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Council Comments on CAISO RAIM Exemption Option Proposal and Tariff Language

Introduction

The California Efficiency + Demand Management Council (“Council”) thanks the California Independent System Operator (“CAISO”) for the opportunity to comment on its June 10, 2021 Resource Adequacy Availability Incentive Mechanism (“RAAIM”) Exemption Option for Variable-Output Demand Response Valued under an Effective Load Carrying Capability (“ELCC”) of Similar Methodology final proposal and tariff language. The Council has some concerns regarding this proposal and its fixation on an ELCC methodology when doing so 1) is contrary to an impending California Public Utilities Commission (“CPUC”) decision, and 2) unnecessarily constrains the CAISO in its proposed tariff revisions.

General Comments

The Council has strong concerns with the CAISO’s efforts to force an ELCC-based Qualifying Capacity (“QC”) methodology on DR resources as a pre-condition for qualifying for the RAIM exemption. The CPUC’s proposed decision in Track 3B.1 and Track 4 of the Resource Adequacy proceeding explicitly specified that use of an ELCC-based QC methodology was not a prerequisite for DR to be classified as a Variable Energy Resource. It is inappropriate for the CAISO to circumvent the CPUC’s jurisdiction by creating a contradictory requirement because it is the CPUC’s jurisdiction to decide how QC values are determined.

Furthermore, as the Council has highlighted on numerous occasions, the CAISO has made no effort to study the effectiveness or accuracy of an ELCC methodology on third-party DR resource categories such as Demand Response Auction Mechanism (“DRAM”), Resource Adequacy (“RA”), and Local Capacity Requirements (“LCR”) contracts. This is critical because, as the Council has noted in past comments on using an ELCC methodology for DR resources, there should not be a single DR ELCC factor that is applied across all DR. This would eliminate any incentive for DR providers to deploy DR resources that would otherwise have a higher ELCC factor than the one applied to IOU DR programs. The CAISO should direct its consultant to perform the same analysis on third-party DR resources as it has done with IOU DR programs to ensure that its ELCC methodology provides an incentive for IOU and DR providers to deploy the highest quality DR they can.

The CAISO proposes to amend its tariff by adding a new Section 40.9.2(b)(1)(D) section (D) to include Proxy Demand Resources (“PDR”) and Reliability Demand Response

Resources (“RDRR”), in the list of resource types that are exempt from RAIM when providing local and system RA capacity so long as these DR resources have their QC set through an ELCC-based methodology or a substantially similar methodology. It also proposes to amend Section 40.6.4.1 to grant the “expected energy” must-offer obligation to PDRs and RDRRs, just as it is today for conditionally-available resources and run-of-river hydro.

As a backdrop to the CAISO’s proposal is the CPUC’s Track 3B.2 proposed decision in the Resource Adequacy (“RA”) proceeding that would direct parties to continue developing the Pacific Gas and Electric (“PG&E”) “slice-of-day” proposal for a new RA regime, with the potential to add some elements of other parties’ proposals. Assuming the CPUC approves its proposed decision without substantive modifications, a great deal of work remains to be done before it will be clear what the final version of the slice-of-day proposal will actually look like. This is a potential risk factor in that it is not completely clear how an ELCC or similar methodology will interact with the slice-of-day model because it would segment RA requirements and, by extension, resource availability requirements, by four-hour slices. The CAISO has made it clear that an ELCC is their preferred approach for calculating DR QC values, but it may be that this approach is not optimal under the final slice-of-day proposal. The CAISO should leave itself some “wiggle room” in its proposed tariff language to have the flexibility to allow a QC methodology that is not ELCC-based should it later change its mind. To this end, the Council recommends the following edits to the new Section 40.9.2(b)(1)(D) section (D):

Demand Response Resources whose Qualifying Capacity is established using an effective load carrying capability methodology (as that term is used in Section 399.26(d) of the California Public Utilities Code, or a successor provision) or an alternate methodology that the CAISO determines, in its sole discretion, accurately reflects their Qualifying Capacity value ~~is substantially similar to the effective load carrying capability methodology.~~

The Council appreciates this opportunity to comment on the RAIM Exemption Option proposal and tariff language.

Sincerely,



Greg Wikler, Executive Director, California Efficiency + Demand Management Council