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California Efficiency + Demand Management Council (“Council”) Informal Comments on April 7, 2022 CEC Supply Side Demand Response (“DR”) Qualifying Capacity (“QC”) Working Group

A. Introduction

The Council appreciates this opportunity to provide these informal comments on the proposed timeline and draft principles from the April 7 session of the Phase 2 Supply Side DR QC Working Group (“Phase 2 Working Group”). In addition, the Council identifies the long-term DR counting proposals it plans to put forth during the Phase 2 Working Group.

B. Informal Comments on the Proposed Timeline

The Council thanks CEC Staff for putting forth a draft timeline that reflects the necessary procedural steps at the CEC and the California Public Utilities Commission (“CPUC”) for a CPUC decision in time to provide clarity to IOUs and DR providers with regard to the DR counting methodology they will use for the 2024 Resource Adequacy (“RA”) Year DR QC process. Though this leads to a compressed timeline for this working group, its necessity is based on the expectation that the CPUC could adopt a Slice-of-Day RA framework in its expected June 2022 decision for deployment in 2024. However, in the Council’s view, there are some potential opportunities for modifying the timeline to better utilize the limited time available to maximize its utility.

As a general principle, the Council recommends the greater use of time in between working group sessions for parties to submit informal comments that can then better inform and focus subsequent working group sessions. An additional benefit to this approach is that it ensures an opportunity for a greater cross-section of participants to provide feedback. Based on the Council’s observations of the Phase 1 Working Group, the sessions tend to be dominated by a very small number of parties, in contrast to the large number of parties that listen in. Another significant benefit to a greater emphasis on written comments is that it will create a more robust record that can be attached to the Phase 2 Working Group report.

The Council also recognizes the compressed timeframe that CEC Staff and the CPUC would be subjected to under the draft timeline. This will no doubt be challenging to conform to, just as the working group schedule will be for stakeholders, but it appears to leave sufficient time for the CEC and CPUC to make well-informed decisions in time for a 2024 DR QC process to be in place. Consequently, the Council recommends no changes to the draft timeline following the May 26 working group session. With this preface, the Council provides its proposed modifications in the table below beginning with the April 14 session, and invites CEC Staff to adopt discrete pieces or in whole.

| Meeting No. | Purpose | Date | Modified Purpose |
|-------------|--|-----------|---|
| 2 | Proposal check-ins, informal comment/critique | 4/14 | Sponsors announce their proposal concepts Stakeholders provide initial feedback on elements to include in each proposal Stakeholders discuss common elements needed for each proposal |
| 3 | Deadline to submit written proposals | 4/21 | No working group session; sponsors draft written proposals |
| 4 | Final presentations on proposals w/ Q&A and critique | 4/28 | Draft written proposals due Sponsors present followed by stakeholder Q&A and feedback Stakeholders invited to submit informal written comments on draft proposals |
| 5 | “Rate, Talk, Rate” Exercise: Take survey applying principles to proposed methodologies, discuss results, and retake survey | 5/5 | No working group session Informal written comments due |
| N/A | CEC Review RTR results, select framework, send result | 5/12 | Final written proposals due Final presentations on proposals w/ Q&A and critique |
| 6 | Workshop WG methodology | 5/19 | No working group session |
| 7 | Workshop WG methodology | 5/26 | No working group session CEC Review RTR results, select framework, send result |
| N/A | Write Draft Final Report | 5/27-6/16 | No change |
| N/A | Post Draft Final Report and begin public comment period | 6/17 | No change |
| N/A | Written public comments due on Draft Final Report | 7/8 | No change |
| N/A | Revise Final Report | 7/11-7/28 | No change |
| N/A | Post Final Report | 7/29 | No change |
| N/A | Adopt Final Report at CEC business meeting | 8/10 | No change |
| N/A | CEC submits Final Report into CPUC RA proceeding | 8/12 | No change |
| N/A | Opening comments submitted on Final Report | 9/12 | No change |
| N/A | Reply comments submitted on Final Report | 9/19 | No change |
| N/A | CPUC proposed decision | 10/18 | No change |
| N/A | CPUC final decision | 11/17 | No change |

As a related issue, the Council notes that the draft timeline appears to omit consideration of the several other issues that the CPUC requested the CEC-led working group process address in Ordering Paragraph 11 of Decision 21-06-029. It appears that there is insufficient time to address these issues for the CPUC to issue a decision for the 2024 RA year. However, CEC Staff should clearly acknowledge this and put forth a plan for addressing them in the future – either in a Phase 3 of its working group or to simply report to the CPUC in the Phase 2 Working Group report that it was unable to address them.

C. Informal Comments on the Draft Principles

At the April 7 working group session, CEC Staff provided parties with a list of draft principles that, as CEC Staff characterized it, represent the final set adopted by the Phase 1 Working Group. The Council disagrees with the characterization that they are the “final” version or that they have been adopted by the working group. According to the Council’s records, on October 12, 2021, CEC Staff circulated an email to the working group stakeholders requesting written comments on the then-current version of the draft principles. At the October 25 working group session, CEC Staff presented the same draft principles with the feedback they had received from stakeholders in response to the October 12 request. To the Council’s knowledge, since the October 25 session, there has been no activity on the part of the working group to address or modify these draft principles in any way. According to stakeholder feedback in response to the October 12 request, no comments were received on draft Principles 1-4, 6, and 8. Therefore, it would be reasonable to treat them as being “final” in nature since no stakeholders objected to them. However, the CAISO expressed concern about draft Principles 5 and 7, and the Council expressed concern about draft Principle 7. Therefore, these two principles should not be considered “final” until stakeholder have a chance to provide feedback on the proposed edits.

