

Stakeholder Comments Template

Submitted by	Company	Date Submitted
Steven Kelly steven@iepa.com	IEP	May 18, 2017

Please use this template to provide your written comments on the ESDER Phase 2 stakeholder initiative Third Revised Straw Proposal posted on April 17, 2017.

Submit comments to InitiativeComments@CAISO.com

Comments are due May 18, 2017 by 5:00pm

The Third Revised Straw Proposal posted on April 17, 2017 and the presentation discussed during the May 4, 2017 stakeholder conference call can be found on the [ESDER Phase 2](#) webpage.

Please use this template to provide your written comments on the Third Revised Straw Proposal topics listed below and any additional comments you wish to provide.

As a prelude to answering the questions posed by the CAISO regarding the ESDER stakeholder initiative, the Independent Energy Producers Association (IEP) takes this opportunity to make the following observations and suggestions related to the ESDER initiative. We are concerned that the ESDER stakeholder process is becoming a never-ending initiative. As reported by the CAISO, ESDER2 is scheduled to conclude mid-2017. Yet, ESDER2 will be followed by ESDER3 which will continue well into 2018. We will not be surprised if there is an ESDER4. [Importantly, issues addressed in the CAISO ESDER initiative process may well require further consideration by the CPUC, which could take an additional 12-18 months to finalize.] This approach does not provide the clear market signals to developers of storage and distributed resources as to the requirements for integrating into wholesale markets thereby creating a barrier to timely investment.

After participating in the recent ESDER2 stakeholder CC, IEP was struck by the thought that the CAISO may be addressing this matter backwards and in a manner to the detriment of timely integration of ESDER resources in CAISO wholesale markets. Under the current plan, the CAISO appears to be focused on adjusting its market design, tariff rules, etc., to accommodate various DER business models, rather than establishing some clear “participation rules” that would govern all ESDER-related wholesale market participants. For example, the CAISO has committed in ESDER3 to consider additional changes to its wholesale market(s) to accommodate DER multiple-use applications (MUA), non-generating resource (“NGR”) enhancements, and load consumption DR enhancements. IEP anticipates more unique ESDER resource “attributes” will arise in the future that need to be considered and accommodated through tariff re-design. The problem, of course, is that the utility of DER resources (i.e. their multiple uses) likely will constantly change as retail and wholesale markets evolve. Thus, under the current approach, the CAISO will always be modifying its’ markets to enable ESDER resources and new business models. While perhaps well intentioned, the phenomenon of constantly adapting to new business models rather than setting clear rules up-front undermines market certainty that is the foundation to timely ESDER resource investment.

As an alternative, why not simply establish clear metering requirements and configuration standards for ESDER resources participating in CAISO wholesale markets such that retail and wholesale market activities may be clearly distinguished? Up-front metering requirements and configuration standards shouldn’t take more than 8 months to complete (if that), and they would send clear signals to ESDER resource developers as to what is expected and how best to configure their resources in order to maximize their participation in the CAISO’s wholesale markets (or, alternatively, maximize their value outside of CAISO wholesale markets). Metering-configuration standards should, if developed properly, establish clear and transparent separation between retail and wholesale activities. Up-front standards would enable tracking/monitoring of multiple-use applications; establish clear lines of separation between wholesale and retail markets; and, they would provide necessary protection against double-counting/“double-compensation” that arises when resources are otherwise enabled to cross-over from retail markets to wholesale markets absent clear measurement.

We believe now may be a perfect time to step-back and assess exactly what we are doing and why. Is a process of seeming endless stakeholder initiatives to determine how best to accommodate every-changing DER resources and business models the best approach to supporting these resources? Or, alternatively, might not metering requirements and configuration standards resolve the bulk of the outstanding issues before us today?

1. Alternative Baselines to Enhance Demand Response

Section 5.1.3 of the Third Revised Straw Proposal provides the alternative baselines proposal that was developed by the Baseline Analysis Working Group (“BAWG”). The CAISO requests that stakeholders provide comments on the proposal in the following areas:

- a) Do stakeholders support the BAWG’s recommended baselines for adoption by the CAISO?
- b) Does the BAWG’s proposal report, April 4, 2017 version, provide the necessary level of detail for demand response providers to implement the proposed baseline options?

Comments:

As a general rule, IEP prefers accurate metering to estimation. Estimation of baselines should be supported in cases in which accurate metering is not technically feasible. When estimation is used, then accurate pre- and post-event measurement is necessary and essential. IEP takes no position at this time on the specifics of the BAWG proposal if and when baselines calculations are required.

