

Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Draft Regional Framework Proposal for the Regional Resource Adequacy initiative that was posted on December 1, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **January 11, 2017**.

Please provide feedback on the Regional RA Draft Regional Framework Proposal below.

The ISO is especially interested in receiving feedback that indicates if your organization supports particular aspects of the proposal. Alternatively, if your organization does not support particular aspects of the proposal, please indicate why your organization does not support those aspects.

CLECA COMMENTS

CLECA appreciates this opportunity to provide input to the Regional RA policy initiative.

CLECA also appreciates the revisions to the schedule and the fact that this initiative will no longer be voted upon by the Board of Governors to be adopted as final; rather, it is to be considered a “close to final” proposal intended to inform the governance discussions for regionalization purposes. Further, the provision of some CAISO staff responses to some stakeholders’ comments is an improvement to prior staff drafts. These changes address in part CLECA’s significant process concerns regarding 1) an overly rushed schedule, 2) the need for the Western States Committee to have more and significant input as well as the final say on the Regional Resource Adequacy (RA) proposal, and 3) the lack of a summary of comments and responses. That said, serious substantive issues remain and the Regional RA Draft Regional Framework Proposal (Draft Regional RA Framework Proposal) should be revised to address them.

Proposed DR Testing Requirements Diverge From Current Practice, Lack Evidentiary Foundation, And Are Unduly Discriminatory and Arbitrary; They Should Be Changed

Most importantly, CLECA remains adamantly opposed to the needlessly stringent and unduly discriminatory proposed testing requirement for Demand Response (DR) in the Draft Regional RA Framework Proposal and the proposed changes in counting rules for DR resources. These were developed rather late in this initiative, have changed, and have not been subject to any analysis. No other resource would be subject to twice-yearly, four-hour tests – just DR, a preferred resource pursuant to California state law.¹ The precatory language states that it seeks to only make minimal requirements necessary for an expanded balancing area; no proof, however, has been offered over the course of this initiative to demonstrate the need for the significant changes proposed for DR testing and DR counting; there has been no evidence or analysis showing that they are required for an expanded balancing authority area, despite repeated requests for a demonstration of need.²

SCE noted that seasonal testing of the Reliability Demand Response Resource (RDRR) for four hours per test risks undermining customer participation in the program;³ CLECA agrees; it is foolhardy to risk a critical, emergency resource – particularly where there is *no evidence* that such risk is in any way warranted. The CPUC explained:

California currently utilizes about 1,500 MW of demand response to satisfy Local Capacity Requirements. The CAISO currently defers to CPUC counting conventions for such resources, by using August capacity values year round when counting local resources. The seasonal testing proposed in the Straw Proposal would constitute a major departure from current practice, without a clear justification for why the current convention would not be adequate under a regional framework. Rather than change these rules at this point, the CAISO should continue to defer to the CPUC and other LRAs' counting rules and to allow a Western States Committee to oversee stakeholder initiatives to address changes, if needed, to transition to using seasonal testing values for demand response.⁴

CLECA continues to agree with the CPUC and SCE and urges the CAISO staff to revise the proposed testing requirement. While CAISO staff notes in a footnote that no Reliability DR Resources appear on the 2016 RA showings,⁵ CLECA understands that that is because that DR is currently being credited on the load side for purposes of RA showings by the utilities. The CAISO should not blithely dismiss the deleterious impact its testing proposal could have on customer participation levels. In February 2014, the Base Interruptible Program, which is being integrated into the CAISO's markets as RDRR, was triggered due to the Polar Vortex and high

¹ See P.U. Code 454.5(b)(9)(C).

² See CLECA Comments on August 10, 2016 working group meeting, at 2; see also CLECA Comments, Oct. 27, 2016, at 3 (“We don’t know if there are different counting rules for demand response resources in other states in which PacifiCorp operates.”)

³ See SCE Comments, Oct. 27, 2016, at 4.

⁴ See CPUC Comments, Oct. 27, 2016, at 5.

⁵ Draft Regional RA Framework Proposal, at 25, footnote 13.

demand for natural gas in eastern markets; then, the emergency reliability demand response helped maintain the CAISO grid, as it has in multiple other grid emergencies. The DR then was not subject to the proposed testing requirements, but still it performed reliably. The CAISO has not demonstrated why or how an expanded regional market necessitates a change in testing requirements for DR. It is highly unreasonable and imprudent to risk this critical resource with unduly burdensome tests without such proof.

Moreover, the CAISO should consider how other organized markets handle DR for purposes of testing. The Joint DR Parties noted that this proposal differs dramatically from all other regional markets:

DR resource testing requirements should not be disconnected from the testing requirements of other resources.

