146 FERC ¶ 61,233
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 28, 2014

In Reply Refer To:
California Independent System
Operator Corporation
Docket No. ER13-2192-000

Alston Bird, LLP
The Atlantic Building
950 F Street, NW
Washington, DC 20004

Attention: Sean Atkins, Esq.
Counsel for California Independent System Operator Corporation

Dear Mr. Atkins:

1. On August 19, 2014, California Independent System Operator Corporation (CAISO) submitted a filing to comply with the Commission's July 18, 2013 Order directing CAISO to resubmit its Reliability Demand Response Resource (RDRR) proposal. The RDRR proposal was initially filed with the Commission on May 20, 2011 to create a new RDRR product. CAISO proposed that reliability demand response resources be eligible to bid into and committed in the day-ahead market. CAISO also proposed that reliability demand response resources bid into the real-time market, but would only be eligible to be dispatched when CAISO's system was near or at a system emergency. CAISO proposed to use the default load adjustment to allocate the costs of the RDRR product. Finally, CAISO proposed to allow reliability demand response resources, like proxy demand resources, to be counted as resource adequacy resources.

2. CAISO stated that the creation of the RDRR product would enable numerous emergency-triggered retail demand response programs to be integrated into CAISO's energy markets. However, entities under contract with emergency triggered retail demand response programs would retain the ability to dispatch these resources to respond

to local transmission and distribution emergencies, and these resources would be ineligible to set the market price during those instances.[1]

3. In an order issued on February 16, 2012, the Commission rejected CAISO's RDRR proposal.[2] The Commission found that the RDRR proposal was designed to allow resources to participate in CAISO's day-ahead and real-time energy markets, subject to the requirements of Order No. 745.[3] The Commission found that since it had rejected CAISO's cost allocation methodology for its earlier filing to comply with Order No. 745, which relied on the default load adjustment, CAISO's RDRR program should also be rejected because it too relied on the same cost allocation methodology.[4] The Commission directed CAISO to remove references to the RDRR program from its tariff on compliance.

4. In the July Order,[5] the Commission found CAISO's revised cost allocation methodology for demand response resources, which eliminated the default load adjustment, to be compliant with Order No. 745. Specifically, the Commission found that CAISO's revised cost allocation methodology "allocate[s] costs to those who benefit from lower prices by dispatching demand response."[6]

5. As a result of its finding on CAISO's cost allocation methodology for demand response resources, the Commission granted rehearing on its earlier rejection of CAISO's RDRR proposal and reconsidered the RDRR proposal.[7] In its reconsideration, the

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[1] Reliability Demand Response Proposal, Attachment E at 5.

[2] *Cal. Indep. Sys. Operator Corp.*, 138 FERC ¶ 61,117 (2012) (RDRR Order).

[3] *Demand Response Compensation in Organized Wholesale Energy Markets*, Order No. 745, 76 Fed. Reg. 16,658 (Mar. 24, 2011), FERC Stats. & Regs. ¶ 31,322 (2011) (Oder No. 745), *order on reh'g and clarification*, Order No. 745-A, 137 FERC ¶ 61,215 (2011) (Order No. 745-A).

[4] RDRR Order at P 30.

[5] *Cal. Indep. Sys. Operator Corp.*, 144 FERC ¶ 61,047 (2013) (July Order).

[6] July Order at P 20.

[7] July Order at P 29.

Commission accepted the RDRR proposal because it would "provide access to wholesale energy markets for customers with reliability demand response resources or their aggregators, and will be another tool for CAISO to address emergency and near-emergency situations."[8] The Commission also found that CAISO's proposal was in compliance with Order No. 719,[9] stating that CAISO's proposal "reduces barriers to participation by allowing Demand Response Providers to submit bids on behalf of retail emergency-triggered demand response programs, subject to CAISO's reasonable restrictions."[10]

6. The Commission also agreed to the correction of certain miscellaneous and typographical edits identified, by CAISO and Pacific Gas and Electric Company (PG&E), except those that had been already resolved through tariff revisions accepted by the Commission.[11] The Commission directed CAISO to refile its RDRR proposal reflecting these corrections and clarifying edits provided by CAISO.

7. CAISO submitted its compliance filing in response to the July Order and requested an effective date of April 1, 2014. No protests or comments were received. PG&E, SWP, and Six Cities[12] filed timely motions to intervene.

8. On March 14, 2014, CAISO filed a motion to extend the effective date by 30 days to May 1, 2014. CAISO states that it had originally planned to implement the tariff revisions as part of its spring 2014 release of certain market enhancements on April 1, 2014. However, CAISO states that this date is no longer feasible in light of the significant testing that must be completed before the release. CAISO also asserts that the financial risks to market participants and insufficient testing of the software are not acceptable outcomes from a software deployment perspective. CAISO requests that the Commission act on the motion by April 1, 2014.

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[8] *Id.* at P 38.

[9] *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64,100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 31,281 (2008) (Order No. 719).

[10] July Order at P 61.

[11] July Order at P 59.

[12] Cities of Anaheim, Azusa, Banning, Colton, Pasadena and Riverside, California (Collectively, Six Cities).

9. We find that CAISO's filing complies with the Commission's directives in the July Order. The CAISO has resubmitted its initial RDRR proposal with the necessary corrections and clarifications. The Commission accepts CAISO's compliance filing with no further modifications. We will also grant CAISO's motion for good cause shown and extend by 30 days the effective date of the tariff revisions to May 1, 2014. Thus, we will accept CAISO's tariff revisions effective May 1, 2014, as requested.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.