



May 28, 2013

Sent by Electronic Mail

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FROM: V. John White ([vjw@ceert.org](mailto:vjw@ceert.org))  
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RE: Comments on CAISO Demand Response and Energy Efficiency Roadmap<sup>1</sup>

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## I. Introduction

CEERT greatly appreciated the opportunity to participate at the California Independent System Operator (CAISO) Stakeholder Meeting on the CAISO's Proposed Demand Response and Energy Efficiency Roadmap (Roadmap) held on May 13, 2013. As I stated on behalf of CEERT on Panel 1: "Demand Response / Energy Efficiency Goals," CEERT strongly believes that demand response, in particular, will play a key role in the grid integration of renewable electric energy. By doing so, demand response will ensure that California's electric demand will increasingly be met by clean, renewable resources and not fossil or other polluting generation.

In carefully considering the CAISO's proposed Roadmap and the comments of other participants, it is clear that the "next steps" to be taken by the CAISO in revising its Roadmap and in offering studies anticipated for use in identifying both system and local reliability energy needs will be influential in shaping California's energy infrastructure over the next ten years, in particular. For this reason, CEERT offers the following recommendations for those "next steps." These recommendations mirror those that CEERT has submitted in both Resource Adequacy and Long Term Procurement Plan Rulemakings (R.11-10-023 and R.12-03-014) before the California Public Utilities Commission (CPUC). On that point, CEERT believes that continuity and coordination between the CAISO and the CPUC will be paramount to the continued, successful implementation of this State's energy policies.

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<sup>1</sup> CEERT notes that Comments on the May 13 Stakeholder Meeting discussion were to have been delivered to [rdrp@caiso.com](mailto:rdrp@caiso.com) on May 21. Due to the press of other work, CEERT was unable to submit its comments until today and asks that they nevertheless be considered in any future deliberation by the CAISO on its Roadmap.

## **II. Recommended Next Steps**

It is CEERT's position that any next steps taken by the CAISO on DR issues or programs should be governed by general principles or goals, as well as a set of specific action items to reach those goals. CEERT's recommendations on these points are as follows:

### **A. General Principles/Goals**

CEERT recommends that the CAISO, in revising the Roadmap or creating tariffs, programs, or rules for "demand response" resources, should be guided by the following principles or goals. Without establishing such goals, the Roadmap may not be effective in identifying or, in turn, achieving end-points that will meaningfully advance and integrate demand response into CAISO markets.

Specifically, any revision or proposed/adopted tariff or program for demand response (1) must be tailored to reflect resource characteristics, programs, and markets specific to demand response, *not* generation resources; (2) must ensure transparency and avoid unnecessary complexity, especially in terms of enhancing comprehension and participation by customers providing these resources; and (3) must preserve both existing retail and wholesale markets to reflect the value of both and achieve a stable market environment. Establishing and meeting these goals will help ensure that these programs *advance*, not diminish, demand response, both as it is provided today through utility programs and as it can be offered in the future through both wholesale and retail markets. What must be avoided are rules that are not workable and do not fairly or appropriately provide opportunities to enhance reliance on demand response resources.

### **B. Action Items**

To achieve these goals, the CAISO should identify specific action items in its Roadmap that will assist in meeting these goals. Currently, the CPUC in its R.11-10-023 (RA) is considering two proposals for flexible capacity procurement - one jointly submitted by the CAISO with Southern California Edison Company (SCE) and San Diego Gas and Electric Company (SDG&E) ("Joint Proposal") and the other offered by the CPUC's Energy Division (Energy Division Revised Proposal). In April 2013, CEERT offered both Opening and Reply Comments on these proposals, including a set of specific recommendations for any resulting CPUC decision.

While CEERT recommended the Energy Division's Revised Proposal as a starting point for any flexible capacity procurement undertaken in 2013, its recommendations included revisions to that proposal and other required actions intended to address concerns and issues raised by parties about both proposals. Thus, regardless of any CPUC adoption of either proposal, CEERT believes that the following "next steps"

should inform both the CPUC and CAISO processes for advancing reliance on demand response resources in an informed and appropriate manner:

- The CAISO, in consultation with the CPUC and the CEC (California Energy Commission), should establish metrics and protocols for Demand Response, Storage and other preferred resources to participate in RA procurement on a comparable basis with dispatchable fossil resources.
- The CAISO should work with the CPUC and the CEC to publish supply curves for “flexible capacity” based on results of any 2013 flexible capacity procurement and other relevant information gathered by the end of summer 2013.
- The CAISO should work with the CPUC in the Fall 2013 to establish a record on flexible capacity requirements for the next RA year, to adopt attributes and capability of preferred resources and storage to meet those identified flexible capacity needs, and to provide further guidance on any required revisions to flexible capacity procurement mechanisms.
- The CAISO should work with the CPUC to provide a venue (i.e., Workshop) to develop metrics for evaluating the “success” of any adopted flexible capacity procurement mechanism, including cost-effectiveness, and a report from the CAISO on progress in fixing market deficiencies – such as, strategic self-scheduling that limit flexibility, implementing FERC Order 764 fifteen-minute scheduling, and rolling out the new EIM (Energy Imbalance Market) initiative to enhance flexibility and interchange with other Balancing Authorities. This record would then be available to inform further CAISO and CPUC actions such as true-up of year ahead to month ahead RA showings for 2014, the Guidance Document for the next round of Demand Response Program authorizations, and the 2015 and beyond RA rulemakings.

The bottom line for CEERT, therefore, is that there is still much to be learned about the capability of demand response to meet current energy needs – and that learning curve is critical to the ongoing successful reliance on clean energy resources in that State. For this reason, CEERT strongly encourages the CAISO to consider these recommendations in shaping its Roadmap “action items” for DR.

### **III. Conclusion**

CEERT thanks the CAISO again for the opportunity to participate at its May 13 stakeholder meeting and offer these comments on the CAISO’s DR Roadmap. Appropriate market rules for DR resources will make the difference between reversing course and inappropriately increasing reliance on fossil resources instead of continuing forward to reduce greenhouse gas (GHG) emissions and meet electric needs with the cleanest, most efficient resources available.