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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.	**Rulemaking 21-10-002** **(Filed October 7, 2021)**

PETITION FOR MODIFICATION OF D. 23-06-029
BY THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION

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BY THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION

This petition for modification is filed pursuant to Rule 16.4 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure. The California Large Energy Consumers (CLECA)[1] seeks modification of Decision (D.) 23-06-029 (RA Decision) to protect Reliability Demand Response Resources (RDRR) and the Base Interruptible Program (BIP), which are essential to grid reliability.

For the multiple reasons detailed below, the RA Decision should be modified to clarify that only economic bids are allowed to be enabled during day-of EEA Watch conditions, defer implementation of the RDRR dispatch change until the California Independent System Operator (CAISO) tariff is changed to accurately reflect the physical characteristics of RDRR customers, and to allow BIP participants to opt out or change their firm service level now. Additionally, the

[1] CLECA member companies produce goods essential for daily life including critical infrastructure, oxygen for hospitals and food distribution. CLECA's members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electrical demand exceeds 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in BIP, providing reliability demand response to the grid in times of need.

RA Decision should be revised to retain, not eliminate, the Transmission Loss Factor (TLF) and Planning Reserve Margin (PRM) adders to the BIP incentive. This petition proposes specific wording to carry out the requested modifications, and justifies them with the new and changed facts detailed herein, which facts are judicially noticeable or supported by the attached sworn declaration.

I. INTRODUCTION AND BACKGROUND

The RA Decision revises the trigger level at which RDRR can be called in the CAISO market under the Energy Emergency Alert (EEA) system from EEA 2 to EEA Watch.[2] An EEA Watch generally occurs "when the Day-Ahead analysis is forecasting that one or more hours may be energy deficient."[3] An EEA Watch is a significantly less serious grid condition than the conditions specified in D.10-06-034 and the 2010 settlement agreement."[4] D.10-06-034 and the settlement agreement describe the "key features" of RDRR, which include that RDRR will be dispatchable before CAISO engages in emergency procurement; then, the Commission explained, "RDRR can be triggered at the point immediately prior to the ISO's need to canvas neighboring balancing authorities and other entities for available exceptional dispatch energy or capacity."[5] In 2018, the Commission *maintained* the 2010 settlement and noted the concern that RDRR should not be triggered too early or too often:

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[2] On January 1, 2022, CAISO switched from the Alert Warning Emergency system to the EEA system; in 2022, RDRR was dispatched at EEA 2.

[3] CAISO Operating Procedure 4420, ver. 14.0, at 7-8 (May 1, 2022) (CAISO OP 4420) ("CAISO issues an Energy Emergency Alert Watch (EEA Watch) notice (formerly known as an "Alert" notice) by 15:00 PPT the day before when the Day-Ahead analysis is forecasting that one or more hours may be energy deficient. . . . Note: EEA Watch can be issued after 15:00 or day of if a sudden onset event occurs.") (emphasis omitted).

[4] *See* D.10-06-034, Atch. A at 4 (settlement agreement § 4.l, referring to "the point immediately prior to canvas[ing] neighboring balancing authorities and other entities for available exceptional dispatch").

[5] D.10-06-034 at 14.

> We agree with the party consensus *that the settlement agreement should not be disturbed*, and the two percent demand response reliability cap (reliability cap or cap) should remain unchanged. We confirm the use of Reliability Demand Response Resource (RDRR) can occur anytime within the Warning Stage, in the case of both In-Market dispatch and Out-Of-Market dispatch, otherwise known as exceptional dispatch. *Given the collective concern regarding the frequency of notices, we conclude that the Commission should not allow RDRR to be triggered prior to the Warning Stage at this time*.[6]

Yet the RA Decision relies on this section in D. 18-11-029 to posit that a "transition" to a price-responsive product had been made.[7] D. 18-11-029, however, is clear that the 2010 settlement was not changed.[8] Additionally, D. 18-11-029 further explains:

> Pursuant to the settlement agreement in D.10-06-034, the CAISO agreed to develop a wholesale reliability demand response product … *The settlement clarified that the reliability product is <u>not</u> price-responsive* but will be economically dispatched once triggered.[9]

Indeed, in 2018, the "CAISO remind[ed] parties that RDRR was not designed as a resource that adds liquidity and competitiveness to the market."[10] D. 18-11-029 further explains:

> After the CAISO calls a Warning State, the locational marginal price must reach the RDRR strike price before RDRR load is dropped, unless an exceptional dispatch is issued.[11]

Commission precedent is clear that RDRR should only be triggered economically when prices move extremely higher as a proxy for emergency conditions, or triggered exceptionally only

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[6] D. 18-11-029 at 23.
[7] D. 23-06-029 at 91 (citing D. 10-06-034 and D. 18-11-029 at 23, for the proposition that "Prior Commission decisions transitioned RDRR into a price-responsive product in order to make it more useful and to make it available for dispatch prior to CAISO procuring emergency supplies from neighboring balancing authorities or exceptionally dispatching resources").
[8] D. 18-11-029, at 97 (Conclusion of Law 12 "The Commission should not change the Settlement adopted in D.10-06-034, including the two percent reliability cap.").
[9] D. 18-11-029 at 30 (emphasis added).
[10] *Id*., at 39.
[11] *Id*. at 89 (Finding of Fact 38) (emphasis added).

immediately prior to canvassing neighboring balancing authorities. RDRR was then, and should remain, a valuable, highly reliable emergency resource to be used when grid reliability is severely at risk. If the RA Decision is not modified, however, RDRR itself will be severely at risk.

