

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company (U39E) for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022.	Application 17-01-012 (Filed January 17, 2017)
And Related Matters.	Application 17-01-018 (Filed January 17, 2017)
	Application 17-01-019 (Filed January 17, 2017)

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
RESPONSE TO RULING**

I. Introduction

On June 15, 2018, Administrative Law Judge Hymes issued a ruling requesting responses to questions (Ruling). In this response, the California Independent System Operator Corporation (CAISO) provides answers to questions regarding modifying the trigger mechanism for Reliability Demand Response Resources (RDRRs).

II. Discussion

In this section, the CAISO addresses questions posed in the Ruling regarding the trigger mechanism for RDRR. The original questions are reproduced prior to the CAISO response.

1. Explain whether the Commission should or should not consider adopting additional flexibility in the trigger by allowing its use anytime within the Warning stage

The CAISO supports allowing dispatch of RDRRs anytime within the Warning stage. However, the CAISO does not support greater dispatch flexibility in exchange for re-opening the settlement agreement¹ to increase the amount of RDRRs that qualifies as resource adequacy

¹ Commission Decision (D.) 10-06-034 adopted a settlement agreement detailing of the dispatch requirements for RDRRs and implementing a cap on the amount of RDRRs that can be counted toward resource adequacy requirements.

capacity. Unlike other resource adequacy resources, RDRR bids are not optimized in the CAISO markets unless and until the CAISO declares a Warning or Transmission Emergency.² As a result, if no Warning or Transmission Emergency has been called, RDRRs (with bid prices at \$950/MWh and higher) will not drop load even if the locational marginal prices are at the bid cap of \$1000/MWh. In other words, RDRR is and was not designed as a resource that adds liquidity and competitiveness to the market.

The CAISO notes that the settlement agreement specified that RDRR dispatch was designed to address abnormal adverse operating conditions, such as imminent operating violations or transmission constraint violations.³ The effect of the settlement agreement is that the CAISO dispatches RDRRs very late in its emergency operating procedure process, only after exceptionally dispatching non-resource adequacy resources,⁴ despite the fact that RDRRs are resource adequacy resources. In contrast, the CAISO can exceptionally dispatch non-resource adequacy resources through its capacity procurement mechanism prior to calling a Warning or Transmission Emergency, but such an Because of the settlement agreement terms and conditions, RDRRs are the only resource adequacy eligible resources that have dispatch limitations based on the declaration of a Warning or Transmission Emergency. Even after the CAISO calls a Warning or Transmission Emergency and the RDRR is made available for dispatch, the locational marginal price must reach the RDRR strike price (approximately \$950/MWh) before RDRR-load is dropped, unless an exceptional dispatch is issued. This high bid price can still limit the use of RDRRs even if the Commission provides additional flexibility in the trigger mechanism.

2. Explain whether the Commission should or should not consider adopting additional flexibility in the trigger by allowing its use in other stages prior to the Warning stage, such as Alert notice and/or Restricted Maintenance Operations.

As the CAISO noted above, allowing for additional RDRR dispatch flexibility is generally beneficial but does not fundamentally change the fact that RDRRs are still held in reserve at a very high price, may not reduce exceptional dispatch, and are treated differently

² Some RDRRs participate economically in the day-ahead market; however, RDRRs are only required to participate in the real-time market as emergency triggered resources.

³ See D.10-06-034, Attachment 1 (Settlement Agreement), pp. 2-3.

⁴ The CAISO tariff tracks the language used in the settlement agreement.

from other resource adequacy resources.

III. Conclusion

The CAISO appreciates the Commission's efforts to explore how to best utilize RDRRs within the context of the existing settlement agreement. The CAISO believes that additional flexibility could be beneficial, but notes that any CAISO-initiated trigger mechanism combined with high the RDRR bid price effectively limits circumstances in which RDRRs will actually be dispatched to meet reliability needs.

Respectfully submitted

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