

**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)

**NOTICE OF EX PARTE COMMUNICATION BY
THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna A. McKenna
Assistant General Counsel
Judith B. Sanders
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel.: 916-608-7143
Fax.: 916-351-7222
Email: jsanders@caiso.com

Attorneys for the California Independent
System Operator Corporation

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Pursuant to Article 8 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the California Independent System Operator Corporation (“ISO”) hereby files this notice of the following oral ex parte communication with Audrey Lee, advisor to Commissioner Michael Peevey; and Rachel Peterson, advisor to Commissioner Michael Florio.

On March 26, 2014, from approximately 11:23 AM to 11:48 AM, Heather Sanders, ISO Director, Regulatory Affairs-Distributed Energy Resources; John Goodin, Regulatory Policy Manager; and Judith Sanders, Senior Counsel met with Audrey Lee and Rachel Peterson at the Commission offices. The meeting was requested by the ISO.

During the meeting, the ISO representatives discussed the Proposed Decision issued on February 21, 2014 and the redline version of the Proposed Decision (redline) released on March 24, 2014. Ms. Heather Sanders explained that the ISO supports the Proposed Decision and the bifurcation of demand response programs into either load modifying resources included in forecasting or supply side resources that are bid into the ISO market. This bifurcation provides the foundation for the next steps that must be taken in this proceeding if demand response is to achieve the state’s loading order and provide alternatives to the need for conventional generation

and transmission resources. The ISO expressed concern, however, that certain language in the redline may have introduced uncertainty into this very important foundational decision. These concerns focused on the following three areas:

- Clarity - ISO representatives explained that the ISO supports the clear language of the redline of the PD's ordering paragraphs, which are clear and summarily adopt the bifurcation definition as modified in the PD. However, the use of the term "conceptual" in the redline of the body of the PD may create the impression that the Commission's adoption of bifurcation remains open for discussion. The ISO believes that bifurcation is "what" the Commission intends to do, but "how" demand response programs are placed into the two bifurcation categories will be further developed, along with other issues such as the ISO's market requirements, in the next phases of this proceeding.
- Timing - The Commission has determined in the LTPP docket R.12-03-014 that preferred resources will be available to meet local area needs in southern California created by the SONGS retirement and the retirement of coastal generation due to once through cooling restrictions. In order to meet these needs, the Commission and stakeholders must move quickly to develop demand response programs that either will participate as supply side resources or be reflected in the load forecasts developed by the CEC that are used by the ISO and CPUC in identifying resource needs. This demand response proceeding must be carefully coordinated with the resource procurement timeline established in R.12-03-014. If this proceeding is delayed because the foundational bifurcation issue has not been resolved, then it is likely that demand response resources will not be timely available when and where needed to satisfy the resource procurement needs in southern California.

- Confidence - The Commission, the ISO, the CEC and stakeholders must have confidence that: 1) demand response programs will be designed to meet these resource needs, or reduce load to avoid the need for additional resources in fulfillment of the loading order; and 2) that these preferred resources will be available in time to coordinate with the OTC mandate. It will be a failure for the state policy goals if this proceeding languishes and does not produce useful results and settle this foundational issue of bifurcation.

There were no handouts provided at the meeting. To request a copy of this notice, please contact Anna Pascuzzo (916-351-2212).

Respectfully submitted,

By: /s/Judith B. Sanders

Roger E. Collanton
General Counsel
Anthony Ivancovich
Deputy General Counsel
Anna McKenna
Assistant General Counsel
Judith B. Sanders
Senior Counsel
California Independent System
Operator Corporation
250 Outcropping Way
Folsom, CA 95630
Tel.: 916-608-7143
Fax.: 916-608-7222
Email: jsanders@caiso.com

Attorneys for the California Independent
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