



## Stakeholder Comments Template

### RAAIM Exemption Options for Demand Response Resources

This template has been created for submission of stakeholder comments on the final proposal and draft tariff language that was published on June 10, 2021. The proposal, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/MeetingsEvents/MiscellaneousStakeholderMeetings/Default.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on **June 23, 2021**.

Submitted by	Organization	Date Submitted
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**Please provide your organization's comments on the following issues and questions.**

#### 1. Variable-Output Demand Response (DR)

Please provide your organization's feedback on the proposal to treat demand response as a variable-output resource, as previously vetted through the Energy Storage and Distributed Energy Resources (ESDER) Phase 4 initiative, and consistent with anticipated changes by the California Public Utilities Commission (Commission). Please explain your rationale and include examples if applicable.

CLECA supports recognizing demand response as a variable output resource and exempting it from RAIM similar to other weather-variable resources such as wind, solar, and some hydroelectric resources.

However, CLECA strongly disagrees with the conclusion that the Effective Load Carrying Capability (ELCC) study has been properly vetted and tested. The CAISO has only posted a presentation of the study results and some assumptions. CAISO has not provided sufficient details of the modeling inputs and results for a proper validation of the results.

## 2. RAAIM Exemption Option for Variable-Output DR

Please provide your organization's feedback on the propose to exempt variable-output DR from the Resource Adequacy Availability Incentive Mechanism (RAAIM). Please explain your rationale and include examples if applicable.

CLECA supports the exemption from RAAIM, but not conditioned on the adoption of ELCC by the CPUC. The CPUC is proposing to review the qualifying capacity methodology, which would include use of ELCC, but it has not approved the use of ELCC for DR. The guidance from the CPUC, in a proposed decision, on this matter recommends the CAISO exempt demand response from RAAIM prior to inclusion on supply plans, and the CPUC will review any necessary revisions to the qualifying capacity methodology for demand response. Therefore, the Proposal does not reflect the guidance of the CPUC which, as explained in more detail under Additional Comments, the determination of qualifying capacity is under the authority of the CPUC and other Local Regulatory Authorities.

### Additional comments

Please offer any additional feedback your organization would like to provide on the final proposal and draft tariff language.

On June 10, 2021, the CAISO issued its Resource Adequacy Availability Assessment Mechanism (RAAIM) Exemption Option For Variable-Output Demand Response Valued Under an Effective Load Carrying Capability (ELCC) or Similar Methodology (Proposal).<sup>1</sup> The Proposal appears to be an attempt to determine qualifying capacity for resources which per the CAISO tariff are under the jurisdiction of a Local Regulatory Authority (LRA) such as the California Public Utilities Commission (CPUC). In addition, the principle of saturation of reliability in determining qualifying capacity has nothing to do with an incentive mechanism to encourage availability. Finally, the RAAIM is not necessary for demand response programs managed by entities under the direct supervision of an LRA.

### 1. It is the Local Regulatory Agency that Determines Qualifying Capacity

CAISO tariff Section 40.4.1 states: "The CAISO shall use the criteria provided by the CPUC or Local Regulatory Authority to determine and verify, if necessary, the Qualifying Capacity of all Resource Adequacy Resources." It is the CPUC or other LRA that establishes the criteria for qualifying capacity. Regarding any reductions in qualifying capacity for performance, Section 40.4.5 states: "The CAISO will collaborate with the CPUC and other Local Regulatory Authorities to develop the performance criteria to be

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<sup>1</sup> [FinalProposal-RAAIMExemptionOption-DRResources.pdf \(caiso.com\)](#)

submitted to FERC.” Notably, CAISO’s tariff Section 40.8, entitled CAISO Default Qualifying Capacity Criteria, provides for the CAISO to use an alternative methodology (i.e. not the one developed in collaboration with the LRAs) under only the following two conditions:

(i) where the CPUC or Local Regulatory Authority has not established and provided to the CAISO criteria to determine the types of resources that may be eligible to provide Qualifying Capacity and for calculating Qualifying Capacity for such eligible resource types and (ii) until the CAISO has been notified in writing by the CPUC of its intent to overturn, reject or fundamentally modify the capacity-based framework in CPUC Decisions 04-01-050 (Jan. 10, 2004), 04- 10-035 (Oct. 28, 2004), and 05-10-042 (Oct. 31, 2005).<sup>2</sup>

