

BEFORE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking into the operation)
of interruptible load programs offered by) R.00-10-002
Pacific Gas and Electric Company, San Diego)
Gas & Electric Company, and Southern)
California Edison Company and the effect of)
these programs on energy prices, other demand)
responsiveness programs, and the reliability of)
electric system.)
_____)

**COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR ON
THE DRAFT DECISION OF COMMISSIONER WOOD**

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Dated: July 10, 2001

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Pursuant to Administrative Law Judge Carew’s July 6, 2001 notice, the California Independent System Operator Corporation (“ISO”) provides the following comments on the Draft Decision of Commissioner Wood.

COMMENTS

The ISO is concerned about the draft decision’s ambiguity regarding the role of the ISO in the Demand Bidding Program (“DBP”) offer and acceptance process. The first concern is procedural; i.e. the ISO would prefer to have some consistent established minimum amount of time for all respondent utilities to submit DBP bids. The ISO appreciates the Commission’s goal of increased flexibility by not establishing a time certain in the tariffs.¹ However, the Commission must also appreciate the ISO’s need to have some consistent minimum amount of time to assist the Department of Water Resources (“DWR”) in the DBP bid evaluation process. Accordingly, the ISO requests that Conclusion of Law 7 be modified to reflect this minimum response time agreed to

¹ Draft Decision of Commissioner Wood, Conclusion of Law 7.

by all three respondent utilities – two hours.² This modification will insure consistency among the respondent utilities and permit the ISO sufficient time to assist DWR.

The second ambiguity in the offer and acceptance process relates to the substantive role of the ISO. For example, Attachment A section 2.6.1.4 provides that the ISO may offer specified price tiers for specified blocks of demand bids.³ This is not how the DBP operates. As the draft decision clearly provides in Conclusion of Law 3, “DBP costs should be financed by DWR”. Accordingly, DWR has the authority to solicit offers pursuant to the DBP program. The ISO has no such authority, despite any assistance it has agreed to provide DWR in evaluating DBP offers. In addition, Attachment A sections 2.6.2.1., 2.6.2.2. and 2.6.2.4. imply that the ISO has the authority to accept DBP offers and will in fact do so.⁴ This again is not how the DBP operates. While it is true that the ISO will consult with the California Energy Resources Scheduling division of DWR, and may even facilitate communication of which bids were accepted by DWR, the ISO has no authority to accept DBP bids. Such authority is vested exclusively with DWR. The ISO considers these as important points of clarification and the draft decision should be modified accordingly to accurately reflect the role of the ISO in the DBP offer and acceptance process.

As a general matter, the ISO understands the DBP to be a program based primarily on economics and not solely on projected emergency conditions; i.e., the DBP could be operated any time it made economic sense to do as opposed to only when the ISO has declared either a Stage One, Stage Two or Stage Three Emergency. However, it is not clear from the draft decision whether the DBP may operate in this manner. This information will be important for DBP participants to know when determining whether to sign up as it impacts the likelihood or frequency

² Joint Utility Reply to the Responses on the Emergency Petition for Modification of D.01-04-006, pg. 1-2.

³ The ISO also suggests that the Commission consider enhancing DBP flexibility by providing additional price tiers.

⁴ The draft decision does correctly point out that the ISO has a role in making reliability decisions related to the DBP. *See e.g.*, Draft Decision of Commissioner Wood, Attachment A section 2.6.3.8 (indicating that the ISO may cancel a curtailment event).

of the DBP being implemented. Further, the ISO is concerned that participants will be reluctant to participate without further clarification regarding the ability to cancel a curtailment event without incurring further payment obligation or penalty.⁵ If a business receives a curtailment confirmation in an afternoon, they would likely tell crews not to report during the scheduled curtailment the following day. Because of this, the ISO believes that the payment obligation to DBP participants should irrevocably arise when the curtailment confirmation is sent. Otherwise, there may be insufficient incentive for DBP participants to make the preparations required to curtail the following day. Accordingly, the ISO asks that the Commission consider these additional general points from the perspective of potential DBP participants.

⁵ Draft Decision of Commissioner Wood, Attachment A section 2.6.3.8.

CONCLUSION

For the above reasons, the ISO respectfully requests the Commission approve the draft decision with the foregoing modifications and clarifications.

Dated: July 10, 2001

Respectfully submitted,

FARELLA BRAUN & MARTEL LLP

By: _____

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DECLARATION OF SERVICE

I, Gabriel A. Mikulich, declare that I am employed in the County of San Francisco, State of California, and am not a party to the within action. My business address is Russ Building, 235 Montgomery Street, San Francisco, CA 94104.

On July 10, 2001, I served the document titled **COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR ON THE DRAFT DECISION OF COMMISSIONER WOOD** on all parties of record in Rulemaking 001-10-002 by both mailing a properly addressed copy by first class mail with postage prepaid to each party and providing an electronic copy to the email address of record for each party.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed at San Francisco, California this 10th day of July, 2001.

Gabriel A. Mikulich