

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

Order Instituting Rulemaking Regarding
Policies and Protocols for Demand Response,
Load Impact Estimates, Cost-Effectiveness
Methodologies, Megawatt Goals and
Alignment with California Independent System
Operator Market Design Protocols

Rulemaking 07-01-041
(January 25, 2007)

**OPENING COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
ON THE PROPOSED DECISION ADOPTING POLICIES FOR DEMAND
RESPONSE DIRECT PARTICIPATION**

The California Independent System Operator Corporation (ISO) submits its opening comments to the “Proposed Decision Adopting Policies for Demand Response Direct Participation” (“Proposed Decision”) of ALJ Hymes, issued October 25, 2012. The ISO appreciates that the Proposed Decision is well-reasoned and well-thought-out and that it balances the benefits and burdens of direct participation policies, which comprise complex and often contentious issues. Overall, the ISO supports the Proposed Decision and, importantly, the clarity that it provides in advancing demand response that will be used and useful for California. The ISO offers the following points in these comments to help clarify and refine certain elements of the Proposed Decision.

I. Opening Comments

**A. Finding of Fact No. 2 should expressly state that demand
response bids at or above the net benefits test are cost effective
and that bidding below the NBT price threshold is prohibited.**

In Section 4.1.2 [*Financial Settlements for Bids Above the NBT*], the Proposed Decision states that bids below the net benefits test (“NBT”) are “not economical, send the wrong signals, and should be barred.”¹ This determination

¹ Proposed Decision at p. 18.

is then set forth as Finding of Fact No. 4.² However, as carried over to Finding of Fact No 2, the finding is incomplete because it does not express that bids *at* the net benefits test are also cost effective. Accordingly, the ISO recommends that Finding of Fact No. 2 be modified to address bids *at* NBT:

2. Bids at or above the net benefits test are cost-effective.

Section 4.1.2 also directs that “[w]e ... prohibit DR aggregators that represent Commission jurisdictional bundled load to bid DR services below the NBT.”³ However, in the conclusions of law, the prohibition for bidding is stated somewhat more subtly. Conclusions of Law Nos. 1, and 2, state that:

1. We should not require financial settlements for bids at or above the net benefits test; and
2. We should not allow demand response bidders to bid below the net benefits test.

To make the matter more express, the ISO requests that Conclusion of Law No. 2 be modified as follows:

2. We should not allow demand response bidders to bid below the net benefits test and, accordingly, Commission jurisdictional bundled load bid below the net benefits test is prohibited.

Closing the loop on this point is important because the ISO has no present authority or means to reject such bids below the NBT or to report such bidding behavior to the Commission. The Proposed Decision alludes to the outcome of a below the NBT bid in the next section, Section 4.1.3 [*Financial Settlements for Bids Below the NBT*]. If a DR provider representing Commission jurisdictional bundled load actually submits a bid to the ISO that is below the net benefits test price threshold⁴, the ISO would settle the “below NBT bid” and then apply the

² *Compare* Finding of Fact No. 4. “Bids below the net benefits test are uneconomical and send the wrong price signals.”

³ Proposed Decision at p. 19.

⁴ For these comments, it is assumed that the DR provider is also a scheduling coordinator that is eligible to submit bids into the ISO market.

default load adjustment to eliminate any demand response related payments for uninstructed imbalance energy to the effected load-serving entity.⁵

B. The time allotted to resolve outstanding Rule 24 issues may eclipse DR participation for summer 2013

The Proposed Decision at Section 5 [*Finalizing the Proposed Direct Participation Rule*] specifies timeframes for the resolution of outstanding Electric Rule 24 issues:

We direct staff to hold a workshop(s) within 150 days of the issuance of this decision to finalize the proposed Electric Rule 24. ... The advice letter should be submitted no later than 90 days following the workshop.⁶

Similarly, Section 4.2.5.1 [*Development of a Service Agreement*] provides that

Stakeholders must work together to finalize a service agreement to be included with the proposed Rule 24 submitted by a Tier Three advice letter no later than 90 days following the workshop(s).⁷

