

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding
Policies and Protocols for Demand Response,
Load Impact Estimates, Cost-Effectiveness
Methodologies, Megawatt Goals and
Alignment with California Independent System
Operator Market Design Protocols

Rulemaking 07-01-041
(January 25, 2007)

**RESPONSE OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR
CORPORATION ON PROPOSED DIRECT PARTICIPATION RULES
(Proceeding Phase IV, Part 2)**

The California Independent System Operator Corporation (ISO) submits these comments to the proposed direct participation rule (“Rule 24”) under consideration in this phase of the proceeding. These comments are filed and served pursuant to the Administrative Law Judge’s Ruling of February 17, 2011, which permitted parties to file comments on the direct participation rules by May 9, 2011.¹ The ALJ’s order also required parties to create a working group to develop direct participation rules, and directed that rules developed by the working group be filed by May 2, 2011.²

INTRODUCTION

While the working group effort resulted in a “base document” which is a proposed Rule 24 addition to the IOU retail tariffs, the working group did not come to consensus, with the lines of demarcation generally being the IOUs, on the one side and the Demand Response Providers and Direct Access Electricity Service Providers on the

¹ *Administrative Law Judge’s Ruling Providing Guidance For The Development Of Direct Participation Rules, Forms, and Requirements*, dated February 17, 2011, Ordering Paragraph 6 (hereinafter, “ALJ’s Order”). The ALJ’s Order, issued by ALJ Farrar, is accessible on the CPUC’s website at <http://docs.cpuc.ca.gov/efile/RULINGS/130878.pdf>).

² *Id.*

other.³ The work product of the working group consists of *two sets of proposed rules* filed with the Commission, because the working group could not reach a consensus that resulted in one “deliverable” outlining a single set of rules and agreements to govern direct participation of retail demand response in the wholesale electricity market.

The two sets of proposed rules, each filed May 2, 2011, consist of

- (1) A set of proposed rules jointly filed by the IOUs⁴; and
- (2) A set of proposed rules jointly filed by DRP-ESP Joint Parties.⁵

The parties have sometimes referred to these filings as “compliance filings” because they have been filed in compliance with the ALJ’s Order that the working group must file the direct participation rules that it proposes by May 2, 2011.⁶

THE ISO’S RESPONSE TO THE RULE 24 PROPOSALS

In the working group process, the IOU’s submitted a base document for discussion and embellishment. Each deliverable, thus follows the structure of the base document. Therefore the same sections in each deliverable generally address the same subject matter. Section A, Applicability, on which the ISO submits these comments, is contained within both deliverables, although the specific details of each party’s Section A is somewhat different.

³ These DRP-ESP “Joint Parties” include EnerNOC, Inc., Energy Connect, Inc., the Alliance for Retail Energy Markets, and the Direct Access Customer Coalition.

⁴ Each filing is characterized as a “response” on the CPUC’s website for the docket. The document jointly submitted by the IOUs (Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company) is entitled “*Joint Compliance Filing Of Southern California Edison Company (U 338-E), Pacific Gas And Electric Company (U 39-E), and San Diego Gas & Electric Company (U 902 M) On Proposed Rules In Phase IV, Direct Participation*” and can be accessed at <http://docs.cpuc.ca.gov/efile/RESP/134741.pdf>.

⁵ The filing of the DRP-ESP Joint Parties, entitled “*Joint Parties’ Proposed Direct Participation Rules,*” can be accessed at <http://docs.cpuc.ca.gov/efile/RESP/134557.pdf>.

⁶ ALJ’s Order at Ordering Paragraph 5.

I. Rule 24- Section A: Applicability

A. Barriers to Direct Participation Must be Eliminated

Under the proposed Rule 24, Section A addresses the applicability of the rule(s). In this section, the IOU filing modifies “base document” language. The ISO recommends the Commission not adopt the language inserted by the IOUs (highlighted in strikethrough below). It is the opinion of the ISO that this language erects a barrier to participation that could significantly limit retail direct participation. When a customer that is initially enrolled in an IOU demand response program wants to switch to a DRP demand response program, that customer should be able to easily “opt-in” to the DRP’s offering without having to undertake a preliminary step to first “opt-out” of the IOU demand response program.

The IOUs’ proffered language is as follows:

~~A customer may elect to participate in DR service by becoming a DRP or through the use of a DRP as its agent. A customer may not simultaneously enroll load associated with the same service account number in the event based demand response programs of more than one DRP. A customer that remains in a UDC event based DR program may not participate in the DR program of another DRP, even if the UDC has not enrolled that customer in any of the CAISO’s demand response wholesale market mechanisms.~~

The ISO’s recommended language is as follows (with additions in **bold type**):

A customer may elect to participate in DR service by becoming a DRP or through the use of a DRP as its agent. A customer may not simultaneously enroll load associated with the same service account number in the event based demand response programs of more than one DRP. **Customers who choose to enroll or participate in any DRP DR program, where [IOU] is not the DRP, will be removed from any and all IOU event based DR programs (subject to any contractual obligations) and [IOU] will timely notify the customer that it will be switched to an otherwise applicable rate schedule (OAS) when the enrollment becomes active.**

B. All Demand Response Providers Must Abide by the Same Rules

The ISO concurs with the DRP-ESP Joint Parties that all demand response providers, regardless of affiliation, must be treated equally, with the same rules and requirements applicable to all. The ISO recommends the following minor modification

the following paragraph in Section A: Applicability (as highlighted in **bold type**) to ensure it is clear that the rules apply equally to *IOU-affiliated* demand response providers:

This Rule describes the terms and conditions that apply to 1) the UDC's Bundled Service customers, an Energy Service Providers' (ESPs) Direct Access (DA) customers, a Community Choice Aggregator's (CCA) customers, and 2) all DRPs, **including the IOU acting as a DRP and any affiliated DRP**, engaged in providing Demand Response (DR) services through one or more of the California Independent System Operator's (CAISO's) demand response wholesale market mechanisms. This Rule also applies to all other entities (LSEs, MDMAs, and MSPs) required for the functioning of the demand response market mechanisms in the CAISO's wholesale market.

CONCLUSION

The ISO appreciates the opportunity to provide this response on the proposed rules governing direct participation. The ISO encourages the Commission to adopt rules that will aid the development of demand response in the wholesale electricity market and enable a competitive and sustainable third-party demand response provider delivery paradigm to develop in California.

Dated: May 9, 2011

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on May 9, 2011 I served, on the Service List for Proceeding R.07-01-041, by electronic mail, a copy of the foregoing Response of the California Independent System Operator Regarding on Proposed Direct Participation Rules (Phase IV, Part 2).

Executed on May 9, 2011 at
Folsom, California

Anna Pascuzzo

Anna Pascuzzo,
An employee of the California
Independent System Operator