

**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 Procurement Obligations.

Rulemaking 09-10-032  
(Filed October 29, 2008)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR  
REPORT OF EX PARTE COMMUNICATIONS**

In accordance with Rule 8.4 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the California Independent System Operator Corporation (“ISO”) submits this report of ex parte communications.

The ISO engaged in oral and written ex parte communications to discuss the Proposed Decision Further Refining the Resource Adequacy Program Regarding Demand Response Resources, in the above-captioned matter, as follows:

- On August 24, 2011, ISO representatives Phil Pettingill - Director of Regulatory Affairs; John Goodin - Lead, Demand Response; and Wade McCartney - Senior Market and Product Developer; met with Damon Franz, advisor to President Michael R. Peevey, at 2:00 p.m., at his offices at 505 Van Ness Avenue, San Francisco, California. A description of the content of the communication is contained in the attached presentation entitled “Support for the Proposed Decision of ALJ Gamson Issued on August 9<sup>th</sup>, Resource Adequacy Program for 2012, Demand Response Resources in R.09-10-032”.

- On August 24, 2011, ISO representatives Phil Pettingill - Director of Regulatory Affairs; John Goodin - Lead, Demand Response; and Wade McCartney -

Senior Market and Product Developer; met with Commissioner Timothy Alan Simon and Bishu Chatterjee, advisor to Commissioner Timothy Alan Simon, at 10:30 a.m. at their offices at 505 Van Ness Avenue, San Francisco, California. A description of the content of the communication is contained in the attached presentation entitled “Support for the Proposed Decision of ALJ Gamson Issued on August 9<sup>th</sup>, Resource Adequacy Program for 2012, Demand Response Resources in R.09-10-032”.

- On August 24, 2011, ISO representatives Phil Pettingill - Director of Regulatory Affairs; John Goodin - Lead, Demand Response; and Wade McCartney - Senior Market and Product Developer; met with Marcelo Poirier, advisor to Commissioner Mike Florio, 11:30 a.m. at their offices at 505 Van Ness Avenue, San Francisco, California. A description of the content of the communication is contained in the attached presentation entitled “Support for the Proposed Decision of ALJ Gamson Issued on August 9<sup>th</sup>, Resource Adequacy Program for 2012, Demand Response Resources in R.09-10-032”.

- On August 24, 2011, ISO representatives Phil Pettingill - Director of Regulatory Affairs; John Goodin - Lead, Demand Response; and Wade McCartney - Senior Market and Product Developer; met with Michael Colvin, advisor to Commissioner Mark J. Ferron, at 1:00 p.m. at his offices at 505 Van Ness Avenue, San Francisco, California. Also in attendance, were Commission staff members Administrative Law Judge Gamson, Scarlett Liang-Uejio, Elizabeth Dorman, Robert Benjamin, Donald Brooks, Megha Lakhchaura, Sarita Sarvate, and Hazlyn Fortune. A description of the content of the communication is contained in the attached presentation entitled “Support for the Proposed Decision of ALJ Gamson Issued on

August 9<sup>th</sup>, Resource Adequacy Program for 2012, Demand Response Resources in R.09-10-032”.

- On August 25, 2011, ISO representatives Phil Pettingill - Director of Regulatory Affairs and Wade McCartney - Senior Market and Product Developer, had a conference call with Colette Kersten, advisor to Commissioner Catherine J.K. Sandoval, at 9:30 a.m. . A description of the content of the communication is contained in the attached presentation entitled “Support for the Proposed Decision of ALJ Gamson Issued on August 9<sup>th</sup>, Resource Adequacy Program for 2012, Demand Response Resources in R.09-10-032”.

Respectfully submitted,  
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Dated: August 29, 2011