The ISO appreciates that the service agreement finalization is to take place within the Rule 24 workshop effort, and not afterward.⁸

The ISO is concerned, however, that the schedule may not provide enough time for parties to actually develop and obtain customer subscription to programs for direct participation in the summer of 2013 and may push any meaningful direct participation to summer 2014, which is one and a half years further down the road. The ISO urges the Commission to reduce the allotted workshop time on Rule 24 to enable faster resolution of the outstanding administrative and technical issues prior to summer 2013. The ISO believes that faster resolution is possible if

⁵ See Proposed Decision at p. 17 [“The CAISO’s current PDR tariff still provides a DLA for bids below the NBT.”]

⁶ Proposed Decision, Section 5 [*Finalizing the Proposed Direct Participation Rule*] at p. 54.

⁷ *Id.* at p. 44.

⁸ *Id.* “We direct staff to include, as part of its workshop(s) on Rule 24, discussions to finalize the proposed service agreement.”

Energy Division staff is heavily engaged in guiding the process and keeping issues bound within the realm of the possible.

Accordingly, the ISO requests that Section 5 be modified to *shorten* the workshop finalization efforts timeframe by 30 days and the advice letter filing timeframe by 30 days, as follows:

We direct staff to hold a workshop(s) within ~~150~~ 120 days of the issuance of this decision to finalize the proposed Electric Rule 24. ...The advice letter should be submitted no later than ~~90~~ 60 days following the workshop.⁹

C. The ISO supports the definition of “DR Service” with one minor clarification.

In Section 4.2.2.1 [*Definition of DR Service*], the Proposed Decision is right to define DR Service “in a generic and all-inclusive manner.”¹⁰ The ISO agrees that the definition set out at pages 21-22 is broad enough, yet specific enough to enable all entities, including individual customers, to offer demand response directly in the wholesale electricity without the confines of offering particular products and services or restrictions from taking advantage of future market opportunities.

The ISO offers one minor modification in the DR Service definition-- to strike the term “DR market” in describing the ISO wholesale market. The ISO operates the wholesale *electricity* market, and not specifically a “DR market,” as the definition currently reads. For accuracy, the ISO recommends that the definition of DR Service in the final decision read as follows:

DR activities associated with a DR provider’s or a customer’s direct participation in the CAISO wholesale ~~DR~~ electricity market where a retail customer either on its own or enrolled in a DR service changes its electric demand in accordance with the market awards and dispatch instructions established by the CAISO.¹¹

⁹ As referenced in ISO Attachment A, the ISO modification of Ordering Paragraph 34 to conform the paragraph to an advice letter filing no later than 60 days following the workshop(s).

¹⁰ Proposed Decision at p. 21 and Finding of Fact No. 6.

¹¹ The modification would be placed at Section 4.2.2.1 [*Definition of DR Service*], at page 21, in the paragraph that begins: “Therefore, we adopt the following definition of DR Service....”

D. The ISO supports the use of KYZ pulse data for estimated meter data but not for submission as final settlement data.

As the Proposed Decision correctly states, KYZ pulse data can be used to meet the CAISO Estimated Settlement Quality Meter Data requirements submitted for the T+12B Recalculation Settlement Statement.¹² The applicable ISO business practice manual (“BPM”) allows the use of “estimations” for this purpose, and states:

Ensuring sound estimation practices and other available information is used when submitting estimated data by T+8B, including but not limited to bids, schedules, forecasts, operating logs, and historical data. Estimated data must be a good faith estimate that reasonably represents Demand and/or Generation quantities for each Settlement Period.¹³

Ultimately, however, this estimated meter data must be replaced by actual Settlement Quality Meter Data (SQMD) for the T+55B Recalculation Settlement Statement. It is at this point that scheduling coordinators must submit meter data from revenue quality meters that has been validated, estimated, and edited by a MDMA as SQMD to the ISO.

