

Comments on Demand and Distributed Energy Market Integration Straw Proposal and Issue Paper

Department of Market Monitoring

March 27, 2026

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Demand and Distributed Energy Market Integration - Track 1: Straw Proposal: End-User Exports in Demand Response Performance Measurement and Track 2: Demand Flexibility Enhancements* dated March 13, 2026.¹ DMM supports limiting the scope of the DDEMI process to focus on near-term enhancements that improve existing processes and extend market demand response (DR) participation functionality to the Western Energy Imbalance Market (WEIM).²

For Track 1, DMM recommends the ISO ensure current rules and existing performance evaluation methodologies are retained and prevent baseline manipulation. Further, DMM continues to recommend the ISO ensure DR resources appropriately use baseline calculation methodologies to reflect the performance of the resource. We also note DMM's previous support for extending access to the DR model to WEIM entities and the removal of the reliability demand response resource (RDRR) size limits.^{3,4} We also note the importance of transparency provided by the demand response registration system (DRRS) or similar system that may be used by WEIM DR resources, and propose enhancements to the existing DRRS to improve monitoring of DR resources in CAISO.

Comments

The ISO is proposing a small change to remove the existing requirements for scheduling coordinators to set the load meter data of individual customers within an aggregated DR resource to a minimum of zero during DR dispatch. Simultaneously, the ISO is proposing to introduce a new minimum that explicitly prohibits the aggregated output of customers comprising a DR resource from being less than zero, to prevent "negative" generation from supply-side DR resources.

The removal of the minimum for individual customers will allow the ISO markets to better account for energy produced by customers that are already approved for export onto the distribution system. The

¹ *Demand and Distributed Energy Market Integration Track 1: Straw Proposal: End-User Exports in Demand Response Performance Measurement Track 2: Demand Flexibility Enhancements*, California ISO, March 13, 2026: <https://stakeholdercenter.caiso.com/InitiativeDocuments/Straw-Proposal-and-Issue-Paper-Demand-and-Distributed-Energy-Market-Integration-Mar-13-2026.pdf>

² The Western Energy Imbalance Market (WEIM) includes balancing authorities that are in the Western Energy Imbalance Market (WEIM) and the forthcoming Extended Day-Ahead Market (EDAM).

³ *Comments on Demand and Distributed Energy Market Integration Working Group Discussion Paper*, July 11, 2025: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-jun-13-2025-working-group-discussion-paper-jul-7-2025.pdf>

⁴ *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>

aggregate limitation of DR in the ISO market ensures resources will continue to be load curtailment and preserve market topology to limit unmodeled congestion.

DMM supports the ISO's proposal to improve modeling of DR resources by recognizing that some customers are currently approved to export onto the distribution system from their utility distribution company (UDC) in such a way that protects the safety and reliability of the system.⁵ However, DMM recommends the ISO ensure the rules and agreements for exporting resources do not allow customers to circumvent the interconnection queue process for generating technologies. The concern arises where generation technologies could potentially use the demand response participation pathway to avoid interconnection queue review, system impact studies, and cost responsibility applicable to generation resources.

Further, DMM notes that the proposal removes the minimum limit to all performance evaluation methodologies and customer load baseline calculations. Since the underlying resources may still be used when not economically dispatched, performance should be evaluated by comparing the dispatch resulting from a market signal and schedule to a robust counterfactual that incorporates regular customer behavior. When allowing resources to export to the distribution system, DMM highlights it is important that baselines must continue to be calculated to reflect expected typical customer behavior in the absence of any market dispatch.

DMM has previously recommended the ISO consider enhancements to the counterfactual of existing baselines, and will continue to monitor resource behavior if the straw proposal in Track 1 is implemented.^{6,7} Lastly, DMM encourages the ISO and stakeholders work to ensure developments in Track 1 improve resource availability and performance when allowing customers to export to the distribution system.⁸

Finally, in considering Track 2 of the policy development process, DMM notes the ISO should continue to require resources to provide information for each customer to the DR registration system (DRRS) to facilitate monitoring, or a similar database if the DR resources are in the WEIM. Additionally, DMM recommends the ISO work with partner agencies to provide information on each customer's expected load flexibility in MW (or kW) and additional meta data—such as customer type, end-use equipment, and control strategy—and make it available to DMM for continued monitoring.

⁵ The interconnection agreements would be analogous to a Rule 21 export agreement for California Public Utilities Commission jurisdictional utilities.

⁶ *Comments on Demand and Distributed Energy Market Integration Working Group*, November 6, 2025: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-working-group-nov-06-2025.pdf>

⁷ *Comments on Demand and Distributed Energy Market Integration*, Department of Market Monitoring, May 1, 2025: <https://www.caiso.com/documents/dmm-comments-on-demand-and-distributed-energy-market-integration-apr-07-2025-working-group-may-01-2025.pdf>

⁸ *Comments on Resource Adequacy Modeling and Program Design Track 2 – RAAIM Reform Presentation*, Department of Market Monitoring, March 23, 2026, p 7: <https://www.caiso.com/documents/dmm-comments-on-rampd-track-2-raaim-reform-mar-02-2026-input-session-ahead-of-straw-proposal-mar-23-2026.pdf>