

SCE consolidated comments on the CAISO Straw Proposal For the Design of Proxy Demand Resource (PDR) And Impacts of Direct Participation

General Comments

While previous CAISO documents on Demand Response have been well organized, this particular Straw Proposal is a qualitative step up in terms of thoroughness, clarity, and explicitness regarding the ISO's positions. The authors and the ISO in general deserve the highest compliments and encouragement to continue this quality of work for this and all in the DR product family.

SCE is supportive of the Straw Proposal for the design of Proxy Demand Resource thus far. SCE believes the current Straw Proposal for PDR satisfactorily motivates demand response resources to compete with supply in developing additional resources in high priced areas while at the same time allows for direct participation as required by FERC Order 719. SCE recognizes that there is much work to be done on the design features articulated in Sections 5 and 6. SCE supports the PDR Straw Proposal and looks forward to supporting the continued effort in its development.

The complexity of developing wholesale market participation of demand response rivals the complexity seen in developing retail competition for generation. SCE cautions the CAISO to move carefully through this process. SCE continues to be concerned that CAISO emphasizes the need to move forward even if matters remain less than fully addressed because minimizing time seems to be a critical success factor. SCE, CAISO and the other market participants will need adequate time to develop the necessary programs, "back office" software and processes to support a new family of DR products. This is especially true as the IOUs are deploying AMI systems which can potentially enable new retail DR programs that support the wholesale PDR product. In addition, the retail DR programs that the IOUs will develop as resources utilizing PDR will require new program design, existing program modifications and CPUC approvals before the IOUs can offer the programs to customers.

SCE also encourages CAISO to temporarily postpone plans to introduce additional DR products. We feel that now is the right time for market participants to solidify their understanding of PDR and prepare this new resource to play in the product framework. Adding additional products to the family at this time would intensify already formidable market and product complexity and might deter the development of any DR resource product types.

Along these same lines, SCE urges the CAISO to restrict discourse in this document and the comments that will follow to issues surrounding PDR. SCE recognizes that Participating Load exists presently and requires some technical modifications for use in MRTU. It is important to distinguish between a new product in a newly developed product family, namely PDR, and the augmentation of an existing product, namely Participating Load (aka DDR). SCE recommends that CAISO temporarily hold off on

developing DDR for the new product family and simply make the technical changes under the product name “Participating Load under MRTU.” While it is important to understand that the two products are designed to be complementary, we feel that mixing detailed discussion of the two in the same document has become confusing.

Qualification (pp. 27-30)

SCE feels that CAISO’s stances on Qualifications issues are well aligned to promote the development of DR resources to operate in wholesale energy and A/S markets. We feel that imposing the same credit requirements on CSPs as other supply side providers is a fair policy (p. 30). We also feel that limiting each end use customer to one CSP in this early stage of third party DR resource development is a wise move (29).

This comment also drew our attention: “The ISO tariff already limits the participation of the same end-use customers in emergency response programs and PL resources.” Edison is of the opinion that this arrangement is worthy of further discussion with CAISO and other market stakeholders. It has been our observation that some of our emergency response programs, such as our AC cycling program, are well positioned to provide A/S capacity. However, they also function as a “last line of defense” in the reliability role. We feel it would be worthwhile to discuss whether or not there would be a benefit to allowing these programs to participate in both types of capacity programs. The primary challenge here would be how to design programs so that A/S and emergency reliability needs were not dispatched simultaneously.

Registration (pp. 30-33)

SCE’s principal concern here is that if CAISO is not active in the communications process, communications could break down between a CSP who is scheduling a DR event, and the LSE which is serving the end use customer. Clarity of methods and roles through the registration process will keep CSPs and LSEs from struggling over the allocation of energy benefits and/or the differing opinion about PDR performance. The CAISO will be in a position to settle the market objectively, because it performed the market calculations that drive settlements

With this said, we concur with the CAISO that there is no real need for the system operator to develop a massive database of DR enrollments and migrations, or to become deeply involved in tracking the bi-lateral contracts and financial transactions between LSEs and CSPs (32). CSPs and LSEs can be left to resolve these issues amongst themselves, provided there is sufficient transparency of data. CAISO can be most helpful by settling the amount of PDR supplied by the CSP, adjusting the LSE load for settlement, providing settlement information to the CSP and the LSE and providing the support necessary to complete the financial transactions outlined in the LSE and CSP bi-lateral contracts. CAISO can also establish clear liability assignments before disputes about customer migration or scheduling problems occur.

