

California Energy Commission
Docket Office, MS-4
Re: Docket No. 13-IEP-1F
1516 Ninth Street
Sacramento, CA 95814-5512



Re: Workshop on Increasing DR Capabilities in California-Comments of the California Large Energy Consumers Association

The members of the California Large Energy Consumers Association (CLECA) are active participants in two demand response (DR) programs administered by investor-owned utilities (IOUs) in California, the Base Interruptible Program (BIP)—a reliability-based DR Program--and the Demand Bidding Program (DBP)—a price-based DR program. CLECA is very supportive of DR and its ongoing role as both a supply and a demand resource in California. We offer the following comments on some of the issues that arose at the June 17, 2013 workshop.

We begin by noting that there were some significant differences mentioned at the workshop between the limitations for participation by DR in ancillary services markets in the WECC and other ISO/RTOs. First of all, WECC does not permit DR to participate in markets for regulation or spinning reserve, whereas this is permitted elsewhere. Secondly, WECC requires telemetry for participation in ancillary services markets, whereas other ISO/RTOs only require it for regulation. Telemetry is currently an expensive requirement for market participation when the DR involves an aggregation of end-use customers as opposed to a powerplant and each customer is treated as a resource at a load point. PJM and MISO both indicated strong support for DR participation and reported no difficulties resulting from the use of alternatives to telemetry. Furthermore, MISO even stated that DR provides better responsiveness than generation for regulation and spinning reserve. We suggest that the state provide whatever support it can to convince WECC that telemetry is not required for DR to provide spinning or non-spinning reserve and that DR should be permitted to participate in markets for regulation and spinning reserve. We also note that settlement requirements for DR to participate in other ISO/RTO markets, at least at PJM, enable use of monthly retail billing systems, whereas the CAISO's settlement system does not. Requiring retail load to use a separate billing and settlement system adds costs and impediments to participation of DR in wholesale markets. This procedure should be reconsidered.

CLECA also notes that PJM's representative discussed the introduction of a price-responsive DR option to account for DR on the load side, not the supply side. This option was developed in collaboration with state regulators to take into account the load response anticipated with the introduction of advanced metering and dynamic pricing. Since California has invested billions of dollars in advanced metering and has been in the process of implementing time-based and dynamic pricing options for all customers, any resulting changes in load shape should be taken into account

in the load forecasting undertaken by the utilities and the CAISO. The state should encourage such adjustments to its own load forecasting as well.

CLECA found that the positions of the various DR aggregators on the aggregator panel appeared to demonstrate very different approaches to participation in markets. Some proposed direct control and pay-for-performance whereas others questioned requirements for guaranteed load drops or firm service levels. We are not convinced that direct control is necessary for good performance. Customers can provide reliable load reductions on their own cognizance and have demonstrated this fact. Furthermore, since the effects of DR must be able to be quantified in order to be counted on either the load or the supply side, CLECA does not find the use of firm service levels or guaranteed load drops to be unduly burdensome. Indeed, CLECA members participate in BIP, which has firm service levels and has done so for years. CLECA also supports the use of capacity payments as the equivalent of an insurance payment, since customers participating in DR programs that require performance and assess penalties for non-performance (like BIP) require a substantial customer commitment. We agree that there are challenges for customers if they are called to reduce load many days in a row. Some programs have limits. It may also be that customers who wish to choose periods when they can and when they do not participate would benefit from an aggregator program where the aggregator can create a portfolio of end use loads to accommodate their limitations.

CLECA supports the used of automated DR where it is cost-effective to employ it. Many of our members use auto-DR to participate in DBP. Driving down the cost of automation is a desirable goal. However, many customers have good track records of load reductions without automation, and we are not convinced that it should be a requirement for participation in DR programs.

One very interesting idea that arose at the workshop was the establishment of a connection between allocation of certain costs and DR/load response. Walmart and ERCOT both mentioned that ERCOT's 4 CP methodology for allocating transmission costs encouraged customers to curtail loads during anticipated peaks based on forecasts of the upcoming peaks. If customers respond by reducing their loads during the 4 peak days, they have less cost allocated to them. We understand that there is a similar policy at PJM for allocation of the costs of resource adequacy on a 5 CP basis. This is a possibility that should be considered by the utilities, CPUC, and CAISO.

Respectfully submitted,

/s/

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