To mitigate the severe risk to RDRR, the following modifications to the RA Decision should be adopted:

- First, the RA Decision should be modified to clarify that RDRR can only be economically bid and subsequently economically dispatched in day of EEA Watch conditions, given the high price requirement as a proxy for emergency conditions. However, exceptional dispatch of RDRR should only occur immediately prior to canvassing neighboring balancing authorities, which occurs during EEA 2 conditions. Therefore, RDRR should only be exceptionally dispatched immediately prior to declaration of EEA 2; this change regarding exceptional dispatch should also assure the CAISO that such exceptional dispatch of RDRR would help prevent CAISO from entering an EEA 2.
- Second, the RA Decision should be modified to defer implementation of the RDRR dispatch change until CAISO tariff changes permit accurate reflection of RDRR fixed start-up costs and operating parameters, as the current CAISO tariff inhibits CAISO market optimization for economic dispatch.
- Third, the RA Decision should be revised to allow BIP participants to immediately opt out or change their firm service level.
- Fourth, the RA Decision should be revised to not eliminate the TLF and PRM adders from the BIP incentives in 2024; instead, treatment of these adders

should be deferred to and incorporated into the development of a comprehensive Distributed Energy Resources policy in the Distributed Energy Resources Cost Effectiveness proceeding (R. 22-11-013).

II. JUSTIFICATION FOR REQUESTED RELIEF: NEW AND CHANGED FACTS

The requested modifications in this petition are justified by multiple new facts that developed after the RA Decision's adoption, and several facts that changed since its adoption. The factual allegations in this petition are supported with specific citations to matters that may be officially noticed, and the attached sworn declaration of Sam Harper.[12] Pursuant to Rule 13.10, the Commission may take official notice per Evidence Code Section 450, et seq.[13] California Evidence Code Section 452(c) permits judicial notice of "[o]fficial acts of the legislative, executive, and judicial departments" of this state.[14] "Official acts include records, reports and orders of administrative agencies."[15] With respect to taking official notice as to matters on a website, courts have taken judicial notice if it is the website of a party or a government agency, and not subject to interpretation.[16] Further, Evidence Code Section 452(h) permits judicial notice of "[f]acts and propositions that are not reasonably subject to dispute and are capable of immediate and accurate determination by resort to sources of reasonably

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[12] *See* Rule 16.4(b) ("Any factual allegations must be supported with specific citations to the record in the proceeding or to matters that may be officially noticed. Allegations of new or changed facts must be supported by an appropriate declaration or affidavit.")
[13] *See* D. 19-08-040 at 4 ("Evidence Code section 452 allows for judicial notice of public entity regulations and legislation, court records, and indisputable facts, which either are common knowledge or can be verified by reasonably indisputable sources.").
[14] Evid. Code, § 452(c).
[15] *See Ordlock v. Franchise Tax Bd.* (2006) 38 Cal.4th 897, 911, fn.8. (*citing Rodas v. Spiegel* (2001) 87 Cal.App.4th 513, 518).
[16] *See* D. 16-01-014 at p. 21.

indisputable accuracy."[17] These facts justifying the requested modifications are discussed below.

A. BIP Participant Reaction to the New Inability to Opt Out or Change Firm Service Level in Response to RA Decision

BIP participants are required to enroll for a year-long term.[18] Previously when the program parameters were changed mid-term, BIP participants were appropriately allowed to opt out or change their firm service level.[19] In this case, however, BIP participants were prevented from opting out or changing their firm service levels in response to the RA Decision before the new dispatch requirements took effect.[20] This new prohibition is a changed fact.

All CLECA members participate in BIP, and most have participated in BIP or its predecessor programs since the 1980s. CLECA members and BIP participants with third party aggregators were incensed by their inability to opt out of the program or change their firm service level in response to this drastic operational change.[21] The strong customer reaction to this aspect of the RA Decision developed after the RA Decision was adopted and explained to customers; it is a new fact.

