



## Stakeholder Comments Template

### Local Resource Adequacy with Availability-Limited Resources and Slow Demand Response Draft Final Proposal

This template has been created for submission of stakeholder comments on the *Local Resource Adequacy with Availability-Limited Resources and Slow Demand Response Draft Final Proposal* that was published on October 2, 2019. The proposal, stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ResourceAdequacyEnhancements.aspx>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on October 24, 2019.

Submitted by	Organization	Date Submitted
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**Please provide your organization’s comments on the following topics. When applicable, please indicate your organization’s position on the topics below (Support, Support with caveats, Oppose, or Oppose with caveats). Please explain your rationale and include examples if applicable.**

#### 1. Local Assessments with Availability-Limited Resources

- Please provide your organization’s feedback on the *Local Assessments with Availability-Limited Resources* proposal as described in *Section 3*.

CLECA supports this proposal generally. The inclusion of energy (MWh) requirements in the local capacity areas in the annual Local Capacity Technical studies, in addition to the peak load (MW), is an improvement which should help guide acquisition by load serving entities of the necessary resources to meet the local reliability need.

## 2. Slow Demand Response

- Please provide your organization's feedback on the *Slow Demand Response* proposal as described in *Section 4*.

CLECA appreciates the CAISO's recognition that Slow Reliability Demand Response Resources (RDRR) does provide local reliability value within the 20 minutes that CAISO seeks after a contingency. However, we have concerns with the current proposal which attempts to compromise on the accounting for Local RA for Slow RDRR, with the following:

These include showing the resource for the amount they can respond within 20 minutes for both local and system or counting their full capability for system only.

This proposal is an improvement, since it recognizes that Slow RDRR does provide reliability value through the amount that responds within 20 minutes. The following example will present the basis for our concerns. Consider a 30-minute notice period RDRR which has 100 MW that can achieve an 80 MW load reduction within 20 minutes. Under the CAISO's latest proposal, this forces a choice between:

- 1) Counting 80 MW for Local and System RA, ignoring 20 MW of System RA value
- 2) Counting 100 MW for only System RA, ignoring 80 MW of Local RA value.

Both of these options can result in the acquisition of unnecessary generation or storage resources in RA supply plans because the contribution of the preferred DR resource is ignored. In option 1, the LSE may need to acquire 20 MW of unnecessary physical resources to meet its System RA obligation. Under option 2, the LSE may need to acquire 80 MW of unnecessary resources. This outcome runs counter to the state's Loading Order, which requires using energy efficiency and demand response before acquiring other resources.

We propose that for the determining capacity for RA purposes, two capacity values for slow RDRR could be used. Using the example above, 80 MW would be used to pass the Local RA test and 100 MW for the System RA test.

Attached are CLECA's comments that were submitted on July 24, 2019, on this issue. These include a discussion of Decisions at the California Public Utilities Commission which has supported counting the 20-minute performance of a slow DR program for Local RA.

In summary, please provide your organization's position on the *Local Capacity with Availability-Limited resources and Slow Demand Response Draft Final Proposal*. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats and explain your rationale)

The current proposal for Slow RDRR is a definite improvement over the prior proposal which would have resulted in a zero contribution to Local RA for slow RDRR; which contradicted prior CPUC decisions on this issue. However, we believe the current proposal as drafted may still result in unnecessary procurement as explained above. If CLECA's pragmatic suggestion to use two capacity values, one for Local RA and another for System RA, for slow RDRR is accepted, then CLECA would support this proposal.

### 3. Local Resource Adequacy

- Please provide your organization's feedback on the *Local Capacity Assessments with Availability Limited Resources* as described in *Section 5.3.1*.

CLECA does not have any comments on this section at this time but may comment on future proposals.

- Please provide your organization's feedback on the *Meeting Local Capacity Needs with Slow Demand Response* as described in *Section 5.3.2*.