Upon closer inspection of the “final” principles presented at the April 7 working group session, it appears that since October 25, 2021, three of the draft principles have been modified, one of which had received no objections from stakeholders, and one entirely new principle has been added. The Council opposes the unilateral modification of the principles and declaring them as “final”. If CEC Staff believed that the October 25 version of the draft principles was inadequate, it should have brought them back to the working group for further discussion. The Council respectfully reminds CEC Staff that the purpose of the working group is to address the prescribed issues through collaboration and sharing among the stakeholders.

The Council provides below the April 7 version of the draft principles while indicating where modifications were made relative to the October 25, 2021 version (underline indicates new language and strike-through indicates deleted language). Following each principle in brackets is an indication of whether stakeholder feedback had been provided in response to the October 12 CEC Staff request. In addition, the Council provides its feedback on the April 7 version of the draft principles.

1. The QC methodology should be transparent and understandable. [No feedback received.]

The Council continues to support this principle. Transparency and clarity are fundamental to any functioning market. Any DR QC methodology should not require the need of a specialist to translate the methodology guidelines or to implement it. This adds an unnecessary cost to entry and diminishes the ability of a DR provider to make informed investment decisions.

2. The QC methodology should use best available information regarding resource capabilities, including recent historical performance and participant enrollment and composition projections. [No feedback received.]

The Council continues to support this principle. To the extent that historical information is a necessary element of a DR QC methodology, the most recent historical information will most

often be the most indicative of a DR provider's capabilities, as opposed to one or two years in the past.

3. The QC methodology should allow DR providers to quickly determine or update QC values. [No feedback received.]

The Council continues to support this principle. DR providers should be able to quickly and easily know exactly what their QC value is or would be, given a specific set of inputs. This is critical to informing them where to best focus their resources. For example, to grow their portfolio, should they focus on expanded recruitment or on improving the uptake of their current customers of enabling technologies that will improve the speed, consistency, and/or magnitude of load curtailment?

4. The QC methodology should be consistent and compatible with the resource adequacy program. [No feedback received.]

The Council continues to support this principle. It makes little sense to adopt a DR QC methodology that is or will be incompatible with the prevailing RA framework because it will not be usable. Before any DR QC methodology is adopted in the Phase 2 Working Group, it should be required to demonstrate that it is compatible with the Slice-of-Day framework adopted by the CPUC.

5. The QC methodology should ~~account for the primary factors that influence DR variability, use limitations, and availability~~ account for any use limitations, availability limitations, and variability in output of DR resources. [Feedback received.]

The Council supports this principle in its current form. However, it is important to note that all DR does not possess the same degree of variability and use limitations, and this should be reflected in the DR QC methodology.

6. The QC methodology should translate a DR resource's load reduction capabilities into its contribution to reliability ~~value~~. [No feedback received.]

The Council opposes this principle in its current form but was supportive of the prior version. CEC Staff should not have modified it because no stakeholders objected to it in October. Furthermore, "contribution to reliability" clearly refers to an Effective Load Carrying Capability ("ELCC")-based QC methodology; its specific reference in this principle is overly prescriptive and will unfairly bias the scoring process in favor of the CAISO's Load Impact Protocol ("LIP")-Informed ELCC methodology.

7. The QC methodology should include methods to determine delivered ex-post capacity (ex-post) that are ~~internally consistent~~ compatible with the determination of qualifying capacity (ex-ante) ~~ex-ante QC valuation~~. [Feedback received.]

The Council supports this principle because it appears to clarify the intent of the October 25 version of this principle to draw a connection between the actual performance of a DR resource or program and its QC value.

8. The QC methodology should not present a substantial barrier to participation in the RA program. [No feedback received.]

The Council continues to support this principle. For similar reasons provided for Principles 1-3, the DR QC methodology must be sufficiently transparent, low/no cost, and easy to use. Otherwise, DR providers will be discouraged from entering the RA market, something the State cannot afford to occur at this point in time.

9. **The QC methodology should flexibly account for the reliability contribution of a resource given the other resources on the system.** [N/A; this is a new principle.]

The Council strongly opposes this principle. It is extremely prescriptive in that it is clearly and exclusively targeted to benefit the LIP-Informed ELCC methodology. The principles should not be targeted to any specific DR QC methodology.

D. Expected Long-Term DR QC Methodology Proposals

The Council plans to put forth its Incentive-Based Method and Streamlined-LIP proposals in the Phase 2 Working Group. The Council reserves the right to add co-sponsors over the course of this process.

If you have any questions, feel free to reach out to me by email at gwikler@cedmc.org or by phone at (925) 286-1710.

Sincerely,



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