Comments on Demand and Distributed Energy Market Integration Track 1 Straw Proposal and Track 2 Issue Paper

California Large Energy Consumers Association

March 27, 2025

1. **Please provide your organization's feedback on the DDEMI meeting discussion on March 13, 2026, and "Demand and Distributed Energy Market Integration Track 1: Straw Proposal: Reflecting End-User Exports in Demand Response and Track 2: Demand Flexibility Enhancements" paper.**

The California Large Energy Consumers Association (CLECA)[1] appreciates the opportunity to comment on the Demand and Distributed Energy Market Integration (DDEMI) Track 1 Straw Proposal and the Track 2 Issue Paper. CLECA supports the Track 1 Straw Proposal on end-user exports and offers the following comments on the Track 2 issues.

CLECA represents large load industrial customers and participated consistently and actively in this process on that basis. CLECA presented on reliability demand response resource (RDRR) issues at Working Group Session 6,[2] alongside SCE as one of two stakeholder presenters on RDRR. Large load stakeholders are directly engaged in this process and merit fuller consideration within the scope of this initiative. CLECA requests CAISO clarify its statement that "the DDEMI working group had limited direct engagement with large load stakeholders."[3] That statement does not reflect CLECA's experience with and active engagement in the DDEMI working group and warrants revision.

Under the current proposal, CAISO has placed RDRR minimum on-time (MOT) and startup costs among longer-term topics not being advanced at this time. By contrast, the only RDRR issue from Problem Statement 3 selected for near-term advancement is the 100 MW discrete dispatch limit, which was raised by investor-owned utilities (IOUs). CLECA does not oppose that reform, but the current scope fails to address the RDRR issues raised by stakeholders representing large industrial loads.

CLECA is very concerned that the Track 2 scope fails to adequately address RDRR issues that were proposed *and prioritized* by stakeholders in the 2024 Catalog process and further scoped during the DDEMI Working Group process. CLECA proposed RDRR reforms as priorities for current and prospective

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[1] CLECA member companies produce goods essential for daily life, including critical infrastructure, oxygen for hospitals, and food distribution. CLECA members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electric demand is about 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in the Base Interruptible Program (BIP), providing reliability demand response to the grid in times of need. (For more information, please go to CLECA.org).

[2] California Large Energy Consumers Association (CLECA), *Working Group Session 6: Problem Statements and Stakeholder Presentations* (July 8, 2025), available at: https://stakeholdercenter.caiso.com/InitiativeDocuments/CLECA-Presentation-Demand-and-Distributed-Energy-Market-Intgeration-Jul8-2025.pdf

[3] California Independent System Operator, *Demand and Distributed Energy Market Integration Working Group Straw Proposal and Issue Paper,* page 22 (March 11, 2026), available at: https://stakeholdercenter.caiso.com/InitiativeDocuments/Straw-Proposal-and-Issue-Paper-Demand-and-Distributed-Energy-Market-Integration-Mar-13-2026.pdf

RDRR participants that would improve dispatch accuracy. However, the current proposal does not include any of those issues for near-term or mid-term advancement. Specifically, the Issue Paper does not advance the priority issues CLECA identified in its comments on the DDEMI Discussion Paper:[4]

- Problem Statement 3.1: Inclusion of startup costs for RDRRs
- Problem Statement 3.2: Revision of the RDRR minimum MOT requirement

CAISO's proposal to forgo MOT reform has not been adequately justified. As CLECA has repeatedly explained, the current one-hour MOT does not reflect the operating realities of many large industrial loads, which cannot cycle on and off over short timeframes. The current MOT may discourage participation by customers capable of providing reliable, predictable demand response capacity. Continued deferral of MOT reform is therefore difficult to reconcile with DDEMI's objective of enhancing demand flexibility. In the DDEMI Discussion Paper, CAISO staff stated that a more accurate representation of MOTs would be "operationally valuable to the ISO" and that recognizing a longer MOT in Real-Time Pre-Dispatch (RTPD) would be "relatively straightforward" to implement.[5]

Despite this record, CAISO now characterizes MOT reform as a longer-term topic that may not be feasible without fundamental reforms to the Short-Term Unit Commitment (STUC) process. CLECA's Working Group Session 10 comments proposed a phased approach intended to address exactly that concern. Under a phased approach, CAISO would first expand the allowable MOT to align with the RTPD horizon of seven intervals, which staff indicated would not require STUC modifications, and then consider further alignment with the STUC horizon as implementation issues are resolved.[6]

This proposal already reflects a compromise from CAISO's prior work on this issue. In January 2024, CAISO published a Final Proposal that would have removed the one-hour MOT restriction and allowed a combined start-up time and minimum on-time of up to 255 minutes, aligned with the STUC horizon.[7] That January 2024 proposal included draft tariff language and was scheduled for Board and WEIM Governing Body approval in February 2024. The underlying policy work was complete, and CAISO staff stated the initiative's purpose was to "provide operational benefit by more accurately reflecting RDRRs' minimum on time in the markets during stressed conditions."[8] However, the effort was paused due to temporary uncertainty about how CAISO dispatch considered MOT, an issue that the DDEMI Working Group process has since clarified.

