

**COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS
ON PROPOSALS DISCUSSED AT THE DECEMBER 12, 2008
DR INTEGRATION WORKING GROUP MEETING**

The Alliance for Retail Energy Markets (AReM)¹ is pleased to provide comments regarding proposals discussed at the December 12, 2008 meeting of the DR Integration Working Group.

Size of Working Group/Retention of Direct Access Working Group

AReM agrees that significant progress is more likely with smaller, issue-oriented “task forces” or sub-working groups. Such smaller groups can work separately, make progress, and report back to the larger group periodically. In particular, AReM suggests retaining the current working group that is addressing issues regarding participation by direct access (DA) customers. Progress is being made but significant work remains.

Participating Load Users Guide for MRTU Release 1

As discussed at the 12/12/08 meeting, the proposed definition of “Load Aggregator” is a bit unclear. For example, it references “a Load-serving Entity (LSE) or Energy Service Provider (ESP).” An ESP is, by definition, an LSE. Also, the official name for ESPs as used in California is *Electric* Service Providers. AReM has no other comments on the Users Guide at this time.

SCE Alternative Proposal

AReM has been working closely with SCE to address issues regarding participation by direct access (DA) customers in Demand Response (DR) programs. Also, as mentioned in previous comments, AReM shares the concerns that proposed use of Custom LAPs would discourage customer participation in high-cost areas. AReM believes that SCE’s alternative is moving in the right direction and would like to discuss it further as part of the DA Working Group. Additional details still need to be discussed to ensure that issues related to DA participation can be resolved. In particular, AReM is concerned that SCE’s proposal would have the ESP pay for its full energy schedule, even if the DR program operated and the actual load was reduced.

Dispatchable Demand Response (DDR) Partial Participation

AReM appreciates the CAISO’s new proposal to allow “partial participation” in its DDR programs. AReM views this as similar to proposals presented by SCE and SDG&E and seems to be going in the right direction. AReM would like further discussion of the need to set a “maximum participation limit ... to avoid gaming in settlements” and the rules regarding an SC “separating the metered demand between the Participating Load and its Default LAP.” AReM would also like further discussion about the similarities and differences of the CAISO proposal and SCE’s alternative.

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

Discussion of Settlement Examples

AReM would appreciate reviewing examples of settlements involving successful DR bids, including all applicable CAISO fees and charges and identification of which party would be responsible for each.

Concerns About “the LECG Game”

Discussion has peripherally addressed DR “games” identified by the consulting firm of LECG and whether or not a particular proposal avoids such games. AReM would appreciate a summary of the key LECG concerns regarding DR.

Issues Regarding “Direct Participation” by DR Providers in CAISO Markets

One Scheduling Coordinator (SC) Per Meter

AReM notes that some of the DR options discussed would run afoul of the “1 SC/meter” rule. AReM further notes that this rule was a convention established well before the CAISO markets opened in 1998. AReM suggests that the CAISO take a serious look at the technical rationale for continuing this convention.

Customer Migration

The CAISO has listed “customer migration” as an issue with “direct participation.” AReM would like further discussion of this point.

Timing

AReM would appreciate further information from the CAISO about the timing for resolving these direct participation issues. For example, will the April 2009 FERC filing include resolution of all of these issues?

Submitted on behalf of AReM by:

Sue Mara

RTOAdvisors

December 19, 2008