



# CCE3 Workshop: DRAM Pilots



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# Structure of Presentation

- DRAM Overview
  - Use Limited Status Assumed
  - Contract Provisions: Capacity Demonstration
  - Contract Provisions: Penalties





## What is the DRAM?

- Capacity procurement mechanism exclusively for third party DR resources – PDR, RDRR
- IOUs hold simultaneous RFOs with a common pro forma contract, protocols and evaluation criteria.
- IOUs purchase resource adequacy capacity **only**, and do not dispatch the resources.
- Third party DR providers that win DRAM contracts are required to participate in the wholesale market and are responsible for all aspects of that participation, including penalties.
- Two pilot auctions already held; a third likely to occur.





## Pro-Forma Designed Before CCE3

- The retention of prior use-limited status was assumed.
- No provisions detail or contemplate opportunity costs.
- Two starts per day per resource was not assumed.
- Resource limitations – either monthly or annual – were not included in the contract explicitly.
- It was assumed that the resource could manage use limitations through its monthly plan filings.
- Resources have minimum availability requirements, consistent with resource adequacy minimum requirements, and **nothing else**.
- Minimum availability requirement: 24 hours/month – 4 hour dispatch per day for 3 consecutive days. (Contract § 3.5(d))





# Contract Provisions: Capacity Demonstration

## Pro Forma Contract § 1.6 & 3.1:

(a) Each invoice submitted by Seller to Buyer pursuant to Section 4.2 shall include a statement, in a form substantially similar to Exhibit C, of the amount of the Product Monthly Quantity for each type of Product for such Showing Month that Seller was capable of delivering (“Demonstrated Capacity”), including, at Seller’s election in its sole discretion, any one of the following:

- (i) The results of a capacity test conducted by the Seller’s SC during the applicable Showing Month. Such test shall consist of at least two (2) continuous hours of load reduction by the applicable PDR or RDRR in the DRAM Resource....
- (ii) The average amount of capacity for the applicable PDR or RDRR in the DRAM Resource that the Seller Bid into the applicable CAISO Markets solely during the hours of the Showing Month in compliance with the MOO; or
- (iii) The results of a Dispatch of the applicable PDR or RDRR in the DRAM Resource during the Showing Month, provided that the PDR or RDRR provided load reduction during all of the hours referenced in the Dispatch Instruction corresponding to the applicable MOO hours...

### 3.1. Delivery of Product

(a) No later than ten (10) Business Days before the applicable Buyer’s Compliance Showing deadlines for each Showing Month, Seller shall submit, or shall cause Seller’s SC(s) to submit, Notice to Buyer which includes Seller’s proposed Supply Plan for such Showing Month...

(b) Seller shall, on a timely basis, submit, or cause its SC to submit, a Supply Plan in accordance with the CAISO Tariff to identify and confirm the Product Monthly Quantity for each type of Product to be provided to Buyer from the DRAM Resource for each Showing Month.





# Contract Provisions: Penalties

Penalties to Buyer (IOUs) are generally the responsibility of the Seller.

## § 3.5. Indemnities for Failure to Perform.

Seller agrees to indemnify, defend and hold harmless Buyer from any costs, penalties, fines or charges assessed against Buyer by the CPUC or the CAISO, resulting from Seller's failure to do, or cause to be done, any of the following:

- (a) Provide any portion of the Monthly Quantity for any portion of the Delivery Period, except to the extent (i) such failure is solely the result of a failure by Buyer to perform any of its obligations pursuant to Section 6.2, or (ii) Seller reduces a Monthly Quantity in compliance with Section 1.5(b);

...Notwithstanding Seller's obligations in Section 3.5(a), Seller is not required to indemnify or reimburse Buyer for any costs allocated to Buyer by the CAISO for any capacity procured by CAISO pursuant to the Capacity Procurement Mechanism with respect to any Shortfall Capacity.





**Thank you!**

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