UCAP for those resources shall be delayed until the 2029 RA compliance year to ensure the methodology is technically sound, avoids double-counting or other distortions, and does not create contracting or compliance uncertainty.
- **Imbalance Reserve Products:** Exclude Imbalance Reserves (IR) from the zero-dollar bid and revenue allocation requirements derived from Decision 05-10-042. This is consistent with CAISO's characterization of IR as a reserve/flexibility product (not a capacity product) co-optimized in the Integrated Forward Market, and the revised staff proposal presented at the Track 1 workshop (no zero-dollar bid requirement for IR provided the contract directs revenues to the buyer). Alternatively, if the Commission proceeds with applying the zero-dollar bid and revenue allocation requirements to the new DAME products (including Imbalance Reserves), the PD should be revised to clearly specify how those requirements are intended to apply to existing RA contracts.

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	COMMENTS.....	2
	A. WPTF Supports the PD’s Adoption of Staff’s Proposed UCAP Framework for 2028, Subject to a Clear and Robust Track 2 Process for Resolving Outstanding Implementation Details.....	2
	B. If Development of the UCAP Methodology for Hybrid and Co-Located Resources Cannot Be Completed in Track 2, UCAP Implementation for Such Resources Should Be Delayed to the 2029 Compliance Year.....	4
	C. The PD Errs in Extending the D.05-10-042 Rules to Imbalance Reserves. .	5
	D. The PD Fails to Clearly Specify How the D.05-10-042 Rules Are Intended to Apply to Existing Contracts.	9
III.	CONCLUSION	10

Appendix A - Proposed Revised Findings and Conclusions

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In accordance with Rule 14.3 of the Commission’s Rules of Practice and Procedure, the Western Power Trading Forum (“WPTF”) hereby submits these opening comments on Administrative Law Judge Debbie Chiv’s proposed decision (“PD”) issued on June 1, 2026 and titled *Adopting Local Capacity Obligations for 2027-2029, Flexible Capacity Obligations for 2027, and Program Refinements*.

I. INTRODUCTION

WPTF is a trade association with a diverse membership of energy market participants, including independent power producers, power marketers, and financial institutions active in Western electricity markets. WPTF’s members rely on transparent price signals, contracting certainty, and non-discriminatory market rules to make investment and operational decisions that support grid reliability at reasonable cost to ratepayers. WPTF thus has a strong interest in the efficient design and operation of the Resource Adequacy (“RA”) program and its interaction with California Independent System Operator (“CAISO”) market design.

The PD addresses important Track 1 issues, including adoption of Local Capacity Requirements for 2027-2029, Flexible Capacity Requirements for 2027, and various RA program refinements. WPTF's comments are focused on two areas where the PD, while directionally positive, contains omissions and errors that should be addressed with modifications: (1) the process for resolving outstanding Unforced Capacity ("UCAP") framework implementation issues in Track 2; and (2) the extension of zero-dollar bidding and revenue requirements to Imbalance Reserve products.

II. COMMENTS

A. **WPTF Supports the PD's Adoption of Staff's Proposed UCAP Framework for 2028, Subject to a Clear and Robust Track 2 Process for Resolving Outstanding Implementation Details.**

WPTF generally supports the PD's adoption of Energy Division's proposed UCAP framework, as modified by the PD, for implementation beginning with the 2028 RA compliance year.¹ WPTF agrees with the PD's conclusion that UCAP, properly designed, can bring greater consistency to resource accreditation, better reflect resource-specific forced outage risk, and incentivize procurement of more reliable and effective capacity. WPTF also supports the PD's adoption of a modified version of CESA's proposed definition of "forced outage," the use of RA Measurement Hours for in-demand assessment, the best-three-of-four-years data approach, and the unit-specific Option 1 phase-in for 2028.

