

Stakeholder Comments Commitment Cost Enhancements
Phase3 (CCE3)
Action Plan
November 29, 2016

Submitted by	Company	Date Submitted
Dr. Barbara R. Barkovich Barkovich & Yap, Inc. Barbara@barkovichandyap.com (707) 937-6203	The California Large Energy Consumers Association (CLECA)	November 29, 2016

The California Large Energy Consumers Association (CLECA) provides brief comments on the CCE 3 Action Plan for addressing issues related to demand response (DR) and storage resources participating in the CAISO’s markets as Proxy Demand Resources (PDR). These brief comments are also informed by the ongoing work on slow-response DR, most recently undertaken in the 2016-2017 Transmission Planning Process, and now to be addressed in the Local Capacity Reliability (LCR) study process.¹

CLECA appreciates the efforts made by the CAISO to address the concerns raised by the CPUC and others regarding the changes to the default use limited resource status of PDR and storage that resulted from the Board of Governors’ March 25, 2016 adoption of the CAISO staff’s CCE 3 proposal. Greater clarity has been provided as to how DR and storage could register to be use limited resources (ULR), or in the alternative, how their bidding strategies could be used to manage their use limitations. However, there are still significant areas of uncertainty to be addressed, which we discuss briefly below. There is also considerable work remaining to develop the needed BPM changes and tariff language. Since many of these changes are to be implemented in early 2018, these matters are time-critical and we are concerned that they will not receive the attention that they should to be fully vetted and reflected in BPM and tariff changes for 2018. We also have concerns about all the issues that need to be resolved before full integration of supply resource DR can occur in the CAISO markets and the risk of losing RA credit for those DR resources that cannot be fully integrated, leading to double procurement by LSEs. While full integration is targeted for January 2018, there is no guarantee that it will occur by then.

¹ CAISO Response dated 11/16/2016 to Stakeholder Comments on Slow Response Local Capacity Resources – Special Study, at 10 (“the CAISO is proposing that the slow response resource study be incorporated into the annual LCR process, meaning assumptions can be as vetted and determined in that annual, recurring process.”) (available online at: <http://www.caiso.com/planning/Pages/TransmissionPlanning/2016-2017TransmissionPlanningProcess.aspx>).

CLECA also raises a related concern with CAISO's staff position in the TPP on DR and the belief in a current ability to manage DR resources with bidding; there, CAISO Staff has said, "Economically bid slow response RDRR can manage its use and availability through economic bids that reflect energy, commitment costs, and opportunity costs, just like other resources."² CLECA finds this very confusing because it has been told many times by CAISO staff that RDRR cannot have commitment costs. It is essential that there be consistency between this stakeholder process, which is addressing commitment costs for PDR only, and the process looking at slow-start DR resources used for local reliability purposes.

It appears that CAISO staff are pushing to resolve the treatment of slow-start DR resources for local reliability ahead of the finalization of tariff and BPM language for PDR for CCE 3. The CAISO staff's position on timing for resolution of the slow-response DR analysis states:

While the ISO agrees that it is important to address these issues correctly, taking an overly relaxed schedule as PG&E encourages could have negative impacts on reliability if these resources are relied upon without the necessary framework to call upon them when needed. A reasonable goal for this effort is to incorporate necessary changes for slow response resources into the 2018 RA program. The next opportunity would be the 2019 RA year, which is an additional 2 years added onto this process, which is not acceptable from the CAISO's perspective.³

Any CPUC decision for implementation of changes in RA requirements for the 2018 compliance year would have to be adopted by the CPUC in June 2017, after a separate CPUC working group process called for in D. 16-06-045 that cannot be initiated until after the CAISO stakeholder process. The timing seems highly problematic.⁴ Notably, in the TPP stakeholder process, the CAISO staff said that it "is unaware of 'significant' implementation issues that remain unresolved."¹ Perhaps this lack of awareness is because several of the significant issues are being addressed here, in CCE 3. CLECA raises its concerns below, and may seek to follow up with CAISO staff.

The Use of Commitment Costs to Manage PDR

One clarification presented is that PDR can have commitment costs. These commitment costs can be used to manage the number of calls in a period of time or manage hourly limitations, as shown by SCE during the June workshop. Adding a maximum run time to the Masterfile would also help, since PDRs generally have a maximum number of hours they can be dispatched. It is not clear that PDRs can avoid partial dispatch, which counts as a full use of the resource, using

² Id., at 16.

³ Id., at 9.

⁴ PG&E, like CLECA, urged further analysis of "slow-response" DR, with a goal of methodically resolving the issues in the June 2018 CPUC RA decision for the 2019 RA year. CLECA is concerned that CAISO staff is needlessly rushing the complex analysis, now to be done as part of the LCR study process, for a CPUC decision by June 2017 for the 2018 RA year.

commitment costs or another other bidding strategy. This would result in less efficient use of the resources.

Commitment costs can also help avoid receiving an advisory dispatch during residual unit commitment (RUC), since resources are selected for dispatch under RUC based on their commitment costs. If they are long-start resources, this will be a binding commitment. If they are not, it can be unwound in the real-time market on the basis of the bid price. How likely an advisory dispatch is to be binding for a short-start resource is likely to be of some concern, since the DRP must decide whether to advise the customers providing the PDR that they may be dispatched. Also, commitment costs are a function of the start-up and minimum load costs in the resource's Masterfile, which cannot readily be changed. One question is how often such a change could be made? Whether there is sufficient flexibility to manage a resource based on a commitment cost of 0-125% of the figure in the Masterfile remains to be seen.

We do have a concern that the Department of Market Monitoring (DMM) will want to assess the basis for the commitment costs, which represent the costs for start-up and minimum load. While these costs are straightforward for generators, they are not for PDR, particularly for aggregations of customers whose costs associated with start-up and getting to minimum load, if any, are likely to be disparate. It is unclear what standard DMM will use to evaluate such costs and what kind of information DRPs will be required to provide. This creates uncertainty.

The alternative to using commitment costs is to use the energy bid price to manage the frequency of dispatch. Energy bids are not mitigated for PDR, so DRPs could use higher offer prices when they want to minimize further dispatch and they will have the use of outage cards for fatigue breaks and when monthly limits have been reached. Our initial reaction is that it is likely to be easier to manage the resource using the energy bid price, given the challenges of developing commitment costs for PDR. However, there are two challenges. The first is that the energy bid price is a blunt instrument and cannot optimize the use of a PDR resource with a high degree of accuracy. The second is that having no commitment costs increases the chance of being subject to an advisory dispatch in RUC, as discussed above, or a binding dispatch in the case of a long-start resource.

ULR Status

If a PDR seeks to register to be a ULR, there are unanswered questions about how the "technology agnostic" market opportunity cost methodology will be applied to PDR and the related documentation. PDR does not have straightforward fuel or emission cost alternatives. This is yet another area of uncertainty.

Temporary Exemption from RAAIM

The Action Plan also states that the exemption of PDR from RAAIM would end January 1, 2018. While it is the intention of the CPUC that all supply resource DR be integrated into the CAISO markets by that date, it is not a certainty that this will happen as there continue to be implementation challenges. CLECA would prefer that this exemption end once full integration has been achieved. Otherwise, PDR not yet integrated could result in stranded RA value. LSEs

might have to procure additional resources to replace DR resources that are not yet integrated, which would increase costs to ratepayers.

One Start per Day

The CAISO has agreed that a resource that can only be used once a day could be exempted from the CCE 3 requirement of two starts per day on the basis of a design limitation. However, the CAISO has not yet explained the documentation that would be required to justify a limitation for PDR or storage to one start per day.