

128 FERC ¶ 61,184
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

California Independent System Operator Corporation Docket Nos. ER09-1361-000
ER09-1362-000
ER09-1363-000
(Not Consolidated)

ORDER ACCEPTING PARTICIPATING
LOAD PILOT AGREEMENTS

(Issued August 25, 2009)

1. On June 26, 2009, pursuant to section 205 of the Federal Power Act (FPA)¹ and section 35.13 of the Commission's regulations,² the California Independent System Operator Corporation (CAISO) filed Participating Load Pilot Agreements (Pilot Agreements) with each of the three California investor-owned utilities.³ The Pilot Agreements enact small-scale demand response pilot programs to explore the feasibility of aggregating certain smaller demand response resources and bidding them into the CAISO's day-ahead and real-time markets for ancillary services.⁴ In this order, the Commission accepts for filing the proposed Pilot Agreements, effective June 29, 2009, as requested.

¹ 16 U.S.C. § 824d (2006).

² 18 C.F.R. § 35.13 (2009).

³ The CAISO's Pilot Agreement with Pacific Gas and Electric Company (PG&E) was filed in Docket No. ER09-1361-000; with San Diego Gas & Electric Company (SDG&E) in Docket No. ER09-1362-000; and with Southern California Edison Company (SoCal Edison) in Docket No. ER09-1363-000.

⁴ The SDG&E Pilot Agreement also includes provisions for placing energy bids into the CAISO's day-ahead market. *See* CAISO Pilot Agreement with SDG&E at Att. A, section 1.2.

I. Background

2. In Order No. 719,⁵ the Commission directed regional transmission organizations and independent system operators to assess the technical feasibility and value to the market of having smaller demand response resources provide ancillary services, including whether (and how) smaller demand response resources can reliably and economically provide operating reserves.⁶ The CAISO states that the pilot programs created through these Pilot Agreements are consistent with Order No. 719, as well as the Commission's directives to explore demand response alternatives in its orders approving the CAISO's current market redesign and technology upgrade (MRTU).⁷ The pilot programs are also the result of broad collaboration with stakeholders, and informed by the California Public Utility Commission's (CPUC's) rulemaking on alignment of investor-owned utilities' demand response programs with the CAISO's new markets.⁸

II. The Filings

3. The CAISO entered into individualized Pilot Agreements with each of the three investor-owned utilities. While they differ somewhat in scope and targeted customer base, the pilot programs are similar in that they involve aggregating end use customer loads so that they may provide ancillary services, specifically non-spinning reserves, to the CAISO. The proposed PG&E pilot will evaluate large commercial and industrial demand response. Specifically, the PG&E Pilot Agreement provides for the development of approximately 3 megawatts of demand response from up to four commercial or industrial customers currently enrolled in PG&E's auto-demand response program.⁹ The proposed SDG&E pilot will assess aggregation of commercial loads greater than 20 kilowatts. The SDG&E Pilot Agreement provides for the development of approximately 3 megawatts of demand response from all types of small commercial and industrial

⁵ *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64,100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 31,281 (2008); *order on reh'g*, Order No. 719-A, FERC Stats. & Regs. ¶ 31,292 (2009).

⁶ Order No. 719, FERC Stats. & Regs. ¶ 31,281 at P 97-99.

⁷ *Cal. Indep. Sys. Operator Corp.*, 116 FERC ¶ 61,274, at P 689-690 (2006), *on compliance*, 119 FERC ¶ 61,313, at P 218-228 (2007).

⁸ Transmittal letter for PG&E Pilot Agreement at 2-3; transmittal letter for SDG&E Pilot Agreement at 2-3; transmittal letter for SoCal Edison Pilot Agreement at 2-3.

⁹ Transmittal letter for PG&E Pilot Agreement at 3 and Att. A, section 1.2.

customers with an annual maximum demand of 20 kilowatts or greater.¹⁰ The proposed SoCal Edison pilot will test a project involving cycling of aggregated residential air conditioning. In particular, the SoCal Edison Pilot Agreement provides for the development of approximately 5 megawatts of demand response from 3,200 residential air conditioning units enrolled in SoCal Edison's air conditioning cycling program.¹¹

4. The CAISO will conduct testing on the demand response resources in the pilots to better understand their potential value to the market. The pilot projects will also investigate telemetry alternatives for aggregated resources and test dispatch solutions. The CAISO states that these pilot programs should enhance its understanding of the performance and reliability of small demand response resources.

5. The CAISO states that the Pilot Agreements do not provide for any departure from applicable reliability standards, and are intended to be of limited duration of no more than two years in length.¹² The CAISO states that the programs provided for by the Pilot Agreements will operate during the summer period, which is California's peak demand period. Consequently, the CAISO seeks waiver of the 60-day notice rule to allow the Pilot Agreements to become effective June 29, 2009, so it may begin collecting data during the 2009 summer peak load period.¹³

6. The CAISO states that the Pilot Agreements will, in some cases, require deviations from current CAISO standards for participating load.¹⁴ Specifically, the CAISO indicates that the telemetry of the demand response resources may not initially meet CAISO requirements for participating load, and that a major goal of the pilot program is to develop acceptable telemetry or telemetry proxies for the resource types participating in the pilot program. The CAISO further states that it will accept bids below its 1 megawatt

¹⁰ Transmittal letter for SDG&E Pilot Agreement at 3 and Att. A, p. 1.

¹¹ Transmittal letter for SoCal Edison Pilot Agreement at 3-4.

¹² Transmittal letter for PG&E Pilot Agreement at 3; transmittal letter for SDG&E Pilot Agreement at 3; transmittal letter for SoCal Edison Pilot Agreement at 3.

