

Comments on Demand and Distributed Energy Market Integration

Department of Market Monitoring

May 1, 2025

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Demand and Distributed Energy Market Integration Working Group* dated April 7, 2025.¹ In these comments, DMM adds to our previous comments from the ISO's Demand and Distributed Energy Market Integration (DDEMI) Working Group Meeting on February 5 and March 28, 2025.^{2,3} DMM includes additional comments on the issue of baseline methodologies, and asks stakeholders to clarify the need for any additional baselines.

Comments

Demand response baselines are a type of empirically estimated counterfactual, similar to those found in the economic literature to study the impacts of a rule or policy. The goal of such estimation procedures is to provide a “what-if” the policy (or schedule) was not in place, in order to estimate the impact of the policy (or demand response deployment). To estimate these impacts, empirical methods analyze differences in time and space.

The ISO currently offers more than 50 demand response baseline methodologies designed to estimate the performance of a wide range of demand response programs and technologies. Most of these baselines estimate load differences using control groups (space) and day matching (time). The ISO also offers methods with meter generation output and sub-metering arrangements to estimate the performance of specific types of demand response. All of these baseline methodologies were developed through the CAISO stakeholder process.

In the current initiative, DMM understands that some stakeholders are proposing the creation of new baseline methodologies and enhancements to existing baseline methodologies. As DMM has raised previously, the goal of a baseline is to create a like-for-like estimate when the resources are scheduled, or not, and compare differences to appropriate analogous conditions.⁴ DMM understands that existing baseline methodologies were developed with this intent, with extensive stakeholder input in past policy initiatives. Therefore, DMM asks stakeholders why the current baselines that utilize the current

¹ *Demand and Distributed Energy Market Integration Working Group Discussion Paper*, California ISO, March 3, 2025: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Discussion-Paper-Demand-Distributed-Energy-Market-Integration-Mar-03-2025.pdf>

² *Comments on Demand and Distributed Energy Market Integration*, Department of Market Monitoring, February 21, 2025: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-feb-05-2025-working-group-feb-21-2025.pdf>

³ *Comments on Demand and Distributed Energy Market Integration*, Department of Market Monitoring, March 28, 2025: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-mar-28-2025.pdf>

⁴ *Ibid.*

estimation procedures are insufficient to estimate the impacts of demand response events, and why the extensive number of existing baseline methodologies are so underutilized.⁵

DMM understands there may be improvements that could be made to the current baselines. However, DMM continues to ask stakeholders to review all existing methodologies, and clearly articulate the need for new baselines that are not already covered with the existing methodologies.⁶ This is important, as the introduction of more baseline methodologies requires use of valuable ISO resources, introduces new potential for calculation errors, and creates new considerations for monitoring the behavior and performance of demand response resources.

⁵ *Comments on Demand and Distributed Energy Market Integration*, Department of Market Monitoring, February 21, 2025, p 3: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-feb-05-2025-working-group-feb-21-2025.pdf>

⁶ *Comments on Demand and Distributed Energy Market Integration*, Department of Market Monitoring, March 28, 2025: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-mar-28-2025.pdf>