

WRITTEN STATEMENT OF CALIFORNIA PUBLIC UTILITIES COMMISSION STAFF  
REGARDING PROCESS FOR RECONSIDERING PRR 1280

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July 19, 2021

**Previous Comments on PRR**

Please see previously filed comments, reply comments, and November 23, 2020 reply brief.

**Summary**

In November 2020, California Public Utilities Commission (CPUC) staff appealed the California Independent System Operator's (CAISO) proposed changes to its Business Practice Manual (BPM) that would, in effect, no longer count the investor-owned utility (IOU) demand response (DR) that the CPUC allocates to load-serving entities (LSEs) by only counting as resource adequacy (RA) capacity resources that appear on supply plans. To effectuate this, CAISO proposed to no longer accept the "credits" for the IOU DR resources that the CPUC uses to reduce the system RA obligations of the LSEs. This proposed change to CAISO's BPM would upend the CPUC long-standing practice of allowing CPUC-jurisdictional entities to use DR to meet their system RA obligations. As a result of the appeal, CAISO agreed to hold Proposed Revision Request (PRR) 1280 in abeyance up to August 1, 2021, to allow time for the CPUC and CAISO to work through the implicated issues and develop a solution satisfactory to both entities.

For the reasons discussed below, CPUC staff respectfully requests that CAISO continue to hold PRR 1280 in abeyance for another year to permit additional time to consider and resolve outstanding issues. The reasons include:

- CPUC staff maintains that the proposed change encroaches upon CPUC jurisdiction;

- CPUC and CAISO staff have demonstrated good faith efforts in working through PRR 1280-related issues;
- Certain outstanding matters necessarily remain that preclude resolution of PRR 1280 by the current abeyance expiration date.
  - the CPUC has not yet conclusively ruled on the adoption of an Effective Load Carrying Capability (ELCC) methodology for DR on either a provisional or permanent basis;
  - multiple stakeholders have expressed dissatisfaction with the transparency of E3's<sup>1</sup> ELCC study modeling and/or with provisional adoption of ELCC for 2022; and
  - CAISO will not have implemented a Resource Adequacy Availability Incentive Mechanism (RAAIM) exemption for any variable-output DR resources by the expiration of this abeyance on August 1, 2021.

### **Comments**

CPUC staff appreciates this opportunity to provide a statement regarding whether and how the issues discussed in the earlier hearing have been addressed since December 2020.

At a broad level, CPUC staff continues to understand, appreciate, and share CAISO's concern about the reliability of the grid, especially in light of the August 2020 heat storm outages.

However, we believe, and previous analysis demonstrates, that the IOU DR programs, which the CPUC allocates through credits to all jurisdictional entities, materially helped to address the reliability issues experienced during the August heat storm outages. Accordingly, we maintain that to move forward with the proposed change, which would effectively no longer allow for the

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<sup>1</sup> Energy + Environmental Economics is abbreviated as E3.

CPUC's decades-long practice of using DR credits, with no alternative in place, would create significant procurement issues as up to 1,500 MW of IOU DR may not be counted as system resources.

For the reasons discussed below, CPUC staff respectfully requests that CAISO hold PRR 1280 in abeyance for another year to allow additional time to consider and resolve the below-identified issues:

**1. CAISO's Proposed Change Encroaches on CPUC Jurisdiction to Determine RA Requirements for CPUC Jurisdictional Entities.** CPUC staff reiterates that CAISO's proposed BPM change, to no longer allow for the CPUC's long-standing practice of using DR credits to reduce RA requirements unless the resources appear on a supply plan, encroaches on CPUC jurisdiction. California Public Utilities Code, Section 380(a) states that "[t]he commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities." Further, Section 380 states that the CPUC shall "[e]stablish new or maintain existing demand response products and tariffs that facilitate the economic dispatch and use of demand response that can either meet or *reduce an electrical corporation's resource adequacy requirements, as determined by the commission.*" (Emphasis added.) In this circumstance, the CPUC has determined that the DR resources can be used to meet an LSE's RA obligations by reducing their RA requirements, consistent with statute, and CAISO's proposed change prevents the use of DR resources from counting toward meeting an LSE's RA obligations.

