California Efficiency + Demand Management Council Written Statement on CAISO's Proposed Revision Request 1280 to Executive Appeals Committee

Submitted by	Company	Date Submitted
Luke Tougas 510.326.1931 l.tougas@cleanenergyregresearch.com	California Efficiency + Demand Management Council (CEDMC)	July 19, 2021

I. Introduction

The California Efficiency + Demand Management Council (the Council) appreciates this opportunity to provide feedback to the California Independent System Operator's (CAISO) Executive Appeals Committee on whether and how the issues discussed in the December 1, 2020 Executive Appeals Committee hearing on Proposed Revision Request (PRR) 1280 have been addressed since December 2020. Proposed Revision Request 1280 would revise Section 4.1 of the Reliability Requirements Business Practice Manual (BPM) to prohibit the application of non-neutral credits to LSE Resource Adequacy (RA) requirements through the Customer Interface for Resource Adequacy (CIRA). On a practical level, this would end the current California Public Utilities Commission (CPUC) Energy Division practice of crediting investor-owned utilities (IOU) other load-serving entities (LSE) with a pro rata share of IOU demand response (DR) program capacity and the components of Supply Plan DR (i.e., Demand Response Auction Mechanism (DRAM) and RA contracts) associated with the Planning Reserve Margin (PRM), Transmission Loss Factor (TLF), and Distribution Loss Factor (DLF) adders.

As the Council discusses further below, some progress has been made to address the CAISO's concerns but there remains a disconnect between the CPUC and CAISO with regard to the ongoing crediting of the PRM and TLF adders through the 2022 RA year. In addition, the frequency of which the PRM and TLF adders are credited against LSE RA requirements is insufficient because it reduces the incentive for LSEs to procure DR to meet intra-year RA requirements.

To address these outstanding issues, the Council recommends that PRR 1280 be revised to align with the recent CPUC decision and allow for the crediting of the PRM and TLF adders through 2022.

II. Status of Issues

IOU DR programs are currently not reported on their year-ahead or month-ahead supply plans. As a result, their RA values, including their PRM, TLF, and DLF adders, are all credited by the Energy Division through CIRA against LSE RA requirements on a load-ratio share. The RA values of these programs would be effectively eliminated by PRR 1280 in the absence of CPUC action. In addition, a portion of the DR value for third-party DR, which includes the PRM, TLF and DLF adders, are also credited by the Energy Division through CIRA. PRR 1280 would create a discrepancy in RA value of third-party DR between the CPUC and CAISO.

In Decision (D.) 21-06-029, the CPUC directed that IOU DR programs be included in month-ahead LSE supply plans for the 2022 RA year and that these values include the DLF adder. In the meantime, the CPUC has directed that a reduced PRM adder[1] and the TLF adder continue to be credited through CIRA while the California Energy Commission (CEC) leads a process to develop a new DR Qualifying Capacity (QC) methodology for CPUC consideration in its June 2022 RA decision.[2]

This CPUC decision appears to address some of the CAISO's outstanding concerns regarding IOU DR programs but leaves others unresolved. IOU DR programs and their associated DLF adder will be included on LSE month-ahead supply plans but the PRM and TLF adders will continue to be credited through CIRA while these are re-examined in the CEC-led process. The QC values of third-party DR contracts are already included in IOU and LSE supply plans and, as stated above, D.21-06-029 directed that the DLF adder be included in supply plan NQC values. However, as with IOU DR programs, the TLF and PRM adders for third-party DR contracts will continue to be added as credits.

Therefore, if PRM 1280 is implemented, the PRM and TLF adjustments would no longer be recognized by the CAISO. This would create a disconnect between the CPUC and CAISO's valuation of DR, causing confusion and potentially exposing LSEs that have fully met their RA obligations vis a vis the CPUC to backstop procurement costs at the CAISO. This remains an unresolved issue.

To address the unresolved issues above, the Council recommends that, to maintain consistency with D.21-06-029, the CAISO continue to hold PRR 1280 in abeyance while the CEC-led process addresses the PRM and TLF adders, pursuant to D.21-06-029. In the meantime, IOU DR programs and third-party resources plus their respective DLF adders will be included in LSE supply plans, which will hopefully reduce the magnitude of the problem from the CAISO's perspective.

III. Conclusion

The Council appreciates the opportunity to submit these comments on the outstanding issues associated with PRR 1280. The Council stresses the need for consistency across the CAISO and CPUC, and for transparency for IOU and third-party DR.

[1] Ordering Paragraph 12 of D.21-06-029 eliminates the 6 percent component of the 15 percent PRM adder associated with ancillary services and operating reserves for the 2022 RA year. The 9 percent component associated with forced outages and forecast error is retained.
[2] Ordering Paragraphs 11, 12, and 13.