In its Track 1 Comments, WPTF recommended that the Commission defer a decision on whether to adopt and implement UCAP until Energy Division's proposal was updated to address several foundational issues and subjected to further vetting through

¹ PD at 161, Ordering Paragraph ("OP") 13.

a workshop and comment process.² Those foundational issues included: (1) whether UCAP-adjusted or Installed Capacity (“ICAP”)-based Qualifying Capacity (QC) and Planning Reserve Margin (“PRM”) values should be transmitted to CAISO for must-offer obligations, backstop procurement authority, and deliverability allocations; and (2) development of a UCAP methodology for the storage component of hybrid and co-located resources. While the PD did not defer adoption, it appropriately identified these and other issues as “outstanding implementation details” to be addressed in Track 2.³ WPTF supports this approach.

WPTF is a bit concerned, however, that the PD does not specify the process by which the aforesaid implementation details will be resolved in Track 2. The PD states only that the Commission “encourages Energy Division and stakeholders to continue working on the outstanding implementation details and submit proposals in Track 2.”⁴ This is insufficient. Given the complexity and consequential nature of the issues—particularly the interaction of UCAP with CAISO’s must-offer, backstop, and deliverability processes, and the development of a technically sound methodology for hybrid and co-located resources, WPTF recommends that the PD be modified to expressly direct a structured workshop and comment/reply comment process in Track 2. Such a process would ensure transparency, allow for iterative refinement of proposals, and provide the Commission with a robust record on which to base final determinations before UCAP values are published and used for the 2028 compliance year.

² WPTF Track 1 Comments at 2-7.

³ PD at 161, OP 14.

⁴ PD at 83.

B. If Development of the UCAP Methodology for Hybrid and Co-Located Resources Cannot Be Completed in Track 2, UCAP Implementation for Such Resources Should Be Delayed to the 2029 Compliance Year.

The PD correctly points out that Energy Division’s UCAP proposal did not include a UCAP calculation methodology for hybrid resources and that “a methodology should be developed prior to UCAP implementation.”⁵ The PD notes further that CAISO’s OMS reporting does not distinguish between the energy and storage components of hybrid resources, creating a risk of double-counting or overstatement of unavailability if outages are reported at the resource ID level.⁶ Despite these acknowledged complexities, the PD adopts the broader UCAP framework without delaying implementation for hybrids, stating that adoption “need not be delayed while a hybrid methodology is developed.”⁷

WPTF agrees with the PD’s assessment that UCAP implementation should not be delayed pending the development of a UCAP methodology for hybrid resources. WPTF is concerned, however, that the Track 2 schedule, with a proposed decision on Track 2 issues presumably being issued by mid-May 2027, does not allow sufficient time to not only develop such a UCAP methodology for hybrid resources but also for the CAISO to implement any system, process, tariff and/or Business Practice Manual modifications that may be needed to accommodate that methodology.

Rushing the development of a hybrid methodology could produce a technically flawed or inequitable result that distorts accreditation, creates contracting uncertainty, and undermines the reliability objectives UCAP is intended to advance. Given that

⁵ PD at 78.

⁶ PD at 72 (summarizing CAISO’s Track 1 Comments).

⁷ PD at 78.

hybrid and co-located storage resources represent an ever-growing and increasingly important part of California’s resource mix, getting the UCAP treatment of such resources right is simply essential. WPTF submits that if the Commission and stakeholders cannot develop and adopt a sound UCAP methodology for hybrid and co-located storage resources in Track 2—on a timeline that allows for publication of accurate UCAP values in 2027 for the 2028 compliance year and implementation of any corresponding CAISO system changes, then implementation of UCAP for such resources should be delayed until the 2029 RA compliance year. This measured approach would allow time for proper development without compromising the overall 2028 implementation timeline for thermal and stand-alone storage resources.

