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IOU Recommendations for DR Qualifying Capacity Methodology

—A Phased Approach with Optionality

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Together, Building a Better California

Overview

***Objective*: To offer a viable path forward to resolve the misalignment in the valuation of DR resources**

- The IOUs recommend a phased approach:
  - optionality with the interim approach is allowed for RA 2023 while a permanent methodology is being developed for RA 2024 and beyond
  - the interim approach for RA 2023 does not constitute precedence for the permanent methodology

- A guiding principle for RA 2024 and beyond: the permanent QC methodology should be compatible with the slice-of-day framework and any other RA relating framework activities that is initiated during this time period

Optionality for RA Year 2023

- Parties can choose between the current methodology (LIP-alone) or LIP-informed ELCC, with the understanding that CAISO will provide RAAIM exemption for QC derived from LIP-informed ELCC whereas QC based on LIP alone may not qualify for the exemption

- Interested stakeholders of the WG (IOUs, DRPs, CAISO, etc.) will seek better understanding of the ELCC modeling and modify the assumptions for RA 2023, where appropriate

LIP-informed ELCC for RA Year 2023

2 Approaches depending on Energy Division timeline

a) ELCC Heat Map

The IOUs would prefer a heat map of derates that incorporate DR characteristics (i.e., event duration and event frequency) be developed prior to the 4/1/22 Load Impact filings, such that the derate factors can be applied to the ex-ante load impacts

- With derate factors available by March, the current year-ahead RA allocation timeline can remain unchanged
- More certainty to stakeholders who want to adopt ELCC derates

b) ELCC using Load Impact Profiles

The IOUs are open to running ELCC using load impact profiles, if the IOUs can review/accept the results and ED can accommodate the ELCC results into the year-ahead RA allocation process

Example: ELCC Heat Map with Call Frequency and Event Duration

First-in ELCC

2019

ELCC (% of nameplate)	Max annual calls						
Max call duration (hrs)	1	2	4	5	10	15	20
1	46%	50%	51%	51%	51%	51%	51%
2	63%	73%	78%	78%	78%	78%	78%
4	70%	81%	94%	95%	95%	95%	95%
6	70%	81%	94%	95%	95%	95%	95%
8	70%	81%	94%	95%	95%	95%	95%

No interactions with storage – therefore no expected significant differences

2030

ELCC (% of nameplate)	Max annual calls						
Max call duration (hrs)	1	2	4	5	10	15	20
1	41%	43%	43%	43%	43%	43%	43%
2	60%	65%	65%	65%	65%	65%	65%
4	72%	91%	95%	95%	95%	95%	95%
6	73%	92%	98%	98%	98%	98%	98%
8	73%	92%	98%	98%	98%	98%	98%

Last-in ELCC

2019

ELCC (% of nameplate)	Max annual calls						
Max call duration (hrs)	1	2	4	5	10	15	20
1	59%	73%	73%	73%	73%	73%	73%
2	74%	90%	94%	94%	94%	94%	94%
4	77%	98%	100%	100%	100%	100%	100%
6	77%	98%	100%	100%	100%	100%	100%
8	77%	98%	100%	100%	100%	100%	100%

Significant degradation in last-in ELCC in 2030 is driven by saturation of energy-limited resources, primarily storage

2030

ELCC (% of nameplate)	Max annual calls						
Max call duration (hrs)	1	2	4	5	10	15	20
1	35%	37%	37%	37%	37%	37%	37%
2	44%	49%	49%	49%	49%	49%	49%
4	52%	65%	69%	69%	69%	69%	69%
6	56%	77%	77%	77%	77%	77%	77%
8	75%	91%	93%	93%	93%	93%	93%

Source: E3 ELCC Analysis

Recommended Next Steps

- A sub-group consisted of interested stakeholders to flesh out the interim approach and modify ELCC assumptions, where appropriate, for RA 2023
  - Expected completion date: Jan 2022
- The main group focuses on the permanent methodology for RA 2024 and beyond
- No later than 3/18/2022, WG report submitted to CPUC

Thank You!

Questions? Please contact Gil Wong (Gil.Wong@pge.com)