



Stakeholder Comments Template

RAAIM Exemption Options for Demand Response Resources

This template has been created for submission of stakeholder comments on the final proposal and draft tariff language that was published on June 10, 2021. The proposal, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/MeetingsEvents/MiscellaneousStakeholderMeetings/Default.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **June 23, 2021**.

| Submitted by | Organization | Date Submitted |
|--------------------------------|----------------------|----------------|
| Cait Pollock (415) 710-1546 | CPUC Energy Division | June 23, 2021 |

Please provide your organization's comments on the following issues and questions.

1. Variable-Output Demand Response (DR)

Please provide your organization's feedback on the proposal to treat demand response as a variable-output resource, as previously vetted through the Energy Storage and Distributed Energy Resources (ESDER) Phase 4 initiative, and consistent with anticipated changes by the California Public Utilities Commission (Commission). Please explain your rationale and include examples if applicable.

(See below comments.)

2. RAAIM Exemption Option for Variable-Output DR

Please provide your organization's feedback on the proposal to exempt variable-output DR from the Resource Adequacy Availability Incentive Mechanism (RAAIM). Please explain your rationale and include examples if applicable.

(See below comments.)

Additional comments

Please offer any additional feedback your organization would like to provide on the final proposal and draft tariff language.

Background and Overview

The Energy Division staff of the California Public Utilities Commission (ED staff) appreciates this opportunity to provide comments on the *Resource Adequacy Availability Assessment Mechanism (RAAIM) Exemption Option for Variable-Output Demand Response (DR) Valued Under an Effective Load Carrying Capability (ELCC) or Similar Methodology* final proposal¹ by the California Independent System Operator (CAISO) and the June 15, 2021, meeting discussion.

The June 15 stakeholder meeting, led by CAISO staff, provided CAISO's proposal in an expedited manner to allow CAISO to respond to regulatory needs established through its Executive Appeals Committee decision on the Appeal of Business Practice Manual (BPM) Proposed Revision Request (PRR) 1280 and related California Public Utilities Commission (CPUC) rulings, as well as the need to seek associated tariff changes with the Federal Energy Regulatory Commission (FERC) in advance of the annual resource adequacy (RA) showing deadline for 2022 RA compliance. CAISO staff indicated in the meeting that the final proposal was developed based on variable-output DR discussions and vetting in the CPUC's Supply-Side Working Group (2018-2019), CAISO's Energy Storage and Distributed Energy Resources (ESDER) 4 initiative (2019-2020), and CPUC Rulemaking (R.)19-11-009 in 2020-2021.

To implement the RAAIM exemption for variable-output DR, CAISO proposes to amend section 40.9.2(b)(1) of its tariff and add a subsection to include Proxy Demand Response (PDR) and Reliability Demand Response Resource (RDRR) resources in the list of resource types that are exempt from RAAIM when providing local and system RA capacity so long as these DR resources have their qualifying capacity (QC) set through ELCC or a substantially similar methodology.² Included in its redline tariff changes is the following provision for resource categories exempt from RAAIM: "[DR] Resources whose Qualifying Capacity is established using an [ELCC] methodology (as that term is used in Section 399.26(d) of the California Public Utilities Code, or a successor provision) or a methodology that the CAISO determines in its sole discretion is substantially similar to the [ELCC] methodology."³

Comments

ED staff supports CAISO's effort and stated commitment to initiate a RAAIM exemption filing at FERC for variable-output DR resources, which arose in response to the related CPUC Proposed Decision (PD) that sought to require the RAAIM exemption as a pre-condition for moving IOU DR resources onto the monthly supply plans.⁴ Overall, this effort is a welcome approach to seeking resolution of long-standing issues related to DR valuation, DR supply plan credits, and RAAIM-

¹ The proposal is available at: <http://www.caiso.com/Documents/FinalProposal-RAAIMExemptionOption-DRResources.pdf>.

² Proposal at p. 10.

³ Proposal at pp. 10-11.

⁴ Rulemaking (R.)19-11-009: *Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining the Resource Adequacy Program*, Proposed Decision of ALJ Chiv, mailed on 5/22/2021, available at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M338/K277/338277501.PDF>.

related concerns, as well as addressing outstanding issues stemming from PRR 1280. At the same time, it would be helpful for CAISO to further discuss and address the following issues:

1. Jurisdiction. ED staff respectfully finds it necessary for a language change to be made to the proposed tariff revision that strikes “sole discretion.” Instead, the language should indicate that any alternative QC methodologies “shall be accepted in consultation with the CPUC as Local Regulatory Authority (LRA) for CPUC-jurisdictional RA.” This is pursuant to California Public Utilities Code 380 that gives the CPUC statutory authority over the RA program, in consultation with CAISO. More specifically, Section 380 states: “The Commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities.”

2. ELCC as a Prerequisite to Granting RAIM Exemption. As expressed in our DR staff proposal in R.19-11-009,⁵ from discussions with CAISO, ED staff’s understanding is that CAISO believes the CPUC implementing an ELCC-based QC counting methodology is a prerequisite to CAISO’s ability to seek a RAIM exemption for variable-output DR. We disagree with CAISO’s apparent view that adoption of ELCC to establish QC for DR *in the planning space* must be the predicate for CAISO to implement a RAIM exemption for variable-output DR *in the operational space*. ED staff remains unconvinced of the notion of linking the RAIM exemption for variable-output DR with a particular QC methodology, as it is still unclear what aspects of the ELCC methodology are so unique such that only ELCC could permit a RAIM exemption. CAISO has not made that clear.

3. RAIM Applicability to Forthcoming DR QC Method as Adopted by CPUC. ED staff requests that CAISO’s forthcoming RAIM exemption filing at FERC delineate that a RAIM exemption shall also apply to whatever DR QC counting methodology is adopted by the CPUC following the California Energy Commission’s (CEC) DR Measurement & Verification (M&V) study process (as was ordered in the CPUC’s May 22, 2021 RA PD). Given that CAISO, the investor-owned utilities (IOUs), and numerous other DR stakeholders have committed (as detailed in comments/replies to the PD) to participating in developing and vetting the DR QC methodology throughout this in-depth working group process, it follows that variable-output DR resources whose QC is established using the resulting methodology that is adopted by the CPUC should be exempt from RAIM.

Conclusion

ED staff appreciates the opportunity to comment on the RAIM Exemption Option final proposal and meeting discussion and looks forward to further collaboration with CAISO.

⁵ *Energy Division Demand Response Proposals for Proceeding R.19-11-009*, CPUC, April 19, 2021; available as Attachment A (<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M378/K737/378737761.PDF>) to *Administrative Law Judge’s Ruling on Energy Division’s Demand Response Proposal and Seeking Comments on the Proposal*, available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M378/K738/378738096.PDF>.