

Comments of the California Large Energy Consumers Association on June 5, 2014
Reliability Services Initiative Straw Proposal

Submitted June 26, 2014 by Dr. Barbara R. Barkovich; Barkovich & Yap, Inc.

The California Large Energy Consumers Association (CLECA) provides these brief comments on the draft straw proposal of June 5, 2014 in the Reliability Services Initiative (RSI) of the California Independent System Operator (CAISO). CLECA's comments address how the proposed revisions to the Must Offer Obligation (MOO) for resources meeting Resource Adequacy (RA) requirements affect demand response (DR).

Demand Response

Since the issuance of the straw proposal, there has been a constructive dialog between the CAISO and various stakeholders interested in DR, and CAISO has clarified some points of confusion regarding the use-limited nature of DR and the applicability of the Availability Incentive Mechanism. We hope that the CAISO will reflect this clarification in its next draft of the proposal. In particular, it is our understanding that Proxy Demand Resources (PDR) meeting system and local RA requirements must bid into the CAISO markets during the 5 peak hours each day until the resource has reached its use limitation. That use limitation is currently 24 hours per month. Is this 5 peak hour requirement a 1-6 pm requirement only for summer or is there an equivalent time period for the winter months? Will the CAISO's systems recognize monthly use limitations?

What are the requirements for PDR to bid into the day-ahead and real-time markets? It is our understanding that normally use-limited resources are not required to bid into the real-time market as RA resources. We request clarification of whether that would continue to hold true in the future and whether it would apply to DR providing system or local RA. We understand that the rules for flexible RA will be different.

Once the monthly (or annual, for that matter) use limitation is reached, if part of the resource could participate for more than the current 24 hours/month, would the CAISO permit a portion of that resource to continue to bid as a partial resource? How would the CAISO update the baseline used to determine the resource's response if it were a smaller resource? Could there be an availability bonus for DR? Would there be an availability bonus if the resource were willing to be dispatched more than 24 hours per month? Or could one apply if the resource provided more than the specified MW for RA purposes?

We understand that PDR bids will not be mitigated, so there should be no issue of commitment costs at this time. If that policy were to change at any time, the issue of opportunity costs would be an issue. PJM allows DR bidding in as economic DR to specify opportunity costs.

Thank you for this opportunity to provide initial comments on RSI. Due to time limitations, we have not had the opportunity to comment on other features of the proposal.

CLECA has interest in and concerns about the replacement rules and the Capacity Procurement Mechanism and hope to provide comments on these aspects at a later time.