

Business Practice Manual Change Management Notice of Appeal and Opening Brief

Previous Comments on PRR 1280

Pacific Gas and Electric Company (PG&E) submitted comments regarding PRR 1280, “Local regulatory authority resource adequacy adjustments” on September 16, 2020 and October 20, 2020. PG&E’s comments included a discussion on the limited authority granted by the California Independent System Operator (CAISO) Board of Governors (BOG) in supporting the slow demand response (DR) initiative, jurisdictional authority of the CAISO on resource adequacy (RA) matters, jurisdictional misalignment with the California Public Utilities (CPUC) RA rules, inconsistency with the state’s policy on the loading order, and the lack of evidence that this PRR change would make DR a more reliable resource. PG&E’s comments are attached to this appeal as Appendix A and are incorporated by reference into this appeal. In this notice of appeal, PG&E describes the basis for this appeal and respectfully requests that the CAISO place PRR 1280 on hold to allow for time to coordinate with the CPUC on the resource adequacy counting for DR and the implications of putting DR on the supply plan. PG&E appreciates the CAISO’s efforts to date to work through issues with stakeholders but urges the CAISO to defer implementation of this PRR until this stakeholders’ issues can be addressed through further regulatory efforts underway at the CPUC in the RA Proceeding R. 19-11-009. PG&E looks forward to the opportunity for further collaboration and discussion with the CAISO and other stakeholders.

Background on PRR 1280

As a part of the “slow demand response and proxy demand resources proposal” in which the CAISO board approved an operational solution to pre-dispatch slow demand response to count for local RA, CAISO indicated in its July 15, 2020 Board Memo¹, “ In order for this new process to be technically feasible and effective, these resources must be shown to the ISO on supply plans as resource adequacy capacity.” This was approved by the CAISO board on July 22, 2020.²

Subsequent to the slow demand response for local RA, CAISO issued a Business Practice Manual Change, PRR 1280, on August 31, 2020.³ In the PRR, CAISO proposed to change its treatment of “credits” used for Demand Response not just for local RA for demand response but for all RA for demand response. CAISO’s proposed BPM language indicated that CAISO would only allow credits that have a “net neutral impact.” This impacts all RA for DR, and not only the RA credit for DR in a local area.

In reviewing RA plans for compliance, the CAISO accepts LRA-provided adjustments to the compliance obligations for the LRA’s jurisdictional LSEs provided the adjustments do not create a net reduction of the RA capacity provided and shown to the CAISO or a net reduction in the LSEs’ compliance obligations. For example, the CAISO accepts adjustments to LSEs’ obligations related to the CPUC’s Cost Allocation Mechanism because the adjustments allocate capacity from a known resource to various LSEs but they do not reduce the RA capacity provided and shown to the CAISO. Similarly, the CAISO accepts

¹ <http://www.caiso.com/Documents/DecisiononSlowDemandResponseandProxyDemandResources-Memo-July2020.pdf>

² <http://www.caiso.com/Documents/DecisiononSlowDemandResponseandProxyDemandResourcesProposal-Motion-July2020.pdf>

³ <https://bpmcm.caiso.com/Pages/ViewPRR.aspx?PRRID=1280&IsDlg=0>

adjustments related to LRA load migration processes because these processes merely reallocate RA obligations to match shifts of load between two LSEs, both of which fall under the jurisdiction of the same LRA. For the CAISO to validate and process such adjustments, LRAs can provide the CAISO with a demonstration or accounting of the adjustments' net neutral impact on RA capacity obligations. The CAISO will not process adjustments in CIRA without such a demonstration of the net neutral impact.

Reason for Appeal

- A. More time is needed to work with CAISO and stakeholders on a solution to capture how best to value demand response for resource adequacy purposes and to address PRR 1280's implementation. First, PG&E agrees an updated resource adequacy valuation of DR is needed to capture its variable and use limited nature. Second, stakeholder coordination is needed on implementation as PRR 1280 creates RA filing misalignment between the CPUC and CAISO which negatively impacts the ability of Investor Owned Utilities (IOU) and Community Choice Aggregators (CCAs) to meet the RA filing requirements of both the CPUC and CAISO.**

PRR 1280 has far reaching policy implications that require additional time, particularly for addressing an updated RA valuation for demand response that reflects its variable and use limited nature. PG&E recommends that in light of the time needed to address these issues in the CPUC's RA Track 3B and Track 4 processes,⁴ that the CAISO hold PRR 1280 until a new valuation for DR's RA value is in place.

