

**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)

**NOTICE OF EX PARTE COMMUNICATION BY  
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Roger E. Collanton  
General Counsel  
Anthony Ivancovich  
Deputy General Counsel  
Anna A. McKenna  
Assistant General Counsel  
Jordan Pinjuv  
Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel. 916-351-4429  
Fax. 916-351-7222  
Email: [jpjuv@caiso.com](mailto:jpjuv@caiso.com)

Attorneys for the California Independent  
System Operator Corporation

August 24, 2015

**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)

**NOTICE OF EX PARTE COMMUNICATION BY  
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Article 8 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, the California Independent System Operator Corporation (CAISO) hereby files this notice of the following oral ex parte communication with Matthew Tisdale, advisor to Commissioner Florio.

On August 19, 2015 from approximately 3:10 p.m. to 4:00 p.m., representatives of the CAISO met with Mr. Tisdale regarding the CAISO's load modifying demand response valuation proposal (Proposal). The meeting was held at the Commission's offices, 505 Van Ness Avenue, San Francisco, California. Attending for the CAISO were John Goodin, Regulatory Policy Manager; Tom Doughty, Director of State Regulatory Affairs, Delphine Hou, External Affairs Manager, and Jordan Pinjuv, Counsel.

Mr. Goodin presented an outline of the CAISO's Proposal and clarified certain key elements of the Proposal. Mr. Goodin noted that the CAISO Proposal rests on three essential elements—a capacity nomination, hard triggers and penalties. In the CAISO's proposal, the utility becomes the demand response provider, responsible for providing capacity and energy value from participants and delivering that value to the buyer, who is the ratepayer. As the buyer, ratepayers should have assurances that their demand response provider will deliver value

and a quality product, with assurances that the capacity procured will be delivered. The framework proposed by the CAISO instills greater rigor and discipline into the process of funding, developing, and delivering capacity and energy benefits from load modifying demand response programs.

Mr. Goodin also noted that the primary and higher purpose of load modifying demand response is avoiding capacity costs all year, not avoiding high energy price spikes a few times a year. Avoiding energy costs and addressing reliability events are important uses of load modifying demand response, but only by avoiding the need for incremental capacity from non-preferred resources can load modifying demand response help the state achieve its long-term clean energy goals. Mr. Goodin addressed the concern about least-cost dispatch. Parties oppose the CAISO Proposal on the grounds that hard triggers do not follow least-“energy” cost dispatch. Mr. Goodin clarified that least-cost dispatch principles apply best to resources that generate significant value from providing energy, and how best to cost-effectively dispatch these resources to generate a least-cost energy profile across a year. In contrast, demand response typically has very limited hours of energy dispatch and is unlikely to dramatically change total system energy costs across a year; however, if used strategically, load modifying demand response can avoid the need for incremental capacity and capacity costs. Thus, least-cost dispatch from load modifying demand response means least-capacity cost dispatch.

Mr. Goodin explained that counting a load modifying demand response program against resource adequacy requirements simply because it is “available” is unreasonable. All resource owners/operators that receive a capacity serving or capacity offsetting benefit should be held to a form of must offer obligation, whether those resources are supply resources, which directly qualify for resource adequacy credit, or load modifying resources, which intentionally reduce

load forecasts and reduce the state's capacity needs. A hard trigger is a form of "must offer obligation" for load modifying demand response.

Mr. Goodin noted that contrary to implications from other parties, the CAISO Proposal allows the demand response provider the option of whether to use demand response programs to avoid short-term resource adequacy capacity in the shoulder seasons. Under the CAISO Proposal, there is no requirement to offer load modifying demand response as capacity in months that the provider chooses not to deliver the resource. However, if a demand response provider elects to nominate load modifying demand response capacity in a particular resource adequacy month to avoid resource adequacy capacity, the provider should expect potential dispatch during that month. Mr. Goodin further clarified that the hard trigger designed to avoid long-term capacity (versus monthly short-term, resource adequacy capacity) is based on an annual system coincident peak. As a result, the trigger for long-term avoided capacity will only be triggered in the summer months, when peak loads are at their highest.

The CAISO acknowledged that the load modifying demand response valuation Proposal is not perfect because it operates outside of system optimization and security constrained economic dispatch. However, Mr. Goodin argued that the Proposal improves on the status quo because it establishes a form of must offer obligation that directly targets and tries to reduce capacity needs. During the conversation, Mr. Goodin reaffirmed the CAISO's preference for bifurcation of supply and load modifying demand response resources. He noted, however, that the CAISO's Proposal sought to create triggers for load modifying demand response that reasonably avoid capacity additions and create ratepayer value.

Mr. Goodin also noted that the CAISO Proposal does not require emergency-triggered demand response programs to fall under the hard trigger framework. Emergency-triggered

demand response programs that qualify as resource adequacy resources are subject to the 2010 Settlement Agreement adopted by the Commission in D.10-06-034. No written materials were provided by the CAISO to Mr. Tisdale.

Respectfully submitted,

**By: /s/ Jordan Pinjuv**

Roger E. Collanton

General Counsel

Anthony Ivancovich

Deputy General Counsel

Anna A. McKenna

Assistant General Counsel

Jordan Pinjuv

Counsel

California Independent System

Operator Corporation

250 Outcropping Way

Folsom, CA 95630

T: 916-351-4429

F: 916-608-7222

[jpinjuv@caiso.com](mailto:jpinjuv@caiso.com)

Attorneys for the California Independent  
System Operator Corporation

Dated: August 24, 2015