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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 Local and Flexible Procurement Obligations for the 2019 and 2020 Compliance Years	Rulemaking 17-09-020 (Filed September 28, 2017)

REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON FINAL 2020 LOCAL CAPACITY TECHNICAL STUDY

I. Introduction

Pursuant to the Amended Scoping Memo and Ruling of Assigned Commissioner issued on January 29, 2019, the California Independent System Operator Corporation (CAISO) hereby provides reply comments in response to Pacific Gas & Electric Company's (PG&E) comments on the Final 2020 Local Capacity Technical Study (LCT Study).

II. Discussion

The CAISO agrees with PG&E that the CAISO and stakeholders should continue to work collaboratively to improve the LCT Study process, but the CAISO also notes that year-to-year differences in local capacity requirements are largely dependent upon inputs to the LCT Study—such as changes to load forecasts and transmission upgrade in-service dates—rather than study modifications. Lastly, the CAISO notes that its capacity procurement mechanism designations are outside the scope of the LCT Study process.

A. The CAISO and Stakeholders Should Continue to Improve the LCT Study Process.

For the 2020 LCT Study, the CAISO incorporated several improvements into its annual LCT Study process, including detailed peak load curves for each local area and multi-year local capacity requirement projections. These improvements are designed to support the Commission's resource adequacy program by providing the Commission and load-serving entities information to guide better procurement decisions.

PG&E raises concerns regarding year-to-year fluctuations in local capacity requirements in certain areas based on the table reproduced below:

Table 1: PG&E Provided Local Capacity Requirements[1]

LCA	2019	2020	2021	2022	2023[3]	2024[4]
Humboldt	165	130	131	131	169	132
North Coast/North Bay	689	742	672	684	553	706
Sierra	1,964	1,764	1,765	1,765	1,924	1,304
Stockton	427	629	629	629	333	675
Bay Area	4,461	4,550	4,511	4,473	4,752	4,395
Fresno	1,670	1,694	1,698	1,703	1,688	1,711
Kern	472	465	465	465	174	152

From the outset, the CAISO notes that PG&E's Table 1 is from the LCT Study processes conducted in 2018 and 2019. Specifically, the 2019 and 2023 local capacity results are based on the CAISO's LCT Study processes conducted in 2018, using the most updated load transmission planning data available at that time. In contrast, the CAISO developed the 2020-2022 and 2024 local capacity requirements in 2019 as part of the current LCT Study process. The fluctuations noted in the table are largely the result of modifications to the California Energy Commission load forecast and changes to the planned in-service dates for PG&E transmission projects between the 2018 and 2019 LCT Study cycles. For example, the 35 MW decrease in Humboldt requirements from 2019 to 2020 is driven by a 34 MW load forecast decrease between those years. Similarly, the 37 MW decrease in Humboldt requirements between 2023 and 2024 is driven by a 35 MW load forecast decrease. Another example is the Bay Area. The 89 MW increase in requirements from 2019 to 2020 is driven by a 258 MW increase in load forecast for that local area. The 357 MW decrease in requirements from 2023 to 2024 for the Bay Area, on the other hand, is driven mainly by in-service dates for the following new transmission projects: Trimble-San Jose B 115 kV Limiting Facility Upgrade; Trimble-San Jose B 115 kV Series Reactor; Moss Landing-Panoche 230 kV Path Upgrade; and the South of San Mateo Capacity Increase.

PG&E also notes that "the CAISO's assumption that all resources will be dispatched at their full [net qualifying capacity]…could result in procurement gaps, specifically for resources that may be energy-limited or availability-limited in duration or generation output."[2] The

[1] Comments of PG&E (U 39 E) On Local Capacity Technical Study (PG&E Comments), p. 4.
[2] PG&E Comments, p. 5.

CAISO shares PG&E's concern, but notes that it accounted for energy and availability-limited resources in the current LCT Study through two important improvements. First, the CAISO did not dispatch all available local resources at full net qualifying capacity values, but instead dispatched resources up to the latest available net qualifying capacity not to exceed historical (or projected for new resources) output values at the time of the managed peak load in the local area.[3] In addition, CAISO provided load profiles for each individual local area and sub-area to provide load-serving entities with additional data to make informed procurement decisions regarding energy-limited resources.

B. Local Resource Adequacy Deficiency Reporting and CAISO Capacity Procurement Mechanism Designations are Unrelated to the Process for Establishing Local Capacity Requirements.

PG&E correctly notes that the CAISO studies load-serving entities' local capacity procurement to determine whether individual or collective local area deficiencies exist. The CAISO notes that this process occurs after the CAISO and the Commission establish load-serving entities' local capacity requirement obligations and load-serving entities procure resources and make annual local capacity showings. This process assesses the effectiveness of the resources procured to meet local resource adequacy requirements, but the identified deficiencies do not modify individual load-serving entity procurement requirements. The CAISO issues a deficiency report that identifies individual or collective deficiencies and allows load-serving entities to cure any identified deficiency consistent with the CAISO tariff.

As the CAISO explained in response to comments in its LCT Study process, the deficiency report gives load-serving entities a 30-day cure period to address identified deficiencies. Load-serving entities should assess their likelihood of being assessed year-ahead capacity procurement mechanism costs based on the deficiency report. The CAISO tariff does not provide for a second cure period. Accordingly, publishing a subsequent deficiency report after the cure period would not facilitate better procurement or reduce the likelihood of CPM designations. PG&E's own argument that "[t]his additional information will allow LSEs to better determine the likelihood of being assessed costs under the CAISO's CPM tariff authority, and whether it is cost-effective for the LSE to resolve deficiencies that may arise in forward years"[4] suggests that the requested report could be utilized to rationalize deliberate under-

[3] See Final 2020 Local Capacity Area Technical Study Manual (November 23, 2018), at 6, available at http://www.caiso.com/Documents/2020LocalCapacityRequirementsFinalStudyManual.pdf.
[4] PG&E Comments, p. 3

procurement in the future and thereby diminish the effectiveness of local RA capacity procurement. In any event, the identification, cure, and reporting of deficiencies is not relevant to establishing local capacity requirements based on the LCT Study.

III. Conclusion

The CAISO appreciates this opportunity to provide reply comments on the Final 2020 LCT Study and looks forward to working with the Commission to continue to improve the study process to meet changing grid needs.

Respectfully submitted,

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