**2. CPUC and CAISO Staff Have Demonstrated Good Faith Efforts in Working Through PRR 1280-Related Issues.** Stemming from CAISO’s BPM PRR 1280 process,<sup>2</sup> which committed CAISO and the CPUC to collaborate constructively to resolve relevant issues by August 1, 2021,<sup>3</sup> CPUC staff confirms that it has collaborated actively and regularly with CAISO on these topics since December 2020. CPUC Energy Division (ED) and CAISO leadership held a kick-off PRR 1280 meeting on January 18, 2021, which launched an ED-CAISO staff-level working group that convened weekly between February and early April 2021 to address and seek convergence on PRR 1280-related issues, which in turn reported up to a joint senior-level ‘steering committee’ monthly. Key issues under discussion namely included the prospect of moving variable-output DR onto supply plans, methodologies for determining the qualifying capacity (QC) of DR resources (including ELCC), RAIM exemption eligibility, and DR adders. An ED DR staff proposal issued on April 19, 2021<sup>4</sup> in RA Rulemaking (R.)19-11-009 sought to elicit stakeholder feedback on ED perspectives stemming from this working group effort relevant to PRR 1280 issues. The CPUC Proposed Decision (PD)<sup>5</sup> and subsequent Decision (D.)21-06-029<sup>6</sup> then addressed and incorporated stakeholder feedback (including CAISO’s) on many relevant issues, after which a June 3, 2021 CPUC *Assigned Commissioner’s Ruling on Submission of Refreshed Effective Load Carrying Capability Study Results*<sup>7</sup> outlined a compliance process by which the CPUC might consider provisional adoption of IOU DR ELCC for RA compliance year 2022. All of these actions exemplify good faith efforts on the part of

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<sup>2</sup> *BPM Appeals Committee; Decision on Appeal of PRR 1280*; December 9, 2020; available at <http://www.caiso.com/Documents/ExecutiveAppealsCommitteeDecision-PRR1280-Dec092020.pdf>.

<sup>3</sup> See <http://www.caiso.com/Documents/ExecutiveAppealsCommitteeDecision-PRR1280-Dec092020.pdf>

<sup>4</sup> *Administrative Law Judge’s Ruling on Energy Division’s Demand Response Proposal and Seeking Comments on the Proposal*, available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M378/K738/378738096.PDF>.

<sup>5</sup> *Proposed Decision Adopting Local Capacity Obligations for 2022-2024, Flexible Capacity Obligations for 2022, and Refinements to the Resource Adequacy Program*; mailed May 21, 2021; available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M385/K021/385021548.PDF>.

<sup>6</sup> *Decision Adopting Local Capacity Obligations for 2022-2024, Flexible Capacity Obligations for 2022, and Refinements to the Resource Adequacy Program*; June 25, 2021; available at <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K603/389603561.PDF>.

<sup>7</sup> Available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M386/K639/386639029.PDF>.

CPUC and CAISO staff in working through PRR 1280-related issues. These collaborative efforts to address the issues can continue if the CAISO holds PRR 1280 in abeyance for another year.

### **3. Outstanding Action Items Necessarily Remain That Preclude Resolution of PRR 1280 By Its Scheduled Abeyance Expiration.**

**3A. CPUC Has Not Yet Conclusively Ruled on Adoption of ELCC.** In D.21-06-029, the CPUC ruled on components of the ED DR staff proposal and took a certain position on the ELCC methodology. Namely, thus far the CPUC has rejected the use of ELCC to determine DR resource QC pending completion of a California Energy Commission (CEC) stakeholder working group process (requested in Ordering Paragraph 11 of the Decision),<sup>8</sup> although the June 3, 2021 Assigned Commissioner's Ruling<sup>9</sup> indicated a possible openness to reconsidering ELCC for IOU DR on a provisional basis for RA compliance year 2022. Given the current circumstantial uncertainty regarding how the CPUC would provisionally or definitively rule regarding ELCC, we urge CAISO to hold PRR 1280 in abeyance for another year or pending an outcome from the CPUC.

**3B. Multiple Stakeholders Have Expressed Dissatisfaction with the Transparency of E3's<sup>10</sup> ELCC Study Modeling and/or with Provisional Adoption of ELCC.** As noted and summarized in the July 1, 2021 compliance filing,<sup>11</sup> Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and the

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<sup>8</sup> D.21.06-029, p, 77.

<sup>9</sup> Available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M386/K639/386639029.PDF>.

<sup>10</sup> Energy + Environmental Economics is abbreviated as E3.

<sup>11</sup> *California Independent System Operator Corporation, Pacific Gas and Electric Company (U 39 E), Southern California Edison Company (U338-E), and San Diego Gas & Electric Company (U 903 E) Compliance Filing Regarding the Refreshed Effective Load Carrying Capability Study Results*; R.19-11-009; July 1, 2021; available at <http://www.caiso.com/Documents/Jul1-2021-ComplianceFilingRefreshedEffectiveLoadCarryingCapabilityStudyResults-ResourceAdequacy-R19-11-009.pdf>.

