

DOCKETED	
Docket Number:	21-DR-01
Project Title:	Supply Side Demand Response
TN #:	241413
Document Title:	PG&E Comments on the Qualifying Capacity of Supply-Side Demand Response Working Group Draft Report
Description:	N/A
Filer:	System
Organization:	PG&E
Submitter Role:	Public
Submission Date:	2/4/2022 2:52:31 PM
Docketed Date:	2/4/2022

Comment Received From: PG&E
Submitted On: 2/4/2022
Docket Number: 21-DR-01

**PG&E Comments on the Qualifying Capacity of Supply-Side
Demand Response Working Group Draft Report**

Additional submitted attachment is included below.

February 4, 2022

California Energy Commission
Energy Assessment Division, Energy System Reliability
Docket Number 21-DR-01
517 P Street
Sacramento, CA 95814

Re: Pacific Gas and Electric Company's Comments on the Qualifying Capacity of Supply-Side Demand Response Working Group Draft Report (Docket Number 21-DR-01)

Pacific Gas and Electric Company (PG&E) appreciates the California Energy Commission's (CEC) efforts on leading the demand response (DR) working group and the development of the qualifying capacity (QC) of supply-side DR working group draft report.

PG&E welcomes the opportunity to provide feedback on the draft report and offers the following comments:

- 1- **PG&E supports the CEC's recommendation that splits the QC valuation issues into two tracks.** Due to the lack of consensus among stakeholders, the CEC's working group has not been able to identify a single recommendation for a permanent solution to measure the capacity value that results from DR. However, it is critical to have a solution for the 2023 resource adequacy (RA) compliance year that will address key challenges for grid reliability. As the draft report discusses, the interim track provides a path forward for the 2023 RA compliance year, without setting a precedent for the permanent solution. The long-term track will allow the working group more time to develop a fully vetted permanent QC methodology and ensure its compatibility with the reformed RA framework being developed at the California Public Utilities Commission (CPUC).
- 2- **PG&E recommends the Effective Load Carrying Capacity (ELCC) methodology informed by the Load Impact Protocols (LIP-informed ELCC) as the preferred QC valuation methodology, but understands the desire to consider optionality to reach a resolution for the 2023 RA compliance year.** The LIP-informed ELCC combines the advantages of the Load Impact Protocols (LIP) and the ELCC methodology. The LIP requires rigor from

the impact evaluation, grounding the ex-ante forecast of DR in its demonstrated ex-post-performance, while also accounting for expected future changes. The ELCC methodology assesses the reliability contribution of an intermittent resource. It is not a capacity estimation methodology *per se*, and will need exogenous capacity input data. The LIP estimates give the proper input for the ELCC methodology to adequately assess DR's reliability contribution given the current RA construct. More importantly, LIP-informed ELCC methodology recognizes DR as a variable-output resource and qualifies utility DR programs for exemption from the RA availability incentive mechanism (RAAIM) when the investor-owned utilities (IOUs) include DR programs on their supply plans.

PG&E recognizes that LIP-informed ELCC is a new methodology, and some stakeholders have reservations about it. Therefore, PG&E agrees that limited optionality would be a reasonable interim approach, which allows all DR providers to choose between LIP-informed ELCC methodology and the status-quo for the interim year, 2023.

- 3- **The incentive-based PJM regional transmission organization's methodology as proposed by California Efficiency + Demand Management Council (CEDMC) should not be adopted without modification.** Third-party DR providers have expressed concerns that the current DR valuation framework and timeline do not work well for their dynamic DR portfolios. In their view, the accuracy of the LIPs is questionable for dynamic portfolios, and the evaluation process is both time-consuming and costly. PG&E finds the accuracy concern misplaced. The LIP does not prescribe an evaluation approach but provides the evaluator freedom to make reasonable assumptions to reflect the future portfolio. The accuracy of the LIP estimates is within the control of the evaluator. The LIP does not restrict the DR providers from growing the portfolios; it only requires that the assumptions of a forecast be documented and well justified. Should the PJM approach be adopted, the need would still exist for the CPUC's Energy Division (ED) to access the underlying assumptions of the claimed capacity of the DR providers to make a well-informed assessment. The CEDMC proposal simply makes the currently required information available only upon the ED's request, putting a greater administrative burden on the CPUC.

The PJM approach heavily relies on a penalty assessment to hold the DR provider accountable for delivering the claimed capacity. As presented, the proposed penalty structure is very lenient. For example, there is no penalty as long as 75% of the contracted capacity can be demonstrated; in other words, a DR resource can be deficient by as much as 25% of the contracted capacity without incurring any penalty. If the after-the-fact penalty is the only mechanism that provides assurance to the resource planning process, then the proposed penalty structure is insufficient. The PJM approach would expose the electric grid to significant and unnecessary risk, especially in times when capacity is needed.

PG&E is open to exploring options for the permanent QC methodology that can work for third-party DR providers and urges the CEC not to adopt the CEDMC proposal without modification.

PG&E appreciates the opportunity to comment on the CEC's QC of supply-side DR working group draft report and looks forward to working with the CEC and the CPUC on finding a permanent methodology. Please reach out to me with any questions.

Sincerely,

/s/

Mark Krausse
Director, State Agency Relations