

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

Order Instituting Rulemaking to consider policy and implementation refinements to the Energy Storage Procurement Framework and Design Program (D.13-10-040, D.14-10-045) and related Action Plan of the California Energy Storage Roadmap

Rulemaking 15-03-011
(Filed March 26, 2015)

**REPLY COMMENTS OF
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON COMMISSIONER PETERMAN’S PROPOSED DECISION
ON MULTIPLE USE APPLICATION ISSUES**

The California Independent System Operator Corporation (“CAISO”) respectfully submits these Reply Comments regarding Commissioner Peterman’s Proposed Decision on Multiple Use Applications.¹ CAISO staff has worked with Commission staff throughout this proceeding and generally supports the Proposed Decision. The CAISO believes the Proposed Decision provides a critical framework that can continue to be refined through practice and other proceedings, including in the Commission’s Working Group. Nevertheless, the CAISO supports the Commission’s decision to close the instant proceeding. These rules and recent CAISO tariff enhancements—particularly the new distributed energy resource provider model and demand response models—enable multiple-use applications today.

Applicability

The CAISO supports the Commission’s decision to implement its proposed rules as actual, enforceable rules that will eventually be adopted into tariffs and contracts. Even at this foundational stage for multiple-use applications, it is critical that parties recognize—as the

¹ Capitalized terms not otherwise defined herein have the meanings set forth in the CAISO tariff, and references to specific sections, articles, and appendices are references to sections, articles, and appendices in the current CAISO tariff and revised or proposed in this filing, unless otherwise indicated. The CAISO submits these reply comments pursuant to CPUC Rule

Commission has—that any resource electing to provide electrical services takes on significant and meaningful obligations. Obviously this is especially true for those services the Commission has classified as “reliability services.”

In its comments, Tesla notes that “[t]he Proposed Decision generally takes the view that it is better to, in the near term, err on the side of establishing rules to ensure this type of overextension does not occur, particularly in the context of reliability services, given how critical these services are to the utilities’ obligations to ensure safe and reliable service.”² Tesla then argues that this view may be myopic because it discounts “the effectiveness of existing contractual and programmatic requirements to which entities providing reliability services are subject,” and thus holds storage resources to a higher standard without cause. The CAISO agrees that these rules should be technology neutral, but disagrees that the solution is—as Tesla seems to recommend—that the Commission should soften or forego the enforcement of these rules. The Commission’s proposed decision should address multiple-use applications in any technological shape (including even demand response). Multiple-use applications by definition are resources seeking to provide a variety of services in a variety of domains, the capacity and energy for which may be needed simultaneously. These conflicts are new to the industry, and they require new rules for all technologies. Existing tariffs and contracts did not contemplate multiple-use applications, hence the need for this proceeding and these new rules.

Table 1: Service Domains

Like most parties, the CAISO supports the Commission’s proposed division of services and domains, as presented in Table 1. The CAISO takes this opportunity to comment on other parties’ suggested revisions.

² Tesla Comments at p. 3.

Southern California Edison (“SCE”) recommends revising Table 1’s inclusion of “Imbalance Energy” as a non-reliability service in the wholesale market domain to simply state “Energy.” SCE notes that CAISO operates a day-ahead market and a real-time market and that the term imbalance energy generally refers to energy needed to balance any critical difference between them. The CAISO agrees with SCE’s recommendation.

San Diego Gas & Electric (“SDG&E”) proposes to include “[Demand Response] program services”³ as a potential non-reliability service in the transmission domain. The CAISO is unclear what “demand response services” are in the transmission or wholesale domain as distinct from the services already included in those domains. To the extent demand response programs could defer transmission or distribution construction, those services are already included in Table 1 as proposed by the Commission. Similarly, if SDG&E envisions that demand response resources can provide ancillary services today or primary frequency response and regulation in the future, those services are already included in the transmission and wholesale market domains in the Commission’s proposed division of services. Otherwise, the CAISO is not aware of other transmission and distribution services demand response resources could provide that would be unique, non-reliability “demand response services.”

While perhaps not explicitly stated in the Commission’s Proposed Decision, demand response resources can provide reliability services in the resource adequacy domain. Demand response resources integrated into the CAISO market are considered supply resources that are eligible to meet resource adequacy requirements and, therefore are captured like all other supply resources in the resource adequacy domain. Although not specifically in any domain, load modifying demand response like energy efficiency can reduce load obligations, which can

³ SDG&E Comments at p. 4.

correspondingly reduce resource adequacy requirements.

Proposed Rules

The CAISO notes that Stem, AMS, Tesla, CESA, and others seek a variety of clarifications or exceptions to rules 5, 6, 8, 11, and 12 on the prioritization of reliability services or transmission deferral. While some of these clarifications may be reasonable, the CAISO opposes any change that may diminish the requirement that distinct capacity designated for a reliability or transmission service must be dedicated and always available for that service.

The CAISO agrees with Stem's comments that Commission's proposed rules on priority for reliability services may be difficult to enforce or validate.⁴ After all, a scheduling coordinator for even a traditional generator could elect to forego responding to a dispatch to provide services needed for reliability. However, this premise does not support Stem's conclusion that these rules "ha[ve] no practical meaning" or that "there's no reasonable way to enforce this behavior without an evaluation of the resource's performance after the fact." Even assuming those statements are true *arguendo*, the rules themselves are still necessary. *Ex post* enforcement such as penalties and breach of contract will motivate scheduling coordinators *ex ante* to prioritize reliability services over more profitably non-reliability services.

Appendix A

SDG&E proposes to modify the Commission's first finding of fact to strike "utility standard contracts" as an example of current market rules that do not support multiple use applications, and include in its place "wholesale and retail accounting methodologies." The CAISO does not agree with this revision. Although one could argue that parties lack clear methods to "measure" and settle the services that could be provided by multiple use applications,

⁴ Stem Comments at pp. 3-4.

these do not constitute “accounting methodologies,” and are already captured by the Commission’s inclusion of “program tariffs” where such rules will reside. These programs eventually should define the quantities that the CAISO and UDCs can settle. But neither the CAISO nor UDCs have sole jurisdiction to decide what should be settled at wholesale and what should be settled at retail. Likewise, the CAISO will not have jurisdiction to settle resources at retail, and retail utilities will not have jurisdiction to settle resources at wholesale. Thus, there cannot be an “accounting methodology” where the CAISO would have to account for retail services or prices in its locational marginal price for wholesale resources.

Conclusion

The CAISO supports the Commission’s Proposed Decision.

Respectfully submitted,

By: /s/ William H. Weaver

Roger E. Collanton
General Counsel
Sidney L. Mannheim
Assistant General Counsel
William H. Weaver
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
T – 916-608-1225
F – 916-608-7222
bweaver@caiso.com

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