

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

OFFICE OF ENERGY MARKET REGULATION

In Reply Refer To:
California Independent System Operator Corp.
Docket No. ER10-765-000

April 16, 2010

Nancy Saracino
Sidney Davies
Baldassaro DiCapo
California Independent System Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Dear Ms. Saracino, Ms. Davies, and Mr. DiCapo:

On February 16, 2010, the California Independent System Operator Corporation (CAISO) filed proposed tariff revisions to implement its Proxy Demand Resource proposal¹ to satisfy the Commission's directives in Order No. 719,² directing Independent System Operators and Regional Transmission Organizations to permit an aggregation of retail customers to bid demand response directly into the market to the extent permitted by applicable laws and regulations. Please be advised that the CAISO's submittal is deficient and that additional information is required to process the filing.

In order to better evaluate the CAISO's proposal, staff requires that the following information be provided:

¹ CAISO February 16, 2010 Proxy Demand Resource Filing, Docket No. ER10-765-000 (Proxy Demand Resource Filing).

² *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, FERC Stats. & Regs. ¶ 31,281 (2008), *order on reh'g*, Order No. 719-A, 74 Fed. Reg. 37776 (July 29, 2009), FERC Stats. & Regs. ¶ 31,292, *order on reh'g and clarification*, 129 FERC ¶ 61,252 (2009).

- (1) Please explain and justify why the Proxy Demand Resource Energy Measurement – and, therefore, a portion of the associated cost of the Proxy Demand Resource’s participation – is directly assigned to only the load-serving entity with which the Proxy Demand Resource is associated. This explanation should include information that extends beyond the rationale provided by the CAISO in its February 16 filing, i.e., the avoidance of double payments or double counting of Proxy Demand Resource capacity.³ This explanation should also explain and justify any differences between the proposal’s method for assigning a portion of the cost associated with the participation of Proxy Demand Resources directly to the associated load serving entity and the currently-effective tariff method for spreading costs of other resources (e.g., generation, participating load) across the CAISO control area.
- (2) Please explain and justify how any potential market revenue shortfalls related to the participation of Proxy Demand Resources in the CAISO markets will be allocated. Please include in the explanation how the CAISO will remain revenue-neutral in the event that the amount paid to the scheduling coordinator of a Proxy Demand Resource is greater than the amount collected from the scheduling coordinator of the load serving entity with which the Proxy Demand Resource is associated. This explanation should also explain and justify any differences between the proposal’s method for recovering any market revenue shortfalls associated with the participation of Proxy Demand Resources and the currently-effective tariff method for recovering market revenue shortfalls associated with other resources (e.g., generation, participating load).
- (3) Please explain and justify why the proposed tariff sheets included in the proposal did not include any revisions or additional provisions to address the recovery of any market revenue shortfall associated with the participation of Proxy Demand Resources in the CAISO markets.

Please submit seven copies of your response to the information requested within 30 days of the date of this letter. Submit six copies of your response to the following:

³ By adding back the Proxy Demand Resource Energy Measurement to the metered load quantity of the scheduling coordinator for the load serving entity with which the Proxy Demand Resource is associated, the CAISO attempts to avoid counting cleared demand response from a Proxy Demand Resource twice, as both supply and a reduction in demand.

Federal Energy Regulatory Commission
Office of the Secretary
888 First Street, N.E.
Washington, DC 20426

Also, please send the seventh copy to Robert Petrocelli (202-502-8447). Response to this letter will constitute an amendment to your filing, and a notice will be issued upon receipt.

Pending receipt of the above information, a filing date will not be assigned to your filing. Failure to respond to this deficiency letter within the time period specified may result in an order rejecting your filing.

This order is issued pursuant to the authority delegated to the Director, Division of Electric Power Regulation – West, under 18 C.F.R § 375.307(a)(1)(v) and is interlocutory. This order is not subject to rehearing pursuant to 18 C.F.R § 385.713.

If you have any questions regarding this letter order, please contact Robert Petrocelli at (202) 502-8447.

Sincerely,

Steve P. Rodgers, Director
Division of Electric Power
Regulation – West

cc: All Parties

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