After the RA valuation is updated for DR, the implementation process also requires stakeholder coordination. The CPUC as the administrator of California's RA program has outlined in its Resource Adequacy 2021 Filing Guide the process for DR RA accounting, "LSEs will receive an allocation of Demand Response (DR) credit for programs that are administered by the utilities."⁵ CAISO staff did not provide comments to the CPUC on the filing guide indicating that the CPUC's process would not be accepted by the CAISO for 2021.

This lack of coordination created a misalignment in the CPUC and CAISO RA compliance programs and lacked a process to enable complying with both entities. This is a particular concern when there are additional Load Serving Entities (LSEs) that benefit from IOU DR RA credits. Investor Owned Utility Demand Response programs' RA benefits are allocated to the LSEs, and in turn the LSE customers pay for those programs through their distribution rates, such as Community Choice Aggregators. These credits today are allocated by the CPUC at the LSE level, not at the resource level, as a result of current rules in place. IOUs do not know, and should not know for market sensitive reasons, the load share ratio of each LSE. Therefore, neither the CPUC nor the IOUs can apportion the credits for DR by load share ratio at the resource level. More regulatory processes and coordination on implementation are needed between the CAISO, CPUC, IOUs, and CCAs before PRR 1280 can be adopted.

⁴ R.19-11-009

⁵ R.17-09-020. 2021 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings. October 2, 2020 Page 30. file:///C:/Users/A3GJ/Downloads/Final%202021%20RA%20Guide_20211006%20(2).pdf

B. Demand Response is a variable energy resource which should be treated similar to other variable energy resources and be exempt from Resource Adequacy Availability Incentive Mechanism (RAAIM) charges.

CAISO's requirement in PRR 1280 that DR be on the supply plan would expose DR to RAAIM charges which is inconsistent with their treatment of other variable energy resources— including hydro, wind and solar—which are exempted from RAAIM.⁶ As demand response is variable due to weather and customer operations, its “fuel” is not guaranteed and should therefore be treated similar to other VERs. PG&E urges the CAISO Appeals Committee to put PRR 1280 on hold on the basis that PRR 1280 does not treat DR as a fuel limited VER.

C. PRR 1280 has impacts to the Resource Adequacy program that have not been approved by the CAISO Board of Governors.

The CAISO BOG authorized tariff language to enable a pre-dispatch option which would exceptionally dispatch slow DR in the day-ahead market, thereby allowing it to count for local resource adequacy. CAISO included in its board materials their implementation details which would require local DR to be on the supply plan in order for the California ISO Interface for Resource Adequacy (CIRA) Application to “see” these resources. Subsequent to this initiative CAISO issued their Business Practice Manual change for PRR 1280. However, PRR 1280 exceeds what the CAISO BOG approved for local DR, by extending this implementation requirement to all resource adequacy for DR, not just local resource adequacy.

⁶ CAISO Tariff. Section 40.92.2.b.1.A., “The entire capacity of a resource in any of the following categories is exempt from the RAAIM provisions in Section 40.9 applicable to local and system Resource Adequacy Capacity – (A) Variable Energy Resources”

Appendix A:
PG&E's Comments on
PRR 1280

PG&E's comments on CAISO's Proposed Revision Request 1280

Submitted by	Company	Date Submitted
Pedram Arani p1a7@pge.com 415.640.7055	Pacific Gas & Electric	September 16, 2020

PG&E opposes CAISO's PRR 1280 as it exceeds the authority granted by the CAISO Board of Governors, conflicts with the rules of the California Public Utilities Commission (CPUC), usurps the CPUC's authority over the Resource Adequacy program, negatively impacts demand response (DR) participation, and it does not result in increasing the reliability of demand response.