C. The PD Errs in Extending the D.05-10-042 Rules to Imbalance Reserves.

In its Track 1 Comments, WPTF urged the Commission to adopt CAISO’s proposal to eliminate CPUC-imposed zero-dollar bid or revenue allocation restrictions for RA resources once the CAISO’s new Day-Ahead Market Enhancements (DAME) products—Reliability Capacity Up/Down (“RCU/RCD”) and Imbalance Reserves (“IR”)—went into effect, and to instead allow unrestricted, market-based bidding and full revenue eligibility without pre-determined contract-specific conditions.⁸ WPTF is disappointed that the PD instead adopts staff’s original proposal and extends the zero-dollar bidding and revenue allocation requirements adopted in Decision (D.) 05-10-042 to not only the new Reliability Capacity products but also to the new Imbalance Reserve products.⁹

⁸ WPTF Track 1 Comments at 8-9.

⁹ PD at 162, OP 15.

The PD errs in doing so for several independent and compelling reasons. First, Imbalance Reserves are not a capacity or reliability product in the sense contemplated by D.05-10-042. As CAISO explained in its Track 1 proposal,¹⁰ and as reflected in the PD's discussion of related proposals, Imbalance Reserves are reserve/flexibility products that are co-optimized with energy and ancillary services in CAISO's Integrated Forward Market ("IFM"), not in the Residual Unit Commitment ("RUC") process. They provide intra-hour flexibility to manage uncertainty between day-ahead schedules and real-time conditions—functionally akin to the existing Flexible Ramping Product—rather than the inter-hour flexibility provided by RUC products. Requiring RA resources to bid Imbalance Reserves at zero dollars and directing any resulting revenues to the RA buyer fundamentally mischaracterizes the product and applies rules designed for capacity products to a flexibility/reserve product.

WPTF's primary concern is that imposing a zero-dollar bid requirement for Imbalance Reserves will distort both RA prices and energy market prices, in ways that will undermine efficient market outcomes and invite scrutiny under the Federal Power Act. The CAISO market is designed to reveal the marginal value of products needed to operate the grid through competitive price formation. Imbalance Reserves compensate resources for preserving flexible capability that may be needed in real time. That capability has real opportunity costs, e.g., storage state-of-charge management, thermal resource operating plans, and the risk of real-time buyback. If a large share of supply is required to bid at zero, the resulting market clearing price will no longer reflect the bid

¹⁰ CAISO Track 1 Proposals at 3.

resource's true opportunity cost or the marginal value of preserving flexibility; it will instead reflect an administrative bidding mandate.

Because Imbalance Reserves are co-optimized with energy and ancillary services, zero-dollar bids will distort the market's ability to make least-cost trade-offs among competing uses of the same resource capability. A megawatt of flexible capacity may be most valuable for energy, ancillary services, or Imbalance Reserves, depending on varying system conditions. Forcing one of those products into the market at zero will prevent the CAISO's optimization from properly comparing relative values and, thus, could result in inefficient allocations of both Imbalance Reserves and energy, ultimately increasing wholesale costs to ratepayers. This is precisely the concern raised by CAISO, WPTF, and many other stakeholders in their Track 1 comments.

To compound matters, the resulting market distortions will not be limited to RA resources. Market clearing prices apply to all resources that clear the product, including non-RA resources. Suppressing IR prices through a zero-dollar bid mandate for CPUC-jurisdictional RA resources will suppress the marginal clearing price paid to every supplier of the product. This spillover effect means that resources that did not receive an RA payment—and that may therefore be relying on market revenues to justify making flexible capability available—will also receive the suppressed price. The potential harms thus extend to investment signals: developers and asset owners will receive a misleading signal that flexibility has little incremental value, weakening incentives to invest in the very capabilities the CAISO DAME initiative is intended to procure.

The zero-dollar bid mandate will also prevent the Commission and stakeholders from discerning whether and how the rule affects market prices. DAME is a new market design. Stakeholders will need to evaluate whether IR requirements are appropriately

calibrated, whether the product is being procured efficiently, and whether the market is producing reasonable outcomes. Prices are the essential signal for that evaluation. If prices are suppressed by administrative bidding requirements, low IR prices could be misread as evidence that the product is inexpensive or over-procured, when in reality the price is an artifact of the mandate. The Commission will simply not know whether the new market design is working as intended.

