

## PG&E Stakeholder Comments

### Subject: Direct Participation of Demand Response Resources in CAISO Electric Markets

Submitted by	Company	Date Submitted
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Pacific Gas & Electric Company (PG&E) appreciates the opportunity to participate in the Direct Participation of Demand Response Resources in CAISO Electricity Markets process and to submit comments regarding the December 22, 2008 Issue Paper and the January 5, 2009 Conference Call.

PG&E is generally supportive of the CAISO effort to comply with FERC Order 719 to promote direct participation by Demand Response providers in wholesale electricity markets.

#### Process and Proposed Timetable

FERC Order 719 states that "[t]he compliance filing should explain the action the RTO or ISO has taken, or plans to take, to comply with the requirements in each of the four sections of this Final Rule."<sup>1</sup> As a result, PG&E believes the CAISO is permitted adequate time to first allow the CPUC to develop their policy on direct participation of demand response resources. Once the CPUC has developed their policy, the CAISO will be able to incorporate the CPUC's findings and therefore produce a comprehensive and effective policy.

In their comments on FERC's February 22, 2008 Wholesale Competition in Regions with Organized Electric Markets Notice of Proposed Rulemaking, the CPUC expressed "serious concerns about the impacts on retail customers from mandating [demand response resources to sell their megawatts directly to the wholesale energy markets] before the states are ready."<sup>2</sup> In the same comments, the CPUC also stated that "if the demand response market is opened up to ARCs without an appropriate regulatory framework in place to oversee the business practices of

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<sup>1</sup> Paragraph 580 of the FERC Order 719

<sup>2</sup> pp 17 Comments of CPUC in response to the February 22, 2008 Wholesale Competition in Regions with Organized Electric Markets Notice of Proposed Rulemaking (April 21, 2008)

these third party aggregators, retail ratepayers may not be adequately informed and protected.”<sup>3</sup> PG&E has similar concerns in light of the FERC Order 719 which states that “[the compliance filing] need not change the schedule for implementing these [relevant] market design changes as a result of this Final Rule.”<sup>4</sup> PG&E recommends the CAISO recognize that, at least for the IOUs, the CPUC process needs to precede any actual opening of CAISO markets to direct participation. The CAISO’s process should be explicit on how the CPUC or other regulatory authorities does make clear to the CAISO, if direct participation is allowed.

In addition, PG&E also recommends pursuing a deliberative and appropriately timed process to include the results from the Investor Owned Utilities (IOUs) demand response pilot programs, which would add significant value to the CAISO development of the demand response policy.

#### Terminology, Roles, and Responsibilities of the “Aggregator of Retail Customers”

The CAISO should require that the ARC notify the LSE when a customer of the LSE is enrolled in the ARC’s demand response program. This notification should happen soon after enrollment, and before any event can be called. The CAISO should also require that the ARC notify the LSE when the demand response event is called for an LSE’s customer.

#### Determining Performance-Measurement & Verification (M&V) Approaches

The CAISO needs to assure that M&V protocols do not afford opportunities for gaming. For example, an M&V protocol which allows a DR provider to inflate his baseline at a higher price location while lowering his baseline at a lower price location might allow a DR provider to get paid for “doing nothing.”

In addition, PG&E is concerned that the CAISO seems to envision developing M&V protocols from scratch. Any efforts to develop M&V protocols by the CAISO, especially for CPUC jurisdictional entities, should be coordinated closely with the extensive work on estimating the load impacts of demand response programs in CPUC docket R07-01-041.

#### Other Compliance Areas

The CAISO should also present its draft compliance report on the other items in FERC Order 719 for review by stakeholders. This includes encouraging Ancillary Services, identifying barriers to DR, and pricing during times of scarcity.

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<sup>3</sup> pp 17 Comments of the CPUC in response to the February 22, 2008 Wholesale Competition in Regions with Organized Electric Markets Notice of Proposed Rulemaking (April 21, 2008)

<sup>4</sup> Paragraph 579 of the FERC Order 719.