COMMENTS OF ENERNOC, INC. ON CAISO'S RELIABILITY SERVICES REVISED STRAW PROPOSAL

EnerNOC, Inc. (EnerNOC) appreciates the opportunity to comment on the California Independent System Operator's (CAISO's) Reliability Services Revised Straw Proposal, dated August 11, 2014. EnerNOC's comments are primarily an attempt to clarify our understanding of how the proposal applies to demand response (DR). We appreciate the willingness of CAISO staff to address some of these points in recent conversations, and we look forward to seeing the clarification on these points in the next version of the RSI Proposal.

<u>Minimum Eligibility Criteria</u>

CAISO's proposal in Section 4.4 is to modify the existing default qualifying capacity provisions for Proxy Demand Resources (PDR) to more closely align the requirements with CPUC requirements. CAISO's proposal for minimum availability requirements is: 1) at least 24 hours per month; 2) at least three consecutive days, and 3) at least four hours per dispatch. The proposed eligibility criteria align with the CPUC's minimum requirements for DR to qualify for resource adequacy (RA), which we believe is appropriate. It would be helpful, however, to clarify how the RSI eligibility criteria, which are annual, fit into the RA requirements which are designed to meet peak demand. The 24 hour per month limitation for DR for system and local is based on DR meeting 5% of the total resource needs for May through September. If CAISO's proposal is annual, does that create a disconnect between the two requirements? In addition, for RA, the 4 hours per dispatch and 3 consecutive days are tied. So under RSI, if the resource is dispatched for less than 4 hours at a time or fewer than 3 consecutive days, it may still meet the requirement of 24 hours per month without meeting the other two requirements. Please clarify how that is addressed for DR in the RSI proposal.

<u>Availability Incentive Mechanism</u>

Section 5.2 maintains the position that it is not necessary to modify the PDR must offer obligation since the proposed availability incentive mechanism (AIM) is expected to provide adequate incentives for PDR to be available in a manner comparable to other use-limited resources. Given that premise, it is critical that we fully understand how AIM applies specifically to PDR.

EnerNOC appreciates that CAISO is not proposing to hold all generic resources accountable to a 24-hour bidding availability check for this phase of the initiative. Certain resources, including DR, are not available or under contract 24 hours each day, and it would not make sense to require them to be bid in for every hour of the day. We support CAISO's proposal to maintain the five-hour methodology used in the current Standard Capacity Product assessment hours. However, it would be helpful if those hours were clearly defined in the next version of the RSI Proposal since not all resources are currently subject to SCP. For RA the five hours are 1-6 pm, but for flexible capacity the hours change by season. How will this work for RSI? Are the hours static or do they change seasonally?

EnerNOC's understanding of the AIM methodology is that the 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 per day; for flexible RA, this is defined by the resource category. EnerNOC supports this proposal. EnerNOC also finds it reasonable to accommodate use-limited resources with hourly and monthly limitations. It is our understanding that the hourly limit on DR 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 four 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. EnerNOC also appreciates the recent clarification that PDR can submit a minimum run time of four hours to ensure that it is only dispatched during contiguous hours.

It is also our understanding that PDR will not initially have a Use Plan, and since a monthly use limitation is not reflected in CAISO's Master File, once the 24 hour per month use limit is reached, an outage card can be submitted. At this point the resource is considered to have met its monthly must-offer obligation and is exempt from AIM for the rest of the month. It is also our understanding that an outage card can be submitted for one day if the resource has been dispatched for four hours for three consecutive days. This does not negatively impact AIM availability, however the resource would need to resume bidding in to the market until it has been dispatched for at least 24 hours in the month before submitting a monthly use limitation outage card.

EnerNOC appreciates the recent clarification that the AIM proposal does allow for a portion of the DR resource to bid beyond the monthly use limitation, so long as that portion meets the minimum threshold of 100 kW. This would require the resource to put in a derate, and we look forward to additional information on that mechanism in the next draft of the Proposal. We understand CAISO's concern that the base amount would need to be determined in advance so as to not cause a problem with the baseline calculation.

It would be helpful to have additional clarification on the AIM monthly availability assessment percentage calculation. We appreciate that a resource can be above or below the standard percentage of 96.5% in any individual hour or day without incurring a charge or payment since this is a monthly MW-weighted average percentage. And availability will be assessed only during availability incentive hours. So if PDR bids in to meet the 5 peak hours per weekday requirement, it is considered 100 percent available. Additionally, if the resource is dispatched for 24 hours in any month, the resource is exempt from offering into the day-ahead market and is considered 100 percent available. If the average monthly availability is greater than the threshold value, the resource would be eligible to receive a pro-rata share of any penalties assessed in the month. Conversely, if the average monthly availability is less than the threshold value, the resource will be penalized. To calculate this penalty, CAISO will subtract the average monthly available MW from the threshold value and charge the scheduling coordinator the difference multiplied by $3.5. Please clarify whether this understanding is correct, and also clarify whether the incentive and penalty are based on dispatch or availability. For example, PDR meets its availability requirement if it bids in for the 5 peak hours per weekday or is dispatched for 24 hours in a given month. However bidding in for 5 peak hours per weekday is 110 hours per month. Which metric will be used for determining the potential incentive or penalty?

Appendix A

It would be helpful to have a specific line item in Figure 12 to provide the bidding requirements for PDR.

Thank you for the opportunity to provide these comments. We look forward to continuing to work with CAISO as this initiative moves forward.

Melanie Gillette
Director, Western Regulatory Affairs
EnerNOC, Inc.
mgillette@enernoc.com