At bottom, the issue is not whether customers should “pay twice” for the same capacity. The simple fact is that IR is not a capacity product; rather, it is a flexibility reserve product whose value reflects opportunity costs and real-time system needs. Imposing a zero-dollar bid requirement on Imbalance Reserves will prevent the CAISO market from discovering the new product’s value and instead will substitute an administrative rule for market-based price formation. This is a significant departure from the Commission’s traditional role and one that has spillover effects on the broader CAISO and EDAM markets, thereby giving rise to federal policy and jurisdictional implications.

To avoid these clearly sub-optimal outcomes, the PD should be modified to exclude Imbalance Reserves from the extension of the D.05-10-042 rules to the new DAME products. Alternatively, and at a minimum, the PD should be modified to adopt a modified version of staff’s proposal,¹¹ such that the zero-dollar bid requirement will not apply to Imbalance Reserves, provided that the underlying contract provides for any resulting revenues to flow to the RA buyer, subject to the DAME Transitional Measures.

¹¹ Energy Division Track 1 Proposals at 29.

D. The PD Fails to Clearly Specify How the D.05-10-042 Rules Are Intended to Apply to Existing Contracts.

A separate but equally important concern is that the PD does not clearly specify how the Commission intends for the new zero-dollar bid and revenue allocation requirements for RC and IR products to apply to existing RA contracts. While the PD refers to “future” RA contracts,¹² the PD’s discussion of the issue leaves ambiguous whether (and to what extent) the extended D.05-10-042 rules are intended to affect existing contracts, whether parties are expected to make good-faith efforts to amend existing contracts, how the DAME Transitional Measures adopted by CAISO are intended to interact with existing contractual arrangements, and what the Commission’s expectations are for revenue allocation under contracts that pre-date the PD.

This lack of clarity will create uncertainty for contracting parties and could lead to disputes, inconsistent implementation, or unintended impacts on existing commercial arrangements. Existing contracts may or may not have anticipated IR revenues, and parties should therefore have some flexibility to address revenue allocation through negotiation or the DAME Transitional Measures. If the Commission proceeds with extending the D.05-10-042 requirements to the new DAME products (including Imbalance Reserves), it should at a minimum revise the PD to clearly articulate how those requirements are intended to apply to existing RA contracts, including the role of the DAME Transitional Measures and whether any good-faith amendment process is expected or required.

¹² PD at 162, OP 15.

III. CONCLUSION

For the reasons discussed above, WPTF recommends that the PD be modified to:

- Clarify that the outstanding UCAP implementation issues will be resolved through a dedicated workshop and comment/reply comment process in Track 2 of this proceeding (or a successor proceeding).
- Provide that if the UCAP methodology for hybrid and co-located storage resources cannot be fully developed and adopted in Track 2, implementation of UCAP for those resources shall be delayed until the 2029 RA compliance year.
- Exclude Imbalance Reserves from the zero-dollar bid and revenue allocation requirements derived from D.05-10-042.
- Clarify the intended treatment of existing contracts under the extended D.05-10-042 rules.

WPTF appreciates the Commission's consideration of these comments and recommendations.

Respectfully submitted,

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APPENDIX A PROPOSED FINDINGS AND CONCLUSIONS

Findings of Fact

23. Based on CAISO's Business Practice Manual and CAISO's current tariff, the Commission finds that IR products are not capacity products for purposes of the Commission's RA program.

Conclusions of Law

18. The Commission maintains and affirms the policy rules established in D.05-10-042 for offering RA capacity products into the CAISO market. As IR products are deemed not to be capacity products for purposes of the RA program, D.05-10-042 ~~applies~~ does not apply to IR products.