

CLECA Comments on Slow-Response DR and DR Barriers in CAISO Markets

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General Comments

The October 4 workshop addressed two issues among the many that face DR as it is integrated into the CAISO markets. The first is DR counting for local resource adequacy (RA). The morning session discussed studies of the amount of DR that could be available in Local Capacity Areas (LCA) to meet a N-1-1 contingency. The particular focus was on DR that takes longer than 20 minutes to dispatch (referred to as “slow-response” or “slow-start”), since the CAISO posits that resources that cannot be dispatched in less than 20 minutes must be able to be pre-dispatched to resolve such a contingency. (We note that the CPUC has not adopted this 20-minute requirement.) It appears that “slow-start” DR up to 2% of load, and possibly higher, would be available in most cases, although the required duration of the resources is greater than many DR programs’ availability under the current retail tariffs. This possibility of a longer-duration DR program can be raised with customers providing DR and with aggregators to see if it is feasible. The California Large Energy Consumers Association (CLECA) is concerned that the analysis included not just utility DR programs that provide Proxy Demand Resources (PDR), but also programs like BIP-30 that are Reliability Demand Response Resources (RDRR). The latter cannot, under the 2010 settlement adopted in D. 10-06-034, be dispatched pre-contingency. CLECA does not support reopening the settlement at this time, particularly given the lack of information on how this pre-contingency dispatch would occur operationally or how often it might occur. See our further comments on this point below.

CLECA is also concerned that the use of DR for local RA is being addressed in the CAISO’s transmission planning process, which is not connected to the DR issues in ESDER 3 (discussed below) and not connected with any formal CPUC decision process. We hope that the CPUC will take the comments on the workshop and make them available to the record in the new RA and the current or future DR proceedings.

The October 4 workshop provided a reminder that the CPUC and the CAISO do not count resources for local RA in the same way. The CAISO insists that only resources available within 20 minutes can count for local RA, absent a pre-dispatch alternative for resources available in more than 20 minutes, whereas the CPUC counts all resources within the LCA.

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As noted below, the CPUC has directed that a method be developed to determine what is available within 20 minutes but this has not occurred. Differences should be resolved as soon as is reasonably feasible.

The afternoon session addressed two issues, barriers to DR integration into the CAISO markets and the possibility of allowing PDR to participate in the fifteen minute market (FMM) like an intertie resource, rather than just in the day-ahead market (DAM) or the 5-minute market. For PDR interested in the day-of market, this provides an interesting option that should be pursued. There was some indication that the resource data template (RDT) for this option might be easier to use and that participation in the FMM might help with some issues related to start-up and no-load costs and the zero Pmin problem. More information on how this would work would be very helpful.

The afternoon session's discussion of barriers to DR integration into the CAISO markets was very limited. It is CLECA's understanding that many of these barriers have been teed up in ESDER 3 for discussion but that they may not all be able to be addressed due to limited resources. This is a serious problem, because only DR that can be integrated can be counted for RA starting in less than three months, i.e. January 1, 2018. If existing DR resources cannot be integrated because of these barriers, there will have to be procurement of additional RA resources at cost to ratepayers. We also have no idea of when the issues that will be addressed in ESDER 3 will be resolved and their solutions implemented. Neither have we any idea how any DR working group in ESDER 3 will relate to the Supply Side Working Group called for in the pending proposed decisions at the CPUC in the DR rulemaking.

CLECA recommends a joint CPUC-CAISO workshop on process be held soon, so that parties can understand how all the various DR activities at the CPUC and CAISO fit together. These include DR for local RA, ESDER 3, DR participation in day-of markets, the working groups in the CPUC proposed decisions, and other matters related to barriers to DR integration such as telemetry.

1. The ISO noted that the Settlement Agreement prevents it from "pre-dispatching" Reliability Demand Response Resources (RDRR). Is there anyone interested in opening the Settlement Agreement? If so, what do you think should change?

CLECA does not support re-opening the 2010 Settlement Agreement (SA) adopted by the CPUC in D. 10-06-034. A key feature of that SA was that BIP would qualify as RDRR when integrated into the CAISO markets and would be triggered by a contingency, rather than a price. The SA moved up the contingency from a Stage 2 emergency, which had been the previous trigger, to after a Warning and several following steps as set forth in CAISO Operating Procedure (OP) 4420, but before the CAISO would canvass neighboring balancing authorities for resources. The trigger is earlier among the steps in OP 4420 for transmission emergencies. OP 4420 also states that the CAISO can use the steps in any order needed as

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necessary. However, the standard procedure has been to wait for a Warning for a system contingency and a Transmission Emergency notice for a transmission contingency.

The proposal to re-open the SA appears to be driven by a desire for the CAISO to be able to use RDRR on a pre-contingency basis, which is a major departure from the current program. While the CAISO's interest in avoiding paperwork to explain the nature of the contingency to NERC/WECC is understandable, to use such a resource pre-contingency changes the fundamental nature of RDRR. Avoiding paperwork is not a sound reason, in CLECA's view, to fundamentally change a long-proven, preferred loading order resource that has performed in emergency situations to prevent rolling blackouts, most recently on May 3, 2017. It would take a careful review of the conditions under which this could occur, including limitations to assure that the resource would be dispatched based on a solid foundational expectation of a second (note, not a first) contingency, before CLECA could even consider supporting such a change.