California Community Choice Association (CalCCA) raise issues with ELCC values being assessed across all days of the year given that some programs are not available on weekends or outside of the availability hours defined by the RA program.<sup>12</sup> These parties recommend that the ELCC results be revised to ensure that the values are not impacted by bid data during these days and hours. SCE, the California Large Energy Consumers Association (CLECA), and CalCCA also comment on outdated enrollment numbers between the Load Impact Protocol (LIP) filings and month-ahead DR reports and state that this issue should be examined.<sup>13</sup> Pacific Gas and Electric Company (PG&E) raises concerns “that the ELCC results by program are noisy and recommends further analysis.” PG&E and CLECA also note “that an ELCC informed de-rate will double penalize underperformance given that LIP ex-ante load impacts already consider historical performance”; they instead recommend applying a 5% de-rate for 2022.<sup>14</sup> In addition, CLECA and the California Efficiency + Demand Management Council (CEDMC) contend that there was insufficient documentation and information provided on the proposed use of the study, ELCC methodology, and validation of loss of load expectation (LOLE) results.<sup>15</sup> Lastly, SDG&E “raises concerns with the ELCC model and stakeholder process, namely that: 1) the ELCC model is not public and transparent, 2) First-in and Last-in tables are not updated in the refreshed study, 3) E3 did not update

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<sup>12</sup> SCE's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 3; SDG&E's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 2; CalCCA's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 2.

<sup>13</sup> SCE's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 2; CLECA's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 6 footnote; CalCCA's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 2.

<sup>14</sup> PG&E's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 2; CLECA's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, pp. 7-8.

<sup>15</sup> CLECA's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, pp. 3-6; CEDMC's Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 2.

the results as requested by SDG&E, 4) the CAISO-led workshop was not a fully transparent process, and 5) the ELCC refresh with 2020 data was rushed. SDG&E recommends that LIP ex-ante values be used for 2022 [RA] and that [DR] be excluded from RAAIM for 2022.”<sup>16</sup> The lack of consensus by stakeholders regarding the substance of the ELCC study, along with concerns about the timing of the process, lend credence to CPUC staff’s request that CAISO continue to hold PRR 1280 in abeyance for another year to permit additional time to consider and resolve outstanding issues.

### **3C. CAISO Has Not Yet Sought/Implemented a RAAIM Exemption for DR**

**Resources Using an ELCC Qualifying Capacity Methodology.** CPUC staff supports CAISO’s effort and stated commitment to initiate a RAAIM exemption filing at the Federal Energy Regulatory Commission (FERC) for variable-output DR resources, which arose in response to the related CPUC Proposed Decision (PD) and subsequent D.21-06-029 that sought to require the RAAIM exemption as a pre-condition for moving IOU DR resources onto the monthly supply plans.<sup>17</sup> Overall, this effort is a welcome approach to seeking resolution of long-standing issues related to DR valuation, DR supply plan credits, and RAAIM-related concerns, as well as addressing outstanding issues stemming from PRR 1280. At the same time, CAISO’s proposed schedule to obtain CAISO Board of Governors and FERC approval for 2022 RA year showings is not sufficiently accelerated to enable conclusive action by the scheduled expiration of the PRR 1280 abeyance. Specifically, the schedule calls for seeking CAISO Board approval on July 13-14, 2021, submitting a FERC tariff filing in ‘late July,’ expecting a FERC Order

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<sup>16</sup> SDG&E’s Comments on Effective Load Carrying Capability (ELCC) Study Results for Demand Response (DR) Resources, p. 4-5.

<sup>17</sup> Rulemaking (R.)19-11-009, Decision (D.)21-06-029: *Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining the Resource Adequacy Program*, issued on 6/25/2021, available at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K603/389603561.PDF>.

in 'late September,' and consequently applying the exemption to 2022 RA showings in October 2021.<sup>18</sup> This timeline does not comport with Ordering Paragraph (OP) 10 of D.21-06-029 indicating "After the Commission confirms that [CAISO] permits [DR] resources to bid variably in its markets and implements a [FERC]-approved exemption to the [RAAIM] penalty for DR resources, each [IOU] will be directed to move its DR portfolios onto CAISO supply plans."<sup>19</sup>

### **Conclusion**

CPUC staff appreciates the opportunity to comment on the process for reconsidering PRR 1280. CPUC staff respectfully requests that CAISO continue to hold PRR 1280 in abeyance for another year and looks forward to our ongoing collaboration with CAISO. CPUC-jurisdictional entities should be able to continue to use DR to meet their system RA obligations while parties continue to work through the issues identified.

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<sup>18</sup> Resource Adequacy Availability Assessment Mechanism (RAAIM) Exemption Option Final Proposal; Web Conference; June 15, 2021; p. 25; available at <http://www.aiso.com/Documents/Presentation-RAAIMExemptionOptions-DemandResponseResources-Jun15-2021.pdf>.

<sup>19</sup> D.21.06-029, pp. 76-77.