

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

Order Instituting Rulemaking to Oversee)	
the Resource Adequacy Program, Consider)	Rulemaking 11-10-023
Program Refinements, and Establish Annual)	(Filed October 27, 2011)
Local Procurement Obligations.)	
_____)	

**REPLY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE ORDER INSTITUTING RULEMAKING**

In accordance with the Order Instituting Rulemaking (OIR) issued on October 27, 2011 by the California Public Utilities Commission (CPUC or Commission), the California Independent System Operator Corporation (CAISO) respectfully submits its reply comments to the comments submitted by other parties about the preliminary matters pertaining to the scope, schedule, and administration of this proceeding, as described in the OIR and Appendix A, Candidate Issues and Topics Identified by the Energy Division.

I. DISCUSSION

The CAISO generally supports the candidate issues and topics identified in OIR Appendix A as matters that the Commission should include for consideration within the scope of Phase 1 of this proceeding. The CAISO's initial comments discussed the issues which are a priority to the CAISO. These reply comments will focus on two issues other than those listed in Appendix A that the parties' comments addressed as possible refinements to the resource adequacy (RA) program. The issues are a seasonal local capacity requirement and the replacement rule.

A. Seasonal Local Capacity Requirement

San Diego Gas & Electric Company (SDG&E) requests that the Commission include a placeholder in Phase 1 for consideration of a seasonal local capacity requirement (LCR). As the basis for this request, SDG&E references the CAISO's agreement in the last RA proceeding to prepare a seasonal LCR study as a topic for discussion at this year's stakeholder meeting on the CAISO's local capacity technical study.¹ The comments of the Division of Ratepayer Advocates support the adding to Candidate Issue #1 the issue of a seasonal LCR for the San Diego area.² EnerNOC, Inc., and Converge, Inc., recommend that the issue be deferred to Phase 2.³

The CAISO does not object to SDG&E's request for a placeholder for this topic. Consistent with its prior agreement, the CAISO included the seasonal LCR as a discussion item at the stakeholder meeting on the 2013 CAISO LCR study criteria, methodology and assumptions that was recently held on November 10, 2011. The CAISO staff discussed the concerns with the current methodology that were raised by stakeholders and the main policy and technical issues that need clarification, such as the granularity of the studies to be performed, the load forecast to be used, the outages to be assumed, and the extent of deliverability by imports and resources to be assumed for other seasons. The CAISO will continue to work with stakeholders to resolve these issues. As the CAISO indicated in the prior RA proceeding, if appropriate parameters can be developed and agreed upon by stakeholders, the CAISO, in conjunction with the 2013 local capacity technical study, will perform a pilot study to analyze what the seasonal LCR would be for SDG&E's service area for the non-summer months.

¹ SDG&E Comments, pp. 4-5.

² DRA Comments, pp. 2-3.

³ EnerNOC and Converge Joint Initial Comments, p. 5.

Although the CAISO does not object to SDG&E's request for a placeholder for this topic, the CAISO continues to oppose adoption of a seasonal local RA requirement because it is not feasible and could increase overall RA costs, especially in the non-summer months, as discussed in the CAISO's comments on Phase 2 proposals in the previous RA proceeding.⁴

B. Replacement Rule

In its initial comments, the CAISO requested that the replacement rule, along with potential modifications to the RA program that may be necessary due to the Commission's elimination of the rule, be added to the scope of Phase 1. The CAISO explained that it is working on developing changes to the policy, procedures, and systems that are used to manage planned outages in the absence of the replacement rule, but believes that some of the proposed changes may in turn change the way outages are handled for RA purposes.

SDG&E supports adding a placeholder to Phase 1 to determine how the replacement obligation should be managed.⁵ The Alliance for Retail Energy Markets (AReM) also favors adding the replacement rule to Phase 1. However, AReM advocates that the Commission should do so in order to eliminate the replacement obligation associated with scheduled outages.⁶

For several months, the CAISO has engaged in efforts to enhance outage management and to explore the feasibility of developing functionality to optimize the scheduling of transmission and generation outages that may mitigate the absence of a replacement obligation. The CAISO will commence a stakeholder process in the near

⁴ CAISO Comments, Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations, Docket No. R.09-10-32 (February 8, 2011), pp. 10-12.

⁵ SDG&E Initial Comments, pp. 5-6.

⁶ AReM Comments, pp. 3-5.

future to discuss the changes that are needed. Adding the replacement rule to the scope of Phase 1 will facilitate coordination between the CPUC and the CAISO to transition the replacement obligation to either a successor methodology or alternative measures to account for RA capacity on a scheduled maintenance outage.

II. CONCLUSION

The ISO respectfully requests that the CPUC issue a scoping order in this OIR consistent with the ISO's recommendations.

Respectfully submitted,

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