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[4] California Large Energy Consumers Association (CLECA), *Comments on Final Discussion Paper* (Dec. 12, 2025), available at: https://stakeholdercenter.caiso.com/Comments/AllComments/89fdaba8-1acf-4d66-bb37-182547f60193#org-38616ec9-8b05-46cb-8937-bb2a51b95f49

[5] California Independent System Operator, *Demand and Distributed Energy Market Integration Working Group Discussion Paper*, Page 21, (Nov. 26, 2025),available at https://stakeholdercenter.caiso.com/InitiativeDocuments/Discussion-Paper-Demand-and-Distributed-Energy-Market-Integration-Nov-26-2025.pdf

[6] California Large Energy Consumers Association (CLECA), *Comments on Working Group Session 10* (Nov. 4, 2025), available at: https://stakeholdercenter.caiso.com/Comments/AllComments/2f80e46e-e576-427a-b671-f2a9b4ae390a#org-fc052b3d-b883-4c78-b26a-d09bda798fb4

[7] California Independent System Operator, *Reliability Demand Response Resource Minimum On Time, Final Proposal*, (Jan. 18, 2024), available at https://www.caiso.com/documents/final-proposal-reliability-demand-response-resource-minimum-on-time-jan18-2024.pdf

[8] *Id.,* at page 2.

Given this history, CLECA strongly encourages CAISO to expand the MOT to the RTPD horizon with near-term implementation, while deferring potential evaluation of STUC changes to a future process. This proposal seeks less than what CAISO was prepared to implement two years ago.

CLECA's responses to the remaining questions below address the specific issues raised in the Straw Proposal and Issue Paper. At the same time, CLECA respectfully emphasizes that the exclusion of its RDRR priorities, particularly MOT reform, is highly problematic and strongly encourages CAISO to revise the scope to include these priorities before issuing the Draft Final Proposal.

2. **Please submit your organization's overall comments on Track 1.**

CLECA supports the general direction of the Track 1 Straw Proposal to remove the customer-level zeroing requirement and replace it with a resource-level aggregate floor. The current zeroing rule limits the potential capability of demand response resources. Correcting this accounting barrier would allow demand response providers to offer the full capability of their resources in CAISO markets, increasing resource availability during periods of system need.

3. **Should the change in the straw proposal apply to all PEMs or be limited to MGO? Why or why not?**

CLECA supports applying the proposed change to all performance evaluation methodologies (PEMs), not just the metering generator output (MGO) methodology, since the underlying problem exists across all methodologies.

The CAISO tariff requires zeroing out exporting intervals for the MGO PEM, while a broader prohibition on reflecting exports applies across all PEMs through the Demand Response Business Practice Manual. Because most demand response resources use day matching,[9] the Straw Proposal appropriately applies the reform to all PEMs. Limiting the reform to MGO would have minimal practical impact and would not achieve the stated objective.

4. **Are there considerations not mentioned in the paper for how individual end-use customers within a PDR should be treated (e.g., specifying which individual exporting customers should be zeroed out, or applying a pro-rata approach across all customers)?**

CLECA does not have specific concerns with the proposed approach. CAISO receives and settles aggregated meter data at the resource level, and no ISO business function requires customer-level specification. Demand response providers (DRPs) should retain flexibility in managing this calculation.

5. **Provide your organization's feedback regarding the proposal for exporting customers to have an approved interconnection for export onto the distribution system.**

[9] California Independent System Operator, *Demand and Distributed Energy Market Integration Working Group Straw Proposal and Issue Paper,* page 11 (March 11, 2026), available at: https://stakeholdercenter.caiso.com/InitiativeDocuments/Straw-Proposal-and-Issue-Paper-Demand-and-Distributed-Energy-Market-Integration-Mar-13-2026.pdf

CLECA supports this requirement. Requiring an approved distribution export interconnection, such as a Rule 21 export agreement, before exports are counted is a reasonable safeguard.

6. **Please submit your organization's overall comments on Track 2.**

As stated in CLECA's response to Question 1, CLECA's principal concern with the current Track 2 scope is the exclusion of RDRR reforms that were prioritized in the 2024 Catalog process, and which CLECA has consistently identified as priorities throughout the DDEMI process, most importantly, the expansion of the RDRR MOT. CLECA urges CAISO to reconsider the MOT to the RTPD horizon and include it in the Draft Final Proposal.

