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**Recurve Analytics, Inc - Comment on CEC Working Group Report
on Qualifying Capacity Methodology**

Additional submitted attachment is included below.

Recurve is an industry leader in meter-based demand flexibility. Recurve provides transparent, accessible analytics to track changes in consumption and demand due to program interventions for both individual buildings and in aggregate to support resource planning and facilitate performance-based transactions. We have consistently encouraged and supported market-based solutions for decarbonization that have the ability to scale and ensure demand-side resources can make a meaningful contribution to the grid.

Recurve has been attending the CEC stakeholder working group meetings on qualifying capacity since they were initiated last fall. Given the multiple inter-woven issues in the Qualifying Capacity of Supply-Side Demand Response Working Group Draft Report, we limit our comments to the minimal scope of performance settlement that may factor into the Qualifying Capacity method and potential limitations of the Load Impact Protocols (LIP).

The Load Impact Protocol process needs reform. This urgency is heightened if current qualifying capacity methods are based on historical performance continue or if other proposals recommend grounded in a LIP-informed qualifying capacity are approved. We agree with the key concerns stated in the report any by other parties that the LIP:

- Offers guidelines for methods, but ultimately is not transparent when final adjustments are subject to professional assumptions of CPUC staff.
- Does not ensure that the most robust methods (i.e., comparison groups) are accessible to all market actors (even where allowed in a CAISO settlement tariff) and
- Presents a significant cost (primarily subsumed in the report writing) and delays that serve the limited role of meeting a compliance requirement rather than an optimization tool; which is particularly burdensome for third-party demand response providers.

To the extent that a new qualifying capacity methodology relies on past performance, it is clear that the LIP process must overcome these barriers. Without significant modifications, it will continue to stagnate deployment of demand response and, more importantly, integrated load flexibility solutions. This burden falls particularly on third parties demand-response providers that have limited access to the most reliable methods (given restrictive interpretations of data access rules) and rate recovery of public funding mechanisms to pay for a LIP report.

Accounting mechanisms to assess performance should be transparent and consistent to support a common understanding of impacts and to build trust and stability in the market. We do not take a formal position on how QC should be generated. We generally believe that performance data should be considered in assessing qualifying capacity, but ultimately it

should be part of the DR providers bid assumptions, part of the regulatory review, but not necessarily the sole basis of prescribing qualifying capacity. As noted in the CEC summary document, 2020 created a lot of debate over demand response performance. Resolving the ambiguity of performance will go a long way in having a more streamlined process for determining qualifying capacity as well as other system planning.

Recurve supports adoption of consensus methods (including baselines) that can be widely applicable across state agencies market sectors and deliver consistently comparable results. We agree with the CEC's comments regarding "Settlements". Approved baseline settlement methods should be inclusive of weather sensitive interventions and we encourage the state agencies to collaborate to overcome barriers for utilizing appropriate baseline and comparison groups methods.

"4. Settlements: . . . CEC staff finds that without accurate baseline methods, it cannot be known whether these demand response resources underperformed relative to the associated operational (energy) or planning (capacity) commitments. However, accurate measurement of actual load impacts is a foundational requirement for valuing a contribution to reliability, so CEC staff finds accurate settlement baselines requisite to any capacity counting method. CEC staff notes that the California ISO has since adopted a "control group" (more precisely called a "comparison group") baseline method for such resources. The new baseline has the potential to address the settlement challenge sufficiently, but it must be successfully implemented to do so."

Recurve demonstrated the application of these methods at scale with a wide range of residential and non-residential demand response providers in its 2021 study with CAISO.¹ The study illustrates the value of modifying the baseline methods from 10/10 and 5/10 to longer pre-event assessment (45 days), and a post intervention assessment (15 days). The comparison group method also adds rigor to understanding performance by isolating the direct impacts of the intentional interventions from the exogenous grid activities simultaneously driving changes in energy consumption. The key barrier for implementing this method consistently is recognizing this baseline and comparison group method across state agencies and enabling secure data access for this grid optimization use case.

We appreciate the opportunity to participate in the stakeholder process to continue to build a scalable solution for demand side resources to contribute to grid operations.

¹ [Demand Response Advanced Measurement Methodology Analysis of Open-Source Baseline and Comparison Group Methods to Enable CAISO Demand Response Resource Performance Evaluation.](#) Recurve, 2021.