

CalCCA’s Reply Comments on CAISO’s Business Practice Manual (BPM) Change Proposed Revision Request (PRR) 1280

Submitted by	Company	Date Submitted
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I. Summary

CalCCA submits the following reply comments on the revised PRR 1280 and the ISO’s responses to initial stakeholder comments posted on October 6, 2020. CalCCA opposes the PRR as it represents a significant shift in policy, which could have a material impact on rates, taken without the necessary procedural actions and its implementation schedule provides insufficient notice to affected load-serving entities (LSEs).

II. CAISO’s PRR 1280

CAISO’s PRR 1280 goes far beyond the realm of “implementation details” appropriate for changes to the BPM. Rather, the effects of PRR 1280 would significantly alter how the contributions of Demand Response (DR) resources are valued in meeting the state’s reliability requirements. DR has long been considered by California policymakers as a preferred resource, and investment in DR programs that meet energy and reliability needs is therefore prioritized by LSEs. CAISO’s proposal would undermine the value of these resources. Not only is this a significant policy shift, the BPM change could materially impact rates by effectively ignoring approximately 1,500 MWs of DR that have already been contracted for. This will appear as a sudden reduction in capacity and could lead to the CAISO identifying a system shortfall and procuring additional capacity, the cost of which will again be borne by customers. The significance of this change and the risk it introduces of increasing rates to California customers makes the BPM process an inappropriate venue for consideration.

III. CAISO’s Responses to Initial Comments of Stakeholders

CalCCA provides comments below on select responses from the CAISO to issues raised in initial stakeholder comments.

a. The timing of CAISO’s proposed BPM change provides insufficient notice to affected LSEs

Comment: It does not seem appropriate that this PRR could go into effect even while a potential appeal is pending.

CAISO Response: The CAISO is following its established BPM change management process.

As described in Section I above, the proposed BPM change would ignore DR resources historically applied as credits to CPUC-jurisdictional LSEs’ system RA requirements. Since 2006, the CPUC has

allocated the reliability contribution of IOU reliability resources, including DR resources, to its jurisdictional LSEs, reducing their system RA obligations by each LSE's proportional load-share. These allocations have already been administered for the 2021 RA year and LSEs have procured resources and prepared for their year-ahead filings, due 11 days from now, based on that information. For the CAISO to move forward with a change that affects the 2021 RA compliance protocols while LSEs rush to complete their year-ahead submissions is unreasonable and irresponsible. In fact, it seems likely that the BPM change will not be finalized until after the October 31st deadline for RA filings. Therefore, not only has CAISO not allowed sufficient time for LSEs to understand or respond to the BPM change in advance of its application, CAISO is proposing to retroactively change its reliability requirements for LSEs to be in direct conflict with the CPUC's current practices. Any change the CAISO makes to its rules around reliability requirements should be done in concert with the CPUC, such that both agencies are able to provide sufficient advance notice of the change and consistent guidance regarding its implications.

b. The proposed BPM change is procedurally defective

Comment: PRR1280 exceeds Board authority from Slow Demand Response initiative.

CAISO Response: Questions regarding LRA crediting were highlighted in the Slow Demand Response initiative but concerns on this matter cut across all aspects of RA. Further, the tariff amendments from that initiative are tied to financial settlement and accounting of slow demand response resources and do not speak to the crediting issue.

Comment: PRR1280 intrudes on state jurisdiction and exceeds CAISO authority.

CAISO Response: The PRR relates to aspects of the RA program that are within the CAISO's tariff authority. LRAs may set their planning reserve margin and establish qualifying capacity methodologies. Nothing about PRR1280 intrudes on LRAs' ability to exercise their authority on those matters.

Comment: PRR1280 is not an appropriate change for a BPM.

CAISO Response: The key outcome of PRR1280 is to ensure consistent treatment of all RA resources under the CAISO tariff and that resources counting towards meeting RA obligations be shown on RA supply plans. This outcome is consistent with existing tariff and as such, the CAISO finds it is an appropriate BPM change.

The CPUC's Energy Division, Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company have all pointed out in previous comments that the proposed change lacks the legal authority. It goes beyond the CAISO's legal authority in two ways:

- ✘ PRR 1280 exceeds the scope of CAISO Board of Governor's approval of requiring "slow demand response" to be placed on a local reliability supply plan in order for the CAISO to "see" these resources in determining resource sufficiency for the upcoming year.

- ✘ PRR 1280 intrudes on and undermines the CPUC's jurisdiction over the RA program; the CPUC as administrator of the RA program, not the CAISO, should control changes in the counting of resources for the upcoming year.

In addition, as discussed in Section II above, the effective elimination of a whole category of resources from compliance eligibility is not a mere implementation detail that should be handled in a BPM change, but a change of material consequence that should be handled through a tariff change submitted to and reviewed by FERC.