On a related note, SCE is currently uncertain where and when CAISO plans to formalize any necessary DR-related Tariff amendments. Does CAISO have a proposed timetable for these changes?

Scheduling (pp.33-34)

CAISO's straw proposal surrounding scheduling appears on target. As with our supply side market operations, SCE intends to conduct "shadow settlements" on DR bidding into the wholesale market to mirror the CAISO scheduling and settlement processes (34). We also feel that CAISO's plan to make up any delta between a scheduled load curtailment and real time performance by assessing the bidder for an equal amount of RT imbalance energy is just (34).

Notifications (pp.34-35)

SCE concurs with CAISO that "little if any change in mechanisms" such as ADS needs to be pursued for DR resources to be notified of dispatch instructions (35). We reiterate our concern that the information exchanges between LSEs and CSPs need to be supported by the CAISO, but we are encouraged by the CAISO's determination to establish principles and implementation details in the ISO Tariff and BPMs (35).

We look forward to helping the CAISO develop a set of sound rules regarding this issue.

Metering and Telemetry (pp. 36-39)

SCE would like to better understand the CAISO proposal to "allow the CSP to provide either telemetry-based data or revenue quality meter-based data to support settlements of DR response". We interpret these statements to mean that CAISO will allow data from telemetry sensors to serve not only as a means to monitor the PDR providing an Ancillary Service, but also as a means for providing information for settlement purposes (38). If this is, in fact, CAISO's intention, we request more time to discuss potential risks and benefits within different segments of our company. In particular, we would want to consult business units that handle metering and billing before issuing an opinion on this matter.

SCE also feels that sometime in the near future, the CAISO should begin a dedicated process to lay out an overarching "Measurement and Verification Infrastructure" for PDR, this should include specifications on telemetry sensors and related equipment, end to end process and data flows for DR providing Ancillary Services or Energy products under the PDR and the new DR family, baseline methodologies and any other stipulations the CAISO deems pertinent. Consolidating all of this information into one resource could greatly clarify measurement and verification requirements.

Settlement (pp. 39-43)

SCE shares CAISO's assessment that settlement issues like those discussed here pose some potentially difficult issues including what has been described as market gaming, as well as potential CSP/LSE conflicts (39).

SCE supports CAISO's plans to leverage baseline work already conducted by the CPUC as this will lead to better alignment between wholesale and retail baseline mythologies which is vital to ensuring PDR participation and success (43).

SCE reiterates our belief that there are three aspects to mitigation of the gaming concerns: A good baseline will reduce gaming opportunity significantly; a price bid threshold will eliminate ability to participate as "price taker" and reduce predictability of dispatch; limited availability of the resources likely to participate as a PDR are supportive of strong correlation between loads and prices. The risk of a customer inflating their usage to capture PDR payments is further mitigated since customers would pay for their increased load, intended to increase their baseline, with no guarantee that the PDR bid would be accepted or dispatched.

We also feel that elements of the PDR proposal, in conjunction with pre-established liability assignments which should be laid out in BPMs and the CAISO tariff, can lay a strong foundation to reconcile potential settlement disputes between CSPs and LSEs.

Finally, the CAISO is encouraged to consider whether formal DR market suspension protocols may be necessary. These protocols would help with settlement complications that might arise when a sudden emergency occurs, whether of a short or longer-term duration.

Performance and Compliance Evaluation (pp. 44-45)

At this time, SCE has no comments to make on this group of issues.