PDR - Resource Adequacy Clarifications Initiative

- Effective Flexible Capacity Value for Proxy Demand Resources Initiative Issue Paper and Straw Proposal
- Slow Demand Response RA Enhancements

The meeting material and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/Effective-Flexible-Capacity-Value-for-Proxy-Demand-Resources

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Please provide your organization’s comments on the following topics and indicate your organization’s position on the topics below (Support, Support with caveats, Oppose, or Oppose with caveats). Please provide examples and support for your positions in your responses, as applicable.

1. **Removal of requirement to conduct tests to set Effective Flexible Capacity for PDRs**

Please provide your organization’s feedback on the proposal to continue with the current practice of setting a PDRs EFC using the general formula under tariff section 40.10.4.1(a)

**Support with Caveats**: While PG&E generally would prefer dispatch or testing to establish the EFC of a PDR resource, PG&E also recognizes that this could be administratively burdensome for CAISO to take these resources out of the market in order to test them. PG&E supports CAISO’s continuation of calculating PDR EFC using the general formula outlined in CAISO’s tariff Section 40.10.4.1 and CAISO’s proposal to conduct unannounced testing. PG&E suggests that alternatively CAISO could require dispatch or an unannounced test in order to develop the EFC of a resource.
2. Provision for unannounced testing at CAISO discretion

Please provide your organization’s feedback on the proposal for CAISO to maintain the option to perform unannounced testing of PDRs providing flexible resource adequacy capacity.

**Supports:** PG&E supports CAISO’s proposal for unannounced testing at CAISO’s discretion for resources that claim to provide flexible resource adequacy (RA). Exceptionally dispatching resources provides benefits to customers who are concerned that they will not be paid for tests and also allows CAISO to test the value of the resource that is bidding in the real time market and stating that it can provide flex RA.

3. Clarification of 5-minute dispatchability and MOO for PDRs providing flexible resource adequacy.

Please provide feedback on what your organization may want to see clarified in business practice manuals or user guides relating to the requirements for the provision of Flex RA from PDRs.

PG&E recommends that to clarify the must offer obligation for PDR providing Flex RA:

1. **CAISO should update the Business Practice Manuals (BPM) for Demand Response to include the MOO for PDR providing all types of RA, including flex RA.** While this is in the BPM for Reliability Requirements, it may help to also include this in the DR BPM.

2. **CAISO should also implement the proposal made by Olivine,¹ in response to CAISO’s ESDER 4 initiative, which recommended that to ensure that parties understand CAISO’s MOO, Scheduling Coordinators sign an attestation on the intended resource bidding.** As outlined by Olivine, this would document bid hours, bid quantity, market participation, and any other program limitations. **This could also include a provision specific to the MOO for flex RA, which states that these resources must select the 5-minute bidding option.**

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4. Slow Demand Response Update

Please provide your organization’s feedback, if any, on the policy update discussion for the Slow Demand Response initiative.

CAISO’s proposal suggests that only slow demand response (i.e., DR that cannot respond 20 minutes post-contingency) that is on a supply plan, will be able to count for local RA.

**Opposes:** PG&E does not agree with CAISO’s recommendation that only slow demand response that is on a supply plan be able to count for local RA. These resources are made available to the market, communicate that availability in different forums, and must justify their bidding behavior. PG&E disagrees with CAISO’s notion that these resources are not available for the following reasons:

1. Being on a supply plan does not necessarily mean that the resource will be available. CAISO’s Department of Market Monitoring’s Q3 Market Issues and Performance Report outlines their concern that supply plan DR in aggregate is bidding beyond what load is available in some months. According to DMM, “Analysis of 2019 market data suggests that the aggregate demand response capacity … shown on resource adequacy supply plans exceeds both bids in the day-ahead market in some hours and appears to exceed the total capability of this resource fleet. This means that the resource adequacy capacity bid into the ISO was frequently in excess of the actual load reduction capability from these resources.”² This is not to suggest that being on a supply plan produces this behavior, it does highlight that being on a supply plan does not necessarily result in the resource being more available.

2. Additionally, if CAISO is concerned that scheduling and performance is related to being on a supply plan, the data does not support that claim. CAISO’s Department of Market Monitoring’s Annual Report on Market Issues and Performance for 2018 does indicate that non-supply plan DR has a relatively better scheduling rate and performance than supply plan demand response. PG&E acknowledges, this performance still needs to improve and that some of the utility programs, such as PG&E’s Capacity Bidding Program had not updated its hours to include the entire window of 5-9PM for 2017 and 2018.

3. While CAISO highlights parity issues with Demand Response Auction Mechanism (DRAM) resources which are required to be on the supply plan, PG&E notes today requirements are different between the DRAM pilot and IOU programs in place today -- and bidding justification is more stringent for IOU programs. For example, unlike DRAM, non-supply plan resources are required to justify their availability and bidding behavior to the CPUC. PG&E’s demand respond programs are subject to the Commission’s Least Cost Dispatch requirements and oversight as a part of the Energy Resource Recovery Account (ERRA) reporting. This requires all IOUs to justify DR opportunity costs and the rationale for when DR programs are not called.

4. Non-supply plan resources, like PG&E’s resources, provide CAISO the availability of its DR resources through its bids and a spreadsheet highlights availability during the DR season.

Lastly, CAISO states it would like to only consider slow PDR shown for RA to avoid exceptionally dispatching non-RA resources. PG&E recommends CAISO clarify how many times non-RA resources have been exceptionally dispatched and what the resulting capacity procurement mechanism payments were so that stakeholders understand the magnitude of the problem CAISO is trying to solve.