

**BEFORE THE ENERGY COMMISSION
OF THE STATE OF CALIFORNIA**

Supply Side Demand Response

21-DR-01

I. Introduction

The California Independent System Operator Corporation (CAISO) provides comments on the California Energy Commission (Energy Commission) Staff’s *Supply-Side Demand Response and Stakeholder Working Group Process* (Supply-Side Demand Response) presentation and stakeholder process.¹

The CAISO appreciates the opportunity to provide comments and looks forward to working with the Energy Commission and stakeholders to fulfil the California Public Utilities Commission’s (CPUC) request to launch a stakeholder working group process on supply-side demand response issues and advance demand response in California. The CAISO strongly supports principles and qualifying capacity (QC) values for demand response that ensure there is sufficient capacity when and where needed to maintain safe and reliable operation of the CAISO grid.

II. Discussion

The CAISO supports the Energy Commission’s Supply-Side Demand Response stakeholder process and its goal to advise the CPUC on whether to adopt demand response resource QC methodology modifications for 2023 and beyond. The CAISO appreciates the Energy Commission’s and CPUC’s collaborative approach to address this important issue and looks forward to participating actively in the workshops and working groups.

The resource adequacy program must accurately value demand response reliability contributions to ensure capacity procured to maintain California’s grid reliability is available when and where needed. As the CAISO’s Department of Market Monitoring (DMM) observed in its *Report on Demand Response Issues and Performance*, during the August and September 2020 extreme weather events, “[u]tility demand response in particular appeared to be over-counted in terms of these resources’ contribution toward meeting resource

¹ California Energy Commission (CEC), CEC Demand Response Team, *Supply-Side DR & Stakeholder Working Group Process*, July 19, 2021, Docket No. 21-DR-01, TN# 238933. (CEC Supply-Side Demand Response)

adequacy requirements.”² The DMM’s key recommendation was to reexamine demand response counting methodologies “to better capture the capacity contribution of demand response whose load reduction capabilities vary across the day, depending on load profiles.”³

Resource adequacy capacity is critical to the CAISO’s ability to operate the grid reliably. Currently, resource adequacy supply plans do not reflect investor-owned utility (IOU) demand response resources. Rather, the CPUC credits these demand response resources against established load serving entity procurement requirements. Ultimately, resource adequacy demand response resources should be shown on resource adequacy supply plans to ensure CAISO market and operational rules such as the must offer obligation apply.

As detailed in the July 1, 2021 effective load carrying capability (ELCC) study jointly filed by the CAISO and the IOUs at the CPUC (Joint ELCC Filing), and in the CAISO’s subsequent comments, there is a need to augment the current valuation methodologies for supply side demand response resources to reflect their reliability contributions more accurately.⁴ Most demand response resources have variable output (*i.e.*, curtailment capability), even though the CPUC’s resource adequacy rules treat them as capable of delivering their claimed QC value whenever dispatched. The CAISO’s proposed ELCC methodology is a necessary enhancement that adjusts demand response resource QC values to account for actual availability. To inform the record in this docket, the CAISO provides in Attachment A its proposed ELCC methodology, jointly filed with the IOUs, as well as its recent opening and reply comments in the resource adequacy proceeding.

Lastly, the CAISO supports the principles and QC methodology options working groups proposed by Energy Commission Staff.⁵ The CAISO recommends that the Energy Commission first establish the principles working group to ensure there is sufficient understanding and acceptance of the principles before considering or developing new QC methodologies. In addition to the CAISO’s resource adequacy availability incentive mechanism (RAAIM) exemption option, the Energy Commission should also consider the principles the CAISO articulated in promoting the ELCC methodology as an appropriate in demand response QC methodology (as provided in Attachment A).

² Department of Market Monitoring, CAISO, *Report on Demand Response Issues and Performance*, February 2021, p. 3. Available at: <http://www.caiso.com/Documents/ReportonDemandResponseIssuesandPerformance-Feb252021.pdf>

³ *Id.*

⁴ CAISO, Pacific Gas and Electric Company, Southern California Edison, and San Diego Gas & Electric Company, Joint Compliance Filing on Refreshed Effective Load Carrying Capability Study Results, R.19-11-009, July 1, 2021; CAISO, Opening and Reply Comments on Joint Compliance Filing on Refreshed Effective Load Carrying Capability Study Results, R.19-11-009, July 2021.

⁵ CEC Supply-Side Demand Response, p. 22.

III. Conclusion

The CAISO appreciates the Energy Commission's leadership in this important topic and commits to working collaboratively towards a reliability-based solution to allow the showing of all demand response resources on resource adequacy supply plans.

Respectfully submitted

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Attachment A

Links to CAISO ELCC filings:

July 1, 2021 – *Compliance Filing Refreshed Effective Load Carrying Capability Study Results* – R.19-11-009

<http://www.caiso.com/Documents/Jul1-2021-ComplianceFilingRefreshedEffectiveLoadCarryingCapabilityStudyResults-ResourceAdequacy-R19-11-009.pdf>

July 19, 2021 – *Opening Comments on the Joint Compliance Filing Refreshed Effective Load Carrying Capability Study Results* – R.19-11-009

<http://www.caiso.com/Documents/Jul19-2021-Comments-JointComplianceFiling-RefreshedEffectiveLoadCarryingCapabilityStudyResults-R19-11-009.pdf>

July 26, 2021 – *Reply Comments on the Joint Compliance Filing Refreshed Effective Load Carrying Capability Study Results* – R.19-11-009

<http://www.caiso.com/Documents/Jul26-2021-ReplyComments-Joint-ELCC-ComplianceFiling-ResourceAdequacy-R19-11-009.pdf>