The ISO suggests modifying the following language in section 4.2.3.2 [*Flow Control of Data and Liabilities Regarding Control*] to better align with the ISO settlement process terminology, as follows:

Our general policy is to create streamlined processes for Commission programs. Thus, we find it reasonable to allow the use of KYZ pulse data for ~~preliminary settlement purposes submission to the CAISO as estimated settlement quality meter data~~, especially since this puts the control of the data in the hands of the DR provider and eliminates an unnecessary step in the process.¹⁴

¹² See Proposed Decision, Section 4.2.3.2, [*Flow Control of Data and Liabilities Regarding Control*] at p. 31. “CAISO Settlement Quality Meter Data” is a defined term in the ISO tariff that means Settlement Quality Meter Data estimated by the ISO in accordance with ISO tariff Sections 10.3.6.2 and 11.1.5. The ISO’s tariff can be accessed on the ISO webpage at <http://www.caiso.com/Documents/Conformed%20fifth%20replacement%20California%20ISO%20Tariff%20as%20of%20Nov%205,%202012>.

¹³ BPM for Metering, Version 5, Last Revised May 7, 2012, Section 6.1, Provision of Settlement Quality Meter Data, First paragraph, 3rd bullet. The ISO’s Business Practice Manuals can be accessed on the ISO’s website at <http://www.caiso.com/rules/Pages/BusinessPracticeManuals/Default.aspx>.

¹⁴ Proposed Decision at p. 31.

E. Meter data submittals must be done in accordance with the ISO tariff.

The utilities, when acting as the MDMA (Meter Data Management Agent), have the responsibility to make the SQMD (Settlement Quality Meter Data) available in a timely manner to the DR provider's scheduling coordinator, so that the scheduling coordinator can submit the final SQMD to the ISO by the tariff deadline and not be subject to sanctions.¹⁵ Any financial sanctions would go against the DR provider's scheduling coordinator, not the MDMA. Thus, there is risk to the DR provider's scheduling coordinator if the IOU, acting as the MDMA, fails to timely provide the SQMD to the scheduling coordinator prior to the ISO tariff deadline.¹⁶

It is reasonable to assume that the MDMA can provide the SQMD to the DR provider's scheduling coordinator within the T+55B Recalculation Settlement Statement timeframe. Therefore, the MDMA should be held accountable for not meeting its meter data submission obligations, which could expose the DR provider's scheduling coordinator to possible sanctions.

To better reflect the MDMA's and scheduling coordinator's responsibilities, the ISO would revise the following paragraph in Section 4.2.3.2

¹⁵ SQMD not received by the ISO by the meter data submittal deadline of T+48B is considered late and subject to sanctions pursuant to the rules of conduct set forth in Section 37.5 of the ISO Tariff.

¹⁶ As specified in the CAISO Conformed fifth replacement tariff as of April 18, 2012, Section 10.3.6.3 Timing of SQMD Submission for Recalculation Settlement Statement T+55B, First paragraph, sub section (a) states:

Scheduling Coordinators must submit Actual Settlement Quality Meter Data for the Scheduling Coordinator Metered Entities they represent to the CAISO no later than midnight on the forty-eighth (48) Business Day after the Trading Day (T+48B) for the Recalculation Settlement Statement T+55B calculation. A Scheduling Coordinator that timely submits Actual Settlement Quality Meter Data for the Recalculation Settlement Statement T+12B pursuant to Section 10.3.6.2 may submit revised Actual Settlement Quality Meter Data for the Recalculation Settlement Statement T+55B no later than the forty eighth (48) Business Day after the Trading Day pursuant to this Section.

(a) When Actual Settlement Quality Meter Data is not received by the CAISO for a Scheduling Coordinator Metered Entity by forty-eight (48) Business Days after the Trading Day (T+48B), the Scheduling Coordinator has failed to submit complete and accurate meter data as required by Section 37.5.2.1 and will be subject to monetary penalty pursuant to Section 37.5.2.2.

[*Flow Control of Data and Liabilities Regarding Control*]. In addition, language should be added to the Proposed Decision to ensure that reasonable timelines are agreed to in Rule 24, so that the MDMA and demand response provider can both provide and process data to satisfy ISO meter data submittal timelines.