PJM: The DR testing requirement to determine capacity value is a one hour self-scheduled test in the summer. This is the same as the requirement for generators providing resource requirement parity.

New England ISO and NY ISO both require two one hour tests – one in the summer season, one in the winter season. This matches the requirements for generator tests.

ERCOT - requires one 15-30-minute test of DR resources each year

No other market has instituted or proposed a more onerous testing requirement for DR resources than it has imposed on generation resources – nor a testing requirement as onerous as proposed by CAISO under the Regional RA proposal.⁶

CAISO staff did not address these comments, and failed to explain why its expanded regional market would be so different from these other markets as to need the onerous four-hour test twice a year – which no other market requires. Additionally, compared to the once a year, one-hour test for participating hydro and use of historical output for run of the river hydro, both of which can vary dramatically due to drought or other conditions, the proposed testing requirement for DR appears unduly discriminatory, arbitrary and capricious.⁷ As SCE reasons, “rules should combine the historical experience with the DR resources in question, with reasonable testing requirements that do not over-burden customers who are willing to help the grid in time of need, but otherwise have a business to run.”⁸ For system RA resources, the maximum testing requirement for all resources should be once per year, near the system peak, for one hour. The DR testing requirements should be changed to once per year near the system peak for a one-hour period; for temperature-sensitive DR, CLECA agrees with SCE that an established counting methodology could be used in place of testing. SCE notes that the CPUC, as SCE’s LRA has:

⁶ See Joint DR Parties Comments, Oct. 27, 2016, at 2.

⁷ See Draft Regional RA Framework Proposal, at 24.

⁸ See SCE Comments, Oct. 27, 2016, at 4.

well-established and robust methodology for determining DR capacity through its Load Impact Protocols. Since this statistical methodology is likely to provide a more robust MW estimate, it may obviate the need for additional seasonal tests.⁹

The DR Counting Rules Should Remain the Same, with Deference Given to the LRA

The CPUC further recommended no change to the counting rules at this time, as there has been no adequate explanation for why a change is needed now, in connection with the counting of renewable resources, concluding the ISO should:

instead to defer to the LRA's method for counting renewable capacity, unless and until the CAISO has demonstrated that deference will actually be likely to yield reliability problems.¹⁰

CLECA agrees; this recommendation applies equally to DR. CLECA previously explained:

California's current demand response policies and programs help retain industries, particularly those that are energy-intensive, in California; this critically aligns with the state's overarching climate goals. Moreover, there is no information in the record of this initiative that there are different counting rules for the different types of resources - including reliability demand response resources - that provide RA in what would be the expanded ISO footprint for a Regional ISO encompassing the current CAISO footprint and PacifiCorp. For example, despite several requests for information on the counting rules of the other LRAs for PacifiCorp, we don't know if there are different counting rules for demand response resources in the other states in which PacifiCorp operates. We don't know if there are different counting rules for other preferred resources either. The Regional RA proposal, however, suggests implementation of new, default counting rules that vary significantly depending upon resource type, raising questions about a technology-neutral philosophy and also raising concerns over the treatment of preferred resources. CLECA is very concerned by the divergence in the proposed CAISO and current CPUC counting rules.¹¹

As CLECA and others have explained, California state law vests jurisdiction over the RA requirements with the CPUC in consultation with the CAISO. Like CLECA, CPUC Staff raised this concern in its October comments, stating in connection with the RA Showings and Validation proposal based on the uniform counting rules:

First, the proposed process would **vastly diverge from the existing CPUC validation process** and may result in conflicting determinations between the CPUC's and CAISO's assessment of whether an LSE has met its CPUC-allocated RA requirements, particularly if the process does not account for CAM credits. The divergence may warrant phasing out the CPUC's resource adequacy program. However, this is inconsistent with Public Utilities Code Section 380. It is unclear to CPUC Staff, however, why the CPUC should administer parallel but separate processes, particularly if the CAISO will make

⁹ Id, at 5.

¹⁰ See CPUC Comments, Oct. 27, 2016, at 5.

¹¹ See CLECA Comments, Oct. 27, 2016, at 3 (internal footnote omitted).

determinations of whether deficiencies arise that require invoking the CAISO's backstop procurement authority and issuing a CPM designation for reliability.¹²

Despite staff's statement that its proposal reflects "a reasonable, workable balance", for DR resources, it does not. DR is undergoing a significant transition; the threatened imposition of unduly onerous, discriminatory testing and counting rules is not warranted and needlessly risks long-standing resources that have served system reliability and the grid very well for decades. The record in this initiative does not support the staff's proposed changes. The Draft Regional RA Framework Proposal's suggested requirements for DR testing and counting should be revised to align with and defer to the current LRA practice.

¹² See CPUC Comments, Oct. 27, 2016, at 4.