An ability to opt out or change the firm service level now would provide customers with agency over their changed situation, and mitigate the strong, negative customer reaction to the RA Decision. Customers rely upon the long-standing precedent that they will be able to adjust

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[17] Evid. Code, § 452(h).
[18] SCE, *Schedule TOU-BIP Time of Use General Service Base Interruptible Program*, at Sheet 14; PG&E, *Electric Schedule E-BIP Base Interruptible Program*, at Sheet 13.
[19] *See* Res. E-4220 (Jan. 29, 2009) (authorizing "adjustment period . . . to give BIP participants the opportunity to adjust their Firm Service Level [] or to opt-out of the program" *after* "customers ha[d] been notified that the proposed new trigger . . . was being considered.").
[20] D. 23-06-029 at 127 (making the change immediately effective and declining to allow participants to opt-out or change their firm service levels).
[21] *See* attached Declaration of Sam Harper.

their level of participation in a program that is substantially changed. Restoring this precedent is essential for customers to be willing to make a year-long commitment to participate in RDRR. The above two facts justify the requested modifications to the RA Decision—to allow customers to opt out or change their firm service level now, and to reverse the elimination of the TFL and PRM adders to the BIP incentive.

B. July 20th RDRR Exceptional Dispatch and BIP Events, and Lessons Learned

Only fifteen days after the Commission issued the RA Decision,[22] on July 20, 2023, BIP events were called when RDRR was exceptionally dispatched during EEA-1 conditions for the first time. Though weather conditions were not extreme and loads were not near the peak, the CAISO triggered emergency reliability events that lasted between 4 and 19 minutes, with the exact duration depending on each particular utility BIP program.[23]

1. Chaos During and After the July 20 RDRR Exceptional Dispatch and BIP Events Resulting from the Immediately Effective RA Decision, and Lack of Notice, Training and Communication

The RA Decision includes language stating that the significant operational change to the RDRR dispatch was "effective immediately."[24] This led to chaos and risk to grid reliability, which continues today. The July 20th events occurred so soon after the RA Decision that the RDRR dispatches were called in violation of the CAISO's then-current, filed operating procedures.[25] The events occurred so quickly that the final operating procedures that were scheduled to go into effect on August 1st, 2023 had not even been posted in draft form for stakeholder review.

[22] The RA Decision was issued on July 5, 2023.
[23] *See* attached Declaration of Sam Harper.
[24] D. 23-06-029 at 97, 127.
[25] The then-current operating procedure 4420 with an effective date of 6/22/2023, under section 3.6.3 EEA 2 page 15, provided that, "Globally or by region, enable RDRRs to make them available for dispatch through the market, or force if necessary."

The events occurred so quickly that customers providing RDRR had not been properly informed of the change. Indeed, questions were raised as to whether the July 20 events were in error, or real events.[26]

Moreover, the BIP events were called before utilities, DR Providers, RDRR participants, and even CAISO operators could be properly trained on the new dispatch conditions and procedures, or even determine which rules were currently in effect.[27] Implementation without adequate notice and training continues to create operational risk. This chaos that ensued due to the RA Decision's "immediately effective" language caused significant confusion and risk to grid reliability, which also remain today due to the increased likelihood of customer disenrollments discussed below.

2. Inappropriateness and Cost of Exceptional Dispatch of RDRR During a Short-Term, Intra-Hour Shortfall of Operating Reserves Was Made Clear

The July 20 exceptional dispatch of RDRR resulted from "within the hour, the market … not moving enough resources to balance supply and demand while solar was ramping down."[28] The CAISO explained that its operators "manually dispatched additional generation, deployed some demand response programs available to them and made adjustments in the market to increase energy output *and the EEA 1 was soon canceled*."[29] Relying on BIP for such a short duration for short-term operating reserve shortfalls is an inappropriate departure from the long-standing use of BIP in emergency situations that threaten firm load shed.

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[26] *See* attached Declaration of Sam Harper.
[27] *See* attached Declaration of Sam Harper.
[28] CAISO, System Conditions Bulletin, August 13, 2023 (available at http://www.caiso.com/Documents/SystemConditionsBulletin.pdf). (This CAISO System Condition Bulletin may be judicially noticed by the Commission per Evidence Code §452(c)).
[29] CAISO, System Conditions Bulletin, August 13, 2023 (available at http://www.caiso.com/Documents/SystemConditionsBulletin.pdf).

These short BIP events were incredibly costly for the BIP participants. Critically, BIP participants have significant costs of curtailment that are fixed, regardless of duration, and BIP customers lost tremendous amounts of product and incurred costs as a result of the brief event on July 20.[30] Tons and tons of product critical to the state's economy were lost due to these short BIP events. An internal CLECA member survey showed that, although the July 20 BIP events lasted only 4-19 minutes, some CLECA members were forced to shut down operations for durations lasting between several hours to over a day.[31] Other members experienced significant operational issues following the BIP event, including calling in overtime maintenance crews to restart the facilities.[32]

The new facts of the July 20 BIP events, lessons learned, and newly clarified facts justify changing the RA Decision to provide for a return to the Commission's long-standing policy of allowing exceptional dispatch of RDRR to immediately prior to canvassing neighboring balancing authorities; this modification of the RA Decision could be accompanied by a clarification that RDRR exceptional dispatch does not require CAISO to enter into an EEA 2.