Accordingly, the ISO recommends modifying the paragraph that begins “Our general policy is,” as follows:

Our general policy is to create streamlined processes for Commission Programs. ... Thus, the DR provider’s scheduling coordinator, not the Meter Data Management Agent, is ~~now~~ the entity responsible for providing accurate and timely estimated settlement quality meter data to CAISO. The Utilities, in the role of Meter Data Management Agents, are no longer liable for payment of any charges or penalties due to non-compliance with applicable CAISO rules, as it relates to ~~this section of the Rule~~ the submission of estimated settlement quality meter data. However, MDMA ~~s the Utilities as the Meter Data Management Agent~~ are still responsible to provide the actual Settlement Quality Metered Data to the DR provider’s scheduling coordinator to facilitate final meter data submission within a reasonable time frame in accordance with the CAISO tariff. Reasonable timelines to ensure meter data processing occurs in accordance with the CAISO tariff are necessary to prevent sanctions levied on the DR provider’s scheduling coordinator due to late meter data submittals. Stakeholders should refine the timing and management for this portion of Rule 24 through workshop(s).

F. The ISO supports the rule that a DR provider cannot enroll a customer who is already enrolled with another DR provider, but recommends a clarification.

The ISO agrees that a given service account cannot be simultaneously enrolled with two separate DR providers. The Proposed Decision correctly determines that:

“[C]onsistent with the CAISO tariff, we prohibit DR providers from enrolling a customer who is enrolled with another DR provider.”¹⁷

This addresses the point that a customer cannot be in two separate programs that bid into the ISO market.

¹⁷ Proposed Decision, Section 4.2.2.3 [*Enrollment of a Single Customer with Multiple DR Providers*] at p. 26.

However, the ISO offers an additional point with respect to customer participation in utility-event-based programs. To add clarity and not unnecessarily restrict direct participation, the ISO suggests revising slightly the wording of the rule regarding dual participation so that the prohibition against participation in DR service offered to the ISO and also utility-event-triggered programs is not absolute, but instead applied only to utility-event-triggered programs that are not also bid into the ISO market. When a DR program with utility-event-based triggers is configured so that program can also be bid into the ISO market, then the program is compatible with ISO markets. Because the program configuration is both utility and ISO compatible, it is not a problem from the perspective of the ISO, for the customer to be enrolled in the utility-event-based DR program where the utility is acting as the DR provider bidding the demand response from that event-based program into the ISO market. Thus, enrollment in a utility event-based program need not be prohibited if that utility program is designed to be bid into the CAISO markets, i.e. the demand response is acting as a single resource.

The problem occurs, however, *if a utility event-based program is not designed to bid into the ISO market*. In this circumstance, the same customer load cannot both (i) participate in the utility-event-based program and (ii) serve as a demand response resource in the ISO market. Here, the same customer load is acting as *two separate and incompatible demand response resources*, one for the utility and one for the ISO market.

For clarity, the ISO requests a modification in Section 4.2.2.3 [*Enrollment of a Single Customer with Multiple DR Providers*], in the paragraph on page 26 that begins “Thus, consistent with the CAISO tariff,” as follows:

Thus, consistent with the CAISO tariff, we prohibit DR providers from enrolling a customer who is already enrolled with another DR provider. Additionally, we prohibit the enrollment of a customer in a Utility event-based DR program if that customer is already enrolled in a third-party DR provider service where the same customer load is bid into the CAISO markets.

To correlate the ordering paragraphs, the ISO also requests that Ordering Paragraph No. 7 be re-written to correspond to the offered change in Section 4.2.2.3. Accordingly, the ISO recommends the following change:

Demand response providers are prohibited from enrolling a customer who is already enrolled with another DR provider. In addition, enrollment of a customer in a utility event-based program is prohibited if that customer is already enrolled in a third-party DR provider demand response service where the same customer's load is bid into the California Independent System Operator's market

II. Conclusion

The ISO supports the Proposed Decision as well reasoned and reaching the right results. The ISO respectfully requests that the Commission include the ISO's proposed modifications in the final decision to clarify and further refine the decision. The ISO's requested modification to the decision, findings of fact, conclusions of law, and ordering paragraphs are set out in Attachment A.

