

# 1 Demand Response Auction Mechanism Q & A

## Capacity Demonstrations

1. What is the penalty for non-performance of a resource when an event is called? How are liquidated damages calculated?
  - If a resource doesn't perform when it is called this could have impacts to the Demonstrated Capacity. Please refer to 1.6.(a) of the DRAM Purchase Agreement, which states that any of the three (Seller test, average amount of capacity bid, results of a Dispatch) can satisfy the demonstrated capacity requirement for each PDR.
  - Non-performance would also impact the energy payment from CAISO in the form of uninstructed imbalance energy (Charge Code 6475). Seller should discuss potential charges with its Scheduling Coordinator.
  - There are no liquidated damages in the 2016 DRAM Purchase Agreement.
2. If in the contract we are obligated to nominate 3 MW for the month of August but only nominate 2 MW, is there a penalty, and if so how is that calculated?
  - The buyer interprets the term "nominate" in two ways:
    1. If "nominate" means the Seller's SC only submits 2 MW on month ahead RA Supply plan, then the RA capacity payment will be limited to 2 MW even though the contract stated 3 MW. The RA capacity payment may be further lowered if the demonstrated capacity is also lower than 2 MW. Please refer to 1.6.(a) of the DRAM Purchase Agreement for more details.
    2. If "nominate" refers to only energy bids in the CAISO markets because the month ahead RA Supply plan includes 3 MW, then CAISO will assess non-availability charges to the Seller for the non-performance of 1 MW. Non-availability charges are part of CAISO's RA Availability Incentive Mechanism recently approved by FERC (ER15-1825). The energy bid may also impact the demonstrated capacity for RA capacity payment in 1.6.(a) of the DRAM Purchase Agreement.
  - 3. Is there some type of cost analysis that we should be aware of, like there was in the AMP contracts?
    - No.
  - 4. Section 1.6.i. lists a two hour load curtailment test. Does this two hour requirement apply to all bids submitted? Or does a 1 hour bid, award, and curtailment count towards the 24 dispatchable hours per month listed in the MOO requirements?
    - The two hour testing requirement applies to future qualifying capacity (QC) methodology requirements as adopted in CPUC Decision 14-06-050. CPUC Decision 15-06-063 exempted 2016 PDRs from the established QC methodology.
    - The two hour dispatch data can also be used to meet the demonstrated capacity requirement per section 1.6.(a).
    - Any test event dispatch would count towards the 24-hour monthly minimum dispatch.

## RA Procurement

5. Can you please clarify how the residential set-aside will work in DRAM delivery months *besides* August 2016? Is SCE required to procure a certain MW quantity (e.g.  $20\% \times 10 \text{ MW} = 2 \text{ MW}$ )

## 2 Demand Response Auction Mechanism Q & A

from residential resources during each of these months? Or is SCE only required to procure from residential resources 20% of the *total* MW procured during each of these months (which could be less than 10 MW)?

- The requirement is to purchase 2 MW of residential DR in August 2016, regardless of how many MW of overall bids are received. However, a bid might contain MW in multiple months so in accepting the bid, the IOU could be purchasing the MW in all months.
- SDG&E is allowing zero kW bids for August so it is theoretically possible for SDG&E to procure 0 MW of August non-residential capacity if the funding or Rule 32 limit is reached first. In that highly unlikely case, the required residential target for August would be 0 MW X 20% = 0 MW. In practice, SDG&E plans to take the lowest weighted cost per MW residential bid first without regard to months offered before considering non-residential capacity to comply with the spirit of the Commission's mandated residential set-aside.

### **Must Offer Obligation (MOO)**

6. Can you tell me if there is a cap on the number of events that can be called in a month and the number of hours?
  - The CAISO dispatches will depend on CAISO market conditions and the Sellers bidding strategy (e.g., price). The CAISO website provides information on their historical system conditions and performance. The CAISO Tariff and BPMs specify the Must Offer Obligation and participation requirements.
  - There is no cap, unless the resource owner specifies one in the CAISO Master File. In this case, the cap cannot be less than one dispatch per non-holiday weekday.
  - The Must Offer Obligation is met if there have been dispatches totaling 24 hours in a month; the Seller would not be required to bid into the market once these conditions have been met.
7. According to the Apr. 20, 2015 DRAM Advice Letter (page 5), the must-offer hours for DRAM resources are as follows:
  - Apr-Oct: 1:00-6:00 PM (or, in CAISO-speak: HE 14 through HE 18 -- 5 hours total)
  - Nov-Mar: 4:00-9:00 PM (or, in CAISO-speak: HE 17 through HE 21 -- 5 hours total)

Can you please clarify whether the DRAM MOO applies to *all* days of the week (i.e. weekends and CAISO holidays included)? Or does the MOO only apply to non-holiday weekdays?

