

**SCE Comments on CAISO Issue Paper entitled  
“Direct Participation of Demand Response Resources in CAISO Electricity  
Markets”  
December 22, 2008**

SCE commends the CAISO for providing stakeholders the opportunity to comment on the Issue Paper on Demand Response Direct Participation. Below are SCE’s specific comments. We look forward to participating in upcoming working groups on these topics.

**Section 2. Process and Proposed Timetable**

SCE suggests that the schedule for review of the issues identified in the CAISO paper be extended to allow thorough vetting and resolution of the issues with the appropriate market stakeholders. Previous CAISO and CPUC workshops on metering, settlement and baseline issues have demonstrated that these issues are complex and potential solutions or approaches to resolution are wide and varied. For demand response market continuity and success, SCE believes that taking a bit more time to “get it right from the start” is worth the additional effort. In SCE’s judgment from past experience on these matters, the proposed schedule is too aggressive.

SCE offers some general feedback that the CAISO may wish to address before or at the beginning of the working group sessions: where does this Issue Paper fit in that process used in previous market notice proceedings? Will there be separate Working Group discussions about this Issue Paper with retail participants? Where does the “Straw Proposal” that will originate from the discussion of this Issue Paper fit into the Working Group discussions?

**Section 3. Design Features and Issues to be Resolved**

**3.1 Terminology, Roles and Responsibilities...**

SCE prefers that the CAISO use the term “Curtailed Service Provider” to represent an aggregator of retail customers as the new market participant.

**3.2 Relationship between the End-Use Customer, LSE, UDC, SC, CAISO, ARC...**

SCE believes that this section and 3.3 are critically important for proper scheduling and settlements. We recall how effectively the working group process resolved the difficulties of market participant communications and coordination when direct access was implemented in 1998. The issues here are no less challenging. SCE suggests that CPUC tariff allowances

for dual participation in DR programs be explicitly addressed. For example, if the LSE's interruptible tariff allows a customer to also participate in other CSP programs, will that violate a registration process of one CSP/LSE at a time? Will dual participation in multiple programs (rather than specific DR events) be accommodated? SCE also agrees that communications among the various market participants with respect to specific customer account program enrollments and changes as customers move in/out of programs and event participation is an important issue requiring a set of standards/protocols.

The CAISO in this section has identified many issues that will need to be addressed by all market participants, and SCE looks forward to assisting the CAISO in this stakeholder process.

### **3.3 Existing Tariff Impediments**

#### **3.3.1 One SC, One Meter**

CAISO does a good job in describing the challenges of scheduling in the demand response markets. As CAISO knows, the IOUs along with CAISO and other stakeholders began a sub-working group in late November 2008 to work through the issues (scheduling and compensation) of Direct Access customers participating in the wholesale market through utility demand response programs. This effort should continue aggressively and be leveraged to address the very similar issues of scheduling and compensation for the newly proposed Direct Participation.

### **3.4 Specification for Metered Data**

CAISO has correctly articulated the issues related to metering, meter data management, and telemetry when the party serving the load and the party providing the demand response are not the same entity. These issues will require significant stakeholder discussions including consensus business process mapping to resolve.

### **3.5 Settlement Issues**

SCE agrees that the issues of settlement will require significant vetting to ensure the avoidance of "double payments" among retail customers for demand response program participation and wholesale bidding.

### **3.6 Determining Performance – M&V Approaches.**

SCE believes that the issues of M&V approaches are significant and require considerable attention by the CAISO. SCE feels the California

Load Impact Protocols being developed under the CPUC's DR OIR process should be used wherever possible to facilitate consistency among market participants for determining load impacts for retail participants. Of significant importance are the models used to develop baselines for resource performance, which will need consensus review by all market participants.

### **3.7 Credit Requirements**

SCE's initial suggestion would be for the CAISO to mandate CSPs to possess the same credit requirements as for LSEs and CCAs.