

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

Application of Pacific Gas and Electric
Company (U39E) for Approval of Demand
Response Programs, Pilots and Budgets for
Program Years 2018-2022.

Application 17-01-012
(Filed January 17, 2017)

Application 17-01-018
(Filed January 17, 2017)

Application 17-01-019
(Filed January 17, 2017)

And Related Matters.

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

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna A. McKenna
Assistant General Counsel
Jordan Pinjuv
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom California 95630
Tel.: (916) 351-4429
jpinjuv@caiso.com

Dated: August 30, 2019

Table of Contents

I.	Introduction.....	1
II.	Discussion.....	1
III.	Conclusion	2

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

Application of Pacific Gas and Electric Company (U39E) for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022.

Application 17-01-012
(Filed January 17, 2017)

And Related Matters.

Application 17-01-018
(Filed January 17, 2017)

Application 17-01-019
(Filed January 17, 2017)

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

I. Introduction

The California Independent System Operator Corporation (CAISO) hereby provides reply provides comments in response to parties' August 23, 2019, opening comments on the *Final Report of the Demand Response Auction Mechanism Working Group* (Report) issued in this proceeding on August 9, 2019.

II. Discussion

A. The CAISO Supports for the Commission Considering a Transparent Process to Understand DRAM Resource Marginal Costs and Opportunity Costs.

The Joint Parties' comments "strongly disagree with the proposal to require DRAM Sellers to disclose their bidding behavior and rationale for it" and suggest that the CAISO's Department of Market Monitoring (DMM) and the Federal Energy Regulatory Authority (FERC) are the appropriate entities to address bidding behavior.¹ OhmConnect similarly states that the Commission should not consider bidding behavior in the DRAM pilot.² Although the DMM and FERC have investigative authority over bidding behaviors in the wholesale markets,³ the Commission is not prohibited from requesting information to evaluate the reasonableness of bids

¹ Comment of Joint Parties on the Final Report of the DRAM Working Group, at p. 3

² Comment of OhmConnect Inc. on the Final Report of the DRAM Working Group, at p. 4

³ DMM monitors the CAISO markets and investigates market abuses pursuant to CAISO Tariff Appendix P. http://www.caiso.com/Documents/AppendixP_CAISODepartmentOfMarketMonitoring_asof_Apr1_2017.pdf.

of participating DRAM resources and assess the DRAM program and resource procurement generally. The Commission can use the DRAM pilot to inform its understanding of marginal costs and, ultimately, consider price hedging mechanisms for DRAM resources. Initially, the Commission can use the DRAM pilot to collect information regarding the marginal costs of energy dispatch for demand response resources. Once compiled and reviewed, the Commission can then use this information to consider establishing price hedging mechanisms for DRAM contracts that optimize resource use in the wholesale market.

Separately, the Public Advocates Office (PAO) states that, “DRAM RA capacity cannot be divorced from the expectation and obligation to reliably provide energy in the CAISO market.”⁴ The CAISO agrees and notes that, because DRAM resources are obligated to provide both energy and capacity, the Commission should consider both energy and capacity costs in procuring DRAM resources. Understanding the value of demand response relative to other resource types is essential as the Commission seeks to encourage the most effective and least-cost preferred resources to achieve California’s decarbonization goals.

III. Conclusion

The CAISO appreciates the opportunity to provide reply comments.

Respectfully submitted

By: /s/ Jordan Pinjuv

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Jordan Pinjuv

Senior Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

Tel.: (916) 351-4429

Fax: (916) 608-7222

jpinjuv@caiso.com

Attorneys for the California Independent
System Operator Corporation

Dated: August 30, 2019

⁴ Comment of Public Advocates Office on the Final Report of the DRAM Working Group, at p. 6