

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

Application of Southern California Edison
Company (U338E) for Approval of the
Results of Its 2013 Local Capacity
Requirements Request for Offers for the
Western Los Angeles Basin.

Application 14-11-012

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

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna McKenna
Assistant General Counsel
Jordan Pinjuv
Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel.: (916) 351-4429
Fax: (916) 608-7222
jpinjuv@caiso.com

Attorneys for the California Independent
System Operator Corporation

November 2, 2015

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

Application of Southern California Edison Company
(U338E) for Approval of the Results of Its 2013 Local
Capacity Requirements Request for Offers for the
Western Los Angeles Basin.

Application 14-11-012

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

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Independent System Operator Corporation (CAISO) files these comments regarding the proposed and alternate *Decision Approving, In Part, Results of Southern California Edison Company Local Capacity Requirements Request For Offers For the Western LA Basin Pursuant to Decisions 13-02-015 and 14-03-004* (Proposed Decisions).

I. Introduction

The CAISO generally supports both Proposed Decisions as a means to effectively enhance the reliable operation of Southern California Edison Company's (SCE's) electrical service in the western Los Angeles (LA) Basin. The CAISO will study the resources approved in the Commission's final decision to determine whether and to what extent a residual local capacity requirement (LCR) in the western LA Basin still exists or has increased due to the rejection of some resources. These reply comments focus primarily on accusations that CAISO and SCE engaged in "sleight-of-hand"¹ in fulfilling the Commission's directive to ensure that selected resources meet the "reliability constraint identified by the [CAISO]."² These comments detail the legal and factual basis for the CAISO's determination of LCR, based on in the Commission's decisions in Track 1 (D.13-02-015) and Track 4 (D.14-03-004) of the 2012 long-term procurement plan, the North American Electric Reliability Corporation (NERC) Planning Standards and the CAISO's tariff.

II. Discussion

A. The 20-Minute Maximum Response Time for Demand Resources Is Rooted in Established Reliability Requirements.

¹ Opening Comments of EnerNoc, Inc. (EnerNoc), p. 10.

² Decision (D.) 14-03-004, p. 114.

The CAISO extensively briefed the NERC and CAISO tariff reliability requirements that led to the establishment of the 20-minute response time requirement for demand response resources.³ CAISO Tariff Section 40.3 specifically identifies that the CAISO will conduct an annual Local Capacity Technical Study⁴ to determine the amount of Local Capacity Area Resources needed to meet identified contingencies.⁵ The CAISO applies methods for resolving contingencies consistent with NERC Reliability Standards and the CAISO Reliability Criteria.⁶ The tariff specifies a maximum manual adjustment time of 30 minutes after the first contingency to prepare for the system for the next contingency.⁷ This 30-minute requirement applies to all resources, not solely demand response.⁸ Based on the CAISO tariff and the NERC Reliability Standards, the 1-hour response time initially included in the SCE RFO would not have been sufficient to meet LCR needs. The CAISO has stated on numerous occasions that in order to manually readjust the system within the NERC-mandated 30-minute window, some amount of time must be reserved for operator action and market dispatch.⁹ Instituting a 20-minute window for demand response resources to respond allows 10-minutes for CAISO operator adjustment and market dispatch.¹⁰

As noted in EnerNoc's Comments, the CAISO recently proposed a revision request (PRR) to its Business Practice Manual to clarify the CAISO's Local Capacity Technical Study analysis. This PRR seeks to clarify *already existing* CAISO processes to determine Local Capacity Area Resources pursuant to tariff section 40.3. After carefully considering stakeholder comments, the CAISO has restarted the PRR process.¹¹ Contrary to EnerNoc's claims, the PRR does not institute new requirements on any resources: rather, it merely clarifies the current requirements that resources must meet to qualify as Local Capacity Area Resources.

