

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System            ) Docket No. ER18-838-000  
Operator Corporation                    )**

**COMMENTS OF THE DEPARTMENT OF MARKET MONITORING OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The Department of Market Monitoring (DMM) for the California Independent System Operator (CAISO) files comments on the CAISO's Petition for Limited Tariff Waiver filed in the above-captioned proceeding. The CAISO submitted this petition for waiver in response to the Commission's order in Docket No. ER17-2263, denying the CAISO's original petition for waiver to maintain 2017 April-October Availability Assessment Hours (AAH) through 2018.<sup>1</sup>

The CAISO's new waiver would exempt certain resources participating in the California Public Utilities Commission (CPUC) Demand Response Auction Mechanism (DRAM) from must offer and Resource Adequacy Availability Incentive Mechanism (RAAIM) provisions during CAISO's Availability Assessment Hours. The proposed exemptions apply to 2018 and 2019. While this petition for waiver is limited in scope compared to its predecessor, it is wider in scope for DRAM resources. DMM does not believe RAAIM and must offer exemptions should apply to DRAM resources that will be awarded 2019 contracts

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<sup>1</sup> Order denying request for waiver under ER17-2263, issued October 24, 2017:  
<https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14722757>

though DRAM auctions required under CPUC Decision 17-10-017.<sup>2</sup> This CPUC decision required investor-owned utilities (IOUs) to hold additional auctions for 2019 demand response contracts. This CPUC decision was issued after the Commission denied the CAISO's original petition for waiver under ER17-2263. New DRAM resources contracted after the Commission issued its original order should be expected to perform during updated Availability Assessment Hours and should not be subject to exemptions. This is because the Commission clearly established the shift in Availability Assessment Hours in its original order.<sup>3</sup>

The CAISO's must offer obligations and RAIM provisions ensure that capacity procured under the Resource Adequacy program is available during Availability Assessment Hours. Availability Assessment Hours are a set of five consecutive hours that must "correspond to the operating periods when high demand conditions typically occur and when the availability of Resource Adequacy Capacity is most critical to maintaining system reliability".<sup>4</sup> Availability Assessment Hours may be updated yearly. April-October 2018 Availability Assessment Hours have been changed to 4-9pm from 1-6pm. This change reflects the shift of coincident peak demand to later hours of the day, driven by the growth of solar generation.

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<sup>2</sup> Decision 17-10-017, California Public Utilities Commission, October 26, 2017.

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M198/K319/198319901.PDF>

<sup>3</sup> While 2019 Availability Assessment Hours are still subject to change, changing 2018 Availability Assessment Hours established that high demand hours have shifted to later in the operating day.

<sup>4</sup> CAISO Tariff, Section 40.9.3.1.

[http://www.aiso.com/Documents/Section40\\_ResourceAdequacyDemonstration\\_SCs\\_CAISOBAA\\_a\\_sof\\_Nov30\\_2017.pdf](http://www.aiso.com/Documents/Section40_ResourceAdequacyDemonstration_SCs_CAISOBAA_a_sof_Nov30_2017.pdf)

DMM fully supports the integration of demand response resources into the CAISO market. Any resource that can contribute to system reliability, provide flexibility, and support the integration of renewables when solar generation comes offline provides operational value. Well-functioning energy markets should signal that attributes needed to reliably operate the system are valued. This incentivizes resources that possess these attributes to enter and participate in the market. Market rules should therefore encourage the entry of demand response resources that can support expected system needs. This waiver would do the opposite – it would signal that demand response resources that can perform in high demand intervals in 2018 and 2019 are no more valuable than resources that cannot. This waiver could hinder the entry and growth of demand response that can operate during peak intervals in 2019.

In compliance with CPUC Decision 17-10-017, investor owned utilities are currently soliciting Request for Offers (RFOs) for additional Demand Response Auction Mechanism contracts for delivery in 2019. Because the CAISO's petition for waiver does not specify a cutoff date by which exemptions apply, the waiver's exemptions could apply to newly contracted Demand Response Auction Mechanism resources for 2019. DMM does not support exemptions for these newly contracted resources in 2019.

DMM believes these new Request for Offers could present an opportunity for demand response that can perform during expected high demand intervals to secure contracts and participate successfully in the CAISO market in 2019. However, a waiver that could exempt newly contracted demand response from

must offer obligations in 2019 may hinder the procurement of potentially more expensive but more valuable resources. Because the potential to be exempted from must offer obligations exists, cheaper demand response resources that cannot operate during high demand intervals will continue to enter the market, and they will displace entry of more valuable demand response resources that are actually capable of operating during the hours “when the availability of Resource Adequacy Capacity is most critical to maintaining system reliability”.<sup>5</sup>

DMM fully supports the growth and integration into CAISO markets of alternative supply resources, such as demand response, that are capable of providing services that the reliability of the grid demands. These services include the ability to operate during peak demand, provide flexibility, and support the integration of renewables, especially during the evening hours in which solar generation comes offline. The CPUC’s DRAM pilot could be successful to facilitate the growth and integration of demand response. However, demand response integration may be hindered by CAISO’s proposed exemptions from obligations for demand response resources to be available when these resources are needed most on the system.

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<sup>5</sup> CAISO Tariff, Section 40.9.3.1.  
[http://www.caiso.com/Documents/Section40\\_ResourceAdequacyDemonstration\\_SCs\\_CAISOBAA\\_a\\_sof\\_Nov30\\_2017.pdf](http://www.caiso.com/Documents/Section40_ResourceAdequacyDemonstration_SCs_CAISOBAA_a_sof_Nov30_2017.pdf)

Respectfully submitted,

**/s/ Eric Hildebrandt**

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Independent Market Monitor for the  
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Dated: March 2, 2018

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 2nd day of March, 2018.

*/s/ Grace Clark*  
Grace Clark