C. CAISO Inadequate Operating Procedure Revision Process

The CAISO had to revise its operating procedures to comply with the RA Decision. The CAISO's revised operating procedures, expected to go into effect August 1, underwent a tumultuous revision process, which is also a new fact occurring after the RA Decision's adoption. Over the course of just a few weeks, multiple versions of Operating Procedure 4420 were drafted without adequate public posting or retention of draft versions on the CAISO

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[30] *See* attached Declaration of Sam Harper.
[31] *See* attached Declaration of Sam Harper.
[32] *See* attached Declaration of Sam Harper.

website, without adequate notice to affected stakeholders, and with limited opportunity to comment.[33] Due to this revision turmoil, there is a significant risk that BIP stakeholders are likely to experience further confusion and possible grid reliability impacts without adequate implementation time.

This turmoil also contributed to the insufficient review of, training on, and education for the new operating procedures. Indeed, the final draft for OP 4420 effective August 1, 2023 was not posted for review by stakeholders until August 1, 2023.[34] The RA Decision's imposition of significant operational changes with inadequate time to prepare thoughtful revisions for the CAISO Operating Procedure changes resulted in chaos and turmoil; this chaos and turmoil is another new fact that justifies modification of the RA Decision; deferring implementation would allow for sufficient time for training, education, and outreach.

As noted above, the July 20 system conditions were not reflective of dramatically high load, high emergency level market prices, severely constrained supply, or lost transmission; rather, the EEA Watch and RDRR dispatch were due to an intra-hour inability to meet the ramp.[35] Again, the July 20 BIP events were very short duration, ranging from 4 minutes to 19 minutes, depending on the utility.[36] These events caused a great deal of confusion among the utilities, DR Providers, and BIP participants.

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[33] *See* attached Declaration of Sam Harper.
[34] *See* CAISO Notification of Revised ISO Operating Procedure 4420, August 1, 2023 (available at: http://www.caiso.com/Documents/notification-of-revised-iso-operating-procedure-4420.html
[35] CAISO, System Conditions Bulletin, August 13, 2023 (available at http://www.caiso.com/Documents/SystemConditionsBulletin.pdf#search=july%2020%2C%202023.
[36] *See* attached Declaration of Sam Harper; see also SCE's webtool (attached report and available online at Link: Event History - Demand Response Event Status (openadr.com)).

The July 20 RDRR exceptional dispatch and lessons of its aftermath demonstrate the need for actual posting of the final CAISO Operating Procedures, for appropriate operating parameters to be included in those procedures, for careful operator training on those new procedures, as well as utility and customer training, and adequate time for implementation. The CAISO operating procedure revision turmoil is a new fact occurring after the RA Decision's adoption that justifies modification of the RA Decision to defer implementation. Deferring implementation would assure sufficient opportunity for full and adequate training of operators, utilities, and participants. Deferral would also permit development of the actual costs and the operating parameters for RDRR resources, and assure their inclusion in the CAISO tariff to help ensure market optimization.

D. CAISO Tariffs' Inhibition of Accurate CAISO Market Optimization

A fact that has changed since the RA Decision's adoption is that it now matters greatly that CAISO tariff flaws inhibit accurate, informed CAISO market optimization. The change to allow RDRR to be bid economically during day of EEA Watch conditions prior to any emergency necessitates economic bids that are as accurate as possible, to ensure proper optimization of all available resources. The importance of RDRR operating parameters and deficiencies in the CAISO tariff and Business Practice Manual (BPM) only became apparent upon implementation of the dispatch change.

The CAISO tariff is deficient in two ways. First, the CAISO tariff does not allow for fixed start-up costs to be included in RDRR bids, unlike other resources which are permitted to include start-up costs.[37] Customers who provide RDRR incur significant fixed cost for every

[37] *See*, *e.g.*, CAISO, *Fifth Replacement FERC Electric Tariff*, July 1, 2023 at §30.7.9.

dispatch unrelated to the duration of the dispatch; there are very significant fixed costs to RDRR participants associated with interrupting industrial processes.[38] For example, dispatch may cause a customer to lose the purity specification for its current batch of product, no matter whether the dispatch lasted for 4 minutes or 4 hours. Second, the CAISO tariff limits the minimum run time to be set at no longer than one hour.[39] This is not reflective of the physical characteristics of customers who provide RDRR, nor is it reflective of the typical RDRR dispatch (which is usually several hours). This operating reality is why PG&E and SCE have configured their systems to actually disengage from the CAISO's system when RDRR is triggered, to avoid the risk of errant return to service of RDRR participants prior to the cessation of emergency conditions.[40]

The failure of these portions of the CAISO tariff to appropriately model and capture the true economic costs and actual operating reality of RDRR resources were not fatal flaws when RDRR was only bid and dispatched under EEA 1 and EAA 2 conditions. With the change to allow bids and dispatch during day of EEA Watch, it is essential to accurately represent the physical and operational characteristics of these resources. Accurate representation of a resource's costs and physical characteristics is required for CAISO to accurately optimize its dispatch of those resources. Thus, the faulty aspects of the CAISO tariff must be corrected to accurately reflect the full costs and operational parameters of the RDRR resources in the CAISO market optimization. However, the CAISO requires additional time to modify its tariffs to properly reflect these costs and parameters if RDRR resources are to be bid and dispatched during non-

[38] *See* attached Declaration of Sam Harper.
[39] CAISO, *Fifth Replacement FERC Electric Tariff*, July 1, 2023 at § 4.13.5.3.
[40] *See* attached Declaration of Sam Harper.

emergency day of EEA Watch conditions. Where significant resource costs and operating constraints are not properly modeled or captured, market optimization is inhibited.