- The DRAM MOO is consistent with Section 40.9.3 of the [CAISO Tariff](#) and applies to any non-federal holiday weekdays (not weekends).
8. Can you please confirm whether the must-offer obligation for DRAM resources in the CAISO's Day-Ahead Market applies to all days, or only to non-holiday weekdays?
  - The DRAM MOO is consistent with Section 40.9.3 of the CAISO Tariff and applies to any non-federal holiday weekdays (not weekends).

### **Customer Eligibility**

9. For customer migration for SCE - the migration sheet states that for PTR customers they would have to un-enroll via your website or call. Can you share the direct link to the page on which the

### 3 Demand Response Auction Mechanism Q & A

customer would un-enroll? Or must they login to their account first and navigate to the page? Can you share the pathway?

- PTR opt-in customers can de-enroll from the program via [www.sce.com](http://www.sce.com) by logging into their MyAccount. Once in MyAccount, they must navigate to the “Services” section and select to edit their Service Account Information. This will pull up the selection options where customers can change their PTR event notification settings or de-enroll.
- Customers on PTR-ET-DLC (PTR with Direct Load Control enabling technology) opt-out via the 3rd Party vendors under contract with SCE.

10. What is the stance on Auto-DR (ADR) TI incentives as it relates to the DRAM?

- Per the Staff Disposition of SCE AL 3208-E-A, SDG&E AL 2729-E-A and PG&E AL 4618-E-A sent out on 09/24/15, the Utilities shall consider DRAM an IOU DR program; however, all rules and requirements under ADR must be met.
- PG&E - In accordance with the above-referenced Staff Disposition, PG&E has issued an updated “DRAM Set Aside” document on the [PG&E DRAM RFO website](#), which has an updated description of how PG&E would treat ADR customers that would like to participate in DRAM.
- SCE – SCE has posted an updated “DRAM Customer Migration Matrix” on the SCE DRAM RFO website as well.

#### Request for Offers

11. Page 4 of the [PG&E DRAM RFO Instructions](#) states: "Each Offer must contain a minimum of 1 month of delivery for August 2016". Does this mean that *each* of the (up to 20) "variations" within an Offer must include a non-zero offer quantity (kW) for delivery month August 2016? Or does this mean that *at least one* of the (up to 20) variations within an Offer must include a non-zero offer quantity for August 2016?
- Every variation must have a non-zero offer quantity for delivery month August 2016.
12. Section 3.04 (page 7) of the [SCE DRAM RFO Instructions](#) states: "Each bid must contain a minimum of 1 [...] month delivery and contain delivery during the month of August 2016". Does this mean that any bid that specifies non-zero kW quantities for delivery months other than August 2016, but a zero kW quantity for delivery month August 2016, will not be accepted?
- Yes, each bid must have a non-zero quantity for delivery month August 2016. Bids that have a zero quantity for delivery month August 2016 will be deemed non-conforming.
13. Page 7 of the [SDG&E DRAM RFO Instructions](#) states: "The Delivery Period(s) shall be no earlier than June 2016 and no later than December 2016, with a minimum Delivery Period of one month and a minimum increment of one month up to the maximum of seven months." In the case of SDG&E, is there any requirement that a bid include a non-zero kW quantity offer for delivery month August 2016?
- [SDG&E only] Offerors are allowed to bid zero kW for August. This solicitation is seeking a minimum of 2 MW in August 2016 (20% of which must be from residential Offers) BUT up to the funding or registration limit if those are reached first.

**Other**

14. Can you please describe in detail the data it will make public at the conclusion of the DRAM RFO? In particular, will each of the IOUs make the following auction results data publicly available:
  - a. Total residential and total non-residential capacity bid into the auction, during each delivery month?
  - b. (Weighted) average cleared capacity price during each delivery month, for all offers, residential offers only, and non-residential offers only?
  - c. Maximum cleared capacity price during each delivery month, for all offers, residential offers only, and non-residential offers only?
  - d. (Anonymous) individual bids submitted to the RFO?
    - Information will not be released unless specifically ordered to do so by D-06-06-066 Appendix 1.
    - At the conclusion of this DRAM pilot program, the IOUs will prepare two reports, one with auction metrics including the information described above in a. to d. and a second report describing the “lessons learned” from the auction process. The first report will be submitted confidentially to the CPUC while the second report will have any confidential information included in this report identified and submitted to the Commission under PUC code section 583 to protect the confidential information. Whether information listed in subsections a. to d. above would be confidential once aggregated across the three utilities by the CPUC will depend on the CPUC. Per the DRAM Resolution, the CPUC has no obligation to make any report on the DRAM evaluation metrics.
15. Is this program run like BIP where there is a Firm Service Level (FSL) or is the program run like CBP where it is a Guaranteed Load Drop (GLD)?
  - The IOUs are not involved in the seller-customer DR transaction. It is up to the Seller to manage its customers to provide the load drop associated with its RA commitment and CAISO bidding process, whether it is a firm service level or a guaranteed load drop or a combination.