

131 FERC ¶ 61,110
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

California Independent System
Operator Corporation

Docket Nos. ER09-1048-001
ER06-615-057

ORDER GRANTING REHEARING

(Issued May 6, 2010)

1. On December 22, 2009, the California Independent System Operator Corporation (CAISO) filed a motion for clarification or, in the alternative, a request for rehearing of the Commission's November 19, 2009 Order¹ in this proceeding. The CAISO seeks clarification or rehearing of a single issue – the Commission's requirement that the CAISO permit demand response resources to stipulate the number of times they are dispatched from one output level to another during a given operating day. For the reasons set forth below, we grant the request for rehearing.

I. Background

2. In Order No. 719 and Order No. 719-A,² the Commission established reforms to improve the operation of organized wholesale electric power markets administered by independent system operators (ISOs) and regional transmission organizations (RTOs). The Commission established requirements in four areas: (1) demand response; (2) long-term power contracting; (3) market-monitoring policies; and (4) the responsiveness of RTOs and ISOs to customers and other stakeholders. These reforms are intended to improve wholesale competition to protect consumers in several ways: by providing more supply options, encouraging new entry and innovation, spurring deployment of new

¹ *Cal. Indep. Sys. Operator Corp.*, 129 FERC ¶ 61,157 (2009) (November 2009 Order).

² *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, 73 Fed. Reg. 64100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 31,281 (2008) (Order No. 719 or Final Rule), *order on reh'g*, Order No. 719-A, 74 Fed. Reg. 37776 (July 29, 2009), 128 FERC ¶ 61,059 (2009).

technologies, removing barriers to demand response, improving operating performance, exerting downward pressure on costs, and shifting risk away from consumers.³

3. Order No. 719 requires all ISOs to allow demand response resources to specify “a maximum number of times” that they “may be dispatched during a day.”⁴ As set forth in Order No. 719, these limits would be comparable to the limits that generators may specify on price, quantity, startup and no-load costs, and minimum downtime between starts.⁵ In its Order No. 719 compliance filing,⁶ the CAISO interpreted this directive to mean that demand response resources be allowed to specify the number of startups, i.e., the number of times they are turned from “off” to “on” during an operating day (an identical bidding parameter is afforded to generation resources).⁷ No protests were filed regarding that specific aspect of the compliance filing.

4. In our November 2009 Order, we found the CAISO misinterpreted Order No. 719’s directive, and required the CAISO to file tariff language that would allow demand response resources “the ability to specify the maximum number of times that they may be dispatched to a different output level during a day.”⁸

II. CAISO’s Motion for Clarification or Rehearing

5. The CAISO first asks for clarification that compliance with the Commission’s orders would merely require the filing of tariff language allowing demand response resources to specify the maximum number of dispatch periods for those resources during a day. Specifically, the CAISO requests clarification that it can comply with the Commission’s directive by providing Participating Loads with the ability to specify the maximum number of dispatch periods (i.e., periods in which the CAISO may dispatch the demand response resources below their base load to at least their minimum curtailment levels) for those resources during a day. In the alternative, the CAISO requests rehearing on this issue.

³ Order No. 719 at P 1.

⁴ *Id.* P 81.

⁵ *Id.*

⁶ CAISO April 28, 2009 Compliance Filing at 34.

⁷ *Id.*

⁸ November 2009 Order at P 37.

III. Responsive Pleadings and Procedural Matters

6. One January 7, 2010, State Water Project (SWP) filed an answer in opposition to the CAISO's motion and a request to file one day out of time.
7. On January 22, 2010, the CAISO filed a motion for leave to answer and answer to SWP's answer.
8. Rule 713(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.713(d) (2009), prohibits answers to requests for rehearing. Accordingly, we reject both the SWP and the CAISO answers.
9. Given our decision to grant rehearing, we need not address the CAISO's motion for clarification.

IV. Discussion

10. The CAISO emphasizes in its motion that it is developing enhancements to its Participating Load Program (PLP)⁹ that will allow demand response resources that seek to provide ancillary services in the CAISO markets to designate a large number of operational constraints, which are expected to include the following:

- A minimum load reduction time, which will allow a Participating Load to impose a minimum demand response period;
- A maximum load reduction time, which will limit the demand response duration, after which a Participating Load will be returned to its base load;
- A minimum base load time, which will allow a Participating Load to designate the minimum amount of time during which the resource must remain at base load (after returning to it) before the resource can again provide demand response;
- A maximum number of daily load reductions, which will allow a Participating Load to limit demand response periods in a Trading Day; and

⁹ The CAISO has previously explained that it operates a PLP that permits demand response resources to provide ancillary services (for which they are technically qualified to provide under the CAISO Tariff) in a manner analogous to supply resources. The CAISO has also committed to develop refinements to its PLP in its Market and Performance (MAP) initiative in order to be fully compliant with Order No. 719. November 2009 Order at P 17-21.

- A load reduction initiation time, which will allow a Participating Load to designate a prior notification time before the resource can enter a demand response period (where the resource schedule is reduced below the resource's base load).¹⁰

11. The CAISO states that these enhancements have been developed with substantial stakeholder input and represent the functionality needed to facilitate improved participation of demand response resources in the ISO markets. Moreover, the CAISO's Proxy Demand Resource (PDR)¹¹ proposal also includes similar bidding parameters for aggregators of retail customers. The CAISO requests that the Commission clarify that these enhancements collectively allow the CAISO to comply with the bidding parameter requirements of Order No. 719.¹²

12. We grant rehearing in accordance with CAISO's explanation. We agree that these enhancements collectively allow the CAISO to comply with the bidding parameter requirements of Order No. 719. Without prejudging any of CAISO's future filings, to the degree the CAISO's anticipated enhancements to its PLP comport with the representations outlined in CAISO's rehearing request and testimony, we believe that the CAISO can comply with Order No. 719 by providing Participating Loads with the indicated enhanced bidding parameters, including the ability to specify the maximum number of dispatch periods (i.e., periods in which the ISO may dispatch the demand response resources below their base load to at least their minimum curtailment levels) for those resources during a day.

¹⁰ See CAISO, December 22, 2009 Request for Rehearing at 7-8 (citing Abdul-Rachman Aff. at 2-3).

¹¹ See CAISO Tariff Amendment to Implement Proxy Demand Resource Product, Docket No. ER10-765-000 (filed February 16, 2010); *see also* November 2009 Order at P 19.

¹² CAISO, December 22, 2009 Request for Rehearing at 8.

The Commission orders:

The request for rehearing of the CAISO is hereby granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.