2. During the workshop California Large Energy Consumers Association (CLECA) and Southern California Edison (SCE) referred to a pilot that creates new day ahead RDRR bidding options. Would such a pilot help provide more RDRR into the market either as "fast" RDRR or help to "pre-dispatch" it? If not, in what way might it inform approaches to these challenges?

CLECA supports the development of day-ahead bidding options for RDRR resources. Indeed, this concept was put forth in A. 17-01-012 et al as part of a stipulation between CLECA and SCE. Similarly, PG&E reached a settlement with several parties in that same proceeding to create such an option. CLECA and SCE continue to work to assess how this option can be implemented in the context of CAISO market rules and CPUC tariff considerations. The expectation is that there will be a pilot. In response to the questions posed, the pilot would not convert "slow-start" DR into "fast" DR or make it available for pre-dispatch. It would allow load under RDRR to participate in the CAISO's day-ahead market (DAM) on the basis of price rather than contingency and thus increase the amount of DR in that market that is economically bid. How that would relate to pre-dispatch of "slow-start" RDRR is not clear from information provided to date and would require additional analysis. For example, if the RDRR resource were to be pre-dispatched for a contingency but was otherwise in the DAM, would the pre-dispatch be pre-empted by a market award?

3. Currently, slow response resources may be "pre-dispatched" in the day-ahead timeframe. The ISO is developing policy to also "pre-dispatch" in the real-time timeframe via the Contingency Modeling Enhancements stakeholder initiative. Aside from this effort, do stakeholders have any other ideas about how the "pre-dispatch" can be accomplished in a shorter timeframe?

CLECA assumes that this question refers to pre-dispatch via the minimum online commitment (MOC) or residual unit commitment (RUC) and relates to resources other than RDRR, such as PDR, GFG, etc. MOC and RUC operate in the day-ahead market, although for

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faster resources the commitment under RUC is advisory. This should be true for DR as well, since, unlike steam generation, “slow-start” DR does not require day-ahead dispatch to be ready for the next day. It could be called day-of and be available. The issue is on what basis it will be called and when.

One of CLECA’s greatest concerns about the pre-contingency dispatch proposal is that binding dispatches will be given to “slow-start” PDR in the IFM which may then prove to be unnecessary the following day. “Fast-start” DR would not be subject to this pre-dispatch, so “slow-start” DR subject to pre-contingency dispatch would most likely be dispatched more often than “fast-start” DR, which raises equity issues. If RDRR were to be subject to this pre-dispatch, which we do not support, “slow-start” DR would receive lower incentives but be likely to be dispatched more often. Thus, if pre-contingency dispatch is needed for certain resources to be eligible to provide local RA, the closer to real-time pre-contingency dispatch can occur, the more likely it will be to meet a real need and the more equitable its treatment will be compared to “fast-start” DR.

At the October 4 workshop, CAISO staff discussed pending proposals to address changes in running the CAISO markets that could improve the process of anticipating contingencies. At that workshop, the CAISO staff acknowledged that the MOC constraint has limitations because it can only consider contingencies on a day-ahead basis and give them a dispatch in the IFM or RUC. The CAISO staff stated that its proposed Contingency Modeling Enhancements (CME) would be better able to track conditions in markets beyond the day-ahead market. This could mean that “slow-start” PDR could be given pre-contingency dispatch closer to real time. However, upon reviewing stakeholder comments on CME, it appears to be quite controversial. While we would conceptually support a process that would allow dispatch of DR with start times longer than that required to meet local RA needs much closer to when the need may occur, and certainly closer than in the day-ahead market, we have no ability to judge whether CME has sufficient merit to go forward or to achieve this goal. We also do not know when it would be operational if it was approved by the CAISO board and subsequently by FERC. Thus, it is not clear to us if this is a viable option to address the start time issues for DR to provide local RA.

4. CLECA proposed in a CPUC rulemaking (A.17-01-012) that all IOUs should offer a Base Interruptible Program (BIP) 15 minute option, in addition to the existing 30 minute options. What are the barriers to this option, for instance the “excess energy penalty?” How can they be overcome? What options might exist for BIP customers that cannot meet a 15 minute response time?

CLECA supports offering BIP-15 to all IOU DR customers, recognizing that implementing BIP-15 for utilities other than SCE, which currently has that tariff option, may take some time and that the proposal for such an option, including related funding, did not occur in PG&E or SDG&E DR applications for the period 2018-2022. The introduction of BIP-15 for these utilities would have to occur in the mid-cycle review or by separate application.

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While supporting BIP-15, CLECA understands 1) that not all customers can respond in 15 minutes and 2) that some customers who cannot fully respond in 15 minutes may be able to achieve significant partial response in that time period. For the former reason, CLECA supports the continuation of BIP-30 for customers who cannot meet the 15-minute requirement. For the latter reason, CLECA continues to support the SCE proposal in R. 14-10-010 that the amount of DR that can result in load reductions that meet the CAISO's preferred 20-minute requirement or, importantly, any final requirement necessary to provide local RA once adopted by the CPUC, count toward local RA. D. 16-06-045 directed that a method be developed to calculate the portion of a slower responding DR program that can reliably respond within the required period and therefore be counted for local RA. (D. 16-06-045 at 36 and COL 9.) This has not yet happened and there is no proposal before the CAISO and CPUC to develop and implement this methodology. This step should be taken as part of this joint activity.

5. During the workshop it was stated that other ISOs (NYISO was referenced) fall below their operating reserves several times a year. What are NYISO's reporting requirements and are they different than CAISO's when calling a Warning or Emergency for access to RDRR?

CLECA does not know the answer to this question.