

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)**

Docket No. ER22-2700-000

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comment in the above-captioned proceeding.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission’s Order 719, the CAISO tariff states “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities.”¹ As this proceeding involves CAISO tariff provisions that would affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

¹ CAISO Tariff Appendix P, Section 5.1.

II. SUMMARY

The CAISO proposes tariff changes intended to avoid infeasible real-time dispatches of reliability demand response resources (“RDRRs”) which can only be committed and operate at full output -- know as discrete RDRRS. The CAISO’s proposed changes target infeasible dispatches that result when the market software does not adequately capture limitations on the number of daily starts for these resources. Additionally, the CAISO proposes to increase the maximum allowable size of discrete RDRRs from 50 MW to 100 MW. As noted by the CAISO, both of these enhancements will improve the dispatch and reliability of RDRRs by better reflecting their operational capabilities in the market.²

DMM supports the CAISO’s proposed tariff changes and related changes to the modeling of discrete RDRRs. DMM believes the changes should increase the feasibility of dispatches issued to this type of demand response resource. The changes will also accommodate stakeholder requests to relax size restrictions on these resources while avoiding some potential adverse impacts.

III. COMMENTS

DMM supports the CAISO’s proposal to enhance the minimum load modeling of discrete RDRRs in order to avoid infeasible dispatches

As described in the Transmittal Letter, the CAISO proposes to automatically adjust the minimum operating limit of discrete dispatch RDRRs to a value just below the resource’s load reduction bid into the market for each hour. For example, if a discrete RDRR bids 50 MW of energy, the real-time market would model a 49.9 MW minimum

² *Tariff Amendment to Enhance Reliability Demand Response Resource Dispatch*, California Independent System Operator Corporation, Docket No. ER22-2700-000, (“Transmittal Letter”).

load. DMM supports the CAISO's proposed approach since it can better reflect the physical capabilities of many of the RDRRs, and improve the feasibility of market dispatches to these resources.

With the CAISO's proposed approach, the market software will automatically set the minimum load cost bid for the resource based on the energy bid price the scheduling coordinator submitted to the real-time market. This will prevent the market optimization from treating discrete RDRRs as if there was no cost to commit these resources in the market at 0 MW.

As DMM understands, if a discrete RDRR is committed and operating, it can only operate at full output. Therefore, the resource operator perceives each market dispatch to 0 MW as an instruction to shut down. From the resource's perspective, subsequent dispatches above 0 MW would require an additional start. However, because the market software models RDRRs as having a 0 MW minimum output and no minimum load costs, they can remain "committed" in the market software at 0 MW for no cost, and may receive many market dispatches back and forth between 0 MW and maximum output. Because the market software currently counts RDRRs dispatched at 0 MWs as online and committed, the market registers these additional dispatches above 0 MW as incremental energy dispatches, rather than additional starts. However, because of the characteristics of discrete RDRRs, these dispatches are actually additional starts for the resource which are infeasible when the number of daily starts is limited.

Allowing RDRRs to reflect a non-zero minimum output and minimum load cost is an important enhancement that will improve the feasibility of market dispatches to these resources while also allowing the market to respect daily start limits. The CAISO's

proposed enhancement will prevent the situation of an RDRR committed at 0 MW with no minimum load cost, where the resource may be dispatched to start without that start registering as such in the market software. The market software would properly consider any dispatch above 0 MW as an additional start, with a corresponding non-zero minimum load cost. This enhancement would allow the CAISO market software to respect daily start limits while ensuring reflection of the resource's costs in alignment with submitted bids. Further, DMM understands that most, if not all, existing RDRRs covered under this proposal do not have a minimum load level less than the full bid amount. Therefore, the automatic re-rate proposed by the CAISO may reasonably reflect the characteristics of those resources.

DMM supports the CAISO's proposal to increase the size cap for discrete RDRRs

DMM supports the CAISO's proposal to raise the size cap for registering discrete RDRRs. Stakeholders have indicated that such changes are necessary to accommodate resources that cannot be split into smaller resources.

The CAISO's proposal would increase the maximum allowable size of discrete RDRRs from 50 MW to 100 MW. This change will allow providers to better reflect the actual size of these resources in the real-time market. The CAISO also proposes to allow discrete RDRRs larger than 100 MW if the scheduling coordinator attests the resources meet certain criteria and if the CAISO determines the resource will not create detrimental market or operational impacts.

The CAISO has acknowledged in its stakeholder process that raising the size cap for RDRRs could increase discrepancies between the dispatch sent to a resource and the market's internal calculations of the resource's expected production. However, DMM

agrees with the CAISO that these potential impacts will be effectively mitigated by the proposed adjustments to the minimum operating levels and minimum load bid costs, as previously described. Therefore, the proposal should allow the CAISO to accommodate stakeholders' requests for larger discrete resource sizes while avoiding potential adverse impacts.

IV. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

By: /s/ Adam Swadley

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Independent Market Monitor for the
California Independent System Operator

Dated: September 12, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 12th day of September, 2022.

/s/ Jennifer Shirk
Jennifer Shirk