¹³ Transmittal letter for PG&E Pilot Agreement at 8; transmittal letter for SDG&E Pilot Agreement at 7; transmittal letter for SoCal Edison Pilot Agreement at 7-8.

¹⁴ Transmittal letter for PG&E Pilot Agreement at 4-5; transmittal letter for SDG&E Pilot Agreement at 4; transmittal letter for SoCal Edison Pilot Agreement at 4.

minimum load criteria¹⁵ for participating load bids, because the amount of load available from pilot program customers will vary on a day-to-day basis.¹⁶ According to the CAISO, the dispatch of participating load under the pilot programs may be conducted manually. The CAISO adds that, because of the small size of the load participating in the SDG&E and SoCal Edison pilot programs, it may not be practical to meter 100 percent of the endpoint loads to satisfy the CAISO's current participating load requirements.¹⁷ Thus, the CAISO and the participating utilities will develop a method for submitting proxy metered data for settlement purposes. Finally, the CAISO states that meter data from participating loads will be submitted to the CAISO pursuant to the requirements for a scheduling coordinator metered entity rather than a CAISO metered entity in order to provide the greatest possible flexibility.¹⁸

7. In addition to these deviations, the CAISO states that the Pilot Agreements provide for additional confidentiality protections to augment those already contained in the CAISO tariff in order to allow the free exchange of sensitive information among the parties.¹⁹ The CAISO also states that the Pilot Agreements will serve as the Participating Load Agreement for these demand response resources.²⁰

III. Notices of Filings and Comments

8. Notice of the CAISO's filings was published in the *Federal Register*, 74 Fed. Reg. 32,139 (2009), with interventions and protests due on or before July 17, 2009. The Alliance for Retail Energy Markets (AREM) filed a timely motion to intervene and

¹⁵ The CAISO Tariff requires a minimum 1 megawatt bid for ancillary services. CAISO Tariff Appendix K – Ancillary Services Requirements Protocol.

¹⁶ Transmittal letter for PG&E Pilot Agreement at 5; transmittal letter for SDG&E Pilot Agreement at 4; transmittal letter for SoCal Edison Pilot Agreement at 5.

¹⁷ Transmittal letter for SDG&E Pilot Agreement at 4-5; transmittal letter for SoCal Edison Pilot Agreement at 5.

¹⁸ Transmittal letter for PG&E Pilot Agreement at 5; transmittal letter for SDG&E Pilot Agreement at 4-5; transmittal letter for SoCal Edison Pilot Agreement at 5.

¹⁹ Transmittal letter for PG&E Pilot Agreement at 6; transmittal letter for SDG&E Pilot Agreement at 5-6; transmittal letter for SoCal Edison Pilot Agreement at 6.

²⁰ Transmittal letter for PG&E Pilot Agreement at 6-7; transmittal letter for SDG&E Pilot Agreement at 6; transmittal letter for SoCal Edison Pilot Agreement at 6-7.

comments in the PG&E and SoCal Edison dockets. The Modesto Irrigation District filed a timely motion to intervene in the PG&E docket. The Metropolitan Water District of Southern California and the California Department of Water Resources State Water Project filed timely motions to intervene in all three dockets. The CPUC filed motions to intervene out-of-time in all three dockets.

9. AREM states that the proposed PG&E Pilot Agreement and SoCal Edison Pilot Agreement appear to exclude participation by direct access customers which, AREM argues, is discriminatory.²¹ AREM states that while it does not oppose the Pilot Agreements moving forward, it requests that the Commission determine that this direct access customer exclusion will not set precedent for any future demand response programs implemented by the CAISO, and asks that the Commission clarify that demand response programs should be open to all end-use customers regardless of their electricity supplier.

IV. Discussion

A. Procedural Matters

10. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2009), the timely, unopposed motions to intervene serve to make the entities that filed them parties to these proceedings. We will grant the CPUC's late-filed motions to intervene, given its interests in this proceeding, the early stage of this proceeding, and the lack of any prejudice or delay.

B. Substantive Matters

11. The Commission accepts for filing the Pilot Agreements because they appear to be just and reasonable and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential, or otherwise unlawful. The Pilot Agreements create small-scale demand response programs in response to the Commission's directive in Order No. 719 to test the feasibility of smaller demand response resources providing ancillary services to the CAISO. We find these programs will help the Commission, the CAISO, and other market participants assess whether and how such programs can be employed on a wider scale, and provide valuable input for future developments. In addition, the Commission will grant waiver of notice requirements to allow an effective date of June 29, 2009 for the Pilot Agreements, as requested. The Commission finds there is

²¹ AREM Comments, Docket No. ER09-1361-000, at 2-3; AREM Comments, Docket No. ER09-1363-000, at 3-4. AREM notes that the SDG&E Pilot Agreement discusses participation by direct access customers and the plans SDG&E has made to accommodate them.

good cause to grant the waiver in order to allow the CAISO to begin assessing the performance and reliability of small demand response resources during the 2009 peak summer months.²²

12. We find that AREM's request for clarification is beyond the scope of this proceeding. The Pilot Agreements filed here are designed as temporary arrangements using small sets of customers in certain areas in order to test demand response programs and to gather data. The CAISO's filings do not address whether particular customer classes, including direct access customers, should or should not be included in future demand response programs. At this early stage, it would be inappropriate for the Commission to make a blanket determination regarding such future developments.

The Commission orders:

The Pilot Agreements are hereby accepted, effective June 29, 2009, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

²² See *Central Hudson Gas & Electric Corporation, et al.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992), and *Prior Notice and Filing Requirements Under Part II of the Federal Power Act*, 64 FERC ¶ 61,139, *clarified*, 65 FERC ¶ 61,081 (1993).