

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

Order Instituting Rulemaking Regarding
Policies and Protocols for Demand Response,
Load Impact Estimates, Cost-Effectiveness
Methodologies, Megawatt Goals and
Alignment with California Independent System
Operator Market Design Protocols

Rulemaking 07-01-041
(January 25, 2007)

**COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR RE:
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING INPUT ON
PHASE 4 DIRECT PARTICIPATION ISSUES**

Administrative Law Judge Farrar's August 12, 2010 Ruling on Phase Four Direct Participation Issues asks for party input on whether and to what extent the Investor Owned Utilities (IOUs) should be authorized to participate in the ISO's Proxy Demand Response Product bidding, as conditionally approved by the FERC's Order conditionally accepting the ISO's PDR Tariff Amendment.¹ Accordingly, the California Independent System Operator Corporation (ISO) submits the following comments.

1. Now that FERC's Order enables the ISO to accept bids for Proxy Demand Resources, the IOUs should participate under the authorization of the 2009 Participating Load Pilot Agreements

On July 15, 2010, the FERC conditionally accepted, with minor compliance matters, the ISO's proposed tariff revisions to implement its Proxy Demand Resource product.² With the order in place, the ISO began registering and enabling the bidding of Proxy Demand Resources in its market on August 10, 2010. Given FERC's acceptance of the PDR product, and the opening of the ISO market to new demand response resources, the ISO believes that the Commission should expeditiously authorize IOU

¹ Administrative Law Judge's Ruling on Phase Four Direct Participation Issues, dated August 12, 2010, at p. 2. The Ruling can be accessed on the Commission's webpage for this proceeding at <http://docs.cpuc.ca.gov/eFile/RULINGS/121967.pdf>.

² FERC's Order can be accessed on the ISO website at <http://www.caiso.com/27d9/27d9cbb6770.pdf>.

participation of Proxy Demand Resources through the mechanism of IOU Participating Load Pilot Programs, and further authorize expenditure of remaining approved funds earmarked for the pilots, to transition over to IOU pilot activities demonstrating Proxy Demand Resources.

2. The Commission should authorize the IOUs to transform their Participating Load Pilot Programs and budgets into Proxy Demand Resource Pilots

At this juncture in the development of wholesale market demand response resources, Proxy Demand Resources represent the future. Although the Proxy Demand Resource model shares some similarities with the earlier developed Participating Load model, the two models operate differently. Most significantly, the Proxy Demand Resource model enables distinctive roles between the *demand response provider* and the *load-serving entity*. In contrast, under the Participating Load model the demand response provider and the load-serving entity have to be the same entity. This makes Proxy Demand Resources distinct in how they are forecast, bid, and settled relative to Participating Load resources in the ISO market. Thus, new experiences will be gained through developing and demonstrating Proxy Demand Resources.

The 2009 Participating Load Pilot Programs successfully demonstrated the technical feasibility of using demand response resources to provide ancillary services to the ISO, utilizing the ISO's Participating Load product as the platform. Invaluable lessons were learned and experienced gained from bidding these Participating Load resources into the wholesale market. With the August 10th launch of the ISO's Proxy Demand Resource product, the ISO believes it is prudent and timely for the Commission to support a transition of the Participating Load Pilot Programs to Proxy Demand Resources. This action would result in more tangible benefits by applying monies and effort to learning how to integrate demand response resources and retail demand response programs into the wholesale market under the ISO's new, more flexible and stakeholder developed Proxy Demand Resource product.

Conclusion

The Commission should support transitioning the Participating Load Pilot Program activities and budgets into mechanisms for demonstrating Proxy Demand Resources.

Dated: August 27, 2010

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on August 27, 2010 I served, on the Service List for Proceeding R.07-01-041, by electronic mail and United States mail, a copy of the foregoing

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
RE: ADMINISTRATIVE LAW JUDGE'S RULING SEEKING INPUT ON PHASE
4 DIRECT PARTICIPATION ISSUES**

Executed on August 27, 2010 at
Folsom, California

Anna Pascuzzo

Anna Pascuzzo,
An employee of the California
Independent System Operator