2. Distinguishing between Charging Energy and Station Power

Section 5.2.3 of the Third Revised Straw Proposal provides the station power proposal developed by the CAISO. The CAISO requests that stakeholders provide comments on the proposal in the following areas:

- a) Given that the California Public Utilities Commission (“CPUC”) has issued a Decision on its Track 2 storage issues, it is prudent for the CAISO to seek feedback from stakeholders on what changes should be made to the CAISO tariff in light of potential changes to retail tariffs.
- b) The CAISO believes that it also may be prudent to reduce the amount of verbiage in the CAISO’s station power definition. A simpler approach for the CAISO’s purposes could be to define station power simply as energy to serve load located on a generating unit site and jurisdictional to the local regulatory authority and settled pursuant to a retail tariff. The CAISO request stakeholder feedback on this subject.
- c) Based on the current CPUC Decision on its Track 2 storage issues, the CAISO’s principal concern is that there could be potential for storage resources to “commingle” their charging load and station power load. The CAISO requests stakeholder feedback on what CAISO tariff revisions will be necessary to ensure that this issue does not arise. One solution could be to require that all wholesale load and retail load be metered completely separately. The CAISO is interested in other potential solutions that would not require separate metering and clear electrical bifurcation of loads.

Comments:

The CAISO tariff and the CPUC rules must operate in parallel with regards to defining station power and distinguishing between retail and wholesale activities in order to eliminate co-mingling. The rules on station power (i.e. what it is and what it is not) should be reflected in the CAISO tariff as they are in the CPUC rules with as little extraneous language as possible.

In this regard, as noted above, IEP believes that wholesale and retail activity should be metered separately to eliminate any ambiguity, double-jeopardy and/or double-compensation. ESDER resources should be configured in such a manner as to enable separate, dual-metering to ensure transparency and accuracy.

Wholesale revenue quality metering ought to be required as a pre-requisite of participating in wholesale markets. The CAISO should not lessen or diminish its metering standards in order to accommodate business models unable to finance the requisite metering to participate in wholesale markets.

3. Net Benefits Test

Section 5.3.1 of the Third Revised Straw Proposal provides the net benefits test proposal developed by the CAISO. The CAISO requests that stakeholders provide comments on the proposal.

Comments:

IEP has no comments on this topic at this time.

4. Increase Load Consumption as Demand Response Enhancement

Section 6.1.4 of the Third Revised Straw Proposal provides an update on the status of work on this topic. The CAISO believes that there are several first priority policy issues that must be addressed before a wholesale load consumption product can be developed. The CAISO looks forward to collaborating with the CPUC and Load Consumption Working Group to help resolve these fundamental issues and develop a path forward for designing and implementing a bi-directional Proxy Demand Response product. The CAISO requests that stakeholders provide comments on the discussion in Section 6.1.4.

Comments:

IEP agrees that several “first priority issues” must be addressed before a wholesale consumption product can be developed. These include issues associated with resource configuration and the accurate metering to distinguish between wholesale and retail consumption. Once resource configuration and metering standards are adopted, then the

CAISO will have gone a long way to resolving retail and wholesale settlement interactions; value of load consumption in wholesale markets; performance evaluation and measurement, and double-counting/double-compensation.

5. Non-Generating Resource Enhancements

Section 6.2.4 of the Third Revised Straw Proposal provides an update on the status of work on enhancements to the non-generating resource model. The CAISO requests that stakeholders provide comments on the discussion in Section 6.2.4.

Comments:

IEP has no comments on this topic at this time.

6. Multiple-Use Applications

Section 6.3.3 of the Third Revised Straw Proposal provides an update on the status of work on multiple-use applications. The CAISO requests that stakeholders provide comments on the discussion in Section 6.3.3.

Comments:

While IEP generally supports resources accessing multiple revenue streams, we have concerns about double-counting and/or double-compensation the same behavior or product. Metering requirements and ESDER resource configuration standards can help impose a measure of clarity regarding multi-uses and the potential for ESDER resources to access multiple revenue streams in an appropriate and market-based manner.

7. ESDER Phase 3

Section 7 of the Third Revised Straw Proposal provides a discussion about the topics that the CAISO currently anticipates will be within the scope of a third phase of the ESDER initiative. The CAISO requests stakeholder input on additional topics that could be included in the scope for ESDER phase 3.

Comments:

Metering requirements and resource configuration standards can lessen the scope of issues to be considered in ESDER3. Accordingly, ESDER metering requirements and resource configuration standards ought to be a high priority item in ESDER2.

8. Other comments

Please provide any additional comments not associated with the topics above.

Comments:

IEP has no comments on this topic at this time.