- 1. PRR 1280 exceeds the authority granted by CAISO's Board of Governors to include local on the supply plan, by also requiring that DR that counts for system resource adequacy also be on the supply plan.**
The CAISO Board authorized tariff language to enable a pre-dispatch option which would exceptionally dispatch slow DR in the day-ahead market, thereby allowing it to count for local resource adequacy. CAISO included in its board materials their implementation details which would require local DR to be on the supply plan in order for the California ISO Interface for Resource Adequacy (CIRA) Application to "see" these resources. CAISO has now exceeded what the CAISO board approved for local DR, by extending this implementation requirement to system resource adequacy.
- 2. PRR 1280 conflicts with current CPUC rules and exceeds the jurisdictional authority of the CAISO.**
PRR 1280 would contradict CPUC guidance on how DR is counted. CAISO's PRR results in a scenario in which DR not on a Load Serving Entity's (LSE) supply plan does not count for resource adequacy. The CPUC has given the IOUs instructions which indicate that they intend to continue allocating resource adequacy credit for DR to all of its jurisdictional LSEs; this creates a challenge to putting DR on the supply plan for the CAISO. The CPUC's guidance on DR RA allocation is also documented in the 2020 RA Users Guide.⁷ As the CPUC is the administrator of the resource adequacy program, any change should be decided by the CPUC and not the CAISO.
- 3. PRR 1280 creates filing challenges and impacts the amount of DR counted.**
An abrupt transition to including all DR resources on CAISO's supply plan creates a misalignment between compliance programs at the CPUC and CAISO. This discrepancy creates challenges with compliance showings, effectively requiring LSEs to show additional resources to offset the unrecognized DR credit to avoid a deficiency. In addition, this PRR unilaterally discounts IOU DR programs by hindering the amount of DR counted toward resource adequacy, which disincentivizes DR and negatively impacts the cost effectiveness of the DR program in its current form. This negative impact to DR is inconsistent with the loading order which states, "The electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible."⁸

⁷R.17-09-020. 2020 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings. July 21, 2020. Page 30. [file:///C:/Users/A3GJ/Downloads/Final%202020%20RA%20Guide%20Clean%20200721%20\(1\).pdf](file:///C:/Users/A3GJ/Downloads/Final%202020%20RA%20Guide%20Clean%20200721%20(1).pdf)

⁸ California Loading Order. Codified in California Public Utilities Code 454.

4. **If the aim of PRR 1280 is to make DR more reliable PG&E disagrees that it accomplishes that goal. PG&E provides CAISO information on the availability and reliability of its DR programs through PG&E's bids, availability spreadsheets, and oversight by the CPUC.**

PG&E provides CAISO the availability of its non-supply plan DR resources through its bids and a spreadsheet that highlights availability during the DR season. PG&E's demand respond programs are subject to the CPUC's Least Cost Dispatch requirements and oversight as a part of the Energy Resource Recovery Account which requires all IOUs to justify DR opportunity costs and the rationale for when DR programs are not called. If the CAISO's rationale for including DR on the supply plan is to make the resource more reliable, there are already processes in place to ensure availability and oversight without requiring resources to be on the supply plan.

PG&E's comments on CAISO's Proposed Revision Request 1280

Submitted by	Company	Date Submitted
Pedram Arani p1a7@pge.com 415.640.7055	Pacific Gas & Electric	October 20, 2020

Matrix Issue: PRR1280 will have harmful impacts that are inconsistent with state law and state policy.

CAISO Response⁹: The key outcome of PRR1280 is to ensure consistent treatment of all RA resources under the CAISO tariff and that resources counting towards meeting RA obligations be shown on RA supply plans. This outcome is neutral as to particular resource types and ensures consistent and non-discriminatory treatment among all resources providing RA capacity. In general, resources shown on RA supply plans face exposure to RAAIM non-availability charges if they cannot satisfy their RA capacity obligations. The CAISO acknowledges some resources may now face such exposure because of this PRR. The CAISO, however, does not agree that ensuring more even application of RAAIM across resources meeting RA obligations is an impermissible harmful impact.

PG&E Response: CAISO's policy continues to be inconsistent with state policy. The California Public Utilities Commission (CPUC) has already allocated 2021 resource adequacy credit for DR to all of its jurisdictional load serving entities (LSE). The CPUC outlines its filing and DR crediting rules in 2020 RA Users Guide¹⁰. CAISO's PRR results in a scenario in which DR not on a LSE's supply plan does not count for the impact on resource adequacy. As the CPUC and CAISO jointly administer the resource adequacy program, this change should not be decided solely by the CAISO, but should have been done jointly with the CPUC. PG&E urges the CAISO to either not pursue this change or to identify an alternative solution. PG&E continues to oppose PRR 1280 and protests the filing on the basis that it conflicts with CPUC guidance on how DR is counted for capacity purposes.

⁹ PRR 1280. Initial Comments Matrix.

https://bpmcm.aiso.com/Lists/PRR%20Comments/Attachments/1914/PRR1280_Initial_Comments_Matrix.pdf

¹⁰R.17-09-009. 2021 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings. Issued October 2, 2020. Page 30. <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442466394>