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Via Web Portal

California Energy Commission
1516 Ninth Street, MS-29
Sacramento, CA 95814-5512

Docket No. 21-DR-01, Supply Side Demand Response Qualifying Capacity Methodology

RE: Comments of the AEMA on Supply-Side Methodology Working Group Draft Report

The Advanced Energy Management Alliance¹ (“AEMA”) respectfully submits these comments on the California Energy Commission’s (“CEC”) Qualifying Capacity of Supply-Side Demand Response Working Group Draft Report (“CEC QC Draft Report”). AEMA’s membership represents some of the largest demand response and distributed energy resource providers in the country. Members of AEMA work across the North American wholesale markets, including in California. Therefore, AEMA members have deep experience across jurisdictions about qualifying capacity constructs for demand response resources.

¹ AEMA is a trade association under Section 501(c)(6) of the federal tax code whose members include national distributed energy resource companies and advanced energy management service and technology providers, including demand response (“DR”) providers, as well as some of the nation’s largest demand response and distributed energy resources (“DER”). AEMA advocates for policies that empower and compensate customers appropriately--to contribute energy or energy-related services or to manage their energy usage--in a manner which contributes to a more efficient, cost-effective, resilient, reliable, and environmentally sustainable grid. This filing represents the collective consensus of AEMA as an organization, although it does not necessarily represent the individual positions of the full diversity of AEMA member companies.

From this perspective, it is worth emphasizing that California’s resource adequacy methodology is a significant barrier to participation for all the reasons identified by the California Energy + Demand Management Council (“CEDMC”) in the CEC QC Draft Report.² Specifically, the Load Impact Protocol (“LIP”) is time-consuming, expensive, and discretionary, without guaranteeing any return on the time and money invested. It is the most challenging resource adequacy regime of any of the seven U.S. markets. Even companies with significant experience in California have been unable to “crack the LIP code” and earn predictable qualifying capacity values. If the LIP process is a significant market barrier for established and experienced companies, it is a stifling barrier for new companies.

The LIP + ELCC proposed methodology will not alleviate these problems. It will address the question of whether the LIP accurately predicts qualifying capacity values. But the additional layer of complexity will impose another market barrier.

AEMA therefore supports CEDMC’s PJM/NYISO approach. This proposal will address the market barriers that CEDMC identifies. It also leverages PJM’s penalty structure, which has worked for years to provide cost-effective grid reliability through incentives rather than regulatory review. The CEC acknowledges that the PJM/NYISO “incentive-based approach” “could allow more demand response capacity to materialize in a relatively short time frame.”³ Only demand response can stand up a power plant overnight, which should be a priority given the variety of reliability events that California faces.

Since the Interim Track provides for the option to use the CEDMC’s incentive-based PJM/NYISO approach,⁴ AEMA supports the Interim Track. AEMA would also suggest the

² See California Energy Commission, Commission Report: Qualifying Capacity of Supply-Side Demand Response Working Group Draft Report, at 19, CEC Docket No. CEC-200-2022-001-CMD (Jan. 2022) (“CEC QC Draft Report”).

³ CEC QC Draft Report at page 28.

⁴ *Id.* at page 30.

California Public Utility Commission (“CPUC”) conduct a comparative *ex post* performance study analyzing the cost, accuracy, and MWs secured via the ELCC + LIP method compared to the PJM/NYISO process.

Thank you for consideration of our comments. AEMA would be glad to discuss these further with the CEC.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Katherine Hamilton".

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