CLECA continues to disagree with the CAISO's assertion that slow response Reliability Demand Response Resources (RDRR) cannot provide any local reliability support. If 80% of a 30-min 100 MW RDRR can respond in 20 minutes, then 80 MW should count toward meeting local reliability value. This sound principle has been adopted by the CPUC and repeatedly confirmed for purposes of setting local RA requirements. After first rejecting the Calpine proposal that a 20-minute response time requirement be imposed on demand response resources in 2015,<sup>1</sup> for the past four years (2016, 2017, 2018 and 2019), the CPUC has reiterated its reasoning. In 2016, the CPUC stated:

We plan, instead [of imposing a 20-minute response time requirement], to undertake significant effort, in collaboration with CAISO, DR providers, and other parties, to develop an implementation of this new policy that is consistent with our continued, strong support of DR as a preferred resource. ... As a threshold matter, we agree with the CAISO that local RA resources should be useful to the CAISO in operating the grid reliably, in accordance with applicable standards. ... On the other hand, we agree with SCE that the portion of a resource that reliably responds within the required period (even if less than 100%) should be counted for local RA. ... Finally, we agree with parties who argue the details of these matters could unnecessarily diminish DR. ... Further, we wish to avoid instituting unduly narrow or discriminatory restraints on

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<sup>1</sup> CPUC D. 15-06-063, at 35 (recommending re-evaluation in the future).

DR through the RA program; instead we want to allow maximum flexibility to DR providers.<sup>2</sup>

The CPUC concluded that the CAISO stakeholder process should include five tasks, with the fifth task being:

***Identify a method to calculate the portion of a slower responding DR program that can reliably respond within the required period, and therefore be counted for Local RA.***<sup>3</sup>

The CPUC ended its discussion of the issue in 2016 by stating:

We encourage the parties to work quickly, but without sacrificing quality or due process. If more time is needed to carefully implement these requirements, that time should be taken.<sup>4</sup>

In 2017, the CPUC stated:

SCE argues that if a 20-minute requirement is adopted, the portion of a slow response resource that can reliably respond within 20 minutes should receive local RA credit. (Id.) A number of parties support this proposal, including PG&E (PG&E January 13, 2017 Comments at 12), California Large Energy Consumers Association (CLECA) (CLECA January 13, 2017 Comments at 17) and NRG (NRG January 13, 2017 Comments at 15).

While we are not adopting a 20-minute requirement here, the idea underlying SCE's proposal is consistent with this Commission's determination in D.16-06-045 that: "[T]he portion of a resource that reliably responds within the required period (even if less than 100%) should be counted for local RA." (D.16-06-045 at 36.) We reiterate that determination here, but note that SCE (and other parties) acknowledge that further work in this area (coordinated with the CAISO) is necessary.<sup>5</sup>

In 2018, the CPUC referenced its prior decisions and noted (again) the need for further work by the CAISO and stakeholders.<sup>6</sup> Most recently, in 2019, the CPUC explained, in connection with local RA requirements, that "[t]he CAISO clarifies that it is not proposing specific or new requirements."<sup>7</sup> The Commission stated:

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<sup>2</sup> CPUC D.16-06-045, at 34-36.

<sup>3</sup> CPUC D.16-06-045, at 37 (emphasis added).

<sup>4</sup> CPUC D.16-06-045, at 38.

<sup>5</sup> CPUC D. 17-06-027, at 22.

<sup>6</sup> CPUC D. 18-06-030, at 46-48 ("Many parties suggest that further works needs to be done. We agree").

<sup>7</sup> CPUC D. 19-06-026, at 52.

The Commission plans to work closely with the CAISO to ensure that availability needs are met in all local reliability areas.<sup>8</sup>

CLECA submits that that work still includes the as-yet unfinished fifth task:

***Identify a method to calculate the portion of a slower responding DR program that can reliably respond within the required period, and therefore be counted for Local RA.***<sup>9</sup>

This treatment is consistent with the energy policy preference for demand response.

The CAISO assumption also ignores the resource's capability. It is no different from a traditional resource with a slow ramp rate. Some changes to CPUC RA accounting rules may be required for certain RDRR resources that would need to have two RA values, one for local and another for system. The RA accounting for local and system already uses two different load targets, local and system, so there is no reason why two different capacity values cannot be developed and used in determining the respective RA compliance for local and system.

In summary, please provide your organization's position on Local Resource Adequacy (Section 5.3). (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

CLECA continues to oppose the CAISO's blanket proposal not to count 30-minute RDRR for local RA capacity as it disregards the clear, repeated directives of the CPUC; we note that California law vests jurisdiction over setting RA requirements with the CPUC, while giving the CAISO a consulting role.<sup>10</sup>

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<sup>8</sup> CPUC D. 19-06-026, at 52.

<sup>9</sup> CPUC D.16-06-045, at 37 (emphasis added).

<sup>10</sup> *P.U.Code § 380 (a) "The commission, in consultation with the Independent System Operator, shall establish resource adequacy requirements for all load-serving entities."* (emphasis added).