Neither of these two conditions has been met. Thus, in CLECA’s view, this initiative violates the CAISO’s own tariff when the Proposal includes the following tariff language:

Demand Response Resources whose Qualifying Capacity is established using an effective load carrying capability methodology (as that term is used in Section 399.26(d) of the California Public Utilities Code, or a successor provision) or a methodology that the CAISO determines in its sole discretion is substantially similar to the effective load carrying capability methodology.<sup>3</sup>

The proposed language violates the current CAISO tariff in two ways. First, it dictates a qualifying capacity methodology to an LRA. Second, it makes the CAISO the sole entity determining the validity of a counting methodology. This would give the CAISO, which is a corporation, the power to overrule a regulatory authority such as the CPUC, or the CAISO’s regulator, the Federal Energy Regulatory Commission.

The following part of the proposal is also problematic: “To address this issue, the CAISO, the CPUC, and LRAs must modify demand response resource adequacy and market participation rules to align with the following principles:”<sup>4</sup> While the CAISO can make recommendations for an LRA to adopt changes in response to proposed principles, it is improper for the CAISO to direct that any principles to be adopted by the CPUC or any other LRA. As stated previously, it is the LRAs that determine the criteria for resource adequacy qualifying capacity. The CAISO is attempting to use its RAIM authority to impose its own methodology to determine qualifying capacity, rather than deferring to the LRA as required by its tariff, in addition to California law.

Furthermore, the proposed tariff section 40.9.2 (b) (1) (D) places additional conditions on demand response but does not do so for other resources already exempt from RAIM. CAISO offers no justification for the reasonableness of applying these conditions only to demand response. Without viable justification, the proposal is discriminatory.

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<sup>2</sup> CAISO Tariff Section 40.8.1

<sup>3</sup> CAISO Proposal at 10-11.

<sup>4</sup> CAISO proposal at 7.

## 2. CAISO's Saturation Principle for a Waiver from RAAIM has Nothing to Do with Encouraging Resource Availability

The CAISO lists three proposals that would need to be met for the CAISO to offer demand response an exemption from RAAIM. The second principle "Assess how DR's reliability contribution saturates as other similarly situated use- and availability-limited resources are added to the system"<sup>5</sup> has nothing to do with encouraging availability.

The purpose of RAAIM is to encourage a resource to be available and bid into the CAISO market. The issue of saturation of a resource has nothing to do with encouraging market participation. The Proposal's use of this principle would contradict the CPUC's resource loading order in which energy efficiency and demand response are preferred over other resources. If the CAISO is concerned about too much demand response procurement, then this principle is unnecessary as the CPUC has already placed limits on the quantity of demand response that can count for resource adequacy through its Maximum Cumulative Capacity restrictions. If CAISO is concerned about other non-CPUC LRAs having too much DR in their portfolios, it has failed to document that a problem exists. If there is a concern with some LRAs, then CAISO should collaborate with the LRA(s) to establish some limits similar to the CPUC's Maximum Cumulative Capacity restrictions. Finally, CAISO does not appear to apply this principle to the qualifying capacity of Combined Heat and Power Resources which are exempt from RAAIM, nor does it explain why the saturation concerns would not apply.

## 3. CAISO's RAAIM is Unnecessary to Achieve Market Participation for Demand Response

The issue CAISO appears to have with demand response is not a failure to offer the resource into the market, but CAISO's disagreement over the qualifying capacity of demand response. Most demand response programs are managed by entities that are under the direct supervision of an LRA, such as the CPUC which regulates the investor-owned utilities (IOUs). If the IOUs fail to bid demand response resources into the CAISO market, then the CPUC can institute penalties for not offering the resources into the market. Therefore, for demand response programs where the IOUs are the scheduling coordinator, a CAISO-managed market participation incentive mechanism is not necessary. In terms of incentives to the participating customer, programs such as the Base Interruptible Program (BIP) have significant financial penalties for failing to perform during a test or a BIP event.

The Proposal ignores the significant problem of the baselines used to measure demand response performance. The baselines do not accurately measure the load during extreme hot weather events like those that occurred in 2020, thus inaccurately

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<sup>5</sup> CAISO proposal at 7.

measuring performance. It is improper to require demand response to participate in an incentive mechanism when the measurement of performance is not accurately performed. In summary, for most demand response programs, the application of RAIM to achieve market participation is not necessary.