

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System)
Operator Corporation)

Docket No. ER20-2922-000

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comment in the above-captioned proceeding.

In this filing, the CAISO proposes tariff provisions to add settlement rules to ensure that a resource subject to an exceptional dispatch energy schedule prior to the operating day cannot exercise market power by increasing real-time energy bids when known in advance that the resource will be dispatched for reliability. Specifically, when a resource receives an exceptional dispatch energy schedule prior to the operating day, the CAISO proposes to settle exceptional dispatch energy based on a resource’s day-ahead bid prices instead of real-time bids.¹

¹ *Tariff Amendment to Add Settlement Rules for Post-Day-ahead Exceptional Dispatch Energy Schedules*, California Independent System Operator Corporation, Docket No. ER20-2922-000. (“Transmittal Letter”) <http://www.caiso.com/Documents/Sep18-2020-Tariff-Amendment-AddSettlementRules-Post-Day-AheadExceptionalDispatchEnergySchedules-ER20-2922.pdf>

As the CAISO notes in its Transmittal Letter, the proposed tariff change was identified while working with stakeholders on a proposal to operationalize “slow” demand response resources which would qualify these resources to meet local capacity area requirements. While the CAISO’s proposed tariff revisions are limited to the settlement for exceptional dispatch energy schedules issued prior to the operating day, the proposed tariff revisions are part of the CAISO’s broader policy change to enable “slow” demand response to qualify as local capacity area resources.

DMM supports the CAISO’s proposed tariff revisions subject to a minor clarification, and supports the CAISO’s broader policy change to operationalize “slow” demand response resources, thereby allowing these resources to count towards meeting local capacity area requirements. Given the limitations of slow demand response resources, the CAISO’s approach to only manually dispatch these resources to meet local capacity constraints is a reasonable option for utilizing slow demand response as a final reliability option in local areas.

DMM notes that the CAISO’s approach to only manually dispatch “slow” demand response resources to meet local reliability constraints seems to reflect that the characteristics of slow-responding demand response resources are not as valuable as other resources for meeting local reliability needs. While the capacity of “slow” demand response which may be counted towards resource adequacy requirements is relatively limited today, DMM has ongoing concerns about the cumulative impacts of growing reliance on energy-limited or capacity-limited resources to meet resource adequacy and local area reliability requirements.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene, and afford DMM full rights as a party to this proceeding. Pursuant to the Commission's Order 719, the CAISO tariff states that "DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities."² As this proceeding involves CAISO tariff provisions that affect the efficiency and potential for market power in the CAISO markets, it implicates matters within DMM's purview.

II. COMMENTS

The CAISO's proposed tariff amendment would prevent resources subject to an exceptional dispatch energy schedule prior to the operating day from exercising market power by increasing real-time energy bids.

The CAISO proposes to issue exceptional dispatches for energy schedules to "slow" demand response resources prior to the operating day if these resources are needed to meet local capacity constraints. The CAISO's proposed tariff amendment would settle resources that receive an exceptional dispatch energy schedule prior to the operating day against the maximum of real-time prices, day-ahead bid prices, or a resource's default energy bid price if the resource was subject to mitigation in the day-ahead market.

DMM agrees with the CAISO that if the energy subject to an exceptional dispatch energy instruction prior to the operating day was instead settled based on real-time bids, a resource could submit higher bids in real-time in the hours it received the exceptional

² CAISO Tariff Appendix P, Section 5.1.

dispatch energy schedules, resulting in settlement at the higher real-time bid prices. The CAISO's proposed settlement rule protects against this outcome.

DMM requests that the CAISO clarify that its proposed tariff amendment would not supersede provisions for mitigation of exceptional dispatches specified in Tariff Section 39.10.

While DMM supports the CAISO's proposed tariff amendment, DMM asks that the CAISO clarify that its proposed tariff changes would not supersede provisions in Tariff Section 39.10 which outline provisions for mitigation of specific types of exceptional dispatches.

In particular, Section 39.10 specifies that mitigation measures will be applied to exceptional dispatches of resources that are ramped to their minimum dispatchable level in real-time.³ DMM has observed that resources that are subject to exceptional dispatches to minimum dispatchable levels in real-time often receive exceptional dispatch instructions to operate above a minimum dispatchable level (energy level above Pmin) prior to the operating day, which would allow resources time to start or ramp to minimum dispatchable levels by a certain time in the operating day. These types of exceptional dispatch instructions seem to fall within the new proposed tariff language which applies to "resources that receive an Exceptional Dispatch energy instruction prior to the Operating Day..."⁴

Under existing tariff provisions in Section 39.10, the energy associated with exceptional dispatches to minimum dispatchable levels is always subject to exceptional dispatch compensation mitigation measures. DMM requests that the CAISO clarify that

³ CAISO Tariff, Section 39.10.

⁴ Transmittal Letter, Attachment B, p. 15.

mitigation provisions outlined in Tariff Section 39.10 would not be superseded by its new proposed tariff amendment.

It will be important for the CAISO to continue to assess and monitor the operational capabilities of energy and capacity limited resources if these types of resources will be increasingly relied upon to meet system and local reliability requirements.

While DMM supports the CAISO's policy changes which would allow slow-responding demand response to qualify as local capacity area resources, the CAISO's approach to only manually dispatch "slow" demand response resources to meet local reliability constraints seems to reflect that the characteristics of slow-responding demand response resources are not as valuable as other resources for meeting ongoing local reliability needs. This is because the CAISO would rely on out of market dispatch of these resources to meet local reliability requirements only after all other resources capable of meeting local reliability needs have been considered, including non-resource adequacy resources.

While the amount of slow-responding demand response which may be counted towards resource adequacy requirements today is relatively small compared to other resources types, DMM has ongoing concerns about the cumulative impacts of growing reliance on energy-limited or capacity-limited resources to meet resource adequacy and local area reliability requirements. As reliance on such resources increases, it will be important for the CAISO to continue to assess and monitor the operational capabilities of the overall mix of resources being used to meet various planning and regulatory requirements.

III. CONCLUSION

DMM supports the CAISO's proposed tariff amendment for settling resources that receive an exceptional dispatch energy schedule prior to the operating day, subject to a minor clarification. DMM asks that the CAISO clarify that its proposed tariff amendment would not supersede provisions for mitigation of exceptional dispatches specified in Tariff Section 39.10, specifically provisions which subject resources that receive exceptional dispatch instructions to operate above a minimum dispatchable level prior to the operating day to exceptional dispatch compensation mitigation measures.

DMM also supports the CAISO's broader policy change to operationalize "slow" demand response resources thereby allowing these resources to count towards meeting local capacity area requirements. While the amount of slow-responding demand response which may be counted towards resource adequacy requirements today is relatively small, DMM has concerns about the cumulative impacts of growing reliance on energy-limited or capacity-limited resources to meet resource adequacy and local area reliability requirements. As reliance on such resources increases, it will be important for the CAISO to continue to assess and monitor the operational capabilities of the overall mix of resources being used to meet various planning and regulatory requirements.

Respectfully submitted,

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Independent Market Monitor for the California
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Dated: October 9, 2020

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 9th day of October, 2020.

/s/ Candace McCown

Candace McCown