

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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Please use this template to provide your comments on the Revised Straw Proposal posted on September 17, 2015 and as supplemented by the presentation and discussion during the stakeholder web conference held on September 28, 2015.

Submit comments to [InitiativeComments@caiso.com](mailto:InitiativeComments@caiso.com)

[Comments are due October 9, 2015 by 5:00pm](#)

All documents for the energy storage and distributed energy resources (ESDER) initiative, including the September 17, 2015 Revised Straw Proposal and the presentation discussed during the September 28, 2015 stakeholder web conference, are available on the webpage for the ESDER initiative at:

[http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyStorage\\_AggregatedDistributedEnergyResources.aspx](http://www.caiso.com/informed/Pages/StakeholderProcesses/EnergyStorage_AggregatedDistributedEnergyResources.aspx)

### **Proxy Demand Resource (PDR)/Reliability Demand Response Resource (RDRR) enhancements**

Please provide your comments in each of the two areas of proposed enhancement.

1. Consider/develop an alternative ISO Type 1 performance evaluation methodology based on metering generator output (MGO) concepts.
  - a. What is your opinion on the MGO options being considered to represent performance of load offsetting behind the meter generation?
  - b. What specific options do you believe need further evaluation in terms of its appropriate use under PDR/RDRR performance measurement methodology?

- c. Are there additional variants, specific to configuration B, needing further consideration (i.e. baseline of directly meter generator/device). If so please provide examples of what the ISO might need to consider.
- d. Are there concerns on the use of MGO for “frequent” use of load offsetting behind the meter generation?
- e. What is your response to the ISO’s consideration of employing a “reservation of capacity” for load offsetting behind the meter generation to account for potential multi-use of the generator/device?

Comments:

ORA reviewed the three possible PDR/RDRR participation options under meter configuration B and supports CAISO offering Option B1, but not Options B2 and B3.<sup>1</sup> Option B1 proposes to measure and pay demand reduction provided by load itself and does not count any contribution to demand reduction provided by a Behind-The-Meter (BTM) generator or device e.g. back-up generators (BUGs), storage, etc. during Demand Response (DR) events. This method is consistent with the California Public Utilities Commission’s (CPUC) Demand Response Auction Mechanism (DRAM) requirement for IOUs to purchase Resource Adequacy (RA) credit from DR providers who participate in the CAISO markets.<sup>2</sup> The CPUC determined that participants of the DRAM must not rely on fossil-fueled BUGs<sup>3</sup> during DR events. More recently, the CPUC also introduced a staff proposal prohibiting the use of fossil-fueled BUGs in the broader IOU DR programs,<sup>4</sup> so the CAISO’s proposed Option B1 would be consistent with the CPUC’s current policy on BUGs.

ORA recommends that the CAISO consider replacing the current Baseline Type-I<sup>5</sup> with the proposed Option B1 as it will allow CAISO to accurately measure and pay only the DR provided by the load itself. If Baseline Type-I is still available to participants along with Option

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<sup>1</sup> Currently, the CAISO tariff allows for two baseline methodologies, Type-I and Type-II. Type-I uses historical interval meter data while Type-II uses statistical sampling. The CAISO ESDS proposes three additional baseline options:

- o B1 – DR reduction measures Net Load (N) minus Generation (G) [ (Demand Response Output (DRo) = Baseline (B) - (N-G) ]. All resources are behind the meter.
- o B2 – The generator is measured on its own meter and the demand response is a function of generator output only [DRo = G].
- o B3 – Both load and generation are metered separately. The baseline is measured as load minus generation. In the formula for this Option, the generation cancels out, leaving [DRo = B - N].

<sup>2</sup> CPUC Resolution E-4728, p.36-37.

<sup>3</sup> The CPUC defines fossil-fueled BUGs as follows: distributed generation technologies using diesel, natural gas, gasoline, propane, or liquefied petroleum gas, in combined heat and power (CHP) or non-CHP configuration.

<sup>4</sup> September 29, 2015 Administrative Law Judge’s Ruling Inviting Comments on Staff Proposal Regarding the Use of Fossil-Fueled Back-Up Generation in Demand Response Programs

<sup>5</sup> CAISO Revised Straw Proposal, p.19.

B1, customers would have no reason to report BTM generation by choosing Option B1 which could potentially reduce their payment for load reduction.

The Office of Ratepayer Advocates (“ORA”) does not endorse the proposed Options B2 (generation offset only) and B3<sup>6</sup> (load and generation offset). ORA agrees with the CAISO that it “would be problematic for the wholesale market to pay for demand response when the resource is generating to reduce a customer’s demand charges because the grid would experience no true demand response/load modification and no difference in day-to-day or interval-to-interval power flow because of ISO dispatch.”<sup>7</sup>

Under both options, a generating resource could be paid for DR when in actuality the resource is reducing its demand charges. Participants should not be paid for BTM generation that they would have produced in any case. Additionally, Option B2 bears no relationship to customer load reduction or net load. It simply assumes that output from a BTM generator provides an equivalent reduction in load without considering whether the customer employs any strategies to reduce load. Customers often purchase BTM generation for peak shaving. If they were compensated for load reduction under the demand response program when the load reduction would have occurred anyway due to peak shaving, the customer is compensated for behavior they were already engaged in. ORA considers reduction for both peak shaving and demand response to be double-counting. Therefore, this option is an arbitrary payment for generation unrelated to any DR provided by the load. Furthermore, if the demand response relies on fossil-fueled BTM generation, then it also runs contrary to CPUC’s long-standing policy against the use of BUGs in DR events to pay for such generation. Thus, ORA recommends the CAISO reject Options B2 and B3.

The CAISO proposal also mentions a possible solution to keep retail and wholesale response from a BTM device separate by requiring that the device “reserve” a portion of its capacity for retail activities and the remaining portion for wholesale purposes.<sup>8</sup> ORA disagrees. A “reservation” for wholesale purposes does not demonstrate whether or not the participant would have generated or discharged even without the dispatch from the wholesale market. Therefore, it presents the same potential for overcounting as noted above in options B2 and B3. As discussed before, this proposal also runs contrary to CPUC’s long-standing policy against the use of BUGs in DR events to pay for such generation.

For the reasons noted above, ORA recommends the CAISO consider replacing the current Baseline Type-I with the proposed Option B1 so participants are only paid for load reduction, and reject Options B2 and B3 as they are not consistent with the CPUC’s policy on

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<sup>6</sup> September 28, 2015 stakeholder web conference: CAISO clarified that only variant B3-2 is still a viable option for consideration.

<sup>7</sup> CAISO Revised Straw Proposal, p.26.

<sup>8</sup> CAISO Revised Straw Proposal, p.26.

the use of BUGs in DR and it is not clear how to determine whether or not the participant would have taken the action even without the DR dispatch.