

# PG&E Comments

## Proxy Demand Resource Draft Tariff Language Modifications

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Pacific Gas & Electric Company (PG&E) appreciates the opportunity to participate in the process to develop the Proxy Demand Resource tariff language and to submit comments regarding the Draft Tariff Language Modifications provided by the CAISO on November 19, 2009.

PG&E believes this set of proposed tariff changes is an important step in encouraging the participation of Demand Response in the California Independent System Operator (CAISO) wholesale markets. PG&E looks forward to working with the CAISO to develop future changes to the tariff. PG&E offers the following comments:

### General Comments

1. The ability and extent of participation by the three Investor Owned Utilities with PDR has yet to be defined or approved by the California Public Utilities Commission (CPUC). PG&E believes that further revisions to the tariff may be required depending on the decisions of the CPUC.
2. There are a number of issues that are seemingly missing from either the PDR tariff or the Business Requirements Specifications (BRS). In responding to PG&E's 11/24/09 comments on the BRS, the CAISO indicated on areas of the Registration Process, Market Power Mitigation, A/S Procurement and PDR, and Telemetry Requirements that the details were still being worked out. PG&E believes these issues need to be resolved and incorporated into the tariff or BRS.

### Comments on Missing Tariff Language

#### **PG&E's Highest Priority Concern –**

1. **Load Serving Entity Agreements** – PG&E believes the Draft Tariff inappropriately omits any references to the necessary bilateral agreements between a Demand Response Provider (DRP) and a Load Serving Entity (LSE) to address undue double payment attribute of PDR. PG&E recommends that *Section 4.13.1 - Relationship between CAISO and DRP* could be

expanded to explicitly state such a requirement. Section 4.3 of Appendix B of the Pro Forma Agreement indicates that the DRP must ‘satisfy all applicable rules and regulations of the Local Regulatory Authority’; this provision is not sufficiently explicit to address the need to incorporate the double-payment agreements.

The need for improved Tariff clarity is further required since section 4.5.1.1.3 seems to indicate that such agreements are *not* necessary. This sections states: *Nothing in this Section 4.5.1.1.3 or any other provision of the CAISO Tariff shall prohibit one Scheduling Coordinator from registering with the CAISO to submit Bids for Demand Response Services from a Proxy Demand Resource associated with a given meter [or Meter Point] where a different Scheduling Coordinator is registered for Load associated with that meter [or Meter Point].*

The design and support of PDR by PG&E and others was premised on a number of integrated features that must be adopted into the tariff as a whole and complete package.

As possible changes to address these concerns, PG&E recommends the following tariff additions (changes are in bold):

#### **4.13.1 Relationship Between CAISO and Demand Response Providers.**

*The CAISO shall only accept Bids for Energy or Ancillary Services, Submissions to Self-Provide Ancillary Services from Proxy Demand Resources or Submissions of Energy Self-Schedules at Pmin from Proxy Demand Resources if such Proxy Demand Resources are represented by a Demand Response Provider that has entered into a Proxy Demand Resource Agreement with the CAISO, has accurately provided the information required in the Demand Response Application, **has satisfied all Proxy Demand Resource registration requirements**, and has met standards adopted by the CAISO and published on the CAISO Website. **The Proxy Demand Resource Registration process will ensure that a registered Proxy Demand Resource has the approval of the load serving entity whose load may be part of an aggregate Proxy Demand Resource prior to participating in the wholesale markets. Since the load is served by the LSE, and the LSE will pay for Day-Ahead power that is not consumed as a result of the dispatch of the proxy demand resource, the LSE has the ability to approve or reject a proxy demand resource registration.** The CAISO shall not accept submitted Bids for Energy or Ancillary Services from a Demand Response Provider other than through a Scheduling Coordinator, which Scheduling Coordinator may be the Demand Response Provider itself or another entity.*

#### **Appendix B**

##### **4.3 Demand Response Provider Requirements.**

*The Demand Response Provider must register with the CAISO through the Demand Response Application and comply with all terms of the CAISO Tariff, **satisfied all Proxy Demand Resource registration requirements**, and certify to the CAISO that its participation is authorized by the Local Regulatory Authority applicable to Demand Response Providers and Load Serving Entities and that it has satisfied all applicable rules and regulations of the Local Regulatory Authority. **The Proxy Demand Resource***

**Registration process and certification will ensure that a registered Proxy Demand Resource has the approval of the load serving entity whose load may be part of an aggregate Proxy Demand Resource prior to participating in the wholesale markets. Since the load is served by the LSE, and the LSE will pay for Day-Ahead power that is not consumed as a result of the dispatch of the proxy demand resource, the LSE has the ability to approve or reject a proxy demand resource registration.**

