

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

Order Instituting Rulemaking To Enhance
the Role of Demand Response in Meeting
the State's Resource Planning Needs and
Operational Requirements.

Rulemaking 13-09-011
(Filed September 19, 2013)

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The Administrative Law Judge's August 6, 2015 Ruling (Ruling) as amended by the August 13, 2015 E-mail Ruling Providing Clarification (Clarification) requests party input on the integration of reliability (emergency) demand response programs through the California Independent System Operator Corporation's (CAISO) Reliability Demand Response Resource (RDRR) product. Specifically, the Clarification identified the issue as follows:

5. Reliability Programs: In Decision 10-06-034, Ordering Paragraph 1.a, Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) were directed to address the integration of reliability (emergency) programs through the CAISO RDRR in the January 1, 2011 application filing. According to recently submitted Integration Reports, neither PG&E nor SDG&E have completed this integration. PG&E and SDG&E should explain, for the record in this proceeding, why it has not completed this integration.

In identifying this issue, the Clarification asked that parties comment on the two following questions:

- Should PG&E and SDG&E be required to complete the integration of their demand response reliability programs into the CAISO RDRR no later than January 1, 2017?
- Should PG&E and SDG&E be required to identify any program changes needed in order to complete that integration in a timely manner?

I. INTRODUCTION

It is timely and appropriate for the Commission to set a date-certain for the integration of emergency-triggered demand response programs into the CAISO market. There have been legitimate reasons for delay that have impacted the integration timeline. However, the time has come for all utilities to fully integrate their emergency demand response programs, as SCE has nearly completed. The CAISO endorses the Commission setting a hard cut-off date, but recommends December 31, 2017 versus January 31, 2017 as the final date for full integration. After this date, emergency-triggered demand response programs left “unintegrated” should no longer qualify or offset capacity as resource adequacy resources. December 31, 2017 provides a sufficient “integration” period to make utility program and process changes, allows time for process refinement, and aligns with the Commission’s decision to transition to full bifurcation by January 1, 2018.

II. RECOMMENDATION

The CAISO recommends the Commission issue the following orders in its decision on the email ruling:

- Order that by no later than December 31, 2017, utilities will integrate emergency-triggered demand response programs into the CAISO market to qualify as resource adequacy capacity, subject to the terms of the Settlement Agreement and in alignment with the transition to full bifurcation by January 1, 2018.
- Order that emergency-triggered demand response programs not integrated into the CAISO market by December 31, 2017 will not qualify as resource adequacy capacity resources, unless and until such programs are integrated into the CAISO market, subject to the terms and conditions of the settlement agreement.

- Order that emergency-triggered demand response programs that have integrated only a portion of the program capacity can count as resource adequacy capacity the portion of capacity that has been integrated into the CAISO market.

III. DISCUSSION

A. To count as resource adequacy resources, emergency-triggered demand response programs must be integrated into the CAISO market as supply resources.

The Commission should clarify and enforce D.10-05-034, which accepted the 2010 multi-party Settlement Agreement regarding the quantity, use, and resource adequacy treatment of retail emergency-triggered demand response programs. The plain understanding and intent of the Settlement Agreement is for emergency-triggered demand response programs to be integrated into the CAISO market as supply resources to count as resource adequacy resources.

D.10-05-04 reinforces this understanding, stating:

Thus, following the adoption of this Settlement, those customers who desire to receive resource adequacy treatment for their re-configured emergency- and reliability-triggered DR programs must integrate those programs into the wholesale market using this new product, and the programs, as reconfigured, will be reviewed by the Commission in the new 2012-2014 program cycle.¹

Parties who refute this understanding would have to similarly refute the Commission's long-standing objective to integrate demand response into the CAISO market. For instance, in the bifurcation decision (D.14-03-026), the Commission stated that "[w]hen the Commission initiated this proceeding [DR proceeding R. 13-09-011], we made clear our intention to prioritize demand response as a utility-procured resource, competitively bid into the CAISO energy market."² The Commission formally endorsed and obligated the utilities to timely integrate

¹ D.10-06-034, p. 15.

² CPUC Bifurcation Decision, D. 14-03-026, March 27, 2014, p. 6.

demand response into the wholesale market when it adopted the multi-party settlement agreement in 2010. The settlement agreement was preceded by Commission Resolution E-4220 in 2009, which approved the modification of the utilities' Base Interruptible Program (BIP) trigger necessary to make BIP more useful and available to the CAISO.³

B. The CAISO fulfilled its obligations under the Settlement Agreement and developed a wholesale reliability demand response product to enable CAISO market integration.

