

BluePoint Energy Comments

On

The Draft Final Proposal for the Design of Proxy Demand Resource

Submitted by Rich Mettling

BluePoint Energy, LLC thanks the CAISO for this opportunity to air its views. We make a single contention and that is that the restrictions on PDR participation, taken as a whole, are too restrictive.

Participation in Utility DR Programs.

The loss of Utility DR Revenue would negate any benefit that may be derived from market participation. Market revenue is likely to be \$10-\$80/kW-yr¹; this is at or below most capacity payments by Utility Programs. This level of market revenue is not sufficient compensation for curtailing operations, investing in additional equipment or refusing the Utility DR payments. In addition, the requirement for 24 hour monitoring and existing credit requirements further disincen participation by aggregators and potential CSPs. In the interest of a vibrant DR market, it would be simpler and more beneficial to allow parallel participation in Utility Programs and markets without significant restriction.

The Money Machine.

The money machine as described does not appear to be a problem in a market that pays on the difference between predefined baseline load and actual load. Therefore, no restriction on DR operating hours is required.

Here is the rationale, if an LSE overestimates load, by definition that overestimate is higher than baseline. Therefore she can only expect to get baseline less actual whether she overestimates or not. Further the LSE risks losing the investment in DA energy above baseline because of this there is no incentive to overestimate load at the LAP. Therefore inflating load to collect higher CLAP real time revenue is not a gaming issue.

For the LSE to get unearned revenue she must habitually operate below baseline, since baseline varies monthly this would appear to be an unlikely prospect and one that would be difficult if not impossible to game. Further, maintaining the ability to occasionally operate below baseline appears to be the desired market outcome. In fact, operating below baseline when called would not be gaming at all but proper market response. BPE's conclusion is that use of a baseline calculation by itself prevents gaming and that further restrictions are unnecessary and counter productive.

200 Hour Restriction.

The 200 hour restriction is not needed and if retained is far too low to incent participation.

¹ Non-spin average price \$5/MWh and 6000 hours = \$30/kW-yr. Energy price for 200 hours at \$250/MWh = \$50/kW-yr.

A relevant example would be the controllable load in ERCOT which is bid for many hours each day and called an average 30 hours per month. If retained for PDR, 400 hours would be more appropriate and it should not apply to ancillary services. This rule unnecessarily limits CSP revenue and in so doing further discourages DR participation. BPE points to direct monitoring as a more practical solution for gaming concerns.

Price Minimum.

There will be times when it is desirable for entities to be price takers in order to back equipment or save money.

The bidding minimum would force participants to do this outside of the market. Again, this constraint would restrict DR participation when other remedies may be more appropriate.

Special Status of CSPs

BPE feels that aggregators and curtailment service providers have a limited and entirely beneficial role to play in the energy markets. In their role, they have the potential to be the limiting force for market prices and serve as the proxy for the interests of load in general and because of the nature of DR risks to the CAISO and thus to other market participants is less than for other SCs who participate in all facets of the energy market.. Due to their desirable and limited market role and the need to encourage load to participate, entities that bid only load deserve special consideration. Access to the markets should be liberalized in order to open energy markets to CSPs.

Conclusion

BPE supports the CAISO in their efforts but cautions against the layering of current restrictions with additional unneeded pricing and volume limits. We ask further that the special status of CSPs be recognized through correspondingly liberal CSP registration and credit requirements.

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