³ CAISO Reply Brief, pp. 2-3. Despite this thorough discussion, EnerNoc claims that the demand response performance requirements "had *no* support in law or fact." (emphasis in the original). EnerNoc fails to address specific NERC Reliability Standards that require repositioning of the system within thirty minutes after the first contingency, the CAISO tariff sections regarding the Local Capacity Technical Study, and the Commission's discussion of demand response performance requirements in the Track 1 and Track 4 decisions. EnerNoc's fundamental position seems to be that these local reliability requirements should be ignored entirely.

⁴ Terms not otherwise defined herein are used as defined in the CAISO tariff.

⁵ CAISO Tariff Sections 40.3.1 and 40.3.1.1.

⁶ CAISO Tariff Section 40.3.1.1

⁷ CAISO Tariff Section 40.3.1.1(1).

⁸ This requirement is based on NERC Planning Standards TOP-004 and TOP-007.

⁹ See, for example, Reporter's Transcript in SCE's Application for Approval of the Results of Its 2013 Local Capacity Requirements Request for Offers for the Moorpark Sub-Area, p. 493, lines 7-11.

¹⁰ This requirement is discussed in more detail in the updated PRR language, which can be found at <http://bpmcm.caiso.com/Pages/ViewPRR.aspx?PRRID=854&IsDlg=0>.

¹¹ <http://www.caiso.com/Documents/BPMChangeManagementProposedRevisionRequestStatusChanges102815.htm>.

B. The Track 1 and Track 4 Decisions Required SCE to Solicit Resources that Meet the CAISO Identified Reliability Constraint.

During Track 1 and Track 4 of the 2012 long-term procurement plan proceeding, the Commission heard considerable testimony regarding the necessary performance characteristics of resources sufficient to meet the LCR in the western LA Basin. In the Track 1 Decision, the Commission recognized the CAISO’s testimony indicating “that it may be possible to develop specific demand response programs which would be able to count for reliability purposes, possibly including programs targeted to specific local areas, or to shave peak load (which would reduce the load forecast). However, there are no demand response programs at this time which the [CAISO] believes meet reliability criteria.”¹²

Recognizing this testimony, the Track 1 Decision noted: “We [the Commissioners] fully expect that innovative demand response programs will continue to develop, *including those that possess characteristics that are consistent with [CAISO] local reliability criteria.*”¹³ Implicit in this finding is that demand response resources must meet CAISO local reliability criteria to count toward LCR requirements. The Commission then stated that it “is reasonable to assume that some amount of demand response resources will be located in the LA Basin, *be locally dispatchable, and available to meet LCR needs by 2020.*”¹⁴ Conclusion of Law No. 7 further found that it was reasonable to assume 200 megawatts (MW) of “locally-dispatchable” demand response resources to be available in the LA Basin to “reduce LCR needs by 2020.”¹⁵ The Commission adopted the 200 MW by 2020 figure knowing that 549 MW of demand response existed in the LA Basin at that time (in 2013).¹⁶ The Commission’s assumption of 200 MW of locally-dispatchable resources by 2020 reflected the fact that not all demand response resources are consistent with the CAISO local reliability criteria.

In Track 4, the Commission more explicitly addressed the issue of whether and how demand response resources could be relied upon to meet LCR. In the Track 4 Scoping Memo, the Commission set forth assumptions for the levels of “fast demand response,” specifically those demand response resources that would be “*activated in 30 minutes or less after the first contingency.*”¹⁷ The Scoping Memo assumed a level of “fast demand response” in the LA Basin and San Diego local reliability areas

¹² D.13-02-015, pp. 53-54.

¹³ Id. at 55. (emphasis added).

¹⁴ Id. (emphasis added).

¹⁵ Id. at 158.

¹⁶ Id. at 52.