The need for CAISO tariff changes is a new fact that justifies modification of the RA Decision. The implementation of the dispatch change should be deferred to occur concurrently with the CAISO tariff changes. Deferral to be concurrent with these very reasonable CAISO tariff changes would assure customers that their costs and operating constraints are considered as part of their participation in BIP.

E. The Significant Risk of Customer Disenrollments from BIP Due to the RA Decision, the Subsequent July 20 BIP Events, and Inadequate Incentive Levels

The significant risk at this juncture of customer departures from BIP in response to the RA Decision is not mere conjecture, but a new reality exacerbated by the July 20 BIP events and too-low BIP incentive levels.[41] The RA Decision deviates from the long-standing practice to preserve BIP resources until true grid emergencies threaten the loss of firm load. D. 19-07-009 explained accurately, "*consistent with the settlement adopted in D.10-06-034*," that the Commission "agree[s] with the CAISO that [it] should limit the role of RDRR . . . because *these reliability resources are not designed to be used on a regular basis to address grid reliability needs*."[42] As detailed in the attached declaration, SCE's estimate of a 250 MW loss of BIP MW is conservative, and is supported by the results of a CLECA member survey.[43] Moreover, while new incentive levels for 2024 may be higher, the new incentives will not be in place for months, and the current incentive levels have not kept pace with inflation, increased supply chain costs,

[41] *See* attached Declaration of Sam Harper.
[42] D. 19-07-009 at 46 (July 11, 2019) (emphasis added).
[43] *See* attached Declaration of Sam Harper.

or more frequent BIP events.[44] Between the RA Decision, the subsequent July 20 BIP events, and current, inadequate BIP incentive levels, customer participation in RDRR is significantly at risk.[45] This significant risk of disenrollments is a new fact that justifies modifying the RA Decision.

CLECA further cautions against a short-term focus on this summer; CLECA seeks these changes to the RA Decision to protect BIP for the future. As noted, the change in dispatch requirements risks a significant decline in BIP participation. The Commission must recognize that such a decline would hinder the state's grid reliability and emissions goals, and would likely result in emissions leakage if industrial emissions-intensive, trade-exposed customers are no longer competitive, and therefore production moves outside the state.

F. The High Cost of Replacement RA for Lost BIP MWs Due to Disenrollments

The costs of RA have been rising steadily since 2017.[46] The continued increases in the high costs of RA are indisputable. Moreover, RA resources are increasingly difficult to procure.[47] Another new fact that has come to light since the RA Decision's adoption is SCE's conservative estimate that, should 250 MW of BIP resources be lost due to the RA Decision, the estimated

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[44] *See* attached Declaration of Sam Harper.
[45] *See* attached Declaration of Sam Harper.
[46] *See* CPUC Energy Division, *2021 Resource Adequacy Report,* April 5, 2023, at p. 28 (available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/2021_ra_report_040523.pdf).
[47] See D. 23-06-029 at 23 ("In recent years, development projects have faced significant delays due to a host of issues, including supply chain delays, labor shortages, interconnection queue limitations, and rising costs. The Commission is very concerned that a large portion of the over 5,800 MW of RA resources under development and modeled into the LOLE study will experience delays and be unavailable for the 2024 RA year. Adopting a higher PRM before there is certainty on installed RA resources will likely result in RA shortages that will unnecessarily inflate RA costs. A lack of sufficient RA resources with a higher PRM may result not only in LSE deficiencies, but in increased prices for all RA capacity as demand exceeds supply, and such an outcome will be detrimental to ratepayers.").

RA replacement resources would cost ratepayers $80 million per year.[48] Notably, it is not clear if the replacement RA would be available, even at that high price.[49] This new fact regarding the high cost of replacement RA for lost BIP MW developed after the RA Decision's adoption, and justifies modification to both delay implementation and reverse the elimination of the TLF and PRM adders.

G. Recognition of the High Level of Reliable and Consistent Load Shed from Large, High-Load Factor Customers in SCE's Service Territory

SCE performed detailed load impact analyses of the 2020 and 2022 BIP events after the RA Decision was adopted, and found that the BIP load shed by the large, high load factor customers was highly reliable and consistent.[50] This newly developed fact provides additional justification for the requested modifications to the RA Decision.

