

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

Order Instituting Rulemaking to Consider Smart Grid Technologies Pursuant to Federal Legislation and on the Commission's own Motion to Actively Guide Policy in California's Development of a Smart Grid System.

Rulemaking 08-12-009
Filed December 18, 2008

Comments of the California Independent System Operator Corporation On The Assigned Commissioner's Proposed Decision Adopting Policies And Findings Pursuant To The Smart Grid Policies Established By The Energy Information [sic] And Security Act Of 2007

The California Independent System Operator Corporation ("ISO") submits these comments to provide input to the Commission as it considers Commissioner Chong's Proposed Decision relating to the adoption of smart grid policies pursuant to the Energy Independence and Security Act of 2007 (EISA). The ISO generally supports the Proposed Decision and believes that, overall, it represents a sensible approach to the issues posed by EISA.

The ISO limits these comments to an issue that has received little attention thus far in this proceeding, namely providing customers with information regarding wholesale electricity prices. In that regard, EISA amends the Public Utilities Regulatory Policies Act to require state utility commissions to consider adopting a requirement that utilities provide their customers with information concerning wholesale and retail time-based electricity prices.¹ The Proposed Decision finds that the Commission's advanced metering infrastructure (AMI) proceedings already require the eventual provision of time-based retail prices. The Proposed Decision additionally mandates additional workshops and/or comments to determine "the best way to require utilities to provide retail price and

¹ 16 USC §2621(d)(19)(B)(i).

consumption information to customers . . . on a real-time or near real-time basis in a machine readable form.”² The Proposed Decision does not, however, address the issue of providing real-time wholesale price information. The Commission should consider requiring utilities to also provide wholesale price information as a complement to the retail price information that already will be covered through the AMI proceedings. The Commission should additionally consider amending the Proposed Decision to include the issue of wholesale prices in the future workshops.

Providing retail customers with real-time wholesale prices would provide several benefits. High wholesale rates indicate scarcity and/or the existence of constraints on the grid. Providing more direct notice to retail customers of such scarcity and constraints could better encourage conservation at critical times. Such information will also help facilitate the greater participation of demand response in the ISO’s wholesale markets. More broadly, as retail rate design evolves to serve a variety of public policy goals such as supporting California’s loading order and creating more efficient pricing for electric vehicle charging and energy storage devices, wholesale prices will play an increasingly critical role in the design of retail rates that support these policy goals. Thus, providing retail customers with wholesale electricity price information could elevate public awareness about the time-varying cost of electricity.

Any eventual adoption of a requirement to provide retail customers with real-time wholesale price information should consider the following issues. Real-time wholesale price information already is provided on the ISO’s Open Access Same-time Information System (OASIS) website.³ The basis by which utilities provide their customers with

² Proposed Decision, 52.

³ <http://oasis.caiso.com/mrtu-oasis/>.

wholesale price information should effectively integrate with this existing information provision infrastructure. Additionally, the “hand-off” of price information from the wholesale to retail side should follow the communications standards developed collaboratively through national standards-setting organizations such as the National Institute of Standards and Technology and the North American Energy Standards Board.

Finally, with the ISO’s MRTU market design, the ISO’s market consists of many individual pricing nodes. Given that geographic specificity is a key attribute for determining a resource’s value and its impact on the grid, it is imperative that a process of mapping individual retail customers to the ISO’s pricing nodes be started. The Commission should consider making that process part of the additional workshops called for in the Proposed Decision. Such an effort will lower a barrier to demand response resources’ effective participation in the wholesale market by enabling utilities and other demand response providers to quickly determine: (1) how customers connect to the ISO’s grid; (2) how customers relate to the ISO’s network model, which drives congestion management and wholesale market results; and (3) where there is the most value for developing new demand response resources.

The ISO appreciates the opportunity to offer these observations and looks forward to continuing its participation in the CPUC's smart grid policymaking process.

Respectfully submitted,

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Dated: December 7, 2009

CERTIFICATE OF SERVICE

I hereby certify that on December 7, 2009 I served, on the Service List for Proceeding R.08-12-009, by electronic mail and United States mail, a copy of the foregoing:

COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION ON THE ASSIGNED COMMISSIONER'S PROPOSED DECISION ADOPTING POLICIES AND FINDINGS PURSUANT TO THE SMART GRID POLICIES ESTABLISHED BY THE ENERGY INFORMATION [SIC] AND SECURITY ACT OF 2007

Executed on December 7, 2009 at
Folsom, California

Anna Pascuzzo

Anna Pascuzzo,
An employee of the California
Independent System Operator