

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Enhance the
Role of Demand Response in Meeting the
State’s Resource Planning Needs and
Operational Requirements.

Rulemaking 13-09-011
(Filed September 19, 2013)

**REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON PROPOSED DECISION**

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) submits these reply comments on the Proposed *Decision Adopting Bridge Funding for 2017 Demand Response Programs and Activities* (Proposed Decision). The CAISO supports the Proposed Decision. In these reply comments, the CAISO addresses issues raised in opening comments filed by Pacific Gas & Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and the Joint Demand Response Parties.

I. Introduction

In these reply comments, the CAISO addresses the following issues: (1) the locational targeting of demand response resources to meet Aliso Canyon-related reliability needs, (2) SDG&E’s comments regarding what constitutes full integration into the CAISO market and (3) the effort to innovatively integrate investor-owned-utility demand response programs into the CAISO market.

II. Discussion

A. Locational Targeting of Demand Response Resources for Aliso Canyon Reliability Needs

The Proposed Decision requires that “SCE’s proposal for the Summer Discount Plan focus solely on the [Los Angeles (LA)] Basin Local Reliability Area.”¹ In its opening comments, SCE recommends that the Commission modify the Proposed Decision to “require SCE to prioritize the LA Basin in seeking new [demand response] customer enrollments rather than to focus solely on the LA Basin.” The CAISO agrees with SCE’s suggested modification to the

¹ Proposed Decision, p. 22.

Proposed Decision. LA Basin resources should be prioritized, as the CAISO stated in its April 4, 2016 comments in this proceeding, but resource procurement elsewhere in southern California should also be encouraged because additional resources can be effective in mitigating the potential gas curtailments on the Southern California Gas Company pipeline system in southern California. The CAISO agrees with SCE that resource procurement authorized to address Aliso Canyon-related reliability issues should be a priority, but not be solely limited to the LA Basin local capacity area.

B. Full Integration into the CAISO Market

The Proposed Decision properly finds that that demand response programs only partially integrated in the CAISO market should not be considered fully integrated “until all delivered megawatts are able to be integrated into the CAISO market.”² SDG&E comments that the Commission should defer consideration on this issue because “it is conceivable that one or more customers in a given [demand response] program will not have the required load reduction needed to meet the minimum kW requirement and would be ‘islanded’, i.e., unable to form a [proxy demand resource] or [reliability demand response resource] until additional customers are added in SDG&E’s territory to the program.” SDG&E’s argument is unclear and potentially flawed.

Because SDG&E’s service territory resides within a single sub-load aggregation point (sub-LAP), any demand response program can be wholly integrated into the CAISO market, parsed only by the load-serving entity. SDG&E does not have to further parse programs by customer and sub-LAP to meet the CAISO’s 100 kW minimum resource size requirement. In other words, where SDG&E is the load-serving entity, any of its demand response programs over 100 kW in aggregate can be “integrated” into the CAISO market. Importantly, the CAISO’s 100 kW proxy demand resource size requirement is not applied on a per customer basis, but on the total demand response capability of all customers served by SDG&E within a proxy demand resource aggregation. Because the 100 kW requirement applies to the overall aggregation, it sets a very low threshold for most investor-owned utility demand response programs. Finally, no CAISO rules prevent SDG&E from combining and aggregating its various demand response programs into proxy demand resources that effectively meet the 100 kW minimum requirement. There is no required one-to-one correlation between investor-owned-utility demand response

² Proposed Decision, p. 39.

programs and CAISO proxy demand resources. In fact, the underlying customer resources can and should be used strategically, and in aggregate to create more robust, more flexible demand response resources.

C. Opening Comments Indicate that the Commission’s Demand Response Policies are Spurring Needed Innovation

In opening comments, PG&E and the Joint DR Parties voice concerns regarding how to manage existing demand response programs that cannot be fully integrated into the CAISO market due to not meeting the minimum proxy demand resource size limit of 100 kW. At the same time, PG&E recognizes that it may be able to “combine ‘islanded’ customers from different [demand response] programs into a single [proxy demand resource] to the extent feasible.”³ The CAISO is encouraged by PG&E’s openness to exploring how it can more flexibly use and combine existing demand response programs to meet minimum requirements. The CAISO has consistently conveyed concern about the rigidity of existing investor-owned-utility demand response programs and related integration efforts. The CAISO has repeatedly urged investor-owned-utilities to creatively package and combine its suite of demand response programs to meet grid needs rather than adhere to a strict one-to-one construct in which each demand response program must be integrated into its own proxy demand resource. PG&E’s suggestion to combine programs is the type of innovation needed to accomplish effective integration and spur the development of more robust demand response resources. Such solutions and new approaches can help overcome such concerns as the minimum size requirement. PG&E’s forward thinking is appreciated and a credit to the Commission’s clear and unwavering demand response vision and policies, which are driving such innovations and new approaches. In its final order, the Commission should build on PG&E’s approach and encourage the investor-owned-utilities to determine how multiple demand response programs can be integrated into a single proxy demand resource to avoid “islanding” and to create more robust resources, what barriers exist, if any, to doing this, and, if so, how these barriers can be overcome via new program designs and features.

III. Conclusion

The CAISO recommends that the Commission clarify the Proposed Decision to acknowledge that SCE’s Aliso Canyon-related demand response procurement should target the

³ PG&E at pg. 9.

LA Basin, but should also allow procurement elsewhere in southern California to address potential reliability issues on the Southern California Gas Company pipeline system. In all other respects, the CAISO supports the Proposed Decision and applauds the Commission's for its vision and efforts to integrate demand response resources into the CAISO market.

Respectfully submitted,

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Dated: May 31, 2016