

## **ENERNOC'S COMMENTS ON DRAFT FINAL FRACMOO STRAW PROPOSAL**

One of the more significant changes that CAISO has proposed in its Draft Final FRACMOO Straw Proposal is to condense the 4 categories of flexible capacity resources into 3 categories, by collapsing what had previously been categories 1 and 2. EnerNOC has no opinion on that change. The categories of flexible capacity resources in which DR resources are likely to participate is in either categories 2 (peak) and 3 (super-peak).

CAISO maintains a 5% cap on super-peak flexible capacity resources. EnerNOC incorporates all of the comments that were articulated with respect to the Fifth Revised FRACMOO Straw Proposal, by reference, as those concerns are just as valid for the Draft Final FRACMOO Straw Proposal. Those issues include:

1. Ability of Category 1 resources to displace Categories 2 and 3 resources; Ability of Category 2 resources to displace Category 3 resources
2. Lack of definition around the availability hours
3. Bundling DR flexible capacity with DR generic capacity
4. Requiring DR to bid on a sub-LAP basis to provide a system resource
5. Unknown value proposition and replacement obligations

EnerNOC does not object to the 5% cap as an initial starting point, so long as that cap is not permanent and other methods for determining Category 3 participation levels are considered. CAISO has indicated they will initiate a stakeholder process early in 2016 to revisit the FRACMOO structure, and that seems appropriate.

There are implications to a cap that will affect the post-2016 DR contracts/programs. In other words, it would be an unfortunate consequence of this design if future opportunities for DR to provide flexible capacity resources, post 2016, would be limited by virtue of a, somewhat, arbitrary market cap, especially if flexible capacity resources will be valued at a premium over generic resources. However, as there is very little, if any, participation in the wholesale market by DR resources at this time, for various reasons, it is unlikely that this cap will result in the denial of DR resource participation between 1Q2014 and 1Q2016. As such, EnerNOC will not strongly protest this cap at this time; but, will reserve the right to do so in the future.

### **TESTING:**

CAISO proposes, at page 37, to randomly test DR resources to establish EFC. EnerNOC has, in previous versions of FRACMOO Straw Proposals, opposed a random test for DR resources as being discriminatory. Generation resources are not randomly tested; they schedule their test dates. Random tests are not a good idea for DR resources. Good DR resource performance is based upon the good coordination and communication between the resource owner and the customers. In that way, EnerNOC maintains a consistent level of communication with customers to indicate when the resources are likely to be dispatched. In a market environment, EnerNOC will analyze market price signals as the indication that a dispatch is likely. As a reliability resource, EnerNOC evaluates system conditions, load,

resources, outages, fires, prices, temperatures-all as potential indicators of the likelihood of a resource dispatch. EnerNOC communicates information to its customers regarding dispatch likelihood and resource readiness to assure the best possible performance from its customers. Random tests look like a failure to communicate to the customer and decrease customer satisfaction. If the end result is to determine performance under conditions that are comparable to real dispatch conditions, blind tests do not replicate those conditions for DR resources and will ensure less performance than would otherwise be garnered. EnerNOC strongly discourages random testing as a basis for determining EFC or NQC.

CAISO also identifies the current RA dispatch window (1-6 PM) as being incompatible with the window when flexible capacity resources will be required to be available. EnerNOC agrees. It makes sense to have the resource test coincide with the availability requirement. As EnerNOC has stated on numerous occasions previously, the difference in the availability and performance requirements will necessitate that EnerNOC develop separate resources for each requirement with separate customers. As such, bundling the requirement for flexible and generic capacity doesn't make any sense for DR.

It is apparent that the amount of Category 3 capacity that will be required in any month will vary based upon the monthly calculation of 5% of the monthly maximum ramping requirement. It is unclear how a test will demonstrate the capability of the resource over the course of an annual period, where the resource requirement may vary, significantly, from month-to-month.

The CPUC Energy Division Proposal limited the random test window to one month. EnerNOC suggested narrowing the window to one week. To require a resource to maintain a constant state of readiness of a resource over the course of a month for 100 hours (100 hours=5 hours/day \* 5 days/week \* 4 weeks) for a random test that will last 3 hours, is not reasonable, especially when the resource is only required to be dispatched, at most, for 15 hours/month.

#### **RESOURCE REQUIREMENTS:**

In the Draft Final FRACMO Proposal, CAISO proposed that energy storage could have a constant ramp rate (MW/min), over a 3-hour period, as opposed to a constant hourly capacity performance obligation.

There are aspects of that proposal for energy storage which have applicability for DR resources. EnerNOC's customers load shapes increase from the morning hours through the day, until late afternoon, when the load will drop off as business hours conclude. As such, the ability for DR resources to drop load increases as the hours progress, to a point, and then decreases, in the late afternoon and evening hours. In other words, DR resources can contribute more load reductions as the hours progress between 7 AM and noon then they could provide a constant load drop across those hours, a positive ramp rate. Conversely, resources would have a negative ramp rate in the afternoon and evening hours-more load drop available at 3 PM and a decreasing amount per hour through 8 PM.

If, for example, the availability window was between 7 AM and noon and EnerNOC had 100 MW of flexible capacity capability, it could provide 20 MW between 7-8 AM, 40 MW between 8-9 AM, 60

MW between 9-10 AM, 80 MW between 10-11 AM, and 100 MW between 11 AM and noon. The pattern would be reversed between 3 PM and 8 PM.

EnerNOC hopes that the CAISO is amenable to this concept for DR.