

Stakeholder Comments Template

Subject: Reliability Services

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Draft Straw Proposal for the Reliability Services initiative that was posted on June 5th, 2014. Upon completion of this template please submit it to RSA@caiso.com. Submissions are requested by close of business on **June 26th, 2014**.

1. Please provide feedback on Part 1: Minimum eligibility criteria and must-offer rules.
 - a. Comments on proposal portion of section
 - i. Eligibility criteria

Our comments are limited to Section 4.4 pertaining to the eligibility criteria for Proxy Demand Resources (PDR). The current qualifying capacity provisions for PDR in the CAISO tariff are at least four hours availability per month and dispatchable for at least 30 minutes per event. The new proposal increases the hours of availability to at least 24 hours per month, at least three consecutive days, and at least four hours per dispatch. Since the proposed eligibility criteria align with the CPUC's requirement for DR to qualify for resource adequacy (RA), we believe this proposal maintains consistency and is appropriate.
 - ii. Must-offer requirements

Section 5.2 concludes that it is not necessary to consider an additional must-offer obligation for Proxy Demand Resources because the proposed availability incentive mechanism should provide adequate incentive for proxy demand resources to be available to the CAISO in a manner comparable to other use-limited resources. Our comments on the proposed availability incentive mechanism are included below.
 - b. Comments on phase 2 consideration items
 - i. Intertie resources

No comments.

- ii. Block dispatchable pumping load
No comments.

- iii. ISO dependence on MCC buckets

Section 4.5.3 seems to suggest that CAISO perceives a potential risk that the CPUC will discontinue the use of the MCC buckets currently used to prevent an over-reliance on use-limited resources. However, it's unclear what the proposal is. Is CAISO suggesting changing the availability hours? As it relates to demand response, the current MCC bucket defines availability as "greater than or equal to" 24 hours per month. Our position would be that the availability requirements should be the same for resources to qualify for RA at the CPUC and at CAISO. If CAISO is suggesting something different, this needs additional clarification and discussion. It appears that CAISO is just proposing an information gathering exercise at this stage.

- c. Other comments

2. Please provide feedback on Part 2: Availability Incentive Mechanism.

- a. Comments on the general direction of the design

We generally find the proposed mechanism to be reasonable.

- b. Comments on design features

- i. Bid-based assessment

CAISO's proposed bid-based metric would count a resource as fully available if it bids in during the appropriate hours. For system and local RA, this is defined as the expected 5 peak hours; for flexible RA, the hours are outlined in the FRACMOO proposal. EnerNOC supports this proposal and would like to see the CPUC adopt a consistent requirement as opposed to the current proposal to bundle flexible and peak resources.

Another element of the bid-based metric that we find reasonable is the functionality that accommodates use-limited resources with hourly and monthly limitations. It's our understanding that the hourly limit on demand response is automatically respected by the CAISO optimization, so the resource does not need to adjust its bidding. If a DR resource has a maximum dispatch of 4 hours, it could still bid into the CAISO energy market day-ahead for all 24 hours, and CAISO would only schedule the resource for a maximum of 4 hours. This seems very reasonable. The mechanism for the monthly use limitation is not quite as clear. Does the CAISO optimization not recognize this use limitation and thus require the resource to put in an outage card once the use limitation is reached? If so, is there an ability for a portion of the DR resource to bid beyond the monthly use limitation?

3. Please provide feedback on Part 3: Replacement and Substitution.
 - a. Comments on scope
It is not entirely clear how this applies to DR resources.
 - b. Comments on replacement and substitution issues
 - i. Complexity
We do not currently have a proposal for reducing the complexity that will arise when replacement rules are applied to flexible RA resources, but we will provide comments on the proposals of other stakeholders at the next opportunity.
 - c. Comments on flexible replacement proposal
We appreciate that CAISO is trying to balance simplicity with flexibility in the replacement rules. While we understand the potential value of requiring that a flexible resource in category 1 be replaced only with another resource from category 1, that alone does not mean the resources will provide CAISO with a comparable resource. Ramp rates are called out as an additional consideration. We look forward to additional discussion on how these replacement rules for flexible RA capacity should be implemented.
4. Please provide feedback on Part 4: Capacity Procurement Mechanism.
 - a. Comments on index price
 - b. Comments on competitive solicitation process
We appreciate that CAISO is committed to developing a backstop capacity mechanism that is transparent. We recognize the challenges outlined in the proposal for Option 1 and agree that Option 2 is preferable. The competitive solicitation process outlined in the proposal will increase transparency and reflect appropriate market conditions – that’s a good outcome.

Thank you for the opportunity to provide comments on the Straw Proposal.