On the Track 2 topics that are within scope, CLECA focuses its comments on three areas of direct relevance to large industrial and commercial customers: the treatment of RDRR for WEIM/EDAM purposes (Question 9), large load participation pathways (Question 10), and the RDRR discrete dispatch limit (Question 11).

7. **What locational construct, such as sub-LAP, CLAP, or BAA-level aggregation, facilitate reliable demand response market participation in WEIM/EDAM BAAs?**

No comment.

8. **Is DRRS suitable for demand response resources outside the CAISO BAA, or should other BAA-managed registration systems be explored? Why or why not?**

No comment.

9. **Does your organization support the ISO pursuing modifications to the existing RDRR construct to capture WEIM/EDAM BAA considerations? What modifications would you recommend and why? Alternatively, should the ISO consider developing a new reliability-triggered demand response product applicable to all BAAs?**

CLECA does not support modifying the existing RDRR construct to accommodate WEIM/EDAM balancing authority area considerations. The current RDRR was carefully constructed through a negotiated settlement process to meet California-specific reliability needs within the California-specific RA construct. Its design elements, including bidding requirements at 95 to 100 percent of the real-time bid cap, reflect California-specific regulatory, operational, and program structures. These features were developed with input from California stakeholders and approved by the CPUC.

Modifying RDRR to serve a broader regional purpose introduces unnecessary risk and complexity that changes made to accommodate other BAAs could alter how the product functions for California participants. CAISO itself acknowledges in the Issue Paper that the RDRR's current approach "may not align with how other BAAs want to bid and make available their reliability DR program."[10] That

[10] California Independent System Operator, *Demand and Distributed Energy Market Integration Working Group Straw Proposal and Issue Paper,* page 13 (March 11, 2026), available at: https://stakeholdercenter.caiso.com/InitiativeDocuments/Straw-Proposal-and-Issue-Paper-Demand-and-Distributed-Energy-Market-Integration-Mar-13-2026.pdf

misalignment is a reason to build something new that works for all BAAs, not to reshape a product that was specifically designed for California participants.

10. **Do the proposed large load participation pathways adequately reflect the capabilities and preferences of large load? If not, what changes would you recommend and why? Is there other industry guidance or participation frameworks the ISO should be aware of?**

CLECA finds the decision tree framework to be a useful starting point but identifies several areas where it does not fully reflect how large industrial and commercial customers approach demand flexibility.

- First, the threshold question of whether a large load is "revenue-seeking" may be overly prescriptive and fail to capture how most CLECA members participate. For many large industrial customers, demand flexibility is motivated by cost management, bill stability, and reliability contribution, not just wholesale market revenue alone. The framework should not funnel these customers into supply-side models only when their primary objective is cost avoidance or voluntary curtailment during system stress events.

- Second, large industrial loads have operational constraints that differ from aggregated residential or commercial demand response. Minimum run times, process safety requirements, ramp limitations, and restart costs are inherent to industrial operations. The participation pathways should accommodate these characteristics rather than requiring large customers to fit into models designed for distributed energy resource aggregations.

- Third, administrative complexity remains a significant barrier. Metering and registration requirements should be proportionate to the flexibility being offered. Where a large customer is willing to curtail voluntarily during reliability events, the requirements to do so should not exceed the value of participating.

11. **Should the exception criteria for the 100 MW RDRR discrete dispatch limit be modified to better accommodate large aggregated demand response portfolios? Why or why not?**

CLECA supports modifying the exception criteria for the 100 MW RDRR discrete dispatch limit. The proposed change from "and" to "or" in the exception criteria is a practical improvement. The Issue Paper correctly identifies that many aggregated portfolios, including those operated by California's IOUs, cannot be meaningfully subdivided into sub-resources below 100 MW without creating artificial fragmentation and administrative overhead that does not reflect how these programs are designed or deployed.

12. **Please provide any additional comments, feedback, or examples. You may upload examples or data using the Attachments field below.**

CLECA reiterates the central concern raised throughout these comments: none of the RDRR reforms that CLECA identified as priorities during the DDEMI Working Group process have been included in the near-term or mid-term scope of this initiative.

Of these, MOT reform remains CLECA's most urgent concern. CLECA's comments in the Working Group Session 10 proposed a concrete, near-term compromise: expanding the allowable MOT to align with the RTPD horizon of seven intervals. CAISO's own staff assessed this pathway as relatively straightforward to

implement and confirmed it would not require modifications to STUC. CAISO failed to substantively explain why this incremental step cannot be included in the current scope.

Continued deferral of these issues irreconcilable with DDEMI's stated objective of enhancing demand flexibility. CLECA has invested significant time in the 2024 Catalog and this stakeholder process and did so in good faith that stakeholder input would meaningfully inform CAISO's policy. Including MOT reform in the current scope would demonstrate that the stakeholder process produces meaningful results and would strengthen the case for continued engagement by stakeholders, including large load customers.