The CAISO developed the RDRR product to fulfill the CAISO's obligations under the terms of the Settlement Agreement. On May 20, 2011, the CAISO filed to modify its tariff to reduce barriers to the participation of demand response in the CAISO markets by enabling a new type of wholesale demand response resource to participate. In CAISO's RDRR tariff amendment transmittal letter to FERC, the CAISO stated:

This settlement resolved years of discussion in various CPUC proceedings as to how emergency demand response resources can participate in the ISO market. The express purpose of this "Reliability-Based Demand Response Settlement," which was agreed to by the [CA]ISO, the three investor-owned utilities in California, and other parties after extensive negotiations, is to "address the operation of investor owned utilities" emergency triggered [demand response] programs in the wholesale electricity market and the integration of emergency triggered [demand response] into wholesale market design.⁴

After addressing FERC's RDRR cost-allocation concerns, the CAISO re-submitted its RDRR tariff amendment as a compliance filing on August 19, 2013. The CAISO received formal approval from FERC of its RDRR tariff amendment on May 28, 2014.⁵

³ Resolution E-4220, January 29, 2009, p. 8, Finding No. 4.

⁴ FERC Docket No. ER11-3616-000, CAISO Transmittal Letter, p. 4.

⁵ On May 28, 2014, the CAISO received FERC's Order Accepting Tariff Revisions- Reliability Demand Response (ER11-3616 and ER13-2192) Found here on the CAISO website:

http://www.caiso.com/Documents/Mar28_2014_OrderAcceptingTariffRevisions-ReliabilityDemandResponse_ER11-3616_ER13-2192.pdf

FERC accepted the CAISO's RDRR proposal because it would "provide access to wholesale energy markets for customers with reliability demand response resources or their aggregators, and will be another tool for CAISO to address emergency and near emergency situations."⁶ FERC also found that CAISO's proposal was in compliance with Order No. 719, stating that CAISO's proposal "reduces barriers to participation by allowing Demand Response Providers to submit bids on behalf of retail emergency-triggered demand response programs, subject to CAISO's reasonable restrictions."⁷

Undeniably, the CAISO's and its stakeholders' efforts point to a clear objective of enabling the timely integration of emergency-triggered demand response programs into the CAISO market. This was in large part the product of extensive negotiations and the settlement agreement approved in D.10-05-034.

C. The settlement agreement timeline needs to be clarified as prior challenges have been overcome.

The CAISO believes it is appropriate for the Commission to set a date certain for the integration of emergency-triggered demand response programs into the CAISO market. After the settlement agreement was signed, a first and major milestone to its fulfillment was CAISO's development and FERC approval of a wholesale reliability demand response product. As outlined above, the CAISO successfully and timely developed the RDRR tariff amendment and filed it with FERC on May 20, 2011.

The terms of the Settlement Agreement allowed for a transition to full integration of reliability demand response program, with no changes to the terms of the Settlement Agreement through at least 2014, approximately three years after the CAISO and stakeholders expected

⁶ Id., p.3.

⁷ Id., p.3.

FERC approval of the CAISO's RDRR tariff amendment. Affirming this, the Settlement Agreement stated:

The primary operational features of the reliability-based programs covered by this settlement (set forth in Section A.4) will be maintained through at least 2014 in a manner that preserves their ability to count for resource adequacy and to participate in RDRP [RDRR]. Parties will not oppose reliability-based programs that qualify as RDRP [RDRR] from counting for RA, as long as the MW limits are not exceeded.⁸

Because the CAISO's RDRR tariff amendment was not formally approved until 2014, it is not unreasonable to shift the timeline from 2014 to the end of 2017 in order to allow the utilities time to transition and fully integrate emergency-triggered demand response programs. Thus, the CAISO believes December 31, 2017 is a reasonable cut-off date after which emergency-triggered demand response programs (or parts of programs) that are not integrated into the market should not qualify as resource adequacy capacity resources.

D. If emergency-triggered demand response programs are not integrated into the CAISO market by a date certain, these programs should no longer receive resource adequacy capacity treatment or value.

The Commission and the settling parties have understood that integration of emergency-triggered demand response programs into the CAISO market as supply resources is imperative to their ability to count as resource adequacy resources. In the settling parties' joint opening comments to the Proposed Decision adopting the settlement agreement, the settling parties acknowledge the relationship between the settlement and the ability to count programs toward resource adequacy requirements, stating:

In this regard, the focus of the settlement, the caps it establishes, and its transition toward those caps is more accurately and usefully described as caps regarding programs that count toward Resource Adequacy requirements...⁹

⁸ Settlement Agreement, Section C.8, at p. 10.

⁹ OPENING COMMENTS OF CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION, CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION, DIVISION OF RATEPAYER ADVOCATES, ENERNOC, INC., PACIFIC GAS AND ELECTRIC COMPANY (U 39-E), SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E), SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E), AND THE UTILITY

Emergency-triggered demand response programs, or portions of those programs not integrated into the CAISO market by a date certain should not qualify as resource adequacy capacity. The CAISO recommends December 31, 2017 be the date certain, with the remaining two plus years being a reasonable integration period.

Respectfully submitted,

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