Western Power Trading Forum Comments on 6/25/16 Commitment Cost Enhancements Working Group

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WPTF appreciates the ISO hosting the CCE3 working group on June 15, 2016 and inviting presentations from the DR and storage community. WPTF strongly supports the concept of PDR and storage having equivalent obligations to conventional resources. That said, WPTF supports further clarification and explicit tariff and BPM rules to address demand response and storage unique attributes. We offer the following specific comments on topics discussed at the working group.

Demand response resources with monthly or annual limitations should go through the same use-limit registration process as traditional generation; however, this process should designed to easily accommodate PDR attributes. It does appear overly burdensome to expect stakeholders to understand how exactly demand response attributes map to terms used for conventional generation. (E.g. how "calls" map to "start limitations", run hour limitations can be reflected in an energy bid, etc.) WPTF supports the ISO working with stakeholders to design a workable template, rather than automatically classifying Proxy Demand Resources (PDR) as use-limited.

WPTF supports the ISO 'end-state' proposal to exempt demand response and storage with annual limitations from the RAAIM for the remainder of the month once the annual limit is met, but not any following months. As noted in many forums, the CAISO's RA is a monthly planning construct with RA requirements that change based on each month's peak load forecast. A resource that cannot operate during the month should not count toward an LSE's RA monthly requirement. The ISO should clarify however, whether a PDR or any resource on an annual use-limit reached outage will be on a planned outage and so will be considered during the ISO's replacement rule process or whether the use-limit reached outage will be a forced outage and so part of the ISO's substitution process. (Or some combination of both.) This has implications on contracting, responsibility for the provision of alternative capacity, and penalties for the LSE and supplier. For example, a resource that goes on an annual use-limit reached outage May 5th will likely already be shown on an LSE's June RA plan and will first be able to go through the July replacement rule process. Is the ISO's vision for the 'end-state' that the resource *must* provide substitute capacity for the month of June in order to avoid RAAIM penalties, and then the LSE *may* provide replacement for July in order to avoid CPM penalties?

WPTF seeks additional information on the "interim period" proposal as described during the working group. The ISO proposes for only an interim period to exempt demand response resources from the RAAIM when they reach their contractual annual limitations. The reasoning is to allow time for existing DR programs and contracts to reflect potential new cost of RAAIM that was unknown during the time of contracting. This seems reasonable. First, similar to the previous point, the ISO should clarify the intended interim exemption. Is the ISO proposing that even if a PDR resource does not go through the use-limit registration process they can put in an "annual use-limit reached" outage card and be exempt from RAAIM for the remainder of the month? Or Is the ISO proposing to count PDR resources on LSE's RA plans even when on outage for the remainder of the year? This would relieve LSE's of an obligation to provide RA, more than it would exempt a PDR resource from RAAIM.

WPTF supports two interim rules; (1) The ISO should exempt resources from RAAIM until the RA month of the first replacement rule process the resource can run through. The replacement rule process runs at T-45 or 45 days before each month. For example, if a resource reached their annual use-limitation on March 28th, the

resource would already have been shown potentially on an LSE's April and May RA plan- therefore the ISO should allow the resource to put in a RAAIM exempt outage card until May 31st. The resource would be able to go through the LSE's June replacement rule process and therefore should not be exempt after this point. Under this proposal, demand response resources will not incur RAAIM charges. WPTF acknowledges there will be some complications between forced and planned outage cards; however, is confident the ISO can address this during implementation as long as the policy is clear. (2) the ISO should allow demand response resources to manage their use-limitations by being able to put in a RAAIM-exempt short-term use-limit reached card whenever the ISO appears to be over-dispatching their resource (similar to for example hydro resources that the ISO cannot calculate an opportunity cost for). This should allow scheduling coordinators to manage their DR resources both economically and manually as scheduling coordinators and RA contracts adjust to the ISO energy market.

Exemptions to RAAIM should be only approved on a case-by-case basis and potentially should extend past the interim period for a small subset of resources. SCE's presentation illustrated the challenge with applying an opportunity cost methodology designed for gas-fired generators to demand response resources. Their example showed a resource with run hour limitations and call (or "start") limitations. If this resource had start-up and minimum load attributes then the ISO would simply calculate an opportunity cost to be applied to the resources start-up and minimum load costs. But as SCE pointed out the resource does not have a minimum load (i.e. their Pmin = 0) and so these costs would need to be reflected in a start-up and energy bid cost. It was not clear that this was an optimal solution, given the $1,000 bid cap may not be high enough to prevent sub-optimal dispatch. Just like certain hydro resources are challenging to calculate an opportunity cost for and so are allowed to submit outage cards to be exempted from RAAIM, it seems like particular demand response resources may need the same exemption. WPTF supports these only for resources deemed necessary through the use-limit registration process. Many programs described during the working group will not need this exemption and therefore WPTF opposes a blanket exemption. WPTF also notes that once exemptions are given, they are hard to remove, and therefore best approved on a case-by-case basis.