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California Efficiency + Demand Management Council Statement on Slow Demand Response and Proxy Demand Resource Tariff Revisions – July 22, 2020

Good afternoon. My name is Greg Wikler and I am the Executive Director of the California Efficiency + Demand Management Council. The Council, established in 2009, is a statewide trade association of non-utility companies that provide energy efficiency, demand response, and data analytics products and services throughout California. Our members include implementation and evaluation firms, engineering and architecture firms, data analytics firms, contractors, financing experts, energy service companies, workforce trainers, and product manufacturers/distributors. Our members include over 65 companies and organizations, who employ a large portion of California's 320,000+ efficiency and demand management workforce. We advocate at the CPUC, CEC, and CAISO, as well as with state legislators and the Governor's office to ensure the optimal delivery and achievement of efficiency and demand management resources that are vital to the State for achieving its ambitious carbon reduction goals.

Thank you for the opportunity to address the CAISO Board of Governors today on the CAISO's Slow Demand Response and Proxy Demand Resources proposal. Though we are supportive in concept, we continue to have several concerns about this initiative that relate to a troubling lack of definition and clarity. Before I explain further our concerns, I would like to give credit where it is due and thank the CAISO for fulfilling its commitments made at its 2016 Executive Appeals Committee meeting to develop an operational solution to enable demand response resources that require more than 20 minutes to dispatch to qualify as local capacity resources. However, "the devil is in the details" and we have significant concerns about the details in this context.

As a fundamental principle, we continue to disagree with the CAISO's interpretation of NERC rules that a resource must be dispatchable within 20 minutes following an N-1 contingency. No other wholesale electric market operator in the country applies this same interpretation and, in the opinion of the Council, the CAISO has never adequately explained why their interpretation is more appropriate. We of course respect the CAISO's prerogative to take the steps it feels are necessary to maintain grid reliability but we believe the best practices from other market operators can be a valuable guide in instances of ambiguity in the NERC standards.

The CAISO's proposed January 1, 2021 implementation date is problematic because it appears to be adopted without coordinating with the California Public Utilities Commission Resource Adequacy rules. The CPUC sets operating requirements for demand response resources to qualify as Resource Adequacy capacity but the CAISO's implementation time frame prevents the alignment of the CPUC's and CAISO's rules on this issue. A key piece of missing information is the expected frequency of pre-contingency dispatch for demand response resources, which is critical for the CPUC to establish minimum dispatch requirements.

The CAISO's proposed implementation date is also out of alignment with the State IOUs' demand response program cycles. The current IOU demand response program cycle runs through 2022 and we maintain that it will be very difficult to make such significant changes to the IOU programs mid-cycle due to what could be a significant change in expected dispatch frequency which could in turn significantly alter demand response program cost-effectiveness.

On a more practical level, the Council is highly concerned about the lack of detail and transparency associated with the initiative. Specifically, it is unclear how frequently demand response resources can expect to be pre-contingency dispatched in specific local areas. This is a critical question for demand response providers because they must be able to manage their customers' expectations of dispatch frequency which will impact whether they will be able to provide Local Resource Adequacy. The Council has requested additional information on this in its comments, but the CAISO has not provided a response which could be accomplished by looking back at prior years. Furthermore, the CAISO has not explained whether or how it plans to count IOU demand response programs given that the CPUC recently declined to require the IOUs to include their demand response programs in their supply plans. For example, would the CAISO simply disregard the local capacity value of these resources in contradiction with the CPUC's rules? Without clarity and transparency on these questions, demand response providers may be less able to provide Local Resource Adequacy which could undermine the purpose for the CAISO's development of this Slow Demand Response mechanism. Another critical question is whether a demand response resource located in a local area will be required to provide local capacity or whether the provider will have the discretion to decide.

The Council respectfully urges the Board of Governors to decline to adopt the proposed tariff revisions and direct CAISO staff to provide the necessary clarity, and work with all stakeholders, including the Council, CPUC and IOUs, to ensure there is a consistent set of rules across the CPUC Resource Adequacy and IOU demand response program designs.

Thank you again for this opportunity to address the Board of Governors.

Sincerely,

Greg Wikler
Executive Director
California Efficiency + Demand Management Council