

Business Practice Manual Change Management Notice of Appeal and Opening Brief Template

Submitted by	Organization	Date Submitted
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Please use this template to provide your Notice of Appeal and Opening Brief on the ISO's decision regarding your proposed revision request or comments on any proposed revision request.

Submit a Notice of Appeal within the applicable Proposed Revision Request

If providing an additional Brief, email to bpm_cm@caiso.com.

Your Notice of Appeal and Opening Brief are due within ten (10) Business Days of the ISO's published decision on the Proposed Revision Request.

Previous Comments on PRR

The California Efficiency + Demand Management Council (Council) has not submitted prior comments regarding Proposed Revision Request (PRR) 1280.

Reason for Appeal

The Council respectfully appeals CAISO's determination regarding PRR 1280 and requests that CAISO either withdraw it or hold it in abeyance until revised rules can be developed at the CPUC to preserve the full System RA value of IOU DR programs and third-party DR. The Council submits this Appeal of PRR 1280 on the grounds that it:

- eliminates or reduces the Resource Adequacy (RA) value of IOU demand response (DR) programs and third-party DR resources, contrary to the California Public Utilities Commission's (CPUC) RA valuation rules;
- impinges upon the CPUC's jurisdiction to determine the capacity value of DR programs and resources, and the RA requirements of its jurisdictional load-serving entities (LSE);
- is inconsistent with State environmental policies;
- exceeds the scope of the Slow Demand Response and Proxy Demand Resources initiative, and is not supported by the CAISO tariff;
- utilizes a problematic implementation timeline because it will put any LSE with allocated IOU DR program capacity or contracted DR resources at risk of being deficient in meeting its 2021 System RA compliance requirements; and
- will reduce the amount of DR capacity in California which is contrary to key recommendations in the October 6, 2020 *Preliminary Root Cause Analysis on the Mid-August 2020 Heat Storm*.

PRR 1280 Eliminates or Reduces the Resource Adequacy Value of IOU and Third-Party DR.

For IOU DR programs, the Energy Division currently trues up the RA value of each IOUs' DR programs and Demand Response Auction Mechanism (DRAM) contracts by applying the IOU-specific T&D Loss Factor as well as the 15% Planning Reserve Margin (PRM) in the System RA reporting template.¹ Using an example of a 10 MW PG&E DR program or DRAM

¹ See the "III_Demand_Response" tab of the template which can be found here: <https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442466396>.

contract with a 9.7% T&D Loss Factor, its full RA value is 10 MW $(1.097 + 1.15) = 12.47$ MW. This RA capacity is then allocated among all LSEs based on their respective load ratio share by the CPUC which reduces each LSE's RA requirement by their respective share of this 12.47 MW of RA capacity.

Third-party DR procured through LSE solicitations is treated slightly differently from IOU DR programs in that they are already included in LSE supply plans. This DR RA capacity (not trued up for the T&D Loss Factor and PRM adder) is applied to the LSE's RA requirement just as any generation resource would be. However, it is the Council's understanding that once third-party DR resources are submitted to the CAISO within the contracting LSE's supply plan, the CPUC credits the T&D Loss Factor and PRM adders to the LSE's RA requirement through the CAISO's Customer Interface for Resource Adequacy (CIRA) system. Under PRR 1280, the extra capacity from the T&D Loss Factor and PRM adder would no longer be recognized in IOU DR programs or third-party DR resources.

PRR 1280 Impinges on CPUC Jurisdiction.

The Council fully agrees with the CPUC in its November 13 Appeal that PRR 1280 would intrude on CPUC jurisdiction by unilaterally upending the CPUC's long-standing practice of allowing CPUC-jurisdictional entities to use DR to reduce or meet their System RA obligations.

PRR 1280 implicitly rejects the CPUC's long-standing practice and legal prerogative to set the RA value for DR resources and use DR credits to reduce LSE RA requirements.

California Public Utilities Code, Section 380(a) states that "[t]he commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities." Further, Section 380 states that the CPUC shall "[e]stablish new or

maintain existing demand response products and tariffs that facilitate the economic dispatch and use of demand response that can either meet or reduce an electrical corporation's resource adequacy requirements, as determined by the commission." Any changes to RA valuation of DR (or any other resource) or how LSE RA requirements are set should be addressed in the CPUC's Resource Adequacy proceeding. By law, this is the appropriate forum to address these issues.

PRR 1280 Is Inconsistent with State Environmental Policies.