III. REQUESTED RELIEF AND SPECIFIC WORDING TO CARRY OUT THE REQUESTED MODIFICATIONS

For the foregoing reasons, CLECA respectfully requests that the RA Decision be modified as shown below.

A. Modify the RA Decision to Allow Economic Bid and Dispatch in EEA Watch and Exceptional Dispatch Immediately Prior to Declaration of EEA 2 Conditions, Defer Implementation until CAISO Tariff Changes Permit Market Optimization and Accurate Modeling of RDRR, and to Enable Careful Implementation

The following wording changes should be made to the text at 91:

> Prior Commission decisions ~~transitioned RDRR into a price-responsive product~~ *revised the RDRR trigger* in order to make it more useful and to make it available for dispatch prior to CAISO procuring emergency supplies from neighboring balancing authorities or exceptionally dispatching resources.

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[48] *See* attached Declaration of Sam Harper.
[49] Id.; *see also* D. 23-06-029 at 23 (noting the ongoing and likely future scarcity of RA resources).
[50] *See* attached Declaration of Sam Harper.

The following wording changes should be made to the text at 96:

> To provide consistency between the Commission's established principle for RDRR and CAISO's dispatch practices, the Commission clarifies that CAISO should be allowed to use RDRR, as an RA resource, for economic ~~or exceptional~~ dispatch upon the declaration of a day-of EEA Watch (or when a day-ahead EEA Watch persists in the day-of)*; however, exceptional dispatch of RDRR should continue to occur immediately prior to a declaration of EEA2 conditions, prior to canvassing other balancing authorities consistent with previous Commission decisions, with the clarification that exceptional dispatch of RDRR need not result in CAISO entering an EEA 2.*

The following wording changes should be made to the text at 97:

> We further note that if the RDRR trigger *for economic dispatch* were later in the EEA sequence, RDRR would only be enabled to mitigate emergency conditions, not to help prevent them. In summary, the Commission maintains that when RDRR is dispatched pursuant to conditions described in this decision, CAISO should not need to escalate its grid emergency status to EEA 2 (an emergency condition), thus ensuring that RDRR is available to avoid a reliability emergency

The following text at 97 should be stricken:

> ~~Because the Commission is clarifying an existing policy, this clarification is effective immediately.~~

The following wording changes should be made to the text at 127:

> We ~~do not~~ modify the decision to incorporate these requests *and defer effectiveness of this clarification until the Federal Energy Regulatory Commission approves CAISO tariff changes to allow inclusion of start-up costs for RDRR resources and minimum run times of at least 3 hours*. ~~As the Commission is clarifying an existing definition, the operationalization is effective immediately.~~
>
> … If tariff adjustments are needed to operationalize the RDRR dispatch trigger, an IOU is required to submit those tariff adjustments as a Tier 1 Advice Letter within 10 days of the effective date of *Federal Energy Regulatory Commission approval of CAISO*

tariff changes to allow inclusion of start-up costs for RDRR resources and minimum run times of at least 3 hours ~~this decision~~.

The following wording changes should be made to Ordering Paragraph 25:

> 25. To the extent tariff adjustments are needed to operationalize the reliability demand response resource dispatch trigger, Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company shall submit those tariff adjustments as a Tier 1 Advice Letter within 10 days of *Federal Energy Regulatory Commission approval of CAISO tariff changes to allow inclusion of start-up costs for RDRR resources and minimum run times of at least 3 hours* ~~the effective date of this decision~~.

B. Modify the RA Decision to Allow Participants to Opt Out or Change Their Firm Service Level Now

The following wording changes should be made to the text at 127:

> CLECA, PG&E and SCE request that if the RDRR dispatch trigger is adopted, that implementation either be delayed until 2024 and/or the Commission allow participants sufficient time to opt out or change their firm service level. We ~~do not~~ modify the decision to incorporate these requests *and note that SCE already has discretion in its tariff to do so*. ~~As the Commission is clarifying an existing definition, the operationalization is effective immediately~~.

C. Modify the RA Decision to Suspend the Elimination of the TLF and PRM Adders Until a Comprehensive Distributed Energy Resources Policy Can Be Developed

The following wording changes should be made to the text at page 102:

> ~~With respect to the PRM adder, the record suggests that removal of the adder is likely to enhance reliability, particularly during stressed conditions, by removing the risk that the PRM adder over-estimates the amount of capacity available to the CAISO on high system stress days~~. …

Based on this, we find it appropriate to ~~discontinue~~ *defer changes to* the use of TLF and PRM adders for DR resources. Accordingly, the TLF and PRM adders will ~~be removed~~ *remain* for DR resources beginning with the 2024 RA compliance year and will also ~~be removed~~ *remain* for the 2024 SOD test year. We note that the DLF adder will be retained to apply to DR resources.

FoF 20. There is ~~significant administrative burden on Energy Division Staff associated with applying the TLF and PRM adders to DR resources and~~ a relatively small amount of MW associated with the *TLF and PRM* adders.