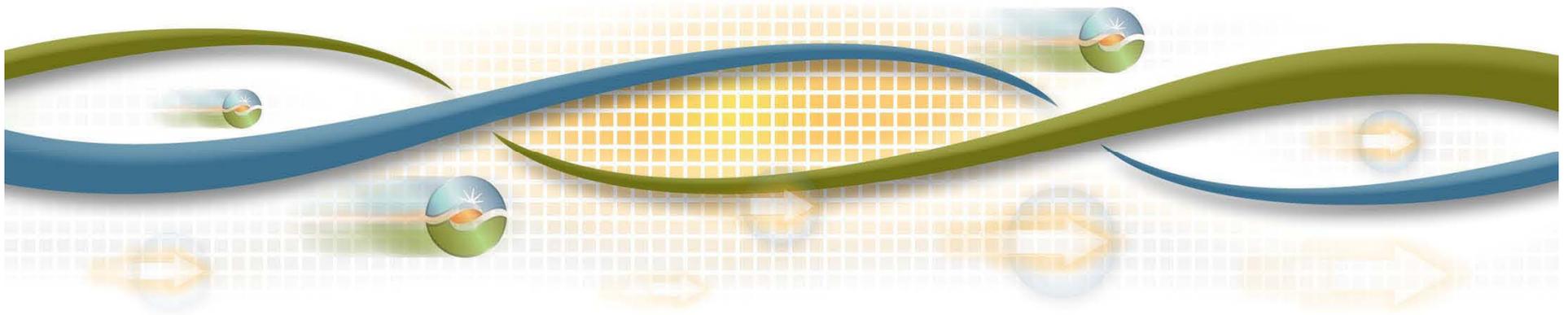
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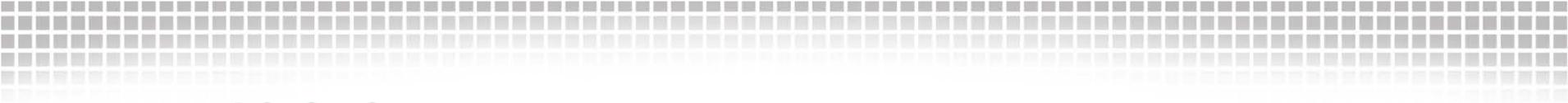


California ISO  
Shaping a Renewed Future

Support for the Proposed Decision  
of ALJ Gamson issued on August 9<sup>th</sup>  
*Resource Adequacy Program for 2012*  
*Demand Response Resources in R.09-10-032*

August 25, 2011





# The ISO Supports the Proposed Decision of ALJ Gamson issued on August 9th

The Decision Properly Rules That:

- Demand response resources only count toward local resource adequacy requirements, if capable of being dispatched within the local capacity area starting in 2013
- DR be treated as a supply-side resource for RA counting purposes using a new MCC bucket starting in 2013
- Consideration of standard capacity product (SCP) III on DR issues is correctly deferred to the RA proceeding for compliance year 2013
- Fossil-fueled emergency back-up generation is not demand response starting in 2013

## DR Resources Only Count For Local RA if Capable of Being Dispatched By Local Area in 2013

- Allowing DR to count for local RA when not dispatchable ‘where needed’ is inconsistent with the central tenet of the CPUC’s RA program.
- Triggering of DR programs system-wide to respond to a local need is unnecessary, economically inefficient and can result in incremental congestion and redispatch
- It is reasonable that this requirement go into effect in 2013

## Treat DR as Supply-Side Resources for RA Counting Purposes with New MCC Bucket

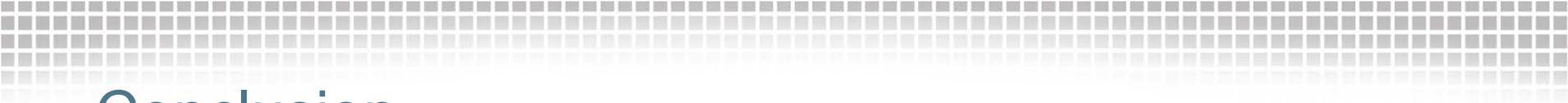
- All resource types should be treated comparably for RA capacity counting purposes, not taken off the top of the RA requirement
- Counting DR on supply side establishes a structure to enable the competitive solicitation, procurement and RA showing by LSEs
- New MCC bucket for DR will allow DR to be listed as supply-side resources on the monthly and annual RA plans, and supply plans that are submitted to the ISO

## Consideration of SCP III is correctly deferred to the 2013 RA proceeding

- ISO plans to undertake an initiative to create a Standard Capacity Product for DR resources (SCP III)
- ISO's goal is to implement SCP III on January 1, 2013
- Consideration of SCP III by the PD is correctly deferred to the RA proceeding for Compliance Year 2013

# Fossil-fueled Emergency Back-up Generation Cannot Count for RA as DR Resources

- PD is consistent with the Loading Order of the Energy Action Plan - energy efficiency and demand-side resources, renewable resources, and then clean conventional electricity supply
- Fossil back-up relies on fuel substitution to achieve a demand reduction, which is not true DR and creates energy market inefficiencies
- PD correctly concludes that fossil back-up cannot count for RA starting in 2013



# Conclusion

ISO Supports the Proposed Decision of ALJ Gamson issued on August 9<sup>th</sup> in R.09-10-032

- The PD correctly addresses the issues considered in this proceeding
- The PD establishes clear polices that will make DR more effective at helping California meet the 33% RPS
- The timeframe to implement changes is reasonable
- The Commission should preserve the PD as drafted