¹⁷ D.14-03-004, p. 53.

at 189 MW for the years 2018 and 2022¹⁸ and also assumed 997 MW of additional demand response that it designated as “second contingency” resources.¹⁹ These “second contingency” resources were specifically *not* modeled to address LCR.²⁰ The Commission acknowledged that only the “fast demand response” resources could be depended upon to mitigate the first contingency and prepare the system for a second contingency in an N-1-1 scenario. Specifically, the Commission found as follows:

“Consistent with the instructions of the revised Scoping Memo, the 997 MW of ‘second contingency’ demand response in the [CAISO] modeling was not available to avoid the second contingencyThe [CAISO]’s modeling followed the revised Scoping Memo’s instructions, which reflected the operating and performance characteristics of ‘second contingency’ demand response resources. In the [CAISO]’s reliability rubric, these resources should not be counted because they cannot be relied upon to activate within 30 minutes after the first contingency. We find that, consistent with the revised Scoping Memo, the [CAISO] properly did not model ‘second contingency’ demand response resources for determining LCR needs. We will not revisit these demand response assumptions here for the purpose of changes to the [CAISO] study itself, but instead consider whether potential additional demand response should affect authorized procurement amounts.”²¹

The Commission further noted that “[i]n the future, it is reasonable to expect that some amount of what is now considered ‘second contingency’ demand response resources can be available to mitigate the first contingency, and therefore meet LCR needs.”²² However, this finding was immediately followed with the clarification that “[CAISO] witness Millar agrees that it is possible that additional demand response resources with more notice would also be able to respond within the time frame expected to meet the N-1-1 contingency within 30 minutes.”²³ The Track 4 decision recognized that demand response not capable of being dispatched to respond to a first contingency within 30 minutes could not be relied upon to meet LCR.

C. The Commission’s Resource Adequacy Decision for 2016 does not Control Long-Term Resource Procurement Required to Meet CAISO Identified Reliability Constraints.

EnerNoc cites the Commission’s decision regarding resource adequacy (RA) requirements for the 2016 program year (D.15-06-063) to “confirm” that there is no Commission required local dispatch requirement for demand response resources. This observation fails on numerous points.

¹⁸ Id.

¹⁹ Id. at 54.

²⁰ Id. at 55.

²¹ Id. at 55-56.

²² Id. at 57.

²³ Id.

First, CAISO-identified reliability constraints are not necessarily concomitant with the Commission’s attribution of resource adequacy. The Track 4 Decision specifically required SCE to solicit resources that met “the identified reliability constraint identified by the [CAISO].”²⁴ CAISO provided SCE with information regarding its Local Capacity Area Resource requirements to meet this directive. Second, D.15-06-063 pertains only to *2016 resource adequacy requirements*. The Track 1 and Track 4 decisions were designed to meet long-term LCR needs for 2021 and beyond. EnerNoc itself points out that the RA decision for the 2016 program year is based on the finding that there is currently “insufficient time to respond” for the 2016 RA year.²⁵ Lastly, EnerNoc fails to acknowledge that the Track 1 and Track 4 decisions explicitly considered the ability of “fast demand response” resources versus “second contingency” resources, and the Commission found that “second contingency” resources could not be used to meet the CAISO-identified reliability constraint.

D. Rejection of Additional Resources Will Increase Residual LCR Needs.

The CAISO notes that even with the resources selected in SCE’s RFO, the CAISO has identified a 268 MW residual LCR need, which can be met by “repurposing” existing demand response, or potential further procurement in the future if “repurposing” of existing demand response is not successfully implemented. The Proposed Decisions reject 75 megawatts of RFO-selected resources. The CAISO expects that this will likely increase the residual need. To the extent that the Commission were to reject any additional resources, the residual need would further increase depending upon the locational effectiveness of the resources rejected. The CAISO notes that the Stanton Energy Reliability Center, in particular, has a high locational effectiveness factor due to its point of interconnection at the Barre Substation, located in the western Los Angeles Basin. The 2014-2015 TPP indicated that resources located at this substation are some of the most effective at addressing the identified local reliability constraints.²⁶

Respectfully submitted,
By: /s/ Jordan Pinjuv
Roger E. Collanton
Jordan Pinjuv
California Independent System Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel.: (916) 351-4429
jpinjuv@caiso.com

November 2, 2015

²⁴ D.14-03-004, p. 114.

²⁵ EnerNoc Comments, p. 9.

²⁶ Exhibit CAISO-1, Exhibit 1, p. 152-161.