FoF 21. ~~Removal of the PRM adder is likely to enhance reliability, particularly during stressed conditions, by removing the risk that the adder over-estimates the amount of capacity available to the CAISO on high system stress days.~~

CoL 20 The TLF and PRM adders should ~~be removed~~ *remain* for DR resources beginning with the 2024 RA compliance year and ~~be removed~~ *remain* for the 2024 slice-of-day test year

OP 29 The Transmission Loss Factor adder and the Planning Reserve Margin adder for demand response resources are *not* removed beginning with the 2024 Resource Adequacy compliance year and for the 2024 slice-of-day test year

IV. CONCLUSION

CLECA appreciates the opportunity to petition for modification of D. 23-06-029 and urges the Commission to grant this petition on an expedited basis.

Respectfully submitted,

Buchalter, A Professional Corporation

By:

Nora Sheriff

Nora Sheriff

Counsel for the California Large Energy Consumers Association

CLECA
CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION

August 24, 2023

ATTACHMENT A

Declaration of Sam Harper

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE
STATE OF CALIFORNIA

DECLARATION OF SAM HARPER SUPPORTING CLECA'S PETITION FOR MODIFICATION OF D. 23-06-029

I, Sam Harper, declare as follows:

1. I am a Principal for Harper Advisory LLC, and serve as a consultant for the California Large Energy Consumers Association (CLECA).
2. I have professional experience in energy procurement, utility regulation, ISO/RTO governance, renewable energy development, and demand response. I have direct experience in PJM, MISO, ERCOT, CAISO, IESO, CENACE, and various unorganized markets with commercial energy arrangements, demand response, and stakeholder processes. In my current role as a consultant, I advise organizations that engage across the energy supply chain, including large energy consumers for whom energy is a significant percentage of their cost of production.
3. I was actively engaged in Rulemaking 21-10-002 and submitted comments related to the dispatch of Reliability Demand Response Resources (RDRR), among other topics.
4. The issuance of D. 23-06-029 caused Southern California Edison (SCE) to change its Base Interruptible Program (BIP) tariff, and caused the California Independent System Operator (CAISO) to change its Operating Procedure 4420 for System Emergency, both to allow dispatch of RDRR earlier in the dispatch order.
5. The currently posted CAISO Operating Procedure 4420 for System Emergency effective August 1, 2023 was posted publicly in its final form on August 1, 2023. The draft changes

to the operating procedures underwent significant revisions without adequate public posting, stakeholder feedback, or notice period of final draft language.

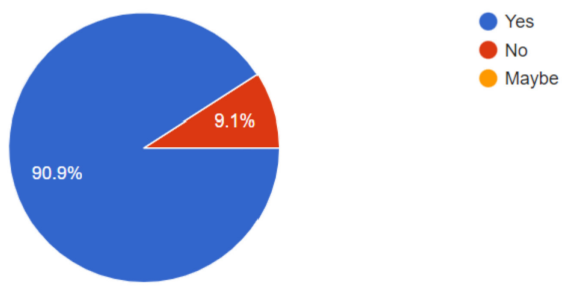
6. CLECA members who participate in BIP have expressed great distress related to D. 23-06-029, and have communicated their consideration of exiting or reducing their participation in BIP.
7. Multiple parties that manage RDRR programs or represent customers who participate in RDRR programs have expressed similar customer retention concerns.
8. The CAISO ordered the dispatch of RDRR resources exceptionally on July 20, 2023, under EEA1 conditions based on D. 23-06-029, whereas its posted operating procedure at that time only allowed dispatch of RDRR under EEA2 conditions.
9. The CAISO-ordered exceptional dispatch of RDRR resulted in SCE and Pacific Gas and Electric (PG&E) dispatching their respective BIPs for between 4 and 19 minutes.
10. The RDRR event on July 20 occurred shortly after D. 23-06-029 and before customers could be adequately educated and trained on the operational changes, leading to significant confusion.
11. The RDRR event on July 20 was dispatched in violation of posted CAISO operating procedures, causing significant confusion and questions regarding whether the dispatch signal was in error.
12. The RDRR event on July 20 occurred prior to the final draft operating procedures effective August 1 being posted publicly, thereby preventing adequate education and training of all program stakeholders prior to the event, leading to confusion and risk to grid reliability.

