

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

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021.

Rulemaking 20-11-003
(Filed November 19, 2020)

**REPLY COMMENTS ON PROPOSED DECISION OF
THE DEPARTMENT OF MARKET MONITORING OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The Department of Market Monitoring (DMM) of the California Independent System Operator Corporation (CAISO) submits these reply comments on the Commission’s Proposed Decision on its Emergency Load Reduction Program (ELRP).¹ These comments specifically address the Group B ELRP participation model which applies to resources also participating as proxy demand response (PDR) resources in the ISO market.

I. COMMENTS

A. DMM suggests that the ISO and CPUC baseline methodologies for Group B resources be aligned to the extent possible.

The Commission notes that “ELRP should be viewed principally as an insurance policy made available during emergency conditions to supplement the reliability already provided by the RA program.”² DMM agrees that the proposed ELRP design for Group B resources could incentivize additional demand response beyond load reduction scheduled in the ISO market.

¹ *Proposed Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022*, R.20-11-003, CPUC, March 5, 2021:
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M369/K286/369286360.PDF>

² *Ibid.*, p. 17.

However, because of differences in performance measurements between the ELRP program and the ISO, proxy demand response resources could have a significant incentive to provide load reduction primarily under ELRP instead of through the ISO market. To avoid this, DMM suggests that the ISO and CPUC work together to align baseline methodologies between Group B resources under the ELRP program and PDR resources in the ISO market to the extent possible.

Under the proposed ELRP framework, baselines for Group B resources would be more favorable than current ISO baselines. This discrepancy could provide an incentive for proxy demand response resources to seek to have the majority of load reduction evaluated under ELRP rather than through the ISO market. This could potentially cause the ISO to lose visibility and have less accurate information on the actual available capacity from PDR resources.

DMM supports the ISO's efforts to consider "potential baseline adjustment increase(s) during stressed grid conditions."³ DMM believes these efforts alone could help demand response providers to be more accurately compensated for actual performance during periods of very high load. Given that the ISO is considering developing guidelines by which potential baseline adjustment increases could be effectuated, DMM suggests that the ISO and CPUC collaborate on these efforts and maintain consistency in baseline calculations (where potential baseline adjustment increases would carry over into ELRP performance calculations and may in some cases exceed 80 percent), rather than codifying static adjustment caps in the ELRP program.

DMM also agrees with the suggestions of some demand response providers that the ISO's baseline calculations should exclude ELRP events just as the ELRP baselines would

³ *Comments of the California Independent System Operator Corporation on Proposed Decision*, California ISO, March 15, 2021, p. 3: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M371/K105/371105687.PDF>

exclude ISO dispatch events.⁴ DMM agrees that the ISO's baseline calculations should exclude ELRP events to avoid suppressing ISO baselines and performance. Excluding ELRP events from ISO baselines would also promote better consistency between ISO and CPUC baselines for Group B resources, and could mitigate further incentives for resources to favor load curtailment under ELRP rather than through the ISO market.

B. DMM agrees with some parties that the proposed ELRP compensation for PDR resources without ISO schedules could limit incentives for resources to participate in ELRP events when the load reduction may be needed. However, if the ISO must rely on demand response capacity not economically scheduled in the ISO market, the ISO should have processes in place to manually dispatch the available demand response capacity.

OhmConnect provides an example showing that the proposed ELRP compensation for resources without an ISO award could limit incentives for such resources to participate in ELRP events, since the potential ELRP compensation could be lower than a resource's marginal costs.⁵ DMM agrees that this scenario presents potential issues in the event the ISO system needs the unscheduled capacity in real-time, but (1) the ISO cannot access the capacity in real-time because the capacity was not committed by the ISO, and (2) the capacity is not incentivized to participate in ELRP.

DMM continues to recommend that the ISO develop a process to be able to manually dispatch available demand response resource adequacy in the day-ahead timeframe and in real-time as needed. If capacity is not scheduled economically in the ISO market, then that indicates that the supply was not needed to meet demand. However, if the ISO expects that it will need to rely on capacity in excess of what was scheduled by the market, then the ISO will send manual,

⁴ *Opening Comments of OhmConnect, Inc. on Proposed Decision Directing Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022*, OhmConnect, Inc., March 15, 2021, p.2.

⁵ *Ibid.*, p.3.

out of market, dispatch instructions to resources. The ISO should be able to issue manual dispatch or commitment instructions to demand response capacity as well, particularly resource adequacy resources, such that this capacity can be available in real-time.

If the ISO manually dispatches demand response capacity that it expects to rely upon in real-time, then DMM believes that the issue of needing additional resources to curtail load which are not economically incentivized to do so is largely mitigated. The ISO could commit the capacity it expects to need up front (where resources scheduled out of market would be eligible for bid cost recovery), while capacity not economically committed and not manually dispatched by the ISO could voluntarily curtail additional load under ELRP for a lower rate.

Respectfully submitted,

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