

California Department of Water Resources State Water Project Comments
to California Independent System Operator on the April 26, 2009 Draft Final
Proposal for the Design of Proxy Demand Resource

May 4, 2009

California Department of Water Resources State Water Project (CDWR-SWP) appreciates the opportunity to comment and acknowledges the hard work and efforts of the California Independent System Operator CAISO staff and other Stakeholder's efforts in this matter.

CDWR-SWP opposes the disparate settlement of Demand versus Demand Response (DR), reiterating past comments that Demand and DR should be bid and settled at the same level of granularity, preferably at nodal or sub-LAP levels. On April 29, 2009 the CAISO Market Surveillance Committee (MSC) produced an Opinion on CAISO's proposed Proxy Demand Resource (PDR) design. CDWR-SWP echoes the MSC's concerns regarding the use of administratively set baselines for determining PDR performance, issues on double payments, and "money pump" possibilities that arise from settling Demand at the DLAP level and settling DR at the CLAP level.

In addition to CDWR-SWP's April 29, 2009 summarized comments to CAISO, if the resulting PDR design maintains the settlement disparity between DLAP demand and sub-LAP DR, equitable cost allocation should be addressed. Load outside of the affected sub-LAP area should not bear charges resulting from this settlement difference. Also, the voluntary participation of DR should be protected, including, but not limited to, the frequency of that participation.

CDWR-SWP believes the decision of CAISO to postpone presenting the PDR proposal to their governing board until September 2009 is prudent. By incorporating the concerns of minority Stakeholders and knowledge from similar issues being raised in other markets, such as ISO-NE, the development of PDR will be greatly enhanced.