

California Department of Water Resources State Water Project (CDWR-SWP) comments on California Independent System Operator (CAISO) Demand Response Barriers Study

April 17, 2009

To comply with FERC Order 719, CAISO hired consultants to aid in developing a Demand Response Barriers Study (DRBS). As part of this study various CAISO Market Participants (MP), including CDWR-SWP, were solicited for comment regarding their organizations view on market or technical barriers to participation in Demand Response programs within California. As a follow-up to this solicitation, CAISO held a conference call on April 8, 2009 to review MP comments and a list of barriers to be included in the DRBS. Unfortunately, the list of barriers presented did not contain all of the concerns provided by CDWR-SWP during the process. The explanation for this exclusion by CAISO and their consultants was that unless a position or barrier to demand response is voiced by more than one MP or group, it would not be included in the DRBS due to be submitted to FERC on April 28, 2009.

CDWR-SWP feels the DRBS would be incomplete without the inclusion of specific concerns especially since, through CAISO's Participating Load program, CDWR-SWP is the largest individual Demand Response (DR) provider in California. Within the five categories of barriers listed during the April 8 conference call, CDWR-SWP reiterates the following concerns as barriers to demand response,

1. Market Barriers
 - a. DR participation not being on a voluntary basis (per FERC Order 719).
 - b. Lack of competitive Market products such as Voltage Support, RAS, Under Frequency Load Shedding (UFLS) that all MP can provide.
2. Regulatory Barriers
 - a. Lack of Time of Use (TOU) pricing.
 - b. Participating Load Agreement (PLA) is not insulated from constant changes in Tariff, BPM, and/or Operating procedures.
 - c. When BPM, Operating Procedures, and computer applications are not in line with approved tariff. (Repeated below in 5.)
 - d. Lack of appropriate treatment for DR as load or generator, with respective service, costs, or payment. When load has chosen not to provide DR it is not being treated as firm load. DR is being charged firm load costs when receiving lesser quality service, i.e. interruptible. When load is providing DR, pay is not comparable to generators.
3. Customer Participation Barriers (no additional comment)
4. Infrastructure and Technology Barriers (no additional comment)
5. Operations and Settlements Barriers
 - a. BPM, Operating Procedures, and computer applications not being in line with approved tariff.
 - b. Settlement mechanisms addressing concerns of high LMP customers hide price signals.
 - c. Settlement rules/systems that cause unfair cost socialization and do not follow cost causation principles.