

**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)

LIST OF FACTS IN DISPUTE

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Pursuant to the April 2, 2014 *Joint Assigned Commissioner and Administrative Law Judge Revised Scoping Ruling*¹ and the assigned Administrative Law Judge's May 16, 2014 email ruling granting a limited extension of time to file reply testimony, Calpine Corporation ("Calpine") hereby provides the following list of facts in dispute to be considered in evidentiary hearings:

- The extent to which load-modifying Demand Response ("DR") resources directly contribute to price formation in the California Independent System Operator ("CAISO") energy and ancillary services markets;
- The optimality and economic efficiency of the dispatch of load-modifying DR resources outside of CAISO markets; and
- The extent to which load-modifying resources contribute to system reliability and, therefore, should count towards resource adequacy requirements.

In its opening testimony, Pacific Gas and Electric Company ("PG&E") witnesses testified that load modifying DR resources directly contribute to price formation in the CAISO energy markets² and that the dispatch of load-modifying DR outside of CAISO markets is only theoretically sub-optimal and will not lead to a substantially less efficient dispatch of all

¹ *Joint Assigned Commissioner and Administrative Law Judge Ruling and Revised Scoping Memo Defining Scope and Schedule for Phase Three, Revising Schedule for Phase Two, and Providing Guidance for Testimony and Hearings* (filed April 2, 2014).

² See PG&E 2013 Demand Response Rulemaking 13-09-011 Phases 2 and 3 Appendices (May 6, 2014), PG&E/Papalexopoulos, Ex. PG&E -1, Volume 2, at A-6 – A-7; PG&E/Zarnikau, Ex. PG&E-1, Volume 2, at C-28.

resources.³ As explained in Calpine's direct testimony, however, any effect of load-modifying DR resources dispatched outside of the CAISO energy markets would be indirect and potentially inefficient.⁴ DR that does not have the potential to directly set clearing prices could lead to the dispatch of DR at prices higher than the prices at which additional energy is available from clearing price markets. This inefficiency will only increase as DR is potentially dispatched more often not only under peak demand conditions, but also for renewable integration and other purposes. For these reasons, the effect of load-modifying DR on price formation, the optimality and economic efficiency of DR resources dispatched outside of the CAISO energy markets, and the extent to which load-modifying resources contribute to system reliability are facts in dispute.

/s/

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³ See PG&E/Papalexopoulos, Ex. PG&E -1, Volume 2, at A-22.

⁴ See Direct Testimony of Calpine Corporation (Matthew Barmack) at 4 (May 6, 2014).