

DOCKETED	
Docket Number:	21-DR-01
Project Title:	Supply Side Demand Response
TN #:	241421
Document Title:	Southern California Edison Comments - on CEC Draft Report - Qualifying Capacity of Supply-Side Demand Response Working Group
Description:	N/A
Filer:	System
Organization:	Southern California Edison
Submitter Role:	Public
Submission Date:	2/4/2022 4:21:30 PM
Docketed Date:	2/4/2022

*Comment Received From: Southern California Edison
Submitted On: 2/4/2022
Docket Number: 21-DR-01*

**on CEC Draft Report - Qualifying Capacity of Supply-Side Demand
Response Working Group**

Additional submitted attachment is included below.

February 4, 2022

California Energy Commission
Docket Office, MS-4
Re: Docket No. 21-DR-01
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.ca.gov

Re: *Southern California Edison Company's Comments on the California Energy Commission's Draft Report – Qualifying Capacity of Supply-Side Demand Response Working Group, Docket No. 21-DR-01*

Dear Commissioners:

On January 24, 2022, the California Energy Commission (Energy Commission) provided its “Draft Report – Qualifying Capacity of Supply-Side Demand Response Working Group” (“the draft report”), pursuant to CPUC Decision (D.)21-06-029¹. Southern California Edison (SCE) appreciates the Energy Commission facilitating the workshops and preparing the thoughtful and well-researched draft report for submittal in the California Public Utilities Commission’s (CPUC’s) Resource Adequacy (RA) Rulemaking (R.) 21-10-002 in February 2022. SCE’s comments express support for the Energy Commission’s interim methodology and provide discrete feedback in the form of limited edits in redline on the CEC’s other draft recommendations.

SCE Supports the CEC’s Recommendations for an Interim Methodology

SCE supports the Energy Commission’s draft interim report but SCE continues to recommend the Load Impact Protocols (LIP)-Informed Effective Load Carrying Capability (ELCC) methodology as a viable improvement on the current LIP process. SCE is satisfied that the LIP-ELCC will meet the California Independent System Operator (CAISO) requirement for a methodology to provide an RA Availability Incentive Mechanism (RAAIM) exemption from the CAISO and facilitate the contribution of Demand Response (DR) resources to RA capacity on RA supply plans in a fair and consistent manner.

SCE appreciates the Energy Commission’s statement that this interim methodology will not set precedent on a long-term qualifying capacity (QC) counting methodology for DR. SCE contends that the interim methodology should remain in effect until the CPUC adopts a different or more permanent methodology than the interim methodology, or until a new RA Framework pursuant to the RA Reform track process (D.21-07-014) determines a different one. The RA Reform track is still pending at the Commission and it is too soon to tell what the new RA Framework will be and when it will become effective.

¹ See D.21-06-029, OP 11

SCE's Proposes the Following Edits to Chapter 5: Recommendations

SCE recommends the following redline edits to Chapter 5 of the Energy Commission's draft report.

1. **Interim track:** Focus on developing options for resource adequacy year 2023 (and until the CPUC adopts and implements a new RA framework) that address key challenges to deploying and relying upon supply-side demand response capacity in ways that materially contribute to California's near-term electric reliability.
2. **Long-term track:** Consider the complete list of issues in the CPUC request and identified during the working group process, and focus on developing a comprehensive, thoroughly vetted, and permanent solution for resource adequacy year 2024 (or the year when the CPUC adopts and implements a new RA framework) and thereafter that aligns with potential structural reforms to the resource adequacy framework (particularly the forthcoming slice-of-day approach).

Interim Track

For resource adequacy year 2023 and until the CPUC adopts and implements the new RA framework, CEC staff make the following recommendations to the CPUC:

4. **Adopt the incentive-based approach proposed by CEDMC.** The "PJM/NYISO" incentive-based approach allows third-party demand response providers to bring new resources online quickly and allows them to update capacity values more frequently to reflect the most recent information about the demand response resources. ~~The incentive-based penalty approach is more appropriate for demand response resources than the resource adequacy availability incentive mechanism. While the body of oversight and audits resulting from implementation of the incentive-based penalty approach have yet to be determined, CEDMC asserts that the current DR Load Impact Protocols act as a barrier to third party growth and their proposed incentive-based approach will result in more DR capacity to materialize in a relatively short time frame. Until such details of implementation have been worked out and their costs estimated, it may be premature to associate the PJM/NYISO incentive-based approach with specific outcomes. Nevertheless, third-party DR providers should be given the opportunity to demonstrate how an incentive-based penalty approach will bring additional MW online quickly.~~

8. **Consider LIP-informed ELCC and incentive-based approach as non-precedent setting recommendations.** Recommendation of these methods in the interim should not be construed as tacit support or endorsement for these methods in the long term; all interim methods should be on the table as candidates for consideration as a long-term solution. Both methods proposed for the interim improve aspects of the market for demand response capacity, but neither is perfect and neither has had sufficient opportunity to be amended through the working group. Furthermore, the two interim methods vary greatly in their approach, and the CEC does not recommend maintaining such differing approaches in the long-term. The CPUC's forthcoming decision regarding slice-of-day should inform the approach taken for a long-term method that does not include optionality. Ultimately, the DR counting methodology should be fair and reasonable, applicable to all DR resources participating in the wholesale market and consistent with the overall RA framework the CPUC adopts and implements.

SCE Proposes the Following Edits to the Long-term RA Year 2024 and Thereafter Proposals

SCE recommends the following redline edits to the draft report's RA year 2024 and thereafter recommendations.

10. **Depending upon the outcome of the Reform Track of the CPUC's RA proceeding,**
eExtend the CEC supply-side demand response working group beyond February 2022.

Allow the CEC-led working group process to continue to develop recommendations for resource adequacy year 2024 and thereafter. Request the CEC produce a final report **once the CPUC adopts a new RA Framework and determines the timeline for its implementation.**

SCE thanks the CEC for consideration of the above comments. Please do not hesitate to contact me at (415) 929-5518 with any questions or concerns you may have. I am available to discuss these matters further at your convenience.

Very truly yours,

/s/

Dawn Anaiscourt