

STAFF REQUESTED CHANGES TO THE WORKSHOP REPORT

I have included the text from my Ruling that explains the staff-requested changes. I then included excerpts from the Report with a title to the section where the change was made. Underlined text indicates added text; strikeouts show deleted text.

Staff Requested Change 1

Commission staff maintains that the draft Report errs in stating that staff was unable to respond to a concern from SCE regarding unusually high bids.¹ Staff contends that, in addition to offering to address a question regarding high bids off-line because of the need for clarity, staff also explained to the workshop participants that unusually high bids would be eliminated.

Commission staff requests to add further clarity on the topic of SCE's concern regarding duplication of CAISO integration efforts.² In the draft Report, there is language that states that SCE claims that the Utilities and the third party providers are duplicating efforts for CAISO integration. The draft Report further states that, in response, staff recommended a pilot for the first year in transition to moving toward third party provider direct participation. SCE then indicated that in a competitive market with high entry cost, players will attempt to avoid high entry costs. Staff requests to add the following language to this discussion: "It is expected that entry costs will decrease with experience, and that market players will create innovative strategies to decrease individual provider's costs as well as disperse those costs across all providers, as is typically seen in competitive markets. Furthermore, the Demand Response Auction Mechanism does not create a new risk in this regard."

Section G.4 Market Failure

SCE expressed strong concern about unusually high bids, ~~to which McMahon was unable to clarify~~ explained that unusually high bids would be eliminated. SCE stated that IOUs and 3rd parties are duplicating efforts for CAISO integration. In response,

¹ See Draft June Workshop Report at 21.

² *Ibid.*

McMahon suggested a pilot for the first year in transition to moving toward Rule 24/3rd party participation. SCE pointed out that in a competitive market with high entry cost, players will attempt to avoid high entry costs. Staff added that it is expected that entry costs will decrease with experience, and that market players will create innovative strategies to decrease individual provider's costs as well as disperse those costs across all providers, as is typically seen in competitive markets. Furthermore, the DRAM does not create a new risk in this regard.

Staff Requested Change 2

Regarding the discussion of why emergency demand response is included in the DRAM proposal,³ staff requests to add the following staff comments allegedly made during the workshop: “In other U.S. markets with robust demand response participation, the demand response that participates in competitive markets is not economic demand response; it is “emergency” or “reliability” demand response, and the results have been effective. Staff further states that CLECA responded that those systems do not have 30-minute dispatch notice, to which staff responded that ERCOT has both a 10-minute and 30-minute emergency demand response product in their ERS. Additionally, staff noted that for equity reasons, if “economic” demand response programs are included in the DRAM proposal, “emergency” programs should be included, as well.”

Section H.2. Emergency DR in DRAM

Staff commented that in other U.S. markets with robust demand response participation, much of the demand response that participates in competitive markets is not economic demand response, it is emergency or reliability demand response and the results have been effective. CLECA stated that those systems do not have 30-minute dispatch notice to which staff responded that ERCOT has both a 10-minute and a 30-minute emergency DR product in their ERS. Staff added that, for equity reasons, if economic DR programs are included in the DRAM proposal, emergency programs should be included as well.

Staff Requested Change 3

³ *Id.* at 23-24.

Regarding the Goals for the DRAM proposal, staff asserts that a discussion took place where SDG&E questioned why the goal for the DRAM proposal is not simply to maximize all cost-effective demand response. Staff responded that having a specific megawatt target is a clear market indicator as to the actual, quantifiable demand.

Section H. 4. Goals for DRAM

Ms. McMahon stated that the 5 percent price-responsive goal of the DRAM is based on the CEC's adjusted load forecast so it will also be based on long term planning. SDG&E inquired why the goal is not to maximize cost effective DR if more than 5 percent of cost-effective DR was available. Ms. McMahon responded that it is a "soft goal" which is really to establish a MW number that would change based on the load shape (i.e., taking into account dynamic rates). Furthermore, staff contended that having a specific megawatt target is a clear market indicator as to the actual, quantifiable demand. CLECA pointed out that the old goals (5 percent) never took into account the cost to achieve them, and neither does the DRAM goal give the Commission a good signal as to what the cost is to achieve the goal.