

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking To  
Enhance the Role of Demand  
Response in Meeting the State's  
Resource Planning Needs and  
Operational Requirements.

Rulemaking 13-09-011  
(Filed September 13, 2013)

**PREHEARING CONFERENCE STATEMENT OF  
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (the ISO) hereby files this prehearing conference statement in accordance the Administrative Law Judge Ruling dated October 2, 2013.

**I. INTRODUCTION**

On September 25, 2013, the California Public Utilities Commission issued Rulemaking 13-03-029 that, among other things, will determine whether and how to bifurcate current utility-administered demand response programs into demand-side and supply-side resources, with the intent of prioritizing demand response as a utility-procured resource, competitively bid into the ISO's wholesale electricity market.<sup>1</sup> The ISO supports the Commission's leadership in instituting a proceeding to enhance the capability of demand response resources to serve the long-term clean energy goals of California and the reliability needs of the bulk power system. The ISO commits to work closely with the Commission, its staff, and affected stakeholders to achieve these objectives. The Administrative Law Judge's Ruling calling for prehearing conference statements asks interested parties to identify any additional issues the Commission

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<sup>1</sup> *Order Instituting Rulemaking To Enhance the Role of Demand Response in Meeting the State's Resource Planning Needs and Operational Requirements.* (Rulemaking 13-09-011).

should consider in this proceeding and why. The Ruling also asks parties to identify the need for hearings and a proposed schedule for the proceeding.

**II. The Commission should adopt rules for the participation of jurisdictional entities in a preferred resources auction.**

The ISO strongly supports the development of competitive procurement mechanisms for demand response resources. To this end, the Commission should, as part of this Rulemaking, adopt rules allowing entities subject to the Commission’s jurisdiction to participate in a voluntary preferred resource auction administered by the ISO. As a complement to the proposed Joint Reliability Framework,<sup>2</sup> a voluntary preferred resources auction would enable load serving entities to procure resource adequacy capacity through a transparent and efficient market-clearing mechanism where participating preferred resources qualify to serve the ISO system and local reliability needs. This issue aligns with one of the stated purposes of this proceeding to “create an appropriate competitive procurement mechanism for supply-side demand response resources.”<sup>3</sup> The ISO, therefore, proposes that the scope of this Rulemaking include:

- Rules for entities subject to the Commission’s jurisdiction to participate in a simplified voluntary demand response auction for the 2015 resource adequacy year designed to match suppliers of demand response products to procurement requirements authorized by the Commission; and
- How to expand this market to establish a more enduring, multi-year auction that could include other preferred resource types, such as energy efficiency, for 2016 and beyond.

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<sup>2</sup> Staff members of the Commission and the ISO have proposed a Joint Reliability Framework that combines a multi-year resource adequacy obligation for load serving entities with a multi-year market-based ISO backstop capacity procurement mechanism, called the Reliability Services Auction, and a 4 to 10 year forward planning assessment.

<sup>3</sup> See, Rulemaking 13-09-011 at 1.

**III. The Commission need not hold hearings in this proceeding and it should issue an interim decision by June 2014.**

The ISO does not believe hearings are necessary to adopt rules of general applicability to allow entities subject to the CPUC's jurisdiction to participate in a simplified demand response auction market. As an alternative to the hearings, the CPUC could facilitate a series of workshops during the first quarter of 2014 to establish these rules and adopt them by June 2014 to allow adequate time for procurement prior to resource adequacy showings due in October 2014. The Commission could adopt final rules in 2015 to authorize participation in a more enduring auction mechanism for resource adequacy compliance years in 2016 and beyond. This subsequent auction might include the participation of other preferred resources types and multi-year procurement.

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Respectfully submitted.

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