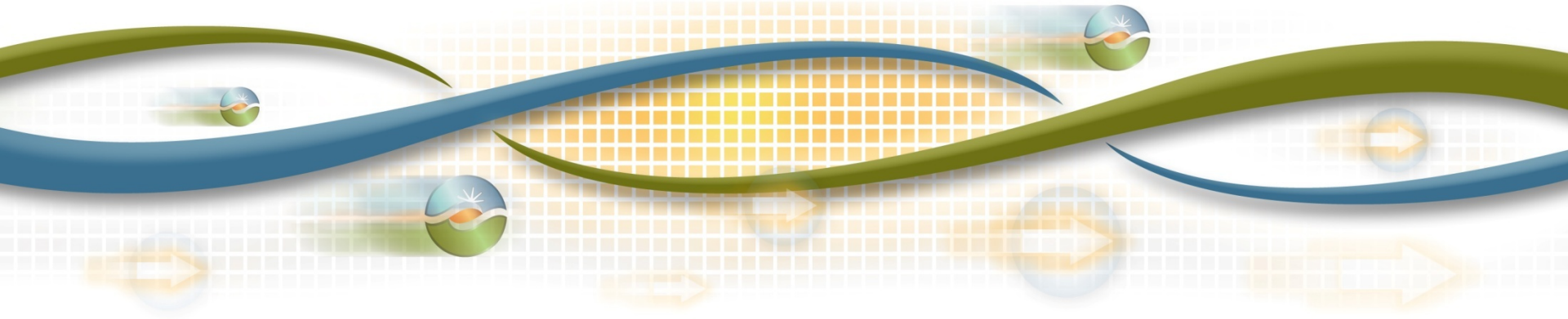




Briefing on commitment costs enhancements proposal

Greg Cook
Director, Market & Infrastructure Policy

Board of Governors Meeting
General Session
December 14-15, 2016



In March, the Board approved Management's proposal for new provisions designed to more efficiently dispatch use-limited resources.

- Proposal refines “use-limited resource” definition and enables consistent application of resource adequacy requirements
 - Resources no longer use-limited by default have other market tools to manage use-limitations
- Proposal improves management of use-limited resources through opportunity costs reflected in commitment cost bids
 - Resource-specific opportunity cost calculated by modeling commitment based on projected market prices
 - Use-limited resource's daily commitment cost bid cap increased to accommodate opportunity cost

Management was directed by the Board to provide additional considerations for preferred resources.

- The Board approved the proposal at the March 2016 meeting provided that:
 - Management takes steps through the tariff development process to provide an adequate transition period, through at least 2017, for demand response resources to reflect new obligations resulting from this proposal in contracts.
 - Management commits to the design of an opportunity cost (or equivalent) methodology for commitment costs for demand response and storage through an ongoing stakeholder process.

Management held subsequent workshops and developed an Action Plan to address stakeholder concerns.

- Two workshops were held in June and July
 - Attendees and presenters included: Demand response providers, storage community, investor owned utilities, load serving entities, and the California Public Utilities Commission Energy Division staff.
- Action Plan memorialized 11 issues and their resolution.
 - All issues but one will be resolved through clarifications in the pending commitment cost tariff filing and business practice manual changes.
 - The remaining issue related to managing storage limitations will be discussed in the Energy Storage and Distributed Energy Resource Phase 2 initiative.

Action Plan provides for transition period and identifies issues to be addressed through the tariff and BPM development process.

- Include a transition period in tariff for demand response resources until January 1, 2018
- Provide several tariff clarifications including:
 - how demand response resources can apply and qualify for use-limited status
 - demand response program limitations are considered design limitations under approved policy
- Provide several BPM clarifications including:
 - demand response resources can submit commitment costs bids
 - how RSI and CCE3 policy provisions apply to demand response resources