

PG&E Comments

CAISO Draft Final Proposal for the Design of Proxy Demand Resource

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) appreciates the work of the CAISO to develop the Draft Final Proposal for the Design of Proxy Demand Resource (PDR). PG&E thinks that the draft final proposal is much improved and that it is essentially ready to be submitted to the CAISO Board of Governors. However, we do have a few substantive comments as noted below. Many of these should probably be covered in the working groups that help produce the PDR User Guide.

- PG&E supports the general PDR approach, and is pleased that the CAISO has ultimately adopted a mechanism to implement the "net DR" approach advocated at the earliest instance by PG&E as a workable alternative to PL. PG&E also supports the further inclusion of RUC and A/S participation.
- PG&E appreciates the need to gather comments by April 29, 2009 to support the May Board meeting materials development timeline. However, PG&E is aware of the importance of the gaming issue and may supplement these comments based on insights provided by the MSC opinion on PDR expected April 29, 2009.
- PG&E believes that the CAISO's proposal should include the notion of 'timely' notification by the CAISO to the LSEs of PDR MW quantities scheduled by CSPs. Notification of such scheduled MWs should occur on the same timeframe as the publication of IFM and RTM results. This is necessary to properly reflect the DR in subsequent aggregated load forecasts.
- We also believe that additional market rules should be established or clarified to protect against potential market abuse associated with: a) the user selection of specific LDFs (establishing the CLAP for PDR settlements), which must be associated with the accurately reflected DR locations; and b) the optional selection of Sub-LAP PDR settlements. The rules should prevent undue switching (between CLAP and SLAP) based on time-varying pricing advantages.

- The draft proposal does not address resource adequacy (RA) linkages. PG&E requests that the final proposal provides some framework or high level outline for the counting and other RA associated provisions and requirements as they relate to PDR. For example, will PDR resources be tracked as RA or non-RA resources? How will PDR bids be handled in RUC? Will the RA "\$0 bid" requirement be enforced if PDR is bid into RUC?
- PG&E would like to clarify that if a program resource like CBP is classified as RA and bids in the Day-Ahead energy market and was not awarded, will that resource go straight to RUC? There is a discrepancy on notification lead time to the customer if they are a Day-Ahead customer and were moved into RUC (bid \$0) and dispatched in the real-time operation.
- While the draft proposal discusses no additional needs for UDP for PDR non-dispatch, we recommend that the proposal should further outline the greater expectations and implications for PDR providing A/S, such as No-Pay and potential Code of Conduct issues (i.e. the need to conform to bids is important for A/S PDR).
- The draft proposal does not indicate the minimum level of PDR participation. We would appreciate the CAISO’s clarification about whether this is this 1MW, 0.1MW, or something different.
- On page 13, in the “PDR Functionality” section it states, “Demand Response participating as PDR may participate in the Day-Ahead Market (DAM) including RUC, the hourly or 5-minute Real-Time Energy Market (RTM) and the Day-Ahead and or Real-Time, Spinning Reserve and Non-Spinning Reserve Market at a CLAP.”

Our understanding of this passage is that PDR will include market functionality as outlined in the table below. We request that the CAISO offer a clarification is this is not the case.

Table 1

Model	Register	Load Forecast	Bid (DA)			Bid (RT)	
			Energy	A/S	RUC	Energy	A/S
PDR	Pseudo-Gen at CLAP	No	Yes	Yes	Yes	Yes	Yes

- On page 27 of the 3/14/09 draft it states, “The CSP needs to be aware of the amount of demand that is being scheduled by the LSE, at least in cases where the DR resource is a significant portion of the LSE’s Default LAP load.” PG&E does not currently do anything like this for the direct access customers that participate in the PG&E DR programs. We do not believe that this will be needed in the future and we appreciate the CAISO’s agreement to delete this passage from the 4/26/09 draft.
- On page 27 it reads, “The ISO tariff already limits the participation of the same end-use customers in emergency response programs and PL resources, and the ISO does not see the addition of CSPs to the market as changing the existing tariff provisions.” PG&E believes that this statement is overly restrictive. For example, we currently allow customers on our main emergency program, BIP, to participate in some other programs that only pay an energy payment (i.e. DBP, etc.). Is the CAISO saying that we could not bid in DBP as PDR for customers who are also on BIP? PG&E feels that this policy may deprive the market of customers who could provide economic bids. This will need more discussion in the working group to clarify.
- On page 26 it states “In order to further mitigate possible gaming concerns and to ensure that DR resources using the PDR model have the characteristics that PDR is designed to accommodate, the ISO proposes a limit of operation of 200 hours per year and a minimum bid price set to the Default LAP price that was exceeded for only 200 hours in the previous year.” While we understand the LECG gaming concern, we do not feel these restrictions are necessary. The key to avoiding gaming is to have a sound baseline methodology and to monitor for potential gaming of the baseline. The restriction to 200 hours is acceptable since most programs are not callable for this many hours. However, the CAISO should make this limit easy to change in the future. One possible recommendation is to only include this limit in the User Guide and therefore it could be changed as needed.

The minimum bid price is also not necessary. This constraint could impact our ability to properly bid the DR programs. For example, CBP has a heat rate price of 15,000 BTU/kWh, which is a price that is probably exceeded during more than 200 hours in a year. PG&E also has other programs with prices in the \$100/MWh range (AMP). We may want to bid them in at or near their price for some reason and this proposed condition will preclude us from doing that. Can this condition be eliminated? If this condition is included it may lower the effective bid price to a price closer to the low end of the energy prices in our DR programs (~\$100/MWh)? [NOTE – this section may be revised after we review MSC report.]

The addition to the latest draft by the CAISO of the requirement to reevaluate the limits after the summer of 2010 is a good change.

- On page 28, in the “Metering and Telemetry” section, it states, “Because there inherently is error in the baseline calculation, the ISO anticipates allowing the

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CSP to provide either telemetry-based data or revenue quality meter-based data to support settlements of AS and RUC capacity.”

Our understanding is that PDR requires the interval metering and telemetry-based data from CSPs to support settlements as presented in the table below. PG&E requests clarification from the CAISO is this is not the case.

Table 2

Model	Metering (DA)			Metering (RT)		Telemetry (DA, RT)		
	Energy	A/S	RUC	Energy	A/S	Energy	RUC	A/S
PDR	Hourly	5 min. interval	5 min. interval	5 min. interval	5 min. interval	No	Yes	Yes

Note: The above metering for the Pseudo-Gen is an aggregated metering Load at CLAP.

As PG&E commented in March, “The CSP should provide revenue quality meter-based data to the CAISO and LSE for Actual PDR (baseline–meter reads) calculation.” PG&E is still evaluating if telemetry data will be acceptable for settling AS and RUC. This can be a good topic for the working group.

- On page 26 it states, “When seeking to qualify a DR resource, the CSP must certify to the ISO that participation by its resource is not precluded by the Local Regulatory Authority, e.g., the CPUC. The eligibility of the DR resources themselves does not seem to be affected by whether they are operated by a CSP that is the same entity as the LSE, or by an independent CSP through Direct Participation.” PG&E requests that it should be footnoted that the CPUC presently does not allow this except for the case of an IOU as the CSP for direct access customers.