

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

Order Instituting Rulemaking to Oversee)	
the Resource Adequacy Program, Consider)	
Program Refinements, and Establish Annual)	Rulemaking 11-10-023
Local Procurement Obligations.)	
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**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
OPENING COMMENTS ON PROPOSED DECISION**

The California Independent System Operator Corporation (“ISO”) respectfully submits its comments on the Proposed Decision Adopting Local Procurement Obligations For 2014, A Flexible Capacity Framework, And Further Refining The Resource Adequacy Program (“Proposed Decision”), which California Public Utilities Commission (“Commission” or “CPUC”) Administrative Law Judge Gamson issued on May 28, 2013.¹

The ISO supports the Proposed Decision. The Proposed Decision’s adoption of a flexible capacity procurement obligation for jurisdictional load serving entities is a significant and necessary step to ensure that sufficient flexible capacity is maintained on the system and operationally available to the ISO for reliable operation of the grid and achievement of the state’s policy objectives. The ISO urges the Commission to adopt the Proposed Decision.

¹ The ISO submits these comments pursuant to the CPUC’s Rules of Practice and Procedure, Article 14.

I. THE COMMISSION SHOULD ADOPT THE FLEXIBLE CAPACITY REQUIREMENT

The Proposed Decision appropriately recognizes that the record in this proceeding establishes the importance of, and need for, a flexible capacity procurement obligation. The Proposed Decision recognizes that the composition and operating characteristics of the resource fleet are changing as a result of the retirement of resources with once-through cooling technology and the addition of significant quantities of renewable resources, and shares the ISO's concern about the effective integration of increasing renewable resources.² The Proposed Decision also agrees with the ISO that it is necessary and prudent for the Commission to modify the resource adequacy program to ensure that the ISO has sufficient flexible capacity available to manage the operational needs and maintain the reliability of the electric grid as it undergoes this significant transformation toward a cleaner, greener, and more diverse energy supply portfolio.³

Although the Proposed Decision finds that there is no compelling need to adopt a flexible capacity requirement for the 2014 resource adequacy year, it does adopt an interim flexible capacity target for 2014. For years 2015-2017, the procurement of flexible capacity by jurisdictional load serving entities will be a requirement, consistent with the ISO's recommendation. As the basis for determining the requirement, the Proposed Decision adopts a flexible capacity framework based on the Joint Parties' Proposal with modifications by Energy Division Staff and Pacific Gas & Electric Company, and recommends that refinements to the flexible capacity requirements be considered in future proceedings, along with revisiting the flexible capacity requirement

² Proposed Decision, pp. 11-14.

³ *Id.* at 41-44.

for 2018 and beyond.⁴ Each load serving entity is required to make a year ahead and month-ahead showing of flexible capacity for each month of the compliance year.⁵

The ISO commends the Commission and the Energy Division Staff for their continuing review of the resource adequacy program, and willingness to assess the impact of changing grid conditions on resource needs and to consider and approve enhancements that will ensure that sufficient resources are available when and where needed in the future. It is important that the Commission adopt the flexible capacity requirement recommended in the Proposed Decision in order to augment the resource adequacy program so that it better facilitates open and efficient competition, produces the optimal mix of existing resources and new investment sufficient to meet end-use demand at stable and reasonable prices, and reliably provides for the operating requirements of the ISO balancing authority area.

As noted in the Proposed Decision, there are several issues that remain unresolved, including determining flexible capacity counting criteria for use-limited and preferred resources.⁶ The ISO believes it is critical to maintain the momentum gained in the flexible capacity discussion over the course of this proceeding. As the ISO stated at the workshop and repeated in its April 5, 2013 comments, the ISO is committed to working with Energy Division staff and other parties to resolve these and other outstanding issues prior to the implementation of the flexible capacity procurement obligations for 2015. Given the significant effort that will likely be required, the ISO supports starting the next stage of this process as quickly as possible.

⁴ *Id.* at 44-54.

⁵ *Id.* at 56.

⁶ *Id.* at 47-52.

In support of the Commission’s efforts discussed in the Proposed Decision, the ISO has recommenced its stakeholder initiative to establish flexible resource adequacy criteria and must-offer obligation. The ISO will conduct this initiative in parallel to the next stage of this resource adequacy proceeding to ensure all issues can be resolved in time for the 2015 resource adequacy compliance year

The ISO will also begin to evaluate its flexible capacity needs in a study and stakeholder process similar to, and aligned with, the ISO’s current process for assessing local capacity needs. The table below, which the ISO included in its presentation at the March 20, 2013 CPUC resource adequacy workshop, illustrates the flexible capacity and local capacity stakeholder process and timeline.

ILLUSTRATIVE FLEXIBLE CAPACITY TIMELINE

Flexible Capacity Requirement Setting (Activities occurring in the year prior to RA compliance year)	
Receive CEC load forecast used for TPP expansion plan	By Jan
Receive updated RPS build-out data from the IOUs	By Jan
Publish annual FCR assumptions paper	By Jan
· ISO stakeholder meeting to discuss assumptions	Feb
· Stakeholders submit comments	Feb
· Posting of comments with ISO response	Feb
Draft LCR and FCR study completed (including EFC list of eligible flexible capacity resources)	Mar 4
· Local & flexible capacity needs stakeholder meeting	Mar 7
Publish draft final LCR & FCR needs study	Mar 28
· ISO stakeholder meeting to discuss LCR / FCR results	Apr 4
· Stakeholders submit comments	Apr 18
Final 2014 LCR & FCR study	May 1
CPUC proposed and final annual RA decision incorporating LCR and FCR procurement obligations	May / June
CPUC Procurement Obligation Allocation (System, local and flexible obligations for the following RA compliance year)	
LSEs receive Year-Ahead obligations	Jul 31
Revised load forecasts for following RA compliance year	Aug 17
LSEs receive revised RA obligations	Sep 17

Showings (Activities occurring during the RA compliance year)	
Year-ahead showing of system, local, and flexible capacity (show 100% local and 90% system and flexible)	Oct 31
Month-ahead showings, including local and flexible true-ups	T -45 days
ISO notifies LSEs and suppliers of any deficiencies of system, local, and or flexible capacity	T-25 days
Final opportunity for LSEs to demonstrate to the ISO that any identified deficiencies have been cured	T-11 days

II. THE PROPOSED DECISION SETS THE CORRECT LOCAL CAPACITY REQUIREMENTS

As part of the ISO's local capacity requirements study for compliance year 2014, the ISO performed an additional analysis that considered three different scenarios related to the availability of the San Onofre Nuclear Generating Station ("SONGS"). The scenarios were: 1) two of the SONGS units are available, 2) one SONGS unit is available at 70 percent power, and 3) both SONGS units are unavailable.

The Proposed Decision adopts local capacity values based on third scenario in which both SONGS units are unavailable⁷. Given the recent announcement that SONGS will not return to service and will permanently retire, the ISO agrees with the Proposed Decision's selection of the third scenario. Use of that scenario reflects the status of SONGS and will best ensure that the local capacity requirements set in the proceeding will reflect on-going reliability needs.

⁷ *Id.* at 7-8.

III. CONCLUSION

For the foregoing reasons, the ISO respectfully requests that the Commission issue an order consistent with these comments.

Respectfully submitted,

/s/ Beth Ann Burns

Nancy Saracino
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna McKenna
Assistant General Counsel
Beth Ann Burns
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom California 95630
Tel. (916) 608-7146
Fax. (916) 608-7222
bburns@caiso.com

Attorneys for the California Independent
System Operator Corporation

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