Decision on reliability demand response resource (RDRR) enhancements – phase 1

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The intended dispatch of RDRRs is impacted by recent rules that allow bids up to $2,000/MWh

- In 2012, ISO adopted rules to align with CPUC-approved settlement
  - RDRRs only dispatched in emergencies
  - Settlement recognized that the underlying customers have costs well above cost of conventional supply resources
  - Real-time market bids must be at least 95% of the $1,000/MWh bid cap

- Last year the ISO changed its market rules to comply with FERC Order 831
  - Bids up to $2,000/MWh are allowed based on verified costs
  - Import bids are allowed up to $2,000/MWh under certain conditions
Management proposes changes to bidding rules when energy bids priced up to $2,000/MWh

• Under current rules, RDRRs could be dispatched before other resources when there are bids above $1,000/MWh
  – Inconsistent with intent of 2012 CPUC settlement

• Require real-time RDRR energy bids be at least 95% of the $2,000/MWh bid cap when the ISO is accepting bids up to $2,000/MWh
  – Ensures real-time market exhausts bids for other resources before dispatching RDRRs

• ISO will notify utilities when it is accepting bids up to $2,000/MWh
  – Allow scheduling coordinators to modify bids to $1,900 or higher
  – Any remaining bids below $1,000/MWh automatically scaled to the $2,000/MWh bid cap
Example of how proposal would work in the market

Under normal $1000/MWh market bid cap:
Scheduling coordinator submits RDRR energy bid = $975/MWh

If conditions arise that trigger $2,000/MWh bid cap, then, RDRR scheduling coordinator would be notified and can either:
1. Submit a bid between $1,900 and $2,000/MWh, or
2. Do nothing and the bid will automatically be scaled to $1,950/MWh ($975 \times 2)$
Stakeholders largely support the proposed change to RDRR bidding requirements

• Utilities and demand response providers support the proposal as consistent with CPUC settlement and market rules related to FERC Order 831

• DMM believes RDRR bids below $1,900/MWh should be allowed if the utility can document costs below $1,900/MWh
  – Management’s proposal to require bids of at least $1,900/MWh is consistent with the CPUC settlement’s intent that they be priced near the bid cap
  – Proposal ensures the real-time market does not dispatch RDRRs before other resources
Management requests the ISO Board of Governors and Western EIM Governing Body approve Management’s proposed RDRR bidding enhancements.

- Provides for the appropriate dispatch of RDRRs when the ISO is accepting energy bids priced up to $2,000/MWh

- Maintains the original dispatch procedures that address cost and use-limit attributes of RDRR resources under FERC Order 831 rules