

**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)

Application 17-01-018
(Filed January 17, 2017)

And Related Matters.

Application 17-01-019
(Filed January 17, 2017)

**OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

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**OPENING COMMENTS OF THE CALIFORNIA INDEPENDENT
SYSTEM OPERATOR CORPORATION**

I. Introduction

The California Independent System Operator Corporation (CAISO) hereby provides opening comments on the *Decision Addressing Auction Mechanism, Baselines, and Auto Demand Response for Battery Storage* (Proposed Decision), issued in this proceeding on May 31, 2019. The CAISO appreciates this opportunity to provide opening comments.

II. Discussion

The CAISO appreciates the efforts of the Assigned Commissioner's office, Administrative Law Judge, and Energy Division staff for working with the CAISO to ensure that demand response meets the needs of an evolving grid. In these comments, the CAISO (1) supports the Proposed Decision's determination to exclude Reliability Demand Response Resource (RDRR) from the demand response auction mechanism (DRAM) and (2) clarifies the distinction between resource adequacy hours and the CAISO's Availability Assessment Hours.

A. The CAISO supports the Proposed Decision’s determination to exclude RDRR from the DRAM solicitation.

The CAISO supports the Proposed Decision’s determination to exclude RDRR from the DRAM solicitation.¹ The Proposed Decision correctly notes that RDRRs are rarely used, except during stressed and emergency grid conditions.² Demand response procured through the DRAM should be used to meet the needs of the evolving and transforming grid, and shift and shape load as needed to help California achieve its energy policy goals.

B. The Commission should clarify its reference to CAISO Availability Assessment Hours in Appendix B.

Appendix B of the Proposed Decision states that Demonstrated Capacity invoices must be based on test or market dispatch during the “resource adequacy measurement hours” and the “CAISO Availability Assessment Hours” (AAH). Separately, the Proposed Decision states that the Commission will “maintain the current practices that: 1) the dispatch must be during resource adequacy hours (CAISO Availability Assessment Hours).”³ The CAISO supports assessing demand response performance during the AAH, and recommends certain modifications to the Proposed Decision to ensure there is a clear distinction between the AAH and the hours in which a resource adequacy resource has a must-offer obligation. The CAISO is concerned that language in the Proposed Decision could cause a misunderstanding regarding resource adequacy resource must-offer obligations and the AAH. The CAISO clarifies that there is an important distinction between resource adequacy hours and the CAISO’s AAH.⁴

As background, the CAISO notes that Public Utilities Code (PUC) § 380(c) clarifies that an intent of the resource adequacy framework is that “(e)ach load-serving entity shall maintain physical generating capacity and electrical demand response adequate *to meet its load requirements*, including, *but not limited to*, *peak demand* and planning and operating reserves. The generating capacity or electrical demand response shall be deliverable to locations and at times as may be necessary to maintain electric service system reliability and local area reliability.” (*emphasis added*). Historically, ensuring system resource adequacy meant simply ensuring sufficient peak capacity was available on the system to meet the Commission’s

¹ Proposed Decision, pp. 43-44.

² *Id.*, p. 36.

³ *Id.*, p. 61.

⁴ The CAISO’s proposed edits to the Proposed Decision are included as Attachment A.

established planning reserve margin. Given the majority of resource adequacy resources had a relatively reliable and predictable fuel source – *i.e.*, natural gas, hydro, or nuclear – it was sufficient to sum the qualifying capacity value of these fuel-backed resources to satisfy the planning reserve margin with confidence that sufficient energy would be available from these resources to meet the system’s load requirements in all hours of the year. The long-standing presumption that resource adequacy capacity is bundled with sufficient energy has led to the misunderstanding and mischaracterization that resource adequacy is simply ensuring that sufficient peak capacity exists and is available on the system. The original resource adequacy legislation was prescient, understanding that resource adequacy is fundamentally about meeting load requirements, not just satisfying peak demand.

A resource that provides resource adequacy to the CAISO has a must-offer obligation that requires it to bid its resource adequacy capacity into the CAISO market whenever the resource is physically available. In the case of demand response, a resource is available per the underlying program design or the agreed availability terms with the participating customer. In other words, if a demand response program requires the customer to be physically available for demand response events between noon and 9 PM, then the proxy demand resource associated with that customer has a must-offer obligation from noon to 9 PM.

The CAISO’s Resource Adequacy Availability Incentive Mechanism (RAAIM) evaluates and assesses proxy demand resources during the five AAHs to ensure bidding during key resource adequacy must-offer obligation hours. However, this does not mean that such demand response resources are only obligated to bid during the AAH. Demand response resources providing resource adequacy must bid into the CAISO market per the program design, which determines when the customer must be available to physically respond to demand response events. It would contradict the defining purpose of resource adequacy to assume that resource adequacy resources must only be physically available for only five hours per day. Again, the fundamental purpose of resource adequacy is to reliably meet the system’s load requirements as per PUC § 380; meaning that resource adequacy is not limited to only meeting peak demand. As system and local capacity grows tighter, it is imperative that the Commission ensure all resource adequacy resources are well suited and capable of serving California’s load needs and helping reduce dependence on greenhouse gas emitting resources.

III. Conclusion

The CAISO appreciates the opportunity to provide comments.

Respectfully submitted

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Attachment A

The CAISO provides the following proposed edits to the Proposed Decision:

APPENDIX B

Implementation Guidelines for Demonstrated Capacity Invoicing

1. Demonstrated Capacity invoice for an Auction Mechanism resource for at least six months of a 12-month contract term must be based on a capacity test or market dispatch. Consistent with current practice,
 - a. the dispatch must be during the CAISO Availability Assessment Hours, which is a subset of the resource adequacy must-offer obligation measurement hours/~~CAISO Availability Assessment Hours~~,
 - b. one of the dispatch months must be August,
 - c. the number of consecutive months allowed with no dispatches is limited to 5 months (in a 12-month contract), and
 - d. the dispatch months are permitted to be different for different resources (specifically, different resource IDs)
2. There is no change in required duration of test (2 hours) or market (a full hour) dispatch.
3. The current order of Demonstrated Capacity on invoices is maintained as follows: 1) If there is a full market one-hour dispatch of a resource in a month, the results must be used for demonstrated capacity; 2) If there is a two-hour test of a resources in a month, the results must be used for demonstrated capacity; and 3) Only if there is no dispatch or test of a resource in a month can the bidding detail for a resource under the Must-Offer-Obligation be used to demonstrate capacity.
4. Customer location movement between resources within a month is prohibited, except under the following circumstances:
 - a. Newly enrolled customers can be added to a resource.
 - b. A customer who exits the Auction Mechanism may be dropped from a resource.
 - c. If the above changes make a resource trigger the 10 MW telemetry requirement, or have it drop below the minimum Proxy Demand Response size of 100 kw resources, resources may be split or combined mid-month to continue to meet CAISO market requirements

- d. A customer changes its load serving entity, in the event the CAISO has not removed the single load serving entity per resource requirement by 2020.

(END OF APPENDIX B)