PRR 1280 is inconsistent with the State's environmental goals, including the Loading Order, which classifies DR, along with energy efficiency, as a "preferred resource". California Public Utilities Code, Section 380 directs that the CPUC sets LSE RA requirements while taking into consideration the State's environmental goals and specifically identifies DR as a key component:

- (a) The commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities.
- (b) In establishing resource adequacy requirements, the commission shall ensure the reliability of electrical service in California while advancing, to the extent possible, the state's goals for clean energy, reducing air pollution, and reducing emissions of greenhouse gases. The resource adequacy program shall achieve all of the following objectives:

- (2) Establish new or maintain existing demand response products and tariffs that facilitate the economic dispatch and use of demand response that can either meet or reduce an electrical corporation's resource adequacy requirements, as determined by the commission.

Furthermore, California Public Utilities Code 454, states:

(i) 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.

California Public Utilities Code, Section 345.5, requires the following of the CAISO:

(a) The Independent System Operator, as a nonprofit, public benefit corporation, shall conduct its operations consistent with applicable state and federal laws and consistent with the interests of the people of the state.

(b) To ensure the reliability of electric service and the health and safety of the public, the Independent System Operator shall manage the transmission grid and related energy markets in a manner that is consistent with all of the following:

(1) Making the most efficient use of available energy resources. For purposes of this section, “available energy resources” include energy, capacity, ancillary services, and demand bid into markets administered by the Independent System Operator. “Available energy resources” do not include a schedule submitted to the Independent System Operator by an electrical corporation or a local publicly owned electric utility to meet its own customer load.

(2) Reducing, to the extent possible, overall economic cost to the state’s consumers.

(3) Applicable state law intended to protect the public’s health and the environment.

(4) Maximizing availability of existing electric generation resources necessary to meet the needs of the state’s electricity consumers.

(5) Conducting internal operations in a manner that minimizes cost impact on ratepayers to the extent practicable and consistent with the provisions of this chapter.

(6) Communicating with all balancing area authorities in California in a manner that supports electrical reliability.

(c) The Independent System Operator shall do all of the following:

(1) Consult and coordinate with appropriate state and local agencies to ensure that the Independent System Operator operates in furtherance of state law regarding consumer and environmental protection.

The CAISO Exceeds the Scope of Its Slow Demand Response and Proxy Demand Resources Initiative and Is Not Supported by Its Tariff.

The Council disagrees with the CAISO's argument in its responses to parties' comments that PRR 1280 was authorized by the CAISO Board. In the documents prepared for CAISO's July Board meeting on the Slow Demand Response and Proxy Demand Resources stakeholder initiative, the CAISO explained its proposal purely in the context of Local RA because the initiative sought to create rules for "slow" DR to be pre-contingency dispatched in order to meet local reliability needs.

Furthermore, CAISO staff had indicated in its July 15 memorandum and July 22 presentation to the Board that tariff changes were required to implement this initiative, not BPM changes. Ironically, one of the primary arguments made by parties against PRR 854, which ultimately led to the Slow Demand Response and Proxy Demand Resources Initiative, is that a BPM change is not the appropriate venue to change the RA value of a resource. This argument continues to apply today. The Council repeats this same argument because this BPM change

would effectively eliminate an entire category of clean resources from RA compliance eligibility. Clearly, such a dramatic step should not be made through a BPM revision.

Throughout this process, the CAISO has insisted that PRR 1280 is consistent with its tariff but has never explicitly cited the specific tariff language and sections that supports its position, nor has the CAISO explained its sudden reversal from accepting DR credits from the CPUC since the beginning of the RA program. The CAISO should address these questions.

The Timeline of PRR 1280 Implementation is Highly Problematic.

The CPUC has already allocated 2021 DR RA credit to all of its jurisdictional LSEs. By seeking to implement this BPM revision after LSEs' October 31 year-ahead RA filings, CAISO would be retroactively changing LSE reliability requirements in direct conflict with the CPUC's current practices; consequently, some LSEs will likely find themselves out of compliance. These LSEs will have no other option but to scramble for replacement capacity or trigger backstop procurement by the CAISO. Any change the CAISO makes to its rules around reliability requirements should be done in concert with the CPUC to ensure that the RA value of all DR RA resources are appropriately recognized, far enough in advance that LSEs can reasonably adjust to any new rules.

The Consequences of PRR 1280 Are Contrary to Key Recommendations in the Preliminary Root Cause Analysis.

As explained above, PRR 1280 will unequivocally eliminate the RA value of IOU DR programs and diminish the RA value of third-party DR resources. This is contrary to the recommendation made in the October 6, 2020 *Preliminary Root Cause Analysis on the Mid-August 2020 Heat Storm*, to which the CAISO was a signatory, to bring additional resources,

especially DR, online by 2021. Instead, PRR 1280 would set back the effort to procure more capacity by eliminating approximately 1,500 MW of DR RA capacity, and discourage the procurement of additional DR that could otherwise be ready in summer 2021.