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Respectfully submitted,

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ATTACHMENT A

Attachment A

California Independent System Operator Corporation listing of suggested modifications to the Proposed Decision Adopting Policies for Demand Response Direct Participation.

The ISO requests the following modifications to the Proposed Decision:

1. As to Finding of Fact No. 2:

Bids at or above the net benefits test are cost-effective.

2. As to Conclusion of Law No. 2:

We should not allow demand response bidders to bid below the net benefits test and, accordingly, Commission jurisdictional bundled load bid below the net benefits test is prohibited.

3. As to Section 5 [*Finalizing the Proposed Direct Participation Rule*], at page 54, in the last paragraph:

We direct staff to hold a workshop(s) within ~~150~~120 days of the issuance of this decision to finalize the proposed Electric Rule 24. ...The advice letter should be submitted no later than ~~90~~60 days following the workshop.

4. As to Section 4.2.2.1 [*Definition of DR Service*], at page 21, in the paragraph that begins: “Therefore, we adopt the following definition of DR Service”:

DR activities associated with a DR provider’s or a customer’s direct participation in the CAISO wholesale ~~DR~~ electricity market where a retail customer either on its own or enrolled in a DR service changes its electric demand in accordance with the market awards and dispatch instructions established by the CAISO.

5. As to Section 4.2.3.2 [*Flow Control of Data and Liabilities Regarding Control*], at page 31, in the first paragraph, which begins “Our general policy is”:

Our general policy is to create streamlined processes for Commission Programs. ... Thus, the DR provider’s scheduling coordinator, not the Meter Data Management Agent, is ~~now~~ the entity responsible for providing accurate and timely estimated settlement quality meter data to CAISO. The Utilities, in the role of Meter Data Management Agents, are no longer liable for payment of any charges or penalties due to non-

compliance with applicable CAISO rules, as it relates to ~~this section of the Rule~~ the submission of estimated settlement quality meter data. However, MDMA ~~the Utilities as the Meter Data Management Agent~~ are still responsible to provide the actual Settlement Quality Metered Data to the DR provider's scheduling coordinator to facilitate final meter data submission within a reasonable time frame in accordance with the CAISO tariff. Moreover, reasonable timelines to ensure meter data processing occurs in accordance with the CAISO tariff are necessary to prevent sanctions levied on the DR provider's scheduling coordinator due to late meter data submittals. Stakeholders should refine the timing and management for this portion of Rule 24 through workshop(s).

6. As to Section 4.2.2.3 [Enrollment of a Single Customer with Multiple DR Providers], at page 26, in the paragraph that begins, "Thus, consistent with the CAISO tariff,":

Thus, consistent with the CAISO tariff, we prohibit DR providers from enrolling a customer who is enrolled with another DR provider. Additionally, we prohibit the enrollment of a customer in a Utility event-based DR program if that customer is also enrolled in a third-party DR provider service where the same customer load is bid into the CAISO markets.

7. As to Ordering Paragraph 1:

All demand response providers bidding bundled customers' loads into the California Independent System Operators' wholesale market shall submit bids that are at or above the net benefits test

8. As to Ordering Paragraph 7:

Demand response providers are prohibited from enrolling a customer who is already enrolled with another DR provider. In addition, enrollment of a customer in a utility event-based program is prohibited if that customer is already enrolled in a third-party DR provider demand response service where the same customer's load is bid into the California Independent System Operator's market.

9. As to Ordering Paragraph 34:

Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company must work with the stakeholders to finalize an agreed-upon proposed Electric Rule 24 and submit it, along with the Service Agreement, Registration Form, and Customer Information Service Request form, via a Tier Three Advice Letter no later than ~~90~~ 60 days following the workshop(s).