

DOCKETED

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Item 10: Qualifying Capacity of Supply-Side Demand Response Final Report

January 25, 2023 Business Meeting



Erik Lyon

Advisor to Vice Chair Gunda

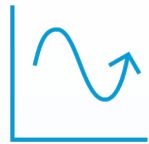


Benefits to Californians

Demand Response (DR) provides:



Pollution Reductions



Reliability



Cost Savings



Overview

“CEC is requested to develop recommendations for a comprehensive and consistent [measurement and verification] strategy, including a **new capacity counting methodology for DR** addressing *ex post* and *ex ante* load impacts”
D.21-06-029

“The CEC Working Group should continue to develop long-term recommendations, consistent with the adopted Reform Track [hourly slice-of-day] framework”
D.22-06-050



Slice-of-Day Reporting Format

Hour	January	February	March	April	May	June	July	August	September	October	November	December
15	—	—	—	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	—
16	—	—	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	—
17	—	—	0.0	0.0	46.4	86.6	89.2	91.8	89.6	82.3	65.1	—
18	—	—	16.8	52.5	36.2	74.6	80.0	84.1	79.5	74.4	47.9	—
19	—	—	15.1	39.6	24.9	66.3	71.2	77.5	70.0	66.0	22.7	—
20	—	—	9.5	18.1	11.4	44.2	53.0	59.5	49.1	38.9	5.3	—
21	—	—	0.4	5.3	2.3	23.8	35.0	37.5	31.9	18.1	1.3	—
22	—	—	0.0	4.5	0.0	24.7	41.4	40.8	39.2	19.9	8.3	—
23	—	—	0.0	-0.1	0.0	-7.4	-14.4	-10.9	-13.5	-5.9	-4.7	—
24	—	—	—	0.0	—	-1.7	-4.3	-4.6	-6.6	-2.8	-1.8	—

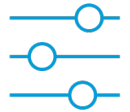
Source: Adapted from Demand Side Analytics - Final Draft Proposal



Current Approach to DR Capacity



***Ex post* analysis** of load impacts in previous years



Adjust past performance to match expected future performance



Account for projected enrollment and customer composition



Forecast portfolio *ex ante* load impacts for upcoming year under planning assumptions



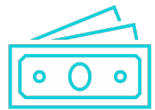
CPUC staff review, adjust, and approve Qualifying Capacity



Current DR Capacity Issues



Methodology: Variability in interpretation of Load Impact Protocols; difficult to assess reasonableness



Incentive Mechanisms: Penalties for underperformance not applicable to or appropriate for DR



Process: Onerous, expensive, opaque, and slow



Working Group Proposals

Adaptations of Current Approach

1. California Large Energy Consumers Association
2. Demand Side Analytics and San Diego Gas & Electric
3. OhmConnect*

Incentive-Based Approaches

4. California Efficiency + Demand Management Council
5. California Energy Commission Staff

*Reporting requirements only



Recommended Approach

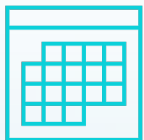
Adopt an incentive-based Qualifying Capacity approach



All other proposals continuation of current approach



Performance-based incentive mechanism previously recommended by CPUC Energy Division and ISO Department of Market Monitoring



