

Stakeholder Comments

Energy Storage and Distributed Energy Resources (ESDER) Revised Draft Final Proposal

**Department of Market Monitoring
February 2, 2016**

I. Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the ESDER Revised Draft Final Proposal. We generally support the ISO's proposal. Below we provide more specific comments on particular aspects of the initiative.

II. PDR/RDRR enhancements

DMM supports the proposed PDR/RDRR alternative performance evaluation methodologies. Specifically, DMM supports the ISO's proposed use of an adjustment for typical load modifying behavior in the metering generator output (MGO) "Option B2 – Generation Offset Only" configuration. DMM appreciates the challenges and limitations present with any baseline methodology. We have discussed some of the problems and concerns with baseline methodologies in our public comments on past initiatives¹. However, based on our understanding of the ISO's proposed method to approximate typical load modifying behavior of a behind-the-meter generation device, any inefficiencies in the proposed baseline methodology do not appear to be significantly different than those present with the ISO's other baseline methodologies. The use of an adjustment for typical load modifying behavior represents a significant improvement over earlier proposals to measure wholesale demand response quantity as the full output of the behind-the-meter generation resource.

We support Southern California Edison's (SCE) proposed modifications to the MGO framework. These proposed modifications involve limiting the hours excluded from baseline calculations by limiting the hours considered as "event hours." With these modifications, "event hours" would only include hours in which the resource was dispatched on a real-time price greater than or equal to the DR Net Benefits price. If the resource was dispatched when the real-time price was below the DR Net Benefits price, the hour would not be considered an "event hour" and would be considered typical load modifying behavior for baseline purposes. These modifications would discourage using artificially low bid prices to manipulate the baseline. However, using the DR Net Benefits price in this manner may penalize any MGO resource whose true marginal cost is below the DR Net Benefits price.

¹ "Comments on Draft Final Proposal for Design of Proxy Demand Resource (PDR)", Department of Market Monitoring, August 14, 2009:

<http://www.caiso.com/Documents/DMMCommentsonDraftFinalProposal.pdf>

DMM also supports the ISO's proposed clarifications to the Baseline Type II (statistical sampling) for PDR/RDRR resources. We understand the approach to be statistically sound and aligned with practices of other ISOs. DMM has provided extensive input to the ISO on the importance of a robust sampling approach which controls for statistical sampling bias. Based on DMM's discussion with the ISO on this issue, we understand that the ISO will implement a sampling approach which adequately represents the population being analyzed.

III. NGR enhancements

The ISO's proposed NGR enhancements appear reasonable. We note that some aspects of the proposed NGR enhancements, such as the submitted state of charge in the day-ahead market, introduce new and somewhat unique intertemporal constraints between the day-ahead and real-time markets. While this is unlikely to be a significant issue at this time, we encourage the ISO to revisit this topic and related settlement implications in future initiatives.