

CLECA's comments on CAISO's Proposed Revision Request 1280

Submitted by	Company	Date Submitted
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CLECA has reviewed the comments of Southern California Edison, Pacific Gas and Electric, San Diego Gas and Electric, and CPUC Energy Division (collectively the Parties) regarding the Proposed Revision 1280 to the Business Practice Manual for Reliability Requirements. CLECA agrees with the Parties that the CAISO Board did not approve an encompassing requirement for **all** demand response to be included on supply plans. As explained in more detail below, the Board only approved the Slow Proxy Demand Response (PDR) proposal which includes a requirement for this type of “slow” resource to be included in supply plans for the pre-contingency dispatch to function properly. This BPM change is not necessary for any other PDR or for Reliability Demand Response Resources as there are procedures that have operated for years that provide CAISO with knowledge of and ability to dispatch available DR resources. The CAISO was able to use these procedures to successfully deploy DR resources during the recent August and September heatwaves.

As the CPUC Energy Division stated, the implication of this BPM change would “in effect, no longer count the investor owned utility (IOU) demand response that the CPUC allocates to load-serving entities.” By no longer counting DR for Resource Adequacy, the CAISO would no longer be a partner with the CPUC in implementation of state law and policy on the loading

order which prefers energy efficiency and demand response over other resources. P. U. Code Section 454 mandates:

(i) The electrical corporation shall first meet its unmet resource needs through all available energy efficiency and **demand reduction** resources that are cost effective, reliable, and feasible.

In addition, the requirement to include PDR resources on a supply plan applies only to those PDR resources which choose to take advantage of the new slow PDR proposal for pre-contingency dispatch. Therefore, including slow PDR on a supply plan is an option, not a requirement.

The CAISO Board Only Approved a Slow PDR Proposal

In reviewing the July 15, 2020 staff memo to the CAISO Board, it is clear it only requested approval of the Slow PDR Proposal, and not a general requirement for DR to be on supply plans. See the following statements:

This memorandum seeks approval for tariff revisions necessary to implement the settlement of **slow demand response PDRs**, which will be exceptionally dispatched following the day-ahead market as a preventative measure to avoid possible overloads and NERC violations in meeting local capacity area reliability needs.¹

The following outlines the major components of the proposed **slow demand response PDR** solution methodology:²

1. Scheduling coordinators for load-serving entities and for demand response providers show their **slow demand response PDR on their resource adequacy plans and supply plans**, respectively.³

¹ CAISO Memorandum to ISO Board of Governors, July 15, 2020, *Decision on slow demand response and proxy demand resources proposal*, at 1.

² Ibid, at 1.

³ Ibid, at 2.

It is important to note that the ISO's new pre-contingency dispatch process requires the **slow demand response PDRs providing resource adequacy to be shown on resource adequacy supply plans.**⁴

Thus, the Board was not asked to and did not approve a requirement for any other DR to be on supply plans.

Further, as the CPUC Energy Division noted, this proposed BPM change is not ministerial in nature; rather, it could have a material impact on rates.⁵ CPUC staff estimates that approximately 1,500 MW of demand response that serves as system resources could be discounted by the CAISO, requiring additional, needless procurement.⁶ This will materially impact rates. Accordingly, this proposed requirement for all demand response to be shown on a supply plan is not appropriate for the BPM; rather, it should be a tariff filing requiring FERC approval.⁷

CAISO has failed to resolve the barriers its own rules create if demand response is included on supply plans. In the CPUC's Supply Side Working Group, parties developed a proposal to resolve the must offer obligations of demand response resources that vary due to weather, but the CAISO rejected the proposal.⁸ Instead, CAISO recommends using an untested Effective Load Carry Capacity (ELCC) methodology to count demand response's qualifying capacity. The faulty CAISO Demand Response ELCC study, performed by E3, would devalue DR

⁴ Ibid, at 4.

⁵ CPUC Staff Comments on CAISO's Business Practice Manual Change PRR-1280, (Sep 15, 2020) at 2.

⁶ Ibid.

⁷ *Midwest Indep. Trans. Sys. Operator, Inc.*, 98 FERC ¶ 61,137, at 61,401 (2002), *clarification granted*, 100 FERC ¶ 61,262 (2002) ("It appears that the proposed Operating Protocols could significantly affect certain rates and services and as such are required to be filed pursuant to Section 205.").

⁸ Supply Side Working Group, CPUC R.13-09-011 (June 2019) Final Report at 29-30.

by about 50%.⁹ Both the supply plan requirement and the flawed ELCC counting approach would devalue demand response and jeopardize the future of demand response programs. This is not a time to discourage demand response when there are supply constraints and especially after demand response played a critical role managing load during the August and September 2020 heatwaves.

The PRR change should not go forward for all of these reasons.

⁹ CAISO, Energy Storage and Distributed Energy Resource 4, (May 27, 2020) Demand Response ELCC, at slide 14.