

**COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS
ON THE AUGUST 5, 2009 DRAFT FINAL PROPOSAL FOR THE DESIGN OF
PROXY DEMAND RESOURCE (PDR)**

The Alliance for Retail Energy Markets (AReM)¹ is pleased to provide comments regarding the CAISO's "*Draft Final Proposal for the Design of Proxy Demand Resource (PDR)*," dated August 5, 2009 (PDR Proposal). AReM appreciated the opportunity to participate in the DR working group, which afforded a more complete understanding of the issues to be addressed. AReM intends to continue to work closely with CAISO staff and stakeholders to ensure that the final CAISO rules and protocols are flexible and workable for both end-use customers and the LSEs that serve them.

AReM generally supports the PDR Proposal as an approach that reasonably balances conflicting interests. Further, AReM agrees with the CAISO that the proposed PDR may not work well for all potential demand response (DR) resources, but is an option that can be implemented by May 2010. Some specific comments follow.

Critical Need for Customer-Specific Data for Each PDR -- As AReM has noted previously, the PDR proposal creates complexity for load-serving entities (LSEs) by necessitating financial settlements outside of the CAISO markets between LSEs and the end-use customers providing the DR resource. AReM's support for the PDR proposal is conditioned on implementation of three key provisions: (1) automated notification to LSEs of the customers proposed to be included in each PDR (Section 6.3); (2) 10 days to approve the inclusion of those customers in the PDR (Section 6.3); and (3) access to critical PDR data for the LSE (Section 8). These provisions are critical to ensure that Electric Service Providers (ESPs) are able to implement workable arrangements with their customers participating in PDRs.

With respect to Item (3) above, AReM is concerned that the provisions in the PDR Proposal do not go far enough to address the data requirements. In the PDR Proposal, the CAISO will be adjusting the LSE's Day-Ahead schedule by the MW amount of the PDR's cleared bids. Further, the CAISO will adjust the PDR's aggregated meter data to reflect the actual performance of the PDR as calculated by the baseline. For its part, the LSE will have to distinguish, whenever a PDR bid clears an CAISO market, which customers participated and to what extent. This information is required in order for the LSE to prepare its own settlement and evaluate the meter reads for each customer in the PDR. Accordingly, the PDR Proposal's requirement for a financial settlement outside of the CAISO necessitates that the LSE have timely access to data specifying the MW amount of the cleared DR bids and the MW amount of the actual DR performance for each customer whenever the PDR's bid clears one of the CAISO's markets. The CAISO data described in Section 8 of the PDR Proposal would only provide aggregated data for the PDR and would not provide the customer-specific information required for an LSE to settle accurately and on a timely basis with its customers.

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. These comments represent the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

To address this critical issue, AReM proposes that the CAISO include a requirement, as a condition of registration of a PDR, that the Curtailment Service Provider (CSP) transmit the specified customer-specific data to the LSEs on a timely basis throughout the operation of the PDR. If the CSP fails at any time to provide such timely data for each PDR customer, the LSE would have the option to remove those customers from the PDR.

Without receiving the required customer-specific data, ESPs would be unable to account for and settle their own bills with their customers, which would significantly impede the expansion of DR programs. AReM's simple solution would avoid that outcome and ensure that the PDR Proposal can move forward quickly.

Addition to “Cons” of PDR-A – AReM reiterates its request to correct the “Cons” listed for PDR-A² to clarify that negotiations outside of the CAISO will be required to reimburse the LSE for payments made on behalf of their end-use customer for energy procured but not consumed. AReM suggests the following addition (shown in underlined text) to the first bullet under “Cons” for PDR-A:

- LSE pays for power not consumed requiring separate settlement with CSP or end user.

Clarify Separate Settlements – Section 11.3 states that “any other settlements” would be outside the CAISO and between the CSP and LSE.³ ESPs may elect to arrange such settlements directly with their end-use customers, rather than with the CSP. To account for this option, AReM requests that the CAISO add a footnote to this sentence that reads as follows:

Footnote: The LSE may elect to settle directly with the end user providing the DR resource.

Clarify Exclusions Pursuant to Order 719A – The PDR proposal lists several “general resource qualifications,” including one that addresses Order 719A, the first sentence of which is confusing.⁴ AReM suggests it be clarified as follows:

8. PDR participation is allowed unless must be explicitly precluded by the LRA for UDCs ~~UDC²s~~ that served more than 4 million MWh in the previous fiscal year.

Submitted on behalf of AReM by:

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² PDR Proposal, Table 2, p. 8.

³ PDR Proposal, Section 11.3, top of p. 38, first full sentence.

⁴ PDR Proposal, Section 5, p. 18, #8.