



proceeding. The mission of DMM, as prescribed in the CAISO tariff pursuant to the Commission's Order 719, is as follows:

To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.<sup>2</sup>

The CAISO tariff further states that "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."<sup>3</sup> As this proceeding involves CAISO tariff provisions which affect the efficiency and potential for market power in the CAISO markets, it implicates matters within DMM's purview.

## II. COMMENTS

***DMM supports the CAISO's proposal to provide hourly and fifteen-minute scheduling options for proxy demand response resources in the real-time market.***

DMM supports the CAISO's proposal to provide hourly and fifteen-minute scheduling options for proxy demand response ("PDR") resources in the real-time market. These new bid options should provide effective tools for scheduling coordinators to prevent infeasible dispatches for PDR resources that cannot respond on a 15-minute or 5-minute basis in real-time.

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<sup>2</sup> CAISO Tariff Appendix P, Section 1.2.

<sup>3</sup> CAISO Tariff Appendix P, Section 5.1.

The proposed scheduling options address an issue that DMM has observed in the CAISO market and highlighted in past reports. DMM has observed that demand response resources often receive real-time dispatches and contribute to setting 15 and 5-minute LMPs despite being unable to respond to such real-time dispatch instructions. Additionally, DMM observed that in intervals when the system power balance constraint was relaxed, non-responsive demand response resources with bids near the bid cap often set price when the CAISO's imbalance conformance limiter was active.<sup>4</sup> When resources incapable of responding to real-time dispatches set prices near the bid cap in those intervals, this can undermine the impact of the CAISO's imbalance conformance limiter as well as the efficiency of real-time pricing.

DMM has also observed that when proxy demand response resources have been called to perform in real-time, performance of these resources has generally been poor, even in peak net load hours when supply is needed the most on the CAISO system.<sup>5</sup> The inability of some proxy demand response resources to respond to 5-minute and 15-minute real-time dispatch instructions likely contributes to these resources' low performance rates.

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<sup>4</sup> *2016 Annual report of Market Issues and Performance*, Department of Market Monitoring, pp. 34-35:

<http://www.caiso.com/Documents/2016AnnualReportonMarketIssuesandPerformance.pdf>

*2017 Annual report of Market Issues and Performance*, Department of Market Monitoring, pp. 40-41:

<http://www.caiso.com/Documents/2017AnnualReportonMarketIssuesandPerformance.pdf>

<sup>5</sup> *2018 Annual report of Market Issues and Performance*, Department of Market Monitoring, pp. 44-45:

<http://www.caiso.com/Documents/2018AnnualReportonMarketIssuesandPerformance.pdf>

The CAISO's proposed hourly and 15-minute scheduling options should help to reduce the occurrence of real-time dispatch instructions that certain proxy demand response resources are incapable of responding to. Providing hourly and 15-minute scheduling options would allow demand response providers more lead time to position resources to respond to real-time dispatch instructions. CAISO's proposed scheduling options should support more feasible scheduling of proxy demand response resources and support more efficient real-time pricing.

***DMM supports the CAISO's proposal to remove the requirement that demand response resources be limited to a single LSE's territory.***

DMM recognizes that increased load departure from investor-owned utilities to Community Choice Aggregators ("CCAs") could make it more difficult for demand response providers to maintain or meet the 100 kW threshold for demand response aggregations. DMM supports the CAISO's proposal to remove the single LSE requirement under the premise that it will help demand response providers maintain the minimum threshold for resource aggregation. DMM expects that with the removal of the single LSE registration constraint, CAISO will begin to see larger demand response aggregations, with the single SubLAP requirement being the most limiting factor for maintaining a demand response aggregation that meets the 100 kW minimum size threshold.

DMM notes that resources providing resource adequacy with a Pmax less than 1 MW are exempt from the CAISO's Resource Adequacy Availability Incentive Mechanism ("RAAIM"). To the extent that the single LSE requirement causes demand response resources to be limited to a Pmax less than 1 MW, the CAISO's proposal to eliminate the single LSE requirement could increase the volume of

demand response capacity subject to the CAISO's availability incentive mechanism, providing scheduling coordinators greater incentives to enhance the availability of their RA demand response aggregations.

### **III. CONCLUSION**

DMM supports tariff changes proposed by the CAISO to enhance demand response participation in the CAISO markets. DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

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## 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 24<sup>th</sup> day of September, 2019.

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