13. The RDRR event on July 20 caused significant costs to participating customers despite the short event duration, due to high fixed costs of curtailment. CLECA members incurred lost production for hours—and in some cases for over 24 hours—despite the short dispatch duration on July 20. CLECA members incurred significant costs regardless of the duration of dispatch, including damage or loss of purity specifications to many tons of finished and semi-finished products, lost production opportunity cost due to time to restart operations, costly damage to equipment, labor and overtime maintenance labor costs to expedite restart of production, and risk of meeting customer delivery needs, among others.
14. I understand that SCE and PG&E have disengaged from the CAISO dispatch system at times to prevent the risk of CAISO errantly ordering the return to service prior to the cessation of emergency conditions. This is partly due to limitations in the CAISO tariff to optimize RDRR resources based on their physical operating parameters and fixed start-up costs.
15. Customers who provide RDRR through participation in BIP are highly reliable resources, particularly the largest high load factor customers. I am aware that SCE recently performed a detailed analysis demonstrating that high load factor BIP customers served above 50kv on the Subtransmission system were particularly reliable during the RDRR dispatch events in 2020 and 2022.
16. Since the issuance of D. 23-06-029, and given the facts surrounding the RDRR event on July 20, I am concerned about the retention of customers who participate in RDRR

programs such as BIP, given the reasonable expectation of more frequent dispatches of RDRR programs.

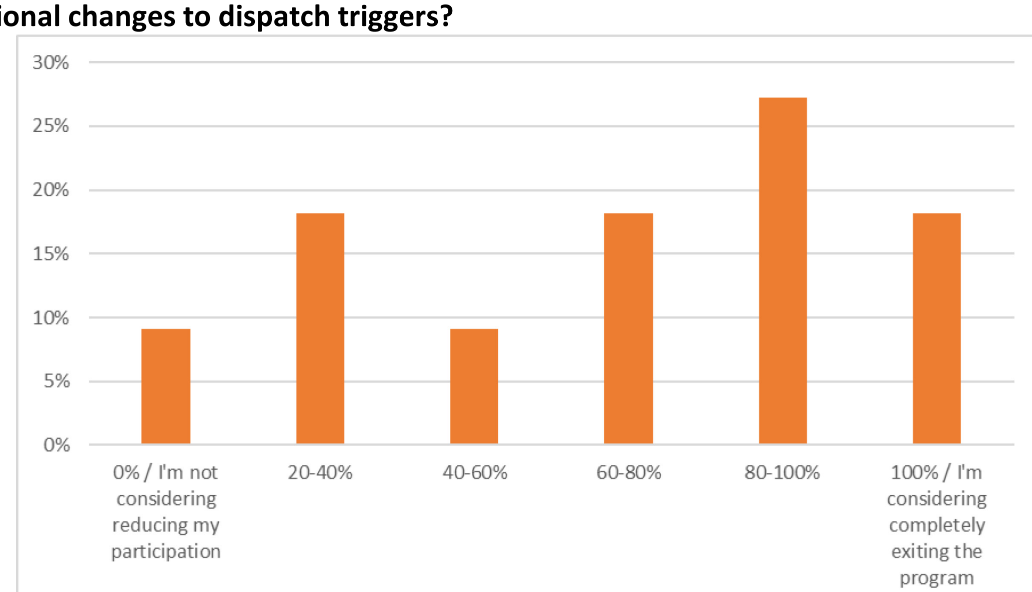
17. To quantify the potential loss of participation in RDRR programs like BIP, I conducted a survey asking two questions of CLECA members that resulted in 11 customer responses between August 1-4.
18. The survey respondents are all CLECA members who participate in BIP. CLECA member companies produce goods essential for daily life including critical infrastructure, oxygen for hospitals and food distribution. CLECA's members represent the steel, cement, industrial and medical gas, beverage, minerals processing, cold storage, and pipeline transportation industries. Their aggregate electrical demand exceeds 500 Megawatts, which is equivalent to the electricity consumption of approximately 470,000 average California households. CLECA members are large, high load factor and high voltage industrial electric customers in California for whom the price of electricity is essential to their competitiveness and for whom the reliability of electricity service is critically important. For both reasons, CLECA member companies have participated for decades in BIP, providing reliability demand response to the grid in times of need.
19. The first survey question asked respondents, "Is your company reconsidering your BIP participation level based on current incentive levels, current program use limits and considering recent operational changes to dispatch triggers?" 90.9% of respondents answered "Yes", 9.1% of respondents answered "No", and 0% of respondents answered "Maybe". See chart of responses below.

Is your company reconsidering your BIP participation level based on current incentive levels, current program use limits and considering recent operational changes to dispatch triggers?"



20. The second survey question asked respondents, "What percentage of your current BIP enrolled MWs are you considering removing from the program based on current incentive levels, current program use limits and considering recent operational changes to dispatch triggers?" The respondents were offered percentage ranges. The mean of each range was assigned to individual responses, and averaged resulting in an overall result of 65%. See results in the graph below.

What percentage of your current BIP enrolled MWs are you considering removing from the program based on current incentive levels, current program use limits and considering recent operational changes to dispatch triggers?



21. I understand that SCE has estimated that 50% of its BIP customers may exit the program, resulting in a loss of approximately 250 MWs of lost resources. The CLECA survey results support the SCE estimate, but indicate that it may be a somewhat conservative estimate.
22. In my view, there is significant risk of customer departures from RDRR programs, including BIP, resulting in a loss of available Resource Adequacy resources.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on August 24, 2023.

Harper Advisory LLC

By:

Sam Harper

Consultant to the California Large Energy Consumers Association