

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

**Order Instituting Rulemaking to
Integrate and Refine Procurement
Policies and Consider Long-Term
Procurement Plans.**

Rulemaking 12-03-014

**COMMENTS OF THE CALIFORNIA
INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE PRELIMINARY SCOPING MEMO**

On March 22, 2012, the Commission issued an order instituting rulemaking (OIR) that initiated the long-term procurement proceeding for the 2012-2013 biennium. Among other things, the OIR included a Preliminary Scoping Memo identifying issues from Docket R.10-05-006 Tracks I and III that are to be addressed in this proceeding. Interested parties were asked to comment on issues and the procedural schedule set forth in the OIR.

As noted in the OIR, the California Independent System Operator Corporation (ISO) has worked cooperatively with the Commission and parties to other long term procurement proceedings, providing data and information regarding the generation capacity needed to reliably operate the state's high voltage transmission grid. The ISO intends to participate as a party to this new procurement proceeding and appreciates this opportunity to provide comments on the Preliminary Scoping Memo.

I. BACKGROUND

The ISO was a signatory party to the Settlement Agreement submitted on the record of Docket R.10-05-006 by a majority of the parties in the proceeding. The Settlement Agreement specifically recognized that the ISO, in collaboration with a

working group of experts, intended to continue the renewable integration studies that were conducted throughout 2010 and 2011. Although preliminary study results were presented in ISO and IOU testimony in July, 2011, additional time was needed to allow the ISO to incorporate the once through cooling (OTC) study results that would be part of the ISO's 2011/2012 transmission plan released in draft form in January, 2012.¹ The parties to the Settlement Agreement agreed that the ISO would be able to present its study results by the end of the first quarter of 2012, in either R. 10-05-006 or the successor docket, followed by testimony, possibly an evidentiary hearing and a decision by the end of 2012 on the need for resources sufficient to integrate the number of renewable resources coming online to meet the 33% RPS by 2020 portfolio requirements.

The Preliminary Scoping Memo is largely consistent with the Settlement Agreement and thus, for the most part, the ISO supports the identified scope and recommended schedule. In particular, the ISO agrees with the issues identified on page 5 and the need to address multi-year flexible capacity requirements and procurement issues related to the ISO's new market design, OTC and RA procurement needs (discussed on page 9). The ISO also strongly endorses the preliminary schedule set forth on page 14, in particular the need to have a decision issued on flexible capacity renewable integration needs by year end 2012 so that procurement plans can be submitted and approved in 2013. However, there are several items in the Preliminary Scoping Memo that require clarification, and these matters are addressed below.

¹ See Settlement Agreement, R.10-05-006, at p 5.

II. COMMENTS

A. **The Proposed Schedule Does Not Allow for Additional Renewable Portfolio Scenarios to be Evaluated by the ISO for a Decision by Year End 2012.**

The schedule for presentation of the ISO's continued renewable integration studies, and a resolution of the issues raised by those studies by the end of 2012, contemplates that the ISO will analyze the renewable portfolio scenarios developed in Docket R.10-05-006, as well as the ISO's case, all of which are well-known and have been the subject of numerous workshops as well as data requests and multiple rounds of comments. These portfolios clearly form the basis for the recommendations contained in the settlement agreement regarding the continuation of the ISO's studies under the auspices of either Docket R.10-05-006 or the successor docket.

Thus, the ISO is quite concerned with the numerous references in the Preliminary Scoping Memo to proposed standardized planning assumptions that apparently will be issued shortly in this docket; in particular, this paragraph on page 8:

The assigned Commissioner or Administrative Law Judge (ALJ) will issue a ruling shortly after the issuance of this Order presenting staff's proposed standardized planning assumptions. Parties will be given an opportunity to comment before final planning assumptions are adopted for the purposes of this proceeding. As indicated by the schedule below, we anticipate a decision on these issues by the end of 2012.

There simply is not enough time for the ISO to re-evaluate different renewable resource scenarios and present study results by the end of 2012, let alone allow parties an opportunity to present comments and possible responsive testimony. However, it is vitally important that a timely decision be issued, as clearly contemplated in the Preliminary Scoping Memo, particularly with respect to flexible capacity needs in the

local areas impacted by OTC requirements. The time has come for the study process to conclude and a decision be issued based on the work that has been accomplished.

This is not to say that revised planning assumptions, based on updated renewable scenarios from the ISO's transmission planning process, should not be studied for later procurement decisions in this and future long term procurement proceedings. To that end, the ISO recommends the following process and timeline for this docket and possibly for future proceedings.

1. Timeline for 2012- 2013 R. 12-03-014

- It is the ISO's position that the 2012 decision should direct procurement of flexible local resources that will satisfy both local and system needs.
- To achieve the objective that a decision on local capacity needs be issued by year end, the planning assumptions cannot be modified.
- However, the ISO can run new studies in 2013, using the RPS scenarios developed for the 2012-2013 TPP and based on the 2011 IEPR.
- Based on these new study assumptions, a decision can be issued on additional system needs by year end 2013.

2. Suggested Process for R.12-03-014

- Revised standardized planning assumptions should not be released until late (Q4) 2012 or early (Q1) 2013.
- If these assumptions are released earlier, it must be with the understanding that the ISO will not model the changes and produce results until after the hearing and briefs are submitted for the purposes of a decision in 2012.
- Delaying the release of the standardized planning assumptions until the end of 2012 or early 2013 is reasonable because:
 - The RPS scenarios for the ISO's 2012-2013 transmission planning process will be established.

- The ISO will have used the CEC's 2011 IEPR in the 2012-2013 transmission planning process so those studies can feed into the RPS modeling in 2013.

B. Multi-Year Flexible Capacity Procurement Rules

The OIR lists the first general issue for the 2012 procurement planning cycle as determination of “needs for new resources to meet local or system resource adequacy (RA), renewable integration, or other requirements and to consider authorization of IOU procurement to meet that need.”² The ISO agrees that the primary focus for 2012 should be the local capacity resources because it is more efficient to ensure that whatever capacity needs are identified provide for the dual purpose of meeting both local requirements and flexibility needs. Doing so will minimize any residual flexibility needs that may be satisfied without regards to local area constraints.

The resource type and/or resource operational characteristics needed to provide the system and local flexibility necessary to address the system variability resulting from increasing renewable integration are being discussed as part of the current RA proceeding (R.11-10-023). In that proceeding, the ISO proposes that the Commission’s decision identify the resource type and/or operational characteristics of flexible capacity that will be used to manage renewable integration and increased system variability. It is important that the findings in the RA proceeding be taken into account in this LTPP proceeding. Therefore, the ISO recommends that any needs assessments made in the instant proceeding use the findings of R.11-10-023 regarding flexibility/operational characteristics, to the extent applicable. Further, the CPUC may need to make clarifications or interpret flexibility needs as part of the current LTPP proceeding. The

² OIR at p.5

ISO supports inclusion of these clarifications and/or interpretations within the scope of this proceeding as it addresses multi-year flexibility rules.

Respectfully submitted,

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