2. PG&E recommends the CAISO tariff should explicitly state that PDRs are not eligible Interim Capacity Procurement Method (ICPM) designations (at least until Resource Adequacy (RA) rules for PDR have been developed), or for use as Congestion Revenue Rights (CRR) sources within the CRR allocation process.
3. **Gaming** – The Draft Tariff does not include language that addresses the gaming concerns discussed in Section 4 of the CAISO’s Draft Final Proposal. In this section, the CAISO commits to creating metrics that will assist in identifying gaming behavior. PG&E recommends the CAISO include the following tariff language that reflects the design elements in Section 6.1 of the Draft Final Proposal:

*The CAISO will monitor certain metrics in order to identify potential gaming behavior. Should a PDR resource repeatedly fall outside of identified ranges, or fail multiple metrics, a market monitoring study would be performed to determine if there is a likelihood that the Proxy Demand Resource has been compensated for demand response that was not really provided to the market. The CAISO may ask the DRP to provide data to support proof of performance. If the CAISO concludes that the Proxy Demand Resource has been unduly compensated, the PDR resource will be removed from further participation in the CAISO markets.*

4. **Incorporation of Non-Generator Participation In Ancillary Services Markets Proposal -** PG&E does not believe that Appendix K incorporates the proposed changes outlined in the both the CAISO’s Draft Final Proposals for Non-Generator Participation in Ancillary Services Markets and Proxy Demand Resource. Specifically, Appendix K states:

*C 1.1. The rated capacity of the Generating Unit or System Resource must be 1 MW or greater unless the Generating Unit is participating in an aggregation arrangement approved by the CAISO.*

However, in the Draft Final Proposal for Non-Generator Participation, the CAISO proposes that the minimum rated capacity requirement should be reduced to 500kW from the existing 1MW requirement; and in the Draft Final Proposal for PDR states the minimum rated capacity requirement is 10kW. PG&E suggests that C1.1 be changed to:

*The rated capacity of a Generating Unit of System Resource must be 10kW or greater unless the Generating Unit is participating in an aggregation arrangement approved by the CAISO.*

**C 1.2.** *The Generating Unit must be able to increase output as soon as possible to the value indicated in a Dispatch Instruction, reaching the indicated value within ten minutes after issue of the instruction and be capable of maintaining output for 2 hours.*

However, in the Draft Final Proposal for Non-Generator Participation, the CAISO proposes that the continuous energy requirement for spinning and non-spinning reserves should be reduced to 30 minutes from the existing 2 hour requirement. PG&E suggests that C1.2 be changed to:

**The Generating Unit must be able to increase output as soon as possible to the value indicated in a Dispatch Instruction, reaching the indicated value within ten minutes after issue of the instruction and be capable of maintaining output for 30 minutes.**

These changes are designed to synchronize the differences between these two separate initiatives.

5. **Section 3.3** – This section of the Draft Final Proposal states:

*The CLAP is a set of one or more load nodes, which is used for scheduling, pricing, and settlement with Loads. In the case of PDR resources, since the demand response is bid separately from the underlying Load and is represented by proxy generators, technically the mechanism for submitting bids uses Generation Distribution Factors (GDFs) rather than Load Distribution Factors (LDFs). (Page 9)*

PG&E proposes the following language to recognize the importance of utilizing GDFs versus LDFs:

**For PDR, Demand Response will be bid separately from the underlying load. The PDR will use Generation Distribution Factors for submitting bids instead of Load Distribution Factors.**

6. **Section 4.5.1.1.3** – There is a missing “j” at the end of this section.

7. **Section 30.6** - PDR exclusion from bidding/scheduling and settlement on the InterTies and Hour Ahead Scheduling Process is missing.

### **Comments on Tariff Sections**

1. **Section 6.3.1** - Tariff language inter-mixes the use of ‘Demand Response Provider’ and ‘Proxy Demand Resource’ in an inconsistent manner.
2. **Section 10.3.6.1** - The settlement consequences on not providing SQMD for PDRs is not included or explicitly stated

3. **Section 11.5.2.4** - Adjustments to LSEs metered load are unduly limited to ‘solely for the purpose of setting Uninstructed Imbalance Energy’. A preferable approach would be that all Demand based charges should reflect PDR corrections as well (GMC, UFE, other uplifts).
4. **Section 34.9.1** – PG&E believes the CAISO has exceeded the requirements/capabilities of (some) PDR. Section 34.9.1 indicates that Exceptional Dispatch (ED) can be issued to PDR. This ability is coupled with the CAISO tariff 4.2.1 that requires market participants to comply with dispatch orders. However some DR programs to be included as PDR have ‘optional’ contractual compliance, as such, requiring CAISO ED for PDR may be inappropriate.
5. The tariff language inter-mixes the use of ‘Participating Load’ and ‘Load’ (e.g. Sections 6.3.1, 8.4.5, 8.9, 8.9.7.1, 8.9.11, 8.10.6, 11.23c, and 31.3.1.4); the uses should be clarified to be consistent and to explicitly address ‘participating load’, and ‘non-participating load’ rather than ‘load’.