

November 12, 2008

California ISO
Attn: John Goodin
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Dear John,

In response to your request for feedback on the Draft Final Proposal "Post Release 1 MRTU Functionality for Demand Response", SCE would like to make the following comments:

The document does a good job of describing the functionality for Demand Response in MRTU, but further elaboration is needed to understand how Participating Load will function in day to day MRTU operations. We understand that future revisions of the Business Process Manual, as well as the User Guide currently in process, will provide further operational details. However, identification of the areas that require more operational detail can help to plan where efforts should be focused prior to launching Demand Response in MRTU post Release 1.

In order to develop the operational detail required, SCE would like to better understand the role of the proposed DR Integration Working Group, DR Infrastructure Working Group and Vision for DR Resources Working Group. SCE would like to see an overview or process for how these forums will resolve the issues and questions outlined below, as well as the issues and barriers outlined in Volume II of SCE's Demand Response application, prior to Demand Response functioning as Participating Load post Release 1.

SCE is also interested in better understanding performance metrics and verification standards for PL. It is unknown whether there is flexibility in minimum operating reliability criteria as written, whether waivers will be needed for specific pilots and programs or whether requirements will be updated as a result of the findings from the IOU participating load pilots. For example, page 12 of the document again describes the WECC minimum operating reliability criteria with 4 second reporting intervals and 1 minute updates from end use meters. SCE has received verbal acknowledgement of our proposal to develop proxies based on monitoring current on a sample of our Participating Load Pilot (PLP) participants but we do not know whether CAISO would consider this approach to be in compliance with the minimum operating criteria, whether requirements changes would be needed or whether SCE should pursue requirements waivers for the PLP. Similar questions also arise with respect to settlement data. SCE's proposal for the PLP would base settlement on a combination of observed current drop at a sample of participants, interval metering if available, plus observed load drop at the feeder or circuit level. Interpretation and clarity of the minimum operating reliability criteria will help determine whether it is cost effective to have aggregated small load demand response function in spinning reserve or non spinning reserve ancillary services.

SCE encourages CAISO and other potential market participants to complete an end-to-end process flow for each of the DR products to be developed and we are encouraged by the use case methodology being adopted by the DR Infrastructure Working Group. For example, because PDR is bid at the CLAP but settled at the DLAP, SCE would encourage addressing specific scenarios for PDR so that the impact of both low CLAP bid price with high DLAP settlement price and high CLAP bid price with low DLAP settlement price can be explored.

SCE notes that the Draft Final Proposal includes an appendix describing the development of software requirements for DDR. SCE would encourage CAISO to move the software development piece of the document to a separate document as the software aspect of this Draft Final Proposal may be subject to

more changes than the rest of the document. Separation of these documents would enable revision and updates regarding software development without needing to approve the entire Post-Release 1 MRTU Functionality for Demand Response document.

Although not necessary to incorporate in the document, SCE would also, appreciate further clarification on CAISO's priorities for demand response contributions - energy vs. capacity; PDR vs. DDR. If the IOUs find that PDR is much better suited and more cost-effective than DDR but the CAISO really has intentions for the IOUs to offer DDR, it would be better to know this sooner rather than later.

Finally, SCE reiterates that the success of demand response participation in MRTU is highly dependant on the cost effectiveness of such participation. SCE recommends the DR Integration Working Group explore cost effectiveness in parallel with finalizing the product definitions, functionality and system specifications in order to avoid implementing a market that has suboptimal participation.

Thank you for the opportunity to comment on the Draft Final Proposal "Post Release 1 MRTU Functionality for Demand Response" and SCE looks forward to working with CAISO and the other stakeholders.

Sincerely,

SCE Participating Load team

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