

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 19, 2013)

**RESPONSE OF OLIVINE, INC TO QUESTIONS ON BRIDGE FUNDING AND THE
STAFF PROPOSAL ON ORDER INSTITUTING RULEMAKING TO ENHANCE THE
ROLE OF DEMAND RESPONSE IN MEETING THE STATE'S RESOURCE
PLANNING NEEDS AND OPERATIONAL REQUIREMENTS**

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/s/

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I. Introduction

Olivine appreciates the opportunity to comment on the CPUC Staff Proposal for Demand Response Pilots in 2015. As California moves forward to advance the role of Demand Response in meeting the state's needs there are many issues and complexities to be grappled with. Olivine and its principals have been involved in Demand Response and its evolution in California for many years. As both a certified Scheduling Coordinator (SC) and a registered Demand Response Provider (DRP) in the wholesale markets, we have a unique perspective on the operational requirements for wholesale market-related Demand Response pilots. We are looking forward to actively participating in the demand response workshops as well as other rulemaking activities. Pursuant to the Order of Instituting Rulemaking issues (September 25, 2013), Olivine is pleased to submit our response to questions posed and specifically to the staff proposed pilots.

II. Comments on the Draft Proposals

Olivine supports the Commission authorization for SCE, SDG&E, and PG&E for one-year and possibly two years of bridge funding to allow current demand response programs to continue through 2015. Given the level of potential changes as a result of current or anticipated proceedings and activities a reasonable amount of time needs to be given to allow parties to effectively transition strategies and collaborate as appropriate.

Although in general we support the objectives of the staff proposed pilots we believe that there are a number of considerations and clarifications that are required. The

current IRM2 is an operational pilot, which will provide real world experience in one potential construct for tying Resource Adequacy to a wholesale Must-Offer Obligation.

The notion that this is a training exercise denies the fact that many operational details of third party demand response at the California Independent System Operator (CAISO), while identified on paper, have not been executed in practice and many of the relationships required have not been developed nor contractually defined.

The Draft Proposal includes an extension of the IRM2 to a different framework supporting Direct Access customers and possibly MEA (as a CCA) “without requiring the services provided by the IRM2 Program Administrator”. We firmly believe and actively support the notion that Participants should be able to participate directly with the CAISO on a Pilot of this nature; however, the Proposal misses some key tasks that are best performed by either a 3rd party or by the contracting party (PG&E in the specific example of MEA). These tasks include: meter-data aggregation, bidding compliance, and capacity M&V.

Issues such as those surrounding the realities of being a Scheduling Coordinator may not be fully understood and be inaccurately or unclearly depicting the structure of the current IRM2 pilot. While becoming a Scheduling Coordinator is not trivial, the item identified in the Proposal of “having Scheduling Coordinator capabilities” would not be sufficient for inclusion in such a Pilot as the Participant would need to be a certified CAISO Scheduling Coordinator, not just have such capabilities. In fact, it would be a simple option to add to the existing Pilot if there are Participants who can take on that role.

We strongly support the development of a guidebook for direct participation of DR in the CAISO wholesale market.

We feel that, in an extension to the IRM2, that more significant than the Proposal, would be to closely track the development of ongoing efforts coordinating RA and Wholesale DR, implementing that as an ongoing “living” Pilot to determine the real-world efficacy of acquiring DR Participants and dispatching them under those rules, before the rules become finalized.

Based on our experience in working on the IRM2 and in communicating with other stakeholders regarding additional pilot activities, we feel that the realities of the realities of the current IRM2, which is not yet in production, are not yet fully understood. We fully support the idea of 'real world' pilots but caution the Commission to remember that there is not yet experience with integration of demand response with the wholesale market in California. Awareness of the operational requirements is limited and efforts should be made to understand these requirements more thoroughly.