

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider Smart Grid Technologies Pursuant to Federal Legislation and on the Commission's own Motion to Actively Guide Policy in California's Development of a Smart Grid System.

Rulemaking 08-12-009
Filed December 18, 2008

Reply Comments of the California Independent System Operator Corporation on the Assigned Commissioner's Ruling On Customer Privacy And Security Issues

I. INTRODUCTION

The California Independent System Operator Corporation (ISO) submits these reply comments in response to the Assigned Commissioner's Ruling of September 27, 2010 in the above-captioned docket (September 27 ruling), as well as to other parties' comments and to other issues discussed in the workshops held on October 25 and 26, 2010. The September 27 ruling posed two issues for resolution in this stage of the proceeding: (1) what price information should be conveyed to retail electricity customers; and (2) what privacy policies should govern third party access to individual customers' electric consumption information.

The ISO believes that with both issues the Commission should establish policies that promote the continued development of a smart electric system and not establish price-provision and privacy policies that are overly focused on the electric industry as it is now. With communicating pricing information, this means setting price information policies that will enable the continued development of demand response capabilities needed in light of the continued deployment of variable energy resources. With customer privacy, this means providing proper consumer protections while ensuring that

the demand response provider industry is given an opportunity to develop and that efforts to incorporate demand response into wholesale markets are not frustrated by overly restrictive privacy policies.

II. PROVIDING PRICE INFORMATION TO CONSUMERS

In its pre-hearing conference statement, the ISO noted its prior comments in support of providing customers with information related to wholesale prices. The ISO stated that: “While the precise wholesale price may not always convey actionable information to retail customers, providing a meaningful signal correlated with the ISO wholesale price can help customers understand when their individual actions can have the greatest impact on the grid.” In response, some parties questioned the value of providing signals based on wholesale prices, noting the disconnect between retail rates and wholesale prices under current retail rate designs. Those parties instead would prefer that the Commission focus on setting requirements (and thus directing development of information technology infrastructure) that maximize customers’ understanding of the prices they currently face.

The ISO understands this line of comment but believes that it does not fully account for likely future developments in the area of demand response. As California continues toward fulfilling AB 32 requirements and a 33% Renewables Portfolio Standard, it will have an energy supply paradigm that is more variable and less predictable. To buffer the system in the face of this variability and unpredictability, the system will need “shock absorbers” to maintain reliability. Finely-tuned demand response will almost certainly serve as one of those shock absorbers. For such demand response to occur, customers must be able to receive and respond to more

frequent, granular signals that are linked to actual grid conditions. Given that there will be this need in the near future, the ISO does not believe that it would be prudent for the Commission to establish smart grid infrastructure requirements for today that do not account for what needs to happen tomorrow.

Through these comments, the ISO does not mean to suggest that there is no value in providing consumers with better information to understand and forecast their monthly utility bills under current rate structures. On the contrary, the ISO agrees that there is significant value in providing retail customers with ways to lower their overall energy consumption. That benefit, however, is not tied to what the ISO believes is the core value proposition of smart grid.

III. SETTING APPROPRIATE PRIVACY POLICIES

In offering comments on privacy policies, the ISO wishes to make clear at the outset that it strongly believes that establishing consumer protections is a key aspect of developing a smart grid. The ISO encourages the Commission to develop those vital protections in a way that does not preclude the development of important demand response capabilities.

As noted in its pre-hearing conference statement, the ISO is concerned that the future growth of a robust demand response environment could be hampered through overly restrictive privacy policies. If it is too hard or costly for demand response providers to get access to customer usage information, then it will be difficult for demand response providers to play a meaningful role in the delivery of demand response services. The ISO thus again encourages the Commission to adopt privacy

policies governing third party access to consumer information with respect for the reasons why sharing that customer information is important in the first place.

The ISO also notes that multiple parties have suggested that the Commission should adopt different privacy policies for parties that act as agents of utilities than for parties that act as agents of individual customers. As the ISO falls into neither category, the ISO hopes that the Commission establishes a privacy regime that acknowledges the ISO's unique status. At present, the ISO does not receive consumption information on individual retail customers and has no immediate need or desire to receive such information. Under the ISO's Proxy Demand Resource (PDR) product, the ISO receives consumption information at an aggregated level from the demand response provider.¹

The ISO joins the Commission in viewing an essential part of smart grid as helping customers evolve from passive recipients of electricity to active participants in the grid. The ISO's vision for the future involves creating greater opportunities for demand response to play an active role in the wholesale electricity markets, which will help the ISO manage a greater number of renewable, variable energy resources. As those opportunities develop, the ISO could require more granular consumption information about the load and its distribution to more effectively manage the grid. Foreseeing these potential needs, the ISO encourages the Commission to consider the role of the ISO and its unique position in the energy supply chain, as well as the ISO's mandate to maintain grid reliability.

¹ The only exception to this is if a demand response provider structures a PDR around a single, large customer. In that case, the ISO technically would be receiving consumption information for a single customer.

IV. CONCLUSION

The ISO appreciates the opportunity to offer these reply comments. With the issues of both customer privacy and pricing information, the ISO encourages the Commission to be forward-thinking and avoid setting policies to serve the existing electric system at the expense of the continued development of a future smart electric system.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on November 8, 2010, I served, on the Service List for Proceeding No. R.08-12-009 by electronic and U.S. Mail, a copy of the foregoing.

REPLY COMMENTS OF THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR CORPORATION ON THE ASSIGNED COMMISSIONER'S
RULING ON CUSTOMER PRIVACY AND SECURITY ISSUES

Dated at Folsom, California this 8th day of November, 2010.

Anna Pascuzzo
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