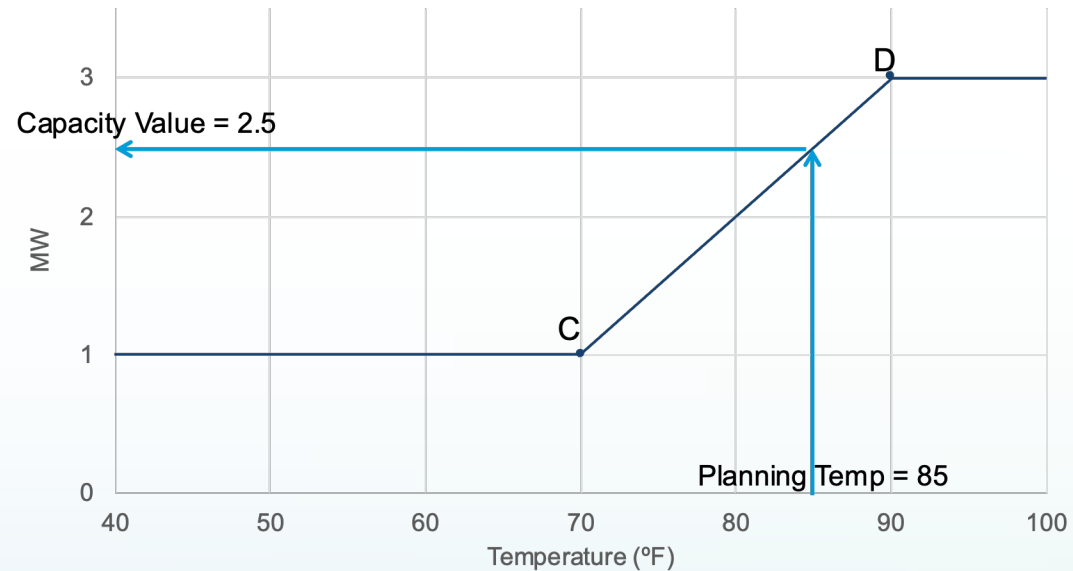
Reduce burden on DR providers and CPUC staff



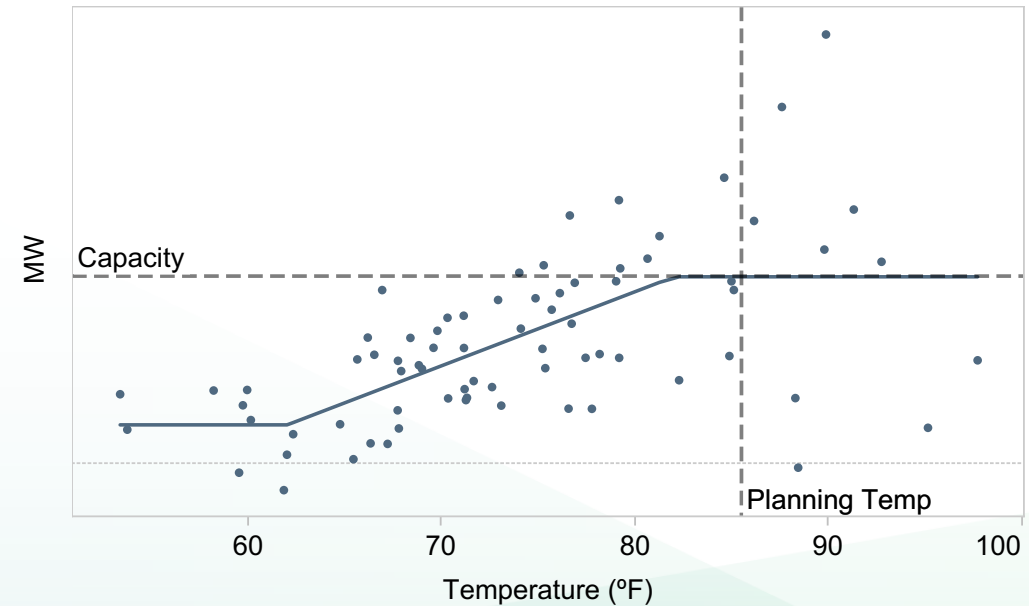
Recommended Methodology

Adopt the Qualifying Capacity counting method
and incentive based on CEC proposal

Ex Ante Capabilities:



Ex Post Impacts:





Future Considerations



Penalty Implementation

- CPUC recommended to implement
- May be appropriate for California ISO to implement if appropriate alternative to RAIM is adopted



Supplemental Reporting Requirements

- CPUC may desire additional documentation of resource capabilities



California ISO Actions

- Exempt DR from RAIM

